

**UAE Exchange, India
AML/CFT/KYC
Policy –2015
Money Transfer
Service Scheme**

UAE XCHANGE[®]
Service is our Currency



**First Edition- 2010
Revised Second Edition- 2013
Revised Third Edition- 2014
Revised Fourth Edition- 2015**

World's
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money
transferer



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

Our

Company, UAE Exchange and Financial Services Ltd India, had obtained specific approvals under FEMA, 1999 from Reserve Bank of India to provide cross border inward remittance services in India in association with overseas money transfer companies such as Xpress Money Services Ltd and Money Gram Inc. Accordingly, our Company has been appointed as the Principal Agent of the above said overseas companies and our company has been providing the service since 06/01/2000 and 03/04/2001 respectively through branches as well as sub-agents. Our company has been strictly following the RBI guidelines in providing the services, enabling the apex bank to renew our approval from time to time.

RBI vide AP(DIR.Series) Circular No.15 dated 19th November,2009 had notified the amendments carried out to Prevention of Money Laundering Act,2002(PMLA) vide Prevention of Money Laundering (Amendment) Act,2009. The said amendment which came into effect from 1.6.2009 has brought all Authorised Persons within the definition of "Financial Institutions" whereby all entities providing money changing and money transfer business are now within the ambit of the provisions of PMLA,2002.

Subsequently, in terms of sub-rule 7(i) of Government of India Notification No.G.S.R.816(E) dated 12.11.2009, RBI had published detailed guidelines on KYC/AML/CFT vide its AP (DIR.Series) Circular 18 dated 27.11.2009 for money transfer business. The said Circular also mandated for all Money Transfer Agents to:

- (a) Have a revised Policy framework on KYC/AML/CFT
- (b) Prepare Customer Acceptance Policy/Customer Identification Procedure
- (c) Appoint Principal Officer
- (d) 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 the various administrative matters to be put in place.

Subsequently, RBI had issued AP (DIR.Series) Circulars relating amendments / relaxations to KYC/AML/CFT and also other operational instructions which the Company had promptly complied with.

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.

Sub Agents

The Company has been appointing sub-agents for disbursements of remittances received through Xpress Money and Money Gram to the beneficiaries and such appoints have been made strictly in compliance with the guidelines of RBI. Since the KYC/AML/CFT guidelines are also applicable to the sub-agents, we have put in place a system of monitoring of disbursements and periodical audit of sub agents.

RBI vide its AP DIR Series Circular No.89 dated 12th March,2013, has issued revised guidelines for MTSS business which also include guidelines for appointment, audit and furnishing of certain information/documentation etc on sub agents . The instructions contained in the Circular under reference have been noted for strict implementation and the process of carrying out a review of the existing sub agents,

collection of remaining/additional information/data from such sub agents is underway. The revised guidelines will be made applicable for appointment of sub agents, in future as well.

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/sub-agent 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 sub-agents for money laundering activities
- (ii) To enable the branches and sub-agents 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 sub-agents 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

A person who receives occasional/regular cross border inward remittances under MTSS. One on whose behalf a cross border inward remittance under MTSS is received (i.e. beneficial owner).

4. Money Laundering

1. 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.”

2. 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 through 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 is to remove the cash from the location of acquisition so as to avoid detection by the authorities and to then 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 during this stage, 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 process, it is extremely difficult to distinguish legal and illegal wealth.

5. Money Transfer Service Scheme

(a) Parameters of money transfer:

It is quick and easy way of transferring personal remittances from abroad to the beneficiaries in India. Only personal remittances such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible. The funds have to be disbursed at the ongoing exchange rates. The system does not permit outward remittances:

(b) The salient features of a transaction under MTSS are as under:

i) Receipt of cross border inward remittance under MTSS is a transaction carried out on behalf of a remitter through an Overseas Principal located overseas by electronic means with a view to making an amount of money available to a beneficiary person at any of the outlets of APs (Indian Agent) or their Sub-agents in India. The remitter and the beneficiary could also be one and the same person.

ii) The remitter overseas places the order with the Overseas Principal to perform the remittance under MTSS.

