

**KYC PROCEDURES**  
**&**  
**RBI ANTI- MONEY LAUNDERING GUIDELINES**

**Private & Confidential**

**UAE EXCHANGE & FINANCIAL SERVICES LTD**

# Know Your Customer Procedures

## PREFACE

Money Laundering is the process of concealing financial transactions to make illegitimate money, derived from illegal activities such as embezzlement/ corruption/ illegal gambling/ terrorism/ organized crime, appear legitimate.

Its main objective is to hide the true source of illegal proceeds and make them legally usable, by converting them into legitimate money through a series of financial transactions. Technological advancements have helped money launderers adopt innovative means to transfer funds faster across continents making detection and preventive action more difficult. The attempted misuse of the financial system for perpetration of frauds has been recognized globally as a major problem that needs to be continuously tackled at every level in a dynamic manner.

As a Responsible Company, we, at UAE Exchange and Financial Services Ltd consider it our moral, social and economic responsibility to prevent the misuse of the financial system for laundering proceeds of criminal activities and to coordinate the global war against money laundering. Our role in curbing this global reality begins with stringent Know Your Customer procedures.

Imbibing the true spirit behind the international financial community's resolve to fight money laundering, UAE Exchange and Financial Services Ltd has resolved to conduct day - to - day business with due skill, care and diligence and seek to always comply with both the letter and spirit of relevant laws, rules, regulation, codes and standards of good practices.

In the light of the guidelines received from Reserve Bank of India and based on earlier experiences by the financial community, a standardized and uniform policy framework has been adopted to ensure appropriate customer identification and monitoring of unusual/ suspicious transactions on an ongoing basis.

We prohibit all payments of remittances to charitable and religious organisations and trade related remittance. We also aim to promptly address any irregularities that may arise and believe in transparency of our financial and regulatory reporting with swift disclosure of any breaches, if any.

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## **MONEY TRANSFER**

### **1 Identification of the Customer**

- 1.1 Before effecting a transaction, the staff should confirm the identity of the customer with the help of any valid photo identity card /document that helps in such identification.
- 1.2 The customer should produce the above documents in original and staff has to ensure its genuineness.
- 1.3 Inspection of all documents should be carefully done. The photo, name, signature, expiry date, etc. given in all the documents and papers should be carefully checked.
- 1.4 Every time the staff should ask for the original identity of the customer and counter check the same with the information available in the customer database.
- 1.5 The customer, the concerned staff and the cashier are required to sign (Full Signature) the application to execute any transaction. **"No Signature No Transaction"** shall be the thumb rule.

### **2 Registering Your Customer**

- 2.1 UAE Exchange and Financial Services Ltd insist on a valid identification from its customers to avail Money Transfer payments.
- 2.2 Regular customers are registered and identified with a Customer Reference Card having a Unique Number.
- 2.3 All transactions with the registered customers will be linked to the "Unique Customer Number".

The History of the transactions done by any customer can be accessed at any point of time for scrutiny.

### **3 Transaction Form Filling**

- 3.1 Individual customer shall fill in the prescribed form (Receive Now Form for Xpress Money and Receive Form for Money Gram).

For one-time customers, copy of a valid ID is compulsorily taken to avail the service. For regular customers, Customer Reference Card is compulsory.

- 3.2 Modifications or Additions in the Receive Now form shall be done at the respective branches by a specially designated person following prudent procedures.
- 3.3 The formats shall be signed (Full Signature) by the customer in the presence of the designated officer of UAE Exchange and Financial Services Ltd.

### **4 Large Value Transactions**

- 4.1 Customer, whether registered or not, have to declare details such as Purpose of Remittance and give the details of the Sender.
- 4.2 Maximum amount allowed under a single transfer is USD 2500/-.
- 4.3 The maximum number of transactions an individual can receive in a calendar year is now fixed at twelve per principal.
- 4.4 The purpose of remittance has to be for domestic use / family maintenance. Remittances for other purposes like trade or commercial, charitable trust, donation etc. are not allowed.
- 4.5 The branches shall ensure to take a declaration from the beneficiaries confirming the above purpose and number of transaction.
- 4.6 The maximum amount a beneficiary can collect in cash in a day is Rs. 50,000/-. More than one transaction shall not be paid to a single beneficiary in cash in a day. Any payment above Rs. 50,000/- shall be affected by A/C payee cheque for the whole amount.

## **RBI ANTI-MONEY LAUNDERING GUIDELINES FOR AMCs**

### **MONEY CHANGING BUSINESS**

Reserve Bank of India has brought out detailed Anti-Money Laundering (AML) Guidelines to enable the AMCs to put in place the policy framework and systems for prevention of money laundering while undertaking money changing transactions.

