

**UAE Exchange, India  
AML/CFT/KYC  
Policy –2015  
Money Changing  
Business**

**UAE XCHANGE**<sup>®</sup>  
Service is our Currency



**First Edition- 2010  
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Revised Fourth Edition- 2015**



# Foreword

KYC is the process of due diligence to be undertaken by financial institutions/intermediaries to identify and locate an entity or individual to ensure that the financial transactions are not part of money laundering or terrorist financing. The process involves (a) identification of the customer with reference to some valid photo identification document and (b) address proof of the customer where he generally resides and is available in case of need.

KYC procedure also enables us to know/understand our customers and their financial dealings better, which in turn help us to manage our risks prudently.

**V George Antony**  
Managing Director



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## 1. Introduction

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**Our**

Company, UAE Exchange and Financial Services Limited India, has been holding an Authorised Dealer - Category II license from Reserve Bank of India (the "RBI") since 28th September, 2006 and as on date money changing facilities are being provided from a network of branches and agents.

RBI had for the first time issued guidelines on Know Your Customer (KYC) norms and Anti-Money Laundering (AML) vide its AP (DIR.Series) Circular No.18 dated 2nd December, 2005. Subsequently, based on the feedback received from various quarters, it had made certain relaxations by way of amendments vide its Circulars AP(DIR.Series) Nos.39, 14 and 4 dated 26th June, 2006, 17th October, 2007 and 3rd March, 2009 respectively.

RBI vide AP (DIR. Series) Circular No.15 dated 19th November, 2009 had notified the amendments carried out to the Prevention of Money Laundering Act, 2002 (the "PMLA") vide Prevention of Money Laundering (Amendment) Act,2009. The said amendment which came into effect from 1st June, 2009 had brought all Authorised Persons within the definition of "Financial Institutions" whereby all entities providing money changing and money transfer business were brought within the ambit of the provisions of PMLA.

Subsequently, RBI in terms of sub-rule 7(i) of Government of India Notification No.G.S.R.816 (E) dated 12.11.2009, published detailed guidelines on KYC/AML/ CFT vide its AP (DIR.Series) Circulars 17 and 18 both dated 27th November, 2009 for money changing/money transfer business. The said Circulars also mandated all Authorised Persons to:

1. Have a revised Policy framework on KYC/AML/CFT
2. Prepare Customer Acceptance Policy/Customer Identification Procedure
3. Appoint Principal Officer in place of MLRO
4. Place before the Board of Directors compliances on lapses, if any, reported by the Concurrent Auditors.

In compliance with the guidelines of RBI, the Board of Directors of the Company in their meeting held on 15th March, 2010 had approved revised detailed policy framework on KYC/AML/CFT including various administrative matters to be put in place.

Subsequently, RBI had issued AP (DIR.Series) Circulars relating to amendments/relaxations to KYC/AML/CFT instructions and also operational instructions.

In the light of the developments that had taken place subsequent to 15th March,2010, the Board of Directors of the Company reviewed the existing policy framework on KYC/AML/CFT and were satisfied that the Company had followed the instructions issued by RBI subsequently as well. The Board of Directors in their meeting held at Bangalore on 5th September 2015, revised the existing policy frame work on KYC/AML/CFT taking into consideration the instructions issued by RBI up to 01.07.2015.

The revised policy framework on KYC/AML/CFT of the Company is as under :

## 2. Objectives, Scope and Application of the Policy:

The primary objective of the Policy is to prevent our branch/franchisee network from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Purposes proposed to be served by the Policy are:

- (i) To prevent criminal elements from using our branches and franchisee for money laundering activities
- (ii) To enable the branches and franchisee to know/ understand the customers and their financial dealings better which, in turn, would help to manage risks prudently
- (iii) To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- (iv) To comply with applicable laws and regulatory guidelines.
- (v) To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

This Policy is applicable to all branches/offices and franchisee of UAE Exchange and Financial Services Ltd and has to be read in conjunction with related operational guidelines issued from time to time.

## 3. Definition of Customer

For the purpose of KYC policy, a 'Customer' is defined as:

A person who undertakes occasional/regular transactions

An entity that has a business relationship with us

One on whose behalf the transaction is made (i.e. the beneficial owner)

## 4. Money Laundering

### i. Definition of Money Laundering as per Sec.3 of PMLA, 2002

Section 3 of the Prevention of Money Laundering Act, 2002 defines offence of money laundering as under:

*"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."*

### ii. Different stages involved in money laundering are

(a) Placement (b) Layering and (c) Integration.

#### a. Placement:

The first stage is successfully disposing of the physical cash received from illegal activity. Money laundering is a "cash-intensive" business, generating vast amounts of cash from illegal activities. The monies are placed into the financial system or retail economy or are smuggled out of the country. The aims of the Launderer are to remove the cash from the location of acquisition so as to avoid detection by the authorities and then to transform it into other asset forms.





**b. Layering:**

In the course of layering, there is an attempt at concealment or to disguise the source of ownership of the funds by creating complex layers of financial transactions also designed to disguise the audit trail and provide anonymity. The purpose of layering is to disassociate the illegal monies from the source of the crime by intentionally creating a complex web of financial transactions aimed at concealing any audit trail as well as the source and ownership of funds.

**c. Integration:**

The final link in money laundering process is called the integration stage. It is this stage at which the money is integrated into the legitimate economic and financial system and is assimilated with all other assets in the system. Integration of the "cleaned" money into the economy is accomplished by the Launderer making it appear to have been legally earned. By this stage, it is extremely difficult to distinguish legal and illegal wealth.