iii) MTSS is an instantaneous and one of the approved routes for cross border inward transfer of funds from across the globe and hence the need for preventing terrorists and other criminals from having unfettered access to this channel for moving their funds and for detecting any misuse when it occurs. This can be achieved if basic information on the remitter is immediately available to appropriate law enforcement and/or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by FIU-India for analyzing suspicious or unusual activity and disseminating it as necessary. The remitter information can also be put to use by the APs (Indian Agents) to facilitate identification and reporting of suspicious transaction to FIU-India. Owing to the potential terrorist financing threat posed by small transfers, the objective is to be in a position to trace all inward remittances under MTSS irrespective of the amount involved. Accordingly, the APs (Indian Agents) are required to ensure that all remittances under the MTSS are accompanied by

(c) Accurate and meaningful remitter information (name, address and unique identification number of each remittance like, MTCN) on funds transfer.

- (d) The related messages that are sent and the information should remain with the transfer or related message through the payment chain.
- (d) A unique reference number, as prevalent in the country concerned, must be included.
- (e) Role of Overseas Principals and Indian Agents.

As the Overseas Principal is the one who originates a cross border inward remittance into India as per the order placed by the remitter, it must ensure that all inward remittances contain complete remitter information. Secondly, they should also verify and preserve the information at least for a period of five years.

- (f) Indian Agents

We have effective risk-based procedures in place to identify cross border inward remittances lacking complete remitter information. The lack of complete remitter information will be considered as a factor in assessing whether a cross border inward remittance or related transactions is a suspicious and whether the same should be reported to the FIU. If a remittance is not accompanied by detailed information of the fund remitter, the same would be taken up with the Overseas Principal. If the Overseas Principal fails to furnish information on the remitter, we shall consider restricting inward remittances or even terminate our business relationship with the Overseas Principal.

6. Guidelines

6.1 General

The Company will ensure that the information sought for from the customer 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.

6.2 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.

KYC policy has been framed incorporating the following 4 key elements:

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

6.3 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 cross border inward remittance facilities to the general public and resultant harassment thereof. Major thrust will be on obtaining compliance from customers. All the customers will be required to submit the necessary documents and also make themselves/records available and acceptable to the Company 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 him/her.

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 will always be based on the following:

- (a) The Company shall ensure that no remittance is received in anonymous or fictitious/benami names.

All transactions will be put through only against

- (i) Personal application
 - (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 we are unable to verify the identity and/ or obtain documents as per our risk categorization due to non co-operation of the customer or non-reliability of the data/ information furnished to us. 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.

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 organizations etc. whose name appear in the list published by RBI from time to time and also from publicly available information.

- (d) Our customers are of 3 types viz;
 - (i) Long-term customers - those who have been receiving remittances regularly through us and/or dealing with us on a regular basis for our various other products and with whom we have built up relationship over a period of time.
 - (ii) Introduced customers - those who have been introduced to us by persons/entities known to us such as our existing customers, Franchisees, Referral/Commission Agents, Travel Agents etc
 - (iii) Walk in customers – First time recipients of MTSS and those customers who act on behalf of another person i.e. third party.

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

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.

In the case of 3rd parties, besides the ID/address proof of such party who is receiving payment on behalf of another, the copies of ID/address proof of the beneficial owner will also be obtained. Enhanced due diligence will be carried out while disbursing payments to 3rd parties on behalf of the beneficial owners after satisfactorily ascertaining the needs and reasons, if any, for the 3rd party to receive the payment on behalf of the beneficial owner. In case the beneficiary is unable to collect the disbursement from our branches on health grounds or any other reasons, we have arrangements to disburse the inward remittance at the door step of the beneficiary so as to eliminate disbursements to 3rd parties. However, as provided in the guidelines of RBI to disburse payments to a person

Type	Nature of Customer	Risk
(i)	Regular customers who have been dealing with us for long time	Low
(ii)	Those introduced by our existing customers, Commission/Referral Agents, Travel Agents, general walk in customers	Medium
(iii)	First time recipients of MTSS/3rd parties	High

on behalf of another person, the same will be effected only after undertaking additional due diligence and subject to our satisfaction of the reasons adduced for the same and complying with our additional requirements such as a request letter to that effect from the beneficial owner 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 Head Office, as they all fall under High Risk category, irrespective of the amount of transaction.

