

KYC PROCEDURES

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RBI ANTI- MONEY LAUNDERING GUIDELINES

MONEY CHANGING BUSINESS

Private & Confidential

UAE EXCHANGE & FINANCIAL SERVICES LTD

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 AMCs 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:-

- 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.