KYC/AML/CFT policy of the Company aims to prevent money laundering while undertaking money changing business. The RBI guidelines on KYC/AML/CFT policy broadly defines the categories of persons who qualify as 'customer', as under:

- (a) A person who undertakes occasional/regular transactions
- (b) An entity that has a business relationship with the Authorised Person
- (c) One on whose behalf the transaction is made (i.e. the beneficial owner)

## 5. Guidelines

### 5.1 General

The Company will ensure that the information sought for from the customers is not intrusive but relevant to the perceived risk and strictly in conformity with the RBI guidelines. Unwanted/ irrelevant information will be avoided. Additional information, if any, will be obtained from the customer, wherever necessary, but with the customers' consent. The information obtained shall not be divulged for cross selling or any other purposes and the confidentiality of the information collected shall be maintained at all times.



## 5.2 KYC Policy of the Company

KYC is the process of due diligence to be undertaken by financial institutions intermediaries to identify and locate an entity or individual to ensure that the financial transactions are not part of money laundering or terrorist financing. The process involves

- (a) identification of the customer with reference to some valid photo identification document and
- (b) address proof of the customer where he generally resides and is available in case of need.

KYC procedure also enables us to know/understand our customers and their financial dealings better which in turn, help us to manage our risks prudently.

The KYC policy of the Company has been framed incorporating the following 4 key elements, as mandated by the RBI:

- (a) Customer Acceptance Policy;
- (b) Customer Identification Procedures;
- (c) Monitoring of Transactions; and
- (d) Risk Management.

## 5.3 Customer Acceptance Policy (CAP) of the Company

Father of our Nation Mahatma Gandhi had said:

“A customer is the most important visitor on our premises.  
He is not dependent on us; we are dependent on him.  
He is not an interruption in our work; he is the purpose of it.  
He is not an outsider in our business; he is a part of it.  
We are not doing him a favour by serving him; he is doing us a favour  
by giving us an opportunity to do so.”

The Company attaches much importance to customer service as it is basically placed in a service oriented industry. The prime aim of the company is to provide world class service to its customers. The Company is aware of the fact that any shortfall in providing customer service would affect its brand image and reputation in the market. Our policy will not be too restrictive leading to denial of money changing services to the general public and resultant harassment thereof. Major thrust will be on obtaining compliance from customers. All the customers who comply with the Company's requirements, will be required to submit the requisite documents and also make themselves/records acceptable to the Company available for due diligence. The Customer Acceptance Policy has been framed in such a way that it is non-discriminative and in keeping with the spirit behind the guidelines of RBI. Our policy will always be customer friendly and we will not look at each and every customer with suspicion; but will be alert to detect suspicious transactions. We will not be bound to undertake transactions if we are unable to undertake customer due diligence or obtain documents required as per the risk categorization due to the non-co-operation of the customer or non-reliability of the data/information furnished by the customer.

Enhanced due diligence will be conducted when dealing with Politically Exposed Persons, the detailed procedure for which has been set out, under a separate paragraph below.

**The Company's Customer Acceptance Policy for money changing activities will always be based on the following:**

- (a) The Company shall not conduct transactions in anonymous or fictitious/benami names and all transactions shall be put through only against:
  - i. Personal application and
  - ii. Personal identification of each customer provided the application is



accompanied by valid identification document(s) and also the address proof/other necessary supporting documents.

- (b) The Company shall not undertake any transaction where it is unable to verify the identity and / or obtain documents as per risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to it. Further, in cases where we are unable to determine the true identity of the customer, we shall file an STR with the FIU.
- (c) Whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, we shall carry out full scale customer due diligence before undertaking any money changing transaction.
- (d) The Company shall not conduct transactions in cases where the identity of the customer matches with any person with known criminal background or with banned entities such as individual terrorists or terrorist organisations etc. whose name appear in the list/s published by RBI from time to time.
- (e) Our customers are of the following 3 types:
  - (i) **Long-term customers:** - those who have been dealing with the Company on a regular basis and with whom we have built up relationship over a period of time and whose identity and source of wealth can be easily ascertained
  - (ii) **Introduced customers:** - those who have been introduced to us by persons/ entities known to us such as our franchisees, referral/commission agents, travel agents etc.
  - (iii) **Walk in customers:** - the walk in customers are general/first time customers who are categorized for risk as (a) from countries which are FATF Regulations compliant (b)customers from countries which are yet to comply with (Financial Action Task Force) FATF requirement, (c) Politically Exposed Persons (d) Non-residents (e) High Net worth Individual (f) trusts (g) Charitable institutions (h) companies having close family shareholding or beneficial ownership (i) Firms with "Sleeping" Partners (j) non face to face customers (k) persons with dubious reputation as per public information available.
- (f) The adoption of Customer Acceptance Policy and its implementation shall not be too restrictive resulting in the denial of money changing facilities to general public.

**Based on the above, the risk category of our customers is as under:**

Type	Nature of the Customer	Risk
(i)	Long terms Customers	Low
(ii)	Introduced Customers	Medium
(iii)	Walk in Customers	High

Enhanced Due Diligence shall be applied to the high risk customers.