Documents

Documents to be obtained, verified and retained will be those prescribed by RBI for various types of transactions and also keeping in mind the requirements of PMLA. Additional documents will be obtained 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 of preservation indicated in the PMLA. While permitting a customer to act on behalf of another person, 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 letter from the beneficial owner to disburse the payment to the 3rd party adducing reasons thereof wherever possible duly supported by documentary evidence would also be insisted upon. If the 3rd party is other than the close relative of the beneficial owner, additional due diligence would be carried out to ascertain the reasons, if any, for an unrelated 3rd party to receive payment on behalf of the beneficial owner.



6.4 Customer Identification Procedure (CIP)

Individuals

Transactions will be put through against personal identification of the customer for which the customer has to personally approach us for our services. In exceptional cases, we will approach the customer either at his home or office subject to mutual convenience. The customer will be required to fill in a prescribed application 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 valid photo IDs such as (a) PAN Card (b) Driving License (c) Voter ID Card (d) Passport (e) Aadhaar card along with a copy of document relating to address proof such as (a) Utility Bills – Telephone/Electricity (b) Ration Card (c) Bank Pass Book (d) Letter from a recognized public authority or employer subject to our satisfaction etc. The original documents will be returned after verification. The signature on the RNF will be compared with the signature on the ID submitted by the customer. Further, the photograph on the ID and the customer will be compared to ensure that the ID belongs to the customer only. 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 and sources of receipt of remittances etc. All details of the customer will be fed into our Computer system besides preserving hard copies of the documents.

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

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. This will also be supplemented/ followed up by way of verification over the phone. While permitting a person to act on behalf of another person, the Company shall identify the beneficial owner as provided for in Rule9 (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 letter from the beneficial owner to hand over the inward remittance to the third party named in the letter would also be insisted upon. The letter should also contain the reasons for authorizing the third party to receive the payment for and on behalf of the beneficial owner.

We have put in place a system of periodical updation of customer identification data of regular customers.

6.5 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.

6.6 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' .

7. Customer Profile

We shall prepare profile of each new customer, where a regular cross border inward remittances are /expected to be received, based on risk categorization. The customer profile will contain information relating to the customer's ID, address, occupation, marital/ social/financial status etc. The nature and extent of due diligence will, among other things, depend upon the risk perceived by us and accordingly the customers will also be categorized. Updation of 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 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 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., and the customers will be categorized as Medium Risk. Most of these customers will be those who have approached us through persons known to us, such as our existing customers, Franchisees, Commission Agents, Travel Agents etc. but not dealing with us regularly.

High Risk Customers

NRIs, HNIs, non-face to face customers, customers from countries that do not or insufficiently apply the FATF standard, politically exposed persons, those with dubious reputation as per public information available, customer with outstation permanent address, etc. will be categorized as High Risk customers. Such customers will be subject to additional 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



8. Payment to Beneficiaries

We shall strictly follow the instructions of RBI with regards to:

- (a) Obtaining identification documents and document relating to address proof.
- (b) Verification and retention of a copy of (a) above.
- (c) Disbursement in cash within the prescribed limit.
- (d) Obtaining valid discharge for individual disbursements made to the beneficiaries.
- (e) Ensuring that the cap of USD 2500 placed on individual remittances is not exceeded and also that not more than 30 remittances are received in a calendar year.

9. 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 stated-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. 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, 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 of which a PEP is the ultimate beneficial owner.

The decision to continue business relations with PEPs shall be taken at the level of Principal Officer / Alternate Principal Officer of the company.

10. 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.

Further, we shall examine the background and purpose of transactions with persons from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations.

The background and the purpose of such transactions shall, as far as possible, shall be examined and the findings together with all the documents will be retained and made available to the RBI/other relevant authorities on request.