In view of the increased concerns regarding money laundering activities and to prevent the company from being misused by such activities, UAE Exchange & Financial Services Limited has formulated the suitable policies and procedures in this regard. This policy framework on "Know Your Customer" and Anti Money Laundering measures has been put in place with the approval of the Board of Directors on 01.03.2006.

### **MONEY LAUNDERING**

Money Laundering is a process by which money or other assets obtained as proceeds of crime are exchanged for "clean money" or other assets with no obvious link to their criminal origins.

The offence of Money Laundering has been defined in Section 3 of the Prevention of Money Laundering Act, 2002 (PMLA) as "whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering."

### **ANTI-MONEY LAUNDERING MEASURES**

The purpose of the Anti-Money Laundering measures is to prevent the system of the company engaged in the purchase and / or sale of foreign currency notes / Travelers Cheques from being used for money laundering. Therefore, Anti-Money Laundering (AML) measures formulated includes:

1. Customer Identification Procedure – "Know Your Customer" norms.
2. Recognition, handling and disclosure of suspicious transactions
3. Appointment of Money Laundering Reporting Officer (MLRO)
4. Staff Training
5. Maintenance of Records
6. Audit of Transactions

The AML Guidelines is applicable to our company and mutatis mutandis to all franchisees of AMCs and it is the sole responsibility of our company to ensure that our franchisees also adhere to the AML Guidelines.

#### **1. "KNOW YOUR CUSTOMER" norms**

All transactions should be undertaken only after proper identification of the customer. Photocopies of Proof of Identification should invariably be retained by the AMC after verifying the document in original. Full details of name and address as well as the details of the identity document provided should also be kept on record. If a transaction is being undertaken on behalf of another person, identification evidence of all the persons concerned should be obtained and kept on record.

### **Encashment of Foreign Currency Notes and/or Travelers Cheques:-**

- a) For purchase of foreign exchange less than US \$200 or its equivalent  
Photocopies of the identification document need not be kept on record. However, full details of the identification document and contact details should be maintained in the encashment certificate.
- b) For encashment of foreign exchange from US \$200 onwards or its equivalent  
Valid photo identification is compulsory and the photocopies of the identification document should be maintained.
- c) Currency Declaration Form  
Where the amount of Forex tendered for encashment by a non-resident or a person returning from abroad exceeds the limits prescribed for Currency Declaration Form (CDF), the same should invariably insist for production of declaration in CDF.

As against the provisions to make cash payments while providing encashments upto US \$1000 or its equivalent, **the amount has been increased to US \$2000 while providing encashments to NRIs/Foreigners.** The earlier limit of USD 1000 stands as it is while providing encashments to residents.

All encashment within one month may be treated as single transaction for the purpose. In all other cases AMC's should make payment by way of "Account Payee" cheque/demand draft only.

### **Sale of foreign exchange, irrespective of the amount involved**

The sale of Forex should be made only on personal application and identification.

For identification purpose, the passport of the customer should be insisted upon.

Payment in excess of Rs. 50,000/- towards sale of foreign exchange should be received only by account payee cheque/demand draft. All purchases by a person within one month may be treated as single transaction for the purpose. Encashment Certificate, wherever required, should also be insisted upon.

### **Establishment of Business Relationship**

Relationship with a business entity like a company / firm should be established only after obtaining and verifying suitable documents in support of name, address and business activity such as Certificate of Incorporation under the Companies Act, 1956, MOA and AOA, Registration Certificate of a firm (if registered), Partnership deed, etc.

A list of employees who would be authorized to transact on behalf of the company/firm and documents of their identification together with their signatures, should also be called for.

Copies of all documents called for verification should be kept on record.

## **2. RECOGNITION AND REPORTING OF SUSPICIOUS TRANSACTIONS**

Staff should be always vigilant against money laundering transactions at all times. A transaction may be of suspicious nature irrespective of the amount involved.

### **Recognition**

Some possible suspicious activity indicators are given below:-

- o Customer is reluctant to provide details/documents on frivolous grounds

- The transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or hide their involvement
- Large cash transactions
- Size and frequency of transactions is high considering the normal business of the customer
- Change in the pattern of business transacted.

The above list is only indicative and not exhaustive.