**The above parameters are only indicative. The risk perception will vary from customer to customer and will among other things, depend upon**

- (a) Nature of the business activity
- (b) Location
- (c) Frequency of transaction
- (d) Volume of transaction
- (e) Mode of payments
- (f) Social/financial standing etc.

Each transaction will be analysed on a case to case basis keeping in mind the various factors as above. The risk perception will be reviewed from time to time based on which the customers may move from one category to another and the same will be updated in our system/records.

The dealings with the Politically Exposed Persons and countries which are yet to comply with the FATF requirements with regards to money laundering measures etc. will be handled at the level of Principal Officer/ Alternate Principal Officer, who will be operating from our Head Office, as they all fall under High Risk category, irrespective of the amount of transaction.

### **Customer Profile**

As per the instructions of RBI, a profile of each customer with whom a business relationship is established, has to be prepared. Our customers being walk-in clients, we have transaction based accounts rather than account based transactions as done in banks. Accordingly it may not be possible to prepare a detailed profile of customers who undertake only a single transaction with us. However, a brief customer profile containing information relating to customer's identity, address, contact details, PAN Card number, marital status, occupation, source of funds, income range, frequency of travel, social/financial status, nature of business activity, clients business, locations etc. shall be maintained. The nature and extent of due diligence will, among other things, depend upon the risk perceived by us and the customers will also be categorized accordingly. Updating the profiles of customers will be an ongoing and continuous process and will be conducted depending upon the risk categorization of the customer as well as changes, if any, in the data reported by the customer. All details provided and included in the customer profile will be confidential and shall not be divulged by the Company for cross selling or any other purposes.

We will seek only the information which is relevant and keep such information in strict confidence. We are using software programs to provide alerts based on risk indicators and /or inconsistent with the risk categorization and updated profile of the customers, in order to identify and report the transaction of suspicious nature.

### **Risk Categorisation**

Based on their profile, the customers will be categorized as

- (a) Low Risk
- (b) Medium Risk
- (c) High Risk

#### **Low Risk Customers**

The customers who have been dealing with us regularly and with whom we have built up relationship over a period of time and whose sources of wealth can be easily identified.



## Medium Risk Customers

Depending upon the background, nature and location of activity, country of origin, sources of funds etc. the customers will be categorized as Medium Risk. Most of these customers will be those who are referred/introduced to us or persons known to us such as our franchisees, commission agents, travel agents, etc but not dealing with us regularly.

## High Risk Customers

NRIs, HNIs, trusts, charitable organisations, NGOs, organizations receiving donations, customers from countries that do not or insufficiently apply the FATF standard, sleeping partners, companies having close family shareholding or beneficial ownership, politically exposed persons, customers with dubious reputation as per public information, non-face to face customers, customer with outstation permanent address, etc. will be categorized as High Risk customers. Such customers will be subject to additional enhanced due diligence.

### *Note:*

*The risk categorization will be reviewed on an ongoing basis and it is not necessary that the customers will remain in the same risk category. Based on such reviews, the customers may move from one category to another which will get updated in our system/records. The KYC updation will be required to be done at least every ten years for low risk customers, eight years for medium risk customers and two years for high risk customers.*

## 5.4 Customer Identification Procedure (CIP)

Each transaction will be through only after personal identification of each customer. The customers will have to come to our counter for putting through the transactions and in exceptional cases, the authorised official of the company may provide the service at the door step of the customer i.e. either at his/her office or residence.

## Documents

Documents to be obtained, verified and retained by the Company for customer identification shall be as follows:

- a. For customers that are natural persons, the Company shall require sufficient identification data to verify the identity of the customer, his/her address/location, and also his/her recent photograph.
- b. For customers that are legal persons or entities, the Company shall:
  - (i) verify the legal status of the legal person/entity through proper and relevant documents;
  - (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorised and identify and verify the identity of that person; and
  - (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

However, additional documents may be obtained by the Company for enhanced customer due diligence. A copy each of the documents, duly signed, by the customer (self-certified) will be kept on record and preserved for the period prescribed under PMLA from the date of cessation of the transaction between the customer and the Company.

While permitting a person to act on behalf of another person/entity, the Company shall identify the beneficial owner as provided for in Rule 9 (1A) of PMLA Rules, 2005 and take all reasonable steps to verify his identify. For this purpose, a copy of the ID/ address proof

of the beneficial owner would be obtained and also the ID/address proof of the person acting on behalf of the beneficial owner i.e. the third party. Further, a third party confirmation letter would be insisted upon.

## **Individuals**

The customer will be required to fill in a prescribed form, sign the same in the presence of the authorized officials of our Company and the application should be accompanied by duly signed photo copies of any one of the supporting identity documents such as Passport, PAN card, voter's identity card, driving license, Aadhaar card, letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company. The other photo IDs acceptable to the Company are photo ID Cards issued by Governments/Banks to their retired employees, Senior Citizen Cards issued by local bodies such as Municipal Corporations/Municipal Councils etc. Besides, for address proof, the customer shall produce in original Telephone Bill, Bank Account Statement, Ration Card, Letter from Employer etc. The original documents will be returned after verification. The Company shall not insist on separate address proof, where the photo ID document submitted by the customer also bears the address and the customer declares that the address on the photo ID is his/her current permanent address.

For sale of foreign exchange, valid Passport in original, alone shall be the identification document. The customer identification procedure will also involve due diligence of the customer by way of enquiring about his activities, nature of business/profession, status in the society, frequency of travel, sources of funds etc. All details of the customer will be fed into our Computer system besides preserving hard copies of the documents. In case of foreign tourists, copies of passport containing identification particulars and address shall be accepted for both identification and address. Further a copy of the VISA of non-residents, duly stamped by immigration authorities shall also be obtained by the Company and kept on record.