Accordingly, high risk receipts will be subjected to intense monitoring. We shall set key indicators for such receipts, taking note of the background of the customer, such as the country of origin, source of funds, the type of transactions involved and other risk

factors. We have put in place a system of periodical review of risk categorization of the customers and the need for applying enhanced due diligence measures. The transactions will be reviewed from time to time, so that merely establishing relationship will not let the customer out of scrutiny.

11. Attempted transactions/failed 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 FIU by way of a STR even if the transaction is not put through.

12. 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 to our customers, countries and geographical areas as also for products/services/transactions/delivery channels etc.

An effective KYC programme has been put in place by establishing appropriate procedures and ensuring effective implementation covering proper management oversight, systems and controls, segregation of duties, training and other related matters. Internal control system has been put in place to

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

Necessary limits are in place for approval of transactions and all transactions beyond a threshold limit will be approved at higher levels.

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 to enable them to update 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. 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 is rotated so that the same Inspector is not deputed for inspection of the same branch i.e. branches and inspectors are rotated. Further, Inspection of the branches in one Region by Inspectors from other Regions is also done frequently. 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.

13. Introduction of New Technologies – Pre-paid Cards

We are now disbursing cross border inward remittances also by way of issue of prepaid rupee cards in association with a few banks. These cards will be loaded/reloaded from time to time and hence highly technology oriented. We will not be complacent while using technology for disbursement of cross border inward remittances and continue with RBI guidelines as well as the Card issuers relating to KYC/AML/CFT.

14. Combating Financing of Terrorism (CFT)

In terms of PML Rules, suspicious transaction 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. We will, therefore, develop suitable mechanism through appropriate policy framework for enhanced monitoring of transactions suspected of having terrorist links and swift identification of the transactions and making suitable reports to the FIU on priority.

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 remittances from 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

15. 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.

16. Maintenance of Records

In compliance with Section 12 of PMLA and the rules made thereunder, all the records such as copies of IDs, address proof etc. /information will be maintained and preserved for the period of preservation mentioned therein. The records/information will be maintained both in soft copy form as well as hard copy so as to retrieve the same at a short notice if required by the law enforcing agencies, regulators etc.

Records of transactions

We have a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- (a) All cash transactions of the value of more than Rupees Ten Lakhs or its equivalent in foreign currency.
- (b) All series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month
- (c) All suspicious transactions whether or not made in cash and in a manner as prescribed in the Rules.

Information to be preserved

We shall maintain the following information in respect of transactions referred to in Rule 3:

- (a) the nature of the transaction
- (b) the amount of the transaction and the currency in which it was denominated
- (c) the date on which the transaction was conducted
- (d) the parties to the transaction.

Preservation of Record

We have evolved a system for proper maintenance and preservation of the transaction information in a manner that allows data to be retrieved easily and quickly whenever required or when requested for by the competent authorities. We shall maintain for five years from the date of transaction all necessary records of transactions both with residents and non-residents which will permit reconstruction of individual transactions (including the amount and the types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

Similarly, we shall also properly preserve copies of all documents such as IDs, address proof etc obtained while undertaking transactions for a period of five years from the date of cessation of the business relationship so as to make them available to competent authorities upon request. We shall also preserve for five years records/back-ground papers relating to all complex, unusual large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purposes and make them available to auditors, Reserve Bank/other relevant authorities.

17 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 escalates 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

18. 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) The CTR shall not contain inter-office/branch transactions; but only transactions carried out on behalf of the customers.
- (f) Each branch shall have a copy of the CTR furnished by it to the Head Office for verification by the Auditors.
- (g) 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 if we have 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 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:
 - (1) Customer is reluctant to provide details/documents on frivolous grounds
 - (2) The transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or to hide their involvement.
 - (3) Size and frequency of the transactions is high considering the normal business of the customer
 - (4) Change in the pattern of transactions



We shall not put any restrictions on payment to beneficiaries where a STR has been Made. 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.

19. Customer Education

Implementation of KYC requires obtaining certain information from the customers which may sometimes 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 staff have been adequately trained.

20. 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.

21. 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 back ground 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.

22. 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.