When the staff comes across a suspicious transaction, they should

1. Ask questions about the source of funds and other details
2. Check the Identification documents carefully
3. Report immediately to the MLRO

### **Reporting of Suspicious Transactions**

To the extent possible, all suspicious transactions should be reported to the MLRO before they are undertaken. Full details of all suspicious transactions, whether put through or not, should be reported, in writing, to the MLRO. Any transaction which seems suspicious may be undertaken only with prior approval of MLRO. If the MLRO is reasonably satisfied that the suspicious transaction has / may have resulted in money laundering, he should make a report to the appropriate authorities viz. the FIU.

### **3. APPOINTMENT OF A MONEY LAUNDERING REPORTING OFFICER (MLRO)**

An MLRO is appointed by the Company for monitoring transactions and ensuring compliance with the AML Guidelines issued by the Reserve Bank from time to time. The MLRO will also be responsible for reporting of suspicious transaction/s to the Financial Intelligence Unit (FIU). Any suspicious transaction/s, if undertaken, should have prior approval of MLRO.

The MLRO shall have reasonable access to all the necessary information/documents, which would help him in effective discharge of his responsibilities.

The responsibility of the MLRO may include:

- Putting in place necessary controls for detection of suspicious transactions.
- Receiving disclosures related to suspicious transactions from the staff or otherwise.
- Deciding whether a transaction should be reported to the appropriate authorities
- Training of staff and preparing detailed guidelines / handbook for detection of suspicious transactions.
- Preparing annual reports on the adequacy or otherwise of systems and procedures in place to prevent money laundering and submit it to the Top Management within 3 months of the end of the financial year.

### **4. STAFF TRAINING**

All the managers and staff must be trained to be aware of the policies and procedures relating to prevention of money laundering, provisions of the PMLA and the need to monitor all transactions to ensure that no suspicious activity is being undertaken under the guise of money changing.

The steps to be taken when the staff come across any suspicious transactions (such as asking questions about the source of funds, Checking the Identification documents carefully, reporting immediately to the MLRO, etc.) should be carefully formulated by the

AMC and suitable procedure laid down. The AMC should have an ongoing training programme for consistent implementation of the AML measures.

## **5. MAINTENANCE OF RECORDS**

The following documents should be preserved for a minimum period of ten years.

- Records including identification obtained in respect of all transactions.
- Statements/Registers prescribed by the Reserve Bank from time to time
- All Inspection/Audit/Concurrent Audit Reports
- Annual Reports of the MLRO submitted to the Top Management on the adequacy or otherwise of systems and procedures in place to prevent money laundering.
- Details of all suspicious transactions reported in writing or otherwise to the MLRO.
- Details of all transactions involving purchase of foreign exchange against payment in cash exceeding Indian Rupees 10,00,000 from interrelated persons during one month.
  
- All correspondence / reports with the appropriate authority in connection with suspicious transactions.
- References from Law Enforcement Authorities, including FIU, should be preserved until the cases are adjudicated and closed.

## **6. AUDIT OF TRANSACTIONS**

The Concurrent Auditor should check all transactions to verify that they have been done in compliance with the anti-money laundering guidelines and have been reported as required. Compliance on the lapses, if any, recorded by the concurrent auditor should be put up to the Board. A Certificate from the Statutory Auditor on the compliance with AML guidelines should be obtained at the time of preparation of the Annual Report and kept on record.

## **7. REGISTRATION**

All money changing transactions shall be carried out with due diligence as prescribed by the RBI and other laws in force.

In the case of other money changers, the branches shall ensure that their licence is valid, officials transacting business are authorized and all payments are made only through Crossed Account Payee cheques.

## **GENERAL**

### **01     Reporting of Suspicious Transactions**

- 1.1 Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith:
- a. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
  - b. Appears to be made in circumstances of unusual or unjustified complexity; or
  - c. Appears to have no economic rationale or bona fide purpose;
- 1.2 It is the duty of all staff to report suspicious and unusual transactions to the Reporting Officer through Branch Manager under copy to the Regional Manager.
- 1.3 Failure to report suspicious and unusual transaction to the Reporting Officer, as prescribed, shall attract legal and disciplinary action.
- 1.4 Reporting Officer shall investigate and forward the "STR" (Suspicious Transaction Report) to relevant authorities in writing or by fax or electronic mail within the stipulated period. A copy of the same shall be retained by the Reporting Officer for the purpose of official records.