### **5.5 Officially valid document (OVD)**

OVD means the passport, the driving licence, the Permanent Account Number(PAN) Card, the Voter's Identity Card, job card issued by NREGA, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar Number or any other document as notified by the Central Government in consultation with the Regulator.

### **5.6 E- KYC**

In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, the company introduced the e-KYC service launched by UIDAI. Accordingly, it has been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference") may be treated as an 'Officially Valid Document' under PML Rules. While using e-KYC service of UIDAI, the company has to authorize the UIDAI, by explicit consent, to release her or his identity / address through biometric authentication to the branches. The UIDAI then transfers the data of the customer comprising name, age, gender, and photograph of the individual, electronically to our branches, which may be accepted as an 'Officially Valid Document'.

## **Guideline for doorstep forex service**

1. The company shall deliver foreign currency notes, coins and foreign TCs at the doorstep of their regular clients where a business relationship is established.
2. The transaction should be undertaken only at the request of the customer.



3. All the KYC/AML/CFT requirements are strictly adhered to.
4. The processing and accounting of the transaction should take place in the branch office only.
5. The transaction is supported by necessary documents for value received.
6. While delivering TCs, buyer's signature on the TCs must be ensured.
7. While delivering pre-paid card, the customer should be present and submit the KYC with application form.
8. The delivery of the forex is done by authorised officials of the company only.

## 6. Legal Entities

In the case of legal persons i.e. entities such as Companies/Firms etc. the customer Identification Programme will involve obtaining copies of documents or information in support of their existence such as:

### A. Corporates

#### Information:

- (i) Name of the corporate;
- (ii) Principal place of business;
- (iii) Mailing address of the corporate;
- (iv) Telephone/Fax Number.

#### Certified copy each of the following documents:

- (i) Certificate of incorporation;
- (ii) Memorandum & Articles of Association
- (iii) Copy of the licence under the Shops & Establishments Act
- (iv) List of officials with names, designation and signatures authorized by the Managing Director / Chief Financial Officer of the company to conduct forex transactions on behalf of the company
- (v) PAN Card
- (vi) Telephone Bill.

### B. Partnership Firms

#### Information:

- (i) Legal name;
- (ii) Address;
- (iii) Names of all partners and their addresses;
- (iv) Telephone/ Fax numbers of the firm and partners.

#### One certified copy each of the following:

- (i) Registration certificate, if registered
- (ii) Partnership deed
- (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney, their addresses and their signatures
- (v) Telephone bill in the name of firm
- (vi) Copy of the license under the Shops & Establishments Act
- (vii) PAN Card of the Firm/Partners

## C. Trusts and Foundations

### Information

- (i) Names of trustees, settlers, beneficiaries and signatories;
- (ii) Names and addresses of the founder, the managers/ directors and the beneficiaries;
- (iii) Telephone/ Fax numbers.

### One certified copy of each of the following :

- (i) Registration certificate, if registered;
- (ii) Power of Attorney granted to transact business on its behalf;
- (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses;
- (iv) Resolution of the managing body of the foundation/ association;
- (v) Telephone bill.

## Close Relatives

In the case of close relatives i.e. wife, son, daughter, father etc. it may not be possible to obtain address proof of the person if he/she is staying with his/her close relative. In all such cases, the address of such close relative along with his/her photo ID/address proof and a declaration to the effect that the customer (person availing our services) is their close relative and is staying with them will be obtained.

We will obtain copies of IDs/address proof as are required for individuals, as set out hereinabove and the customer details will be updated from time to time in case of continuing business relationship.

## 7. Purchase of foreign exchange from Customers (Encashment)

### Types of ID Document

RBI vide its Master Circular on Memorandum of Instructions governing money changing activities dated July 01, 2015, as updated from time to time, has prescribed different types of IDs for encashment of foreign exchange from the customers and the type of ID varies depending upon the amount of forex tendered for encashment.

For purchase of foreign currency, Travel Card and/or Travellers' Cheques from customers for an amount less than Rs.50,000, photocopies of any identification document is not required. However, full details of the identification documents shall be maintained. If the Company believes that any customer is intentionally structuring a transaction into a series of transactions below the limit of Rs. 50,000, we will again verify the identity and address of the customer and also consider filing of an STR with the FIU.

For purchase of foreign currency notes Travel card and/or Travellers Cheques above Rs. 50,000 from the customer, the Company will insist on the customer to submit any one of the valid photo ID documents such as passport, pan card, voter's id, driving license, Aadhaar card, identity card subject the Company' satisfaction, letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company and for identification of address proof documents such as telephone bill, bank account statement, electricity bill, ration card, letter from employer subject to the satisfaction of the Company for address proof and such other documents as the Company may deem appropriate. However, in the case of foreign tourists, copies of passport containing identification particulars and address may be accepted as documentary proof for both identification as well as address. Further, a copy of the visa



of non-residents, duly stamped by Indian Immigration authorities may also be obtained and kept in record. However, where passport does not contain any address and foreign tourists are not able to produce any address proof, APs may obtain and keep on record, a copy of passport and the VISA duly stamped by the Indian immigration authorities and a declaration duly signed from the foreign tourists regarding the permanent address.

In case the photo ID submitted by the customer also contains his/her address and the customer declares that the address on such photo ID is his /her current permanent address, the Company shall not insist for a separate address proof.

If any customer is unable to submit the type of ID prescribed by RBI, we will accept any other ID subject to our satisfaction and RBI's instructions in this regard.

## **Payment of Encashment value**

RBI has vide its Master Circular on Memorandum of Instructions governing money changing activities dated July 01, 2015, as updated from time to time placed limits for payment of encashment value in CASH depending upon the residential status of the customer and the same also will be strictly followed.

All purchases within one month will be treated as a single transaction for the above purposes i.e. acceptance of ID document/payment of cash value and reporting thereof and 'One month' means 30 days from date of the last transaction, as clarified by RBI and the same will also be strictly applied.

In all other cases, payment will be made by way of an Account Payee cheque / demand draft only.

Currency Declaration Form (CDF) will be insisted upon wherever applicable.

In case of any suspicion of money laundering or terrorist financing, irrespective of the amount involved, enhanced customer due diligence shall be carried out by the Company.

## **8. Sale of Foreign Exchange**

- (i) Passport shall be the sole identification document for sale of foreign exchange irrespective of the amount involved.
- (ii) A copy of the valid Passport and its address page thereof, duly certified, by the holder would be kept on record after verifying the original.
- (iii) If the address on the passport and permanent address are different, documentary evidence relating to permanent address also will be obtained and kept on record.
- (iv) Sale will be effected only against personal application/identification and verification of the identification document i.e. the customer personally approaches us, fills in the prescribed application form, signs the same in our presence and the customer is identified with reference to his passport by comparing both his photograph and signature thereon.
- (v) Payments in excess of Rs.50,000/- shall invariably be received by way of a crossed account payee cheque drawn on the account of the customer or bankers cheque or pay order or a demand draft. Payment by way of Debit/Credit Cards will be accepted provided it is of the customer and not of some third party.
- (vi) It will be ensured that the release of foreign exchange in the form of currency notes and travelers cheques/foreign currency prepaid cards is within the eligibility limits prescribed by the Regulator. Further, sale of foreign exchange by way of loading of prepaid cards will be restricted only to those who go abroad for private visits and/or business travels sponsored by corporates against receipt of documents thereof. Reloading of cards will be done only so long as the card holder remains a Resident i.e. once the card holder becomes a Non-Resident, further reloading will not be effected.



- (vii) All sales made by a person within one month will be treated as a single transaction for the purpose of acceptance of cash in Indian Rupees/release of exchange in the form of currency notes etc. The period of “one month” to be reckoned as 30 days from the date of last transaction as clarified by RBI will be strictly followed.
- (viii) While releasing exchange against unspent balance in rupees i.e. reconverting the balance amount in rupees to non-residents who had encashed foreign exchange earlier, it will be ensured that such requests are duly supported by original Encashment Certificates wherever applicable. Foreigner can reconvert up to Rs. 50, 000/- of his unspent INR against ATM receipts.

## **Establishment of business relationship**

### **Sales to legal entities i.e. Corporate/Firms**

Requests for release of exchange from legal entities such as Companies/Firms etc. will be considered only after obtaining the documents as set out above in this policy.

The Company has the right to call for any additional documents from the customers and the same shall be provided by the customers without any protest.

While all the above documents will be obtained as a one time measure and kept on record, it will be ensured that any changes thereof are intimated to us and our records updated. Due diligence will be undertaken on an ongoing basis so as to know the nature of business activities of the company/firm and its need for purchase of foreign exchange. Additional due diligence will be carried out in case of any change in the pattern of business of the entity, sudden change in the quantum of exchange drawn and the frequency thereof etc. We will always be vigilant against business entities being used by individuals as a ‘front’ for undertaking transactions. In all doubtful cases, we will examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. The above additional requirements will be considered necessary depending upon the risk perception. For example, it may not be necessary to identify the shareholders in the case of listed companies.

The Company shall require the customers desirous of dealing in foreign exchange with us to make such declaration in Form A2 prescribed by RBI and/or in the application form prescribed by the company and to give such information as will reasonably satisfy the Company that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Foreign Exchange Management Act, 1999 or any rule, regulation, notification, direction or order issued there under. The Form A2 and the application form prescribed by the regulator & company shall be retained by the Company will be retained for the period of preservation prescribed under PMLA.

The aforementioned Form A2 will be in addition to the other documents that are required to be submitted by the customers to the Company, for availing our services.

Also the RBI vide its Master Circular on Miscellaneous Remittances From India – Facilities for Residents, dated July 01, 2015, as updated from time to time, stipulates the limits up to which such amount of foreign exchange can be purchased by Indian residents for different purposes such as travel, education, medical treatment etc. We will be issuing only such amounts of Foreign Exchange to the customers availing of our money changing service.

Existing business relationships of those entities who have been dealing with us regularly will be reviewed in the light of the above and the business relationship with those entities who fail to comply with the revised requirements would be terminated and a Suspicious Transactions Report will be filed with FIU.



Further, when we are unable to satisfy ourselves that we know the true identify of the customer (individual/business entity), then also we shall file an STR with FIU.