### **02     Monitoring and Control**

- 2.1 All relevant reports of all Inward Remittance transactions and Money Exchange transactions has to be generated at day end at all the branches. Branch Manager shall scrutinize this report on daily basis, duly sign for having verified them and preserve this documentation for ten years from date.
- 2.2 Branch Head is appointed at every outlet. The Branch Head shall be responsible for the execution and implementation of the Regulations issued by the Reserve Bank of India and our Anti Money Laundering policies & Procedures. These Officers shall also be responsible for reporting any suspicious transactions directly to the Reporting Officer. They shall take instructions from the Reporting Officer and shall report to him on all matters regarding compliance.
- 2.3 The Concurrent Auditor of the company shall in their monthly audit report mention on the efficacy of the implementation of the policy, procedures and control.

### **03     Record Keeping**

- 3.1 The objective of record keeping is to ensure that we are able to provide the basic information about customer and to reconstruct the individual transactions undertaken at the request of the relevant authorities at any given time.
- 3.2 The record must contain the following information: (a) nature of Transaction, (b) amount of the transaction and the currency in which it was denominated (c) date on which the transaction was conducted and (d) parties to the transaction.

- 3.3 Transaction records should be kept for a minimum period of ten years and made available to the relevant authorities as and when demanded.
- 3.4 Registration documents should be kept at least for a period of ten years after the last known transaction with the company.
- 3.5 The documents may be retained in original or stored on microfilm or in the computer at the respective branches.
- 3.6 The KYC procedures shall also apply to our sub-agents and franchisees.

#### **04 New Staff Recruitment Procedure**

- 4.1 The H R Department will check the antecedences of all new employees by checking their references. They will also perform background checks on all past and present employees of UAE Exchange and Financial Services Ltd.
- 4.2 AML Compliance Undertaking will be taken from each and every employee of the Company which shall be witnessed by the Branch Head.

#### **05 Training**

- 5.1 Training for all employees of UAE Exchange and Financial Services Ltd shall be conducted periodically.
- 5.2 A meeting of Regional Heads shall be held once in a quarter to discuss training methods, procedures, policies as well as compliance procedures.
- 5.3 During all trainings, the employees shall be communicated of their responsibility as per the law in force regarding obtaining sufficient evidence of identity, recognizing and reporting knowledge or suspicion of money laundering and terrorists financing.
- 5.4 The employee shall always be trained on the potential effect on the Company, on its employees and customers if there is any breach of law or regulations.
- 5.5 The Administrative Office is also required to maintain records showing the dates when Anti-Money Laundering training has been given, the nature of the training and the names of the staff who have received the training.
- 5.6 An intranet website on AML to share ideas, experiences and case studies is in place. MoneyGram Compliance Manual and Xpress Money AML Policy have also been hosted. All members of staff are required to frequently browse the website and update their knowledge and skills.

#### **06 Privacy Policy**

UAE Exchange and Financial Services Ltd shall be committed to respect and protect the privacy of its customers. The personal information about our customers provided on transaction forms and applications forms are for facilitating customers' transactions. Any such information collected from the customer shall be in possession with the company and shall be kept confidential. It shall be passed on to a statutory body only in accordance with the existing laws.

##### **What we collect**

The types of personal information that we shall collect include: name, address, and telephone number. For money transfer, we shall also collect other identification documents such as Passport, Work Permit, Driving License, etc. and also purpose of transfer and source of income/ transfer.

**How we use it**

UAE Exchange and Financial Services Ltd shall use the personal information it collects to complete the transactions and to deal with any problems that may arise in affecting the transaction, to ensure good service and prevent fraud and abuse.

**Whom we share it with**

UAE Exchange and Financial Services Ltd, shall not sell, rent, lease or exchange customer information with others. Customer identification information may be disclosed to our parent corporation and our agents for processing the transactions. We shall also disclose certain information as required or permitted under applicable law to government agencies, investigating or regulatory authorities etc.

**Accuracy and Access**

UAE Exchange and Financial Services Ltd, maintains the personal information it has collected for a period of time as required by regulatory authorities and will provide the customer with access to his/her information, to update or correct their information. To protect customer privacy and security, we shall also take responsible steps to verify customer's identity before granting access or enabling the customer to make corrections.

**Security**

UAE Exchange and Financial Services Ltd is committed in ensuring the security of the customers' information. To prevent unauthorized access or disclosure, maintain data accuracy and ensure the appropriate use of information, we have put in place appropriate physical, electronic, and managerial procedures to safeguard and secure the information we collect.

**07 Compliance Organization**

- 7.1 The Branch Heads or the Branch In-charge shall be deemed as the Branch Compliance Officer and s/he shall ensure that in the day to day operations, all the compliance instructions shall be strictly adhered to. Any deviation shall be brought to the attention of the Compliance Officer at the Administrative Office.
- 7.2 There shall be an independent compliance officer to monitor and coordinate the compliance issues of the Company at Administrative Office.

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