*Note:*

*We may not, however, review cases of entities who had drawn exchange only once or twice in the past unless they approach us again for exchange.*

## **9. Dealings with Trusts/Nominees or Fiduciary Customers**

Trust/nominee or fiduciary relationship can be used to circumvent the customer identification procedure. In all cases where the customer is acting on behalf of another person as trustee/nominee or any other intermediary, we shall insist for satisfactory document of identity of intermediaries and other persons on whose behalf they are acting. Also, we shall obtain details about the nature of the trust or other arrangements in place. In the case of trusts, we shall identify the trustees and settlors of trust (including any person settling assets to the trust), grantors, protectors, beneficiaries and signatories. We shall also identify the beneficiaries by calling for document of identity of such beneficiaries. In the case of foundations, steps shall be taken to verify the founder managers/directors and the beneficiaries. Care will be taken to ensure that trusts/nominees or fiduciary relationships are not used as a 'front' for money laundering.

## **10. Transactions by Politically Exposed Persons (PEPs)**

PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country e.g. Heads of States or of Governments, Senior Politicians/ Government/Judicial/Military Officers, Senior Executives of state-owned corporations, important political party officials etc. Basically, they will all be non-residents and their details would be easily available on public domain. Before accepting PEP as a customer, we will identify him/her and also find out his/her sources of funds. Such customers will be subject to enhanced due diligence and will be dealt with at the level of Principal Officer/ Alternate Principal Officer at HO. Their transactions will be monitored on an ongoing basis and the above rule will be applicable even while dealing with the family members or close relatives of the PEPs and also to those who become PEP subsequent to establishing relationship

with us as a customer. Such an exercise will be carried out to individual transactions/business relationship where a PEP is the ultimate beneficial owner. Further, we have an appropriate ongoing risk management procedure for identifying and applying enhanced CDD to PEPs, customers who are family members or close relatives of PEPs and individual transactions/business relationship of which a PEP is the ultimate beneficial owner.

The decision to continue business relations with PEPs would be taken at the level of Principal Officer/ Alternate Principal Officer both of whom will be operating from HO.

## **11. Monitoring of Transactions**

Monitoring of transactions on an ongoing basis will be a key element of KYC procedures so as to have an effective control and to reduce the risk. Based on the risk perceptions, care will be taken to see whether there is any change in the pattern of remittances being received by the beneficiary and the same is reasonable etc. and enhanced due diligence will be applied to all complex, unusually large receipts and unusual patterns which have no apparent economic or visible lawful purpose. We shall examine the

background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and the purpose of such transactions shall, as far as possible, be examined and written findings together with all the documents will be retained and made available to RBI/other relevant authorities on request. Necessary limits will be placed while delegating powers to the officials for handling transactions and cases beyond a particular limit will be approved by higher officials. The transactions will be reviewed from time to time, so that merely establishing relationship will not let the customer out of scrutiny. Additionally, review of risk categorization of customers shall be carried out by the Company at least once in every six months. High risk associated will be taken into by the Company to detect Suspicious Transactions, if any, and file STR accordingly.

## 12. Attempted transactions

We shall not undertake transactions where we are unable to apply appropriate KYC measures due to:

- (a) Non-furnishing of information by the customer;
- (b) Non-co-operation by the customer.

Such cases will be reported to the Financial Intelligence Unit – India (the “FIU”) by way of a STR even if the transaction is not put through.

## 13. Risk Assessment & Management

Keeping in view the objectives of National Money Laundering/Financing of Terror Risk Assessment Committee of Government of India, we have adopted a risk based approach, assessment of risk and put in place a system which would use that assessment to take steps to effectively counter money laundering/terrorism finance so as to make AML/CFT regime more robust for which purpose we shall allocate resources more judiciously and efficiently.

Each customer will be assigned an appropriate risk rating based on his/her profile and enhanced due diligence measures will be applied to high risk customers. We shall identify and assess money laundering/terrorism finance risk for customers, countries and geographical areas as also for products/services/transactions/delivery channels etc.

Keeping the above in view, we have put in place an effective internal control system to:

- (a) Assess each customer for the risk, assign a risk rating and accordingly undertake due diligence;
- (b) Approve transactions; and
- (c) Monitor transactions both online and off line.

While the online monitoring will be through the system control, off line will be by deputing senior officials to the branches to conduct a surprise inspection. This will be in addition to the Concurrent Audit System already in place. The staff will be trained and refresher courses will be conducted for updating their knowledge. The risk profiles of the customers will be reviewed and updated from time to time.

The mandatory Concurrent Audit is entrusted to firms of outside Chartered Accountants with instructions to check all the transactions and to ensure that the transactions are undertaken in compliance with the anti-money laundering guidelines and necessary reports are furnished to the authorities concerned in time, including but not limited to the RBI and the FIU. The same has been working satisfactorily.



We also have a separate Audit Department at Head Office with set ups at Regional levels. The department functions independently and reports directly to the Country Head. The department is entrusted with carrying out of inspection of the branches on a monthly basis. The staff inspecting the branches are rotated so that the same Inspector is not deputed for inspection of the same branch i.e. branches and inspectors are rotated. Further, audit inspectors are frequently shuffled among regions so that the inspection is more effective. Audit Programme/Schedules are kept confidential so as to avoid any tip off.

Compliance on the lapses, if any, recorded by the concurrent auditors shall be put up to the top management. We will also ensure to obtain from the Statutory Auditors a certificate on compliance with the KYC/AML/CFT guidelines at the time of preparation of our Annual Report and keep it on record.

## **14. Introduction of New Technologies : Pre-paid Cards**

Release of exchange by way of loaded pre-paid cards of banks is yet another permissible mode of carrying foreign exchange and it will be ensured that the technology is not used for money laundering. It will also be ensured that all KYC/AML/CFT guidelines of RBI and the terms and conditions of the Card issuer are fully complied with while issuing prepaid cards.

## **15. Combating Financing of Terrorism (CFT)**

In terms of Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (the "PML Rules"), suspicious transactions should include, inter alia transactions which give rise to a reasonable ground of suspicion that it may involve the proceeds of an offence mentioned in the Schedule to the PMLA, regardless of the value involved.

### **RBI has been publishing from time to time**

- (a) the list of individuals and organizations linked to various terrorist organizations; and
- (b) Statements issued by FATF about the risks arising from the deficiencies in the AML/CFT regime of certain jurisdictions. These statements of FATF are based on UN Security Council Resolutions (UNSCR).
- (c) The list of individuals/organizations and countries deficient in AML/CFT compliance or non-compliant etc. are updated in the system as and when changed/new lists are published by RBI.

#### *Note*

*In addition to the FATF statements, we shall also consider using publicly available information for identifying countries which do not or insufficiently apply the FATF Recommendations. We shall also give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from countries that do not or insufficiently apply the FATF recommendations and jurisdictions included in FATF Statements.*

The Company has developed software for enhanced monitoring of money laundering and the details of the above are fed into the system from time to time. The software is capable of throwing alerts as and when a transaction with either an individual or a legal entity from any of the countries listed in the FATF statement is being carried out and based on such alerts, full scale customer due diligence is carried out before putting through the transaction.

Greater care and precaution will be taken while handling transactions of individuals from the countries which are deficient in AML/CFT identified by FATF (refer FATF Public statement).

The list of countries as on 26th June 2015 FATF Public Statement are Iran, Democratic People's Republic of Korea (DPRK), Algeria and Myanmar.

## **16. Applicability to branches and subsidiaries outside India**

Even though we do not have overseas branches, it has been noted that the guidelines are applicable to the branches and majority owned subsidiaries located abroad especially in countries which do not or insufficiently apply the FATF recommendations to the extent that the local laws permit. When local laws and regulations prohibit implementation of these guidelines, the same would be brought to the notice of RBI and in case there is a variance in KYC/AML/CFT standard prescribed by RBI and the host country regulators, branches/overseas subsidiaries will adopt the more stringent regulation of the two.

## **17. Designated Director and Principal Officer**

### **Designated Director**

We had nominated Mr. Krishnan R on our Boards as "Designated Director", as per the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure overall compliance with the obligations under the Act and Rules.

### **Principal Officer**

We had appointed Mr. Ratna Kumar R as Principal Officer (who is also known by Money Laundering Reporting Officer (MLRO) and Chief Compliance Officer (CCO)). He is in the Senior Management cadre of our Company and shall operate from the Head Office. His roles and responsibilities include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under PMLA. He shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will be responsible for developing appropriate compliance management arrangements across the full range of AML/CFT areas. He will maintain close liaison with the regulators like RBI & other law Enforcement agencies. He and his supporting staff will have timely access to customer identification data, transaction records and other relevant information. He will act independently without fear or favour and report to the top management. He will also be responsible for submission of CTR/STR to FIU.

### **Alternate Principal Officer**

We had appointed Mr. M C Rajesh to be the alternate Principal Officer to take charge of the Principal Officer in the absence of the latter. Mr. M C Rajesh is also in the Senior management cadre of the Company working from HO.

## **18. Maintenance of Records**

In compliance with Section 12 of PMLA and the rules made thereunder, all records of the identify of clients such as records of identification data, account files and business correspondents and copies of IDs, address proof etc. /information will be maintained and preserved for the period prescribed under PMLA, from the date of cessation of transaction between the customer and the Company. The records/information will be maintained in



hard copy so as to retrieve the same at a short notice if required by the law enforcing agencies, regulators etc.

In view of the amendment to Section 12 of Prevention of Money Laundering Act, 2002 through Prevention of Money Laundering (Amendment) Act, 2012, Authorised Persons are now required to maintain and preserve records for a period of at least five years.

## 19. Escalation of Suspicious Activity

All branch heads are by default the compliance officer of that location. The branch staff and subagents mapped to the branch must report the transactions of suspicious nature to the Compliance Officer (Branch Head) on the following grounds

- a) Customer is reluctant to provide details / documents on frivolous grounds.
- b) The transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or to hide their involvement.
- c) Size and frequency of transactions are high, considering the normal business of the customer.
- d) Customer approaching for transacting business beyond banking hours or on bank holidays and requesting for acceptance of cash in excess of the permissible limit on the grounds of non-availability of banking facilities with a promise to get the cash exchanged for cheque/demand draft at a later date
- e) Change in the pattern of transactions
- f) Large amount of remittances.
- g) Any such transaction which you feel is suspicious in nature or has relevant information that it is proceeds of crime, need to be reported to compliance officer.

The Branch Head (Compliance officer) analyses the transactions reported and escalate the same to MLRO of the company.

### The contact details of AML department

Designation	Email ID	Phone no
MLRO/CCO/PO	cco.india@uaeexchange.co.in	0484 3047347
Alternate Principal officer	head.prd@uaeexchange.co.in	0484 3048179
AML Compliance Executives	aml.india@uaeexchange.co.in	0484 300631/632

## 20. Reporting to FIU-India.

Information relating to cash and suspicious transactions in the prescribed formats will be furnished on due dates to FIU India. The reports will be transmitted in electronic form followed by hard copy, duly signed, by the Principal Officer.

### (1) Cash Transaction Report (CTR)

- (a) CTR for each month would be submitted to FIU by 15th of the succeeding month.
- (b) Branches shall submit CTR to the Controlling office/Head Office.
- (c) The Controlling Office/Head Office shall prepare a consolidated CTR for the organisation as a whole and signed by the Principal Officer.
- (d) While filing CTR, details of individual transactions below Rs.50, 000/- will not be furnished.

- (e) All cash transactions where forged or counterfeit Indian currency notes have been used as genuine shall be reported.
- (f) The CTR shall not contain inter-office/branch transactions; but only transactions carried out on behalf of the customers.
- (g) Each branch shall have a copy of the CTR furnished by it to the Head Office for verification by the Auditors.
- (h) CTR's shall be maintained and preserved for the period as per the Rules applicable for maintenance of records.

## (2) Suspicious Transactions Report (STR)

- (a) While determining suspicious transactions, definition of suspicious transaction contained in PML Rules will be followed.
- (b) All attempted/failed transactions will also be reported in STR irrespective of the amount involved.
- (c) STRs will be made in case of reasonable ground to believe that the transaction including an attempted transaction involves proceeds of crime irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002 as amended by PMLA Amendment of 2009.
- (d) STR will be furnished within 7 days of arriving at a conclusion that any transaction, including an attempted one, whether cash or non-cash or a series of transaction integrally connected are of suspicious nature.
- (e) Indicative list of suspicious transactions:
  - i. Customer is reluctant to provide details/documents on frivolous grounds
  - ii. The transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or to hide their involvement
  - iii. Size and frequency of the transactions is high considering the normal business of the customer
  - iv. Change in the pattern of transactions
  - v. Customer approaching for transacting business beyond banking hours or on bank holidays and requesting for acceptance of cash in excess of the permissible limit on the grounds of non-availability of banking facilities with a promise to get the cash exchanged for cheque/demand draft at a later date.
  - vi. Where the Company believes that is not satisfied of the true identity of the customer.

STR being a confidential document, the details of having filed STR shall not be disclosed to the customer i.e. tipping off to the customer will not be allowed.

The KYC documents of STR reported transactions should be preserved for 10 years as is required under PMLA,2002.

A record of all transactions will be preserved for the period prescribed under PMLA, from the date of the transaction. The information maintained by the Company will include:

- (a) Nature of transactions;
- (b) Amount of transaction and the denominated currency;
- (c) Date on which the transaction was conducted; and
- (d) Parties to the transaction.

## 21. Customer Education

Implementation of KYC requires obtaining certain information from the customers, which may some times be personal in nature and the customers may not be willing to part with such information and many a time the customers will doubt the need for collecting such



information, the purpose thereof and the information sought for shall not be intrusive etc. They may also fear that the information so furnished will be misused. We shall, therefore, educate the customers about the need for collecting such information by way of display of the Rules & Regulations of the Regulator, distribution of leaflets/pamphlets etc. and such situations shall be handled very tactfully for which the front desk staff have been adequately trained.

## **22. Training of employees**

The employees handling the business shall have full knowledge of the product as well as its procedure/rules & regulations thereof so that handling of customers and putting through transactions becomes much easier. Necessary class room/on the desk/ job training besides theoretical training shall be provided to the employees at all levels. Necessary reading material in the form of Manuals/Book of Instructions relating to various products such as Money Changing/ Money Transfer etc. have been made available to the employees both in soft copy and hard copy form to enable them to read, understand and update their knowledge. Further, the employees shall be given refresher training from time to time so as to update them with the changes in the rules and regulations. The faculty members of our training division also include outside Guest faculty besides well-trained and experienced staff from our own organisation. The trainings are also held at various locations so as to have a conducive atmosphere of learning. The effectiveness of the training provided and the level of knowledge gained by the employees are gauged by conducting online exams at various levels from time to time.

## **23. Hiring of Employees**

In order to prevent criminals taking up employment through back door entry, necessary screening of employees are done at the time of recruitment. Only those with good background are employed. To ensure that the employed personnel are of very high integrity and standard, we call for references from people of high standing in the society and police verifications are also obtained, wherever necessary. Job rotation and relocation of the staff is done from time to time so that one does not become indispensable or use his position to aid/abet in money laundering for, both the product and the position being sensitive.



## 24. Conclusion

Money laundering and terrorist financing pose a serious threat to the society and to the soundness of the international financial system. Combating these threats require a coordinated and co-operative approach. Remaining diligent and combining our efforts are the two pre-requisite conditions to successfully meet the challenges ahead.

Financial institutions around the world are increasingly recognizing the importance of implementing and maintaining adequate controls and procedures to ensure that on a reasonable and practicable basis they know with whom they are conducting business. The consequences of any lack of vigilance in this area can be severe. Facilitating a financial transaction while willfully or recklessly disregarding the source of a customer's funds or the nature of a customer's transaction can result in criminal and/or civil liability for the employee and/or our Company.

Our Company is committed to support the initiatives of Government of India and RBI in their resolve to fight Money Laundering and Financing of Terrorism.



Fighting money laundering & terrorism financing demands a major team effort and everyone has a responsibility in it.





**UAE Exchange & Financial Services Ltd.**

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