

KYC & AML POLICY

(Version-1)



Background: -

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, and on Combating Financing of Terrorism (CFT), RBI had issued the guidelines on KYC in February 2005 these standards have become the international benchmark for framing Anti Money Laundering and combating financing of terrorism policies by the regulatory authorities. Compliance with these standards by the banks/financial institutions/NBFCs in the country has become necessary for international financial relationships. The Department of Banking Operations and Development of Reserve Bank has issued detailed guidelines to the banks based on the Recommendations of the Financial Action Task Force and the paper issued on Client Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary. These guidelines are equally applicable to NBFCs.

The RBI issued Master Direction - Know Your Customer (KYC) Direction, 2016, as amended from time to time shall prevail this policy.

What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

Prevention of Money Laundering Act, 2002

Prevention of Money Laundering Act, 2002(PMLA 2002) form the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July1, 2005. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries to verify identity of clients, maintain records and furnish information to the financial intelligence Unit (FIU)-INDIA.

Financial Intelligence Unit (FIU)-INDIA

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

Policy of Moneyboxx Finance Limited

Moneyboxx Finance Limited ("MFL") has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

Implementation of this Policy:-

Principal Officer who will be responsible for;

- Compliance of the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that MFL discharges its legal obligation to report suspicious transactions to the concerned authorities.

The main aspect of this policy is the Client Due Diligence Process which means,

- Obtaining sufficient information about the client in order to identify who is the actual beneficial owner or on whose behalf transaction is conducted.
- Verify the Client's identity using reliable, independent source document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

The Client Due Diligence Process includes four specific parameters:-

1. Client Acceptance Policy,
2. Client Identification Procedure
3. Suspicious Transaction identification & reporting
4. Monitoring of Transactions

1. Client Acceptance Policy :-

- a.) **Each client should be met in person:-** Accept client whom we are able to meet personally, Either the client should visit the office/branch or concerned official should visit the client at his residence/office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by any existing client.
- b.) **Accepts client on whom we are able to apply appropriate KYC procedures:-** Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely; All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Reserve Bank Of India (RBI) are obtained and verified.
- c.) **Do not accept clients with identity matching persons known to have criminal background:-** Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory worldwide.
- d.) **Be careful while accepting Clients of Special category:-** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients with dubious background. Current/Former Head of State, Current/Former Senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where

corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category.

- e.) **Do not accept client registration forms which are suspected to be fictitious:-** Ensure that no loan is being given in a fictitious/benami name or on an anonymous basis.
- f.) **Do not compromise on submission of mandatory information/documents:-** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards the reluctance.
- g.) **All the Clients would be classified under three categories viz. Low Risk, Medium Risk and High Risk.**

Segment	High Risk	Medium Risk	Low Risk
Self-Employed	<ul style="list-style-type: none"> • All Clients with sales turnover of more than INR 1000 Million • All cases of Politically exposed Persons (PEPs)/ NRI's with shareholding of more than 15% / 25% as per constitution 	<ul style="list-style-type: none"> • All Clients with sales turnover of more than INR 500 Million and less than 1000 Million 	<ul style="list-style-type: none"> • All other accounts not classified as High or Medium risk
Salaried	<ul style="list-style-type: none"> • All cases of politically exposed Persons (PEPs) going forward 	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • All other accounts not classified as High or Medium risk

High/Medium Risk Clients would also include (a) Non-resident Clients, (b) high turnover individuals (Turnover More than INR 1,000 Million), (c) Trusts, charities, NGOs and organizations receiving donations, (d) Companies having close family shareholding or beneficial ownership, (e) Non-face to face Clients and (h) Those with dubious reputation as per public information available etc.

Based on classification defined in annexure, following documents can be additionally accepted for Low Risk Clients (which are defined as such during the on-boarding stage) as identity or address proof:

- Identity card with applicants' Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions
- Letter issued by a gazetted officer, with a duly attested photograph of the person.

2. **Client Identification Procedure :-** Documents to be obtained as part of Client identification procedure for new clients:

- a. **Individuals:-** One certified copy of the following must be obtained:

- i. **Identity Proof:-** Identity proof in form of :

- Aadhaar Card issued by UIDAI will be accepted as primary source of identity proof, if not available then others can be accepted as secondary source of identity proof
- Voter's Identity card

- Passport
 - Pan Card
 - Driving License
 - Ration Card
 - Any Government/PSU/Bank issued photo identity card
 - NREGA Job Card or any other document prescribed by the regulatory authorities.
- If these documents also contain address details, then it would also be accepted as 'proof of address'. If the document submitted by for proof of identity does not contain address details, then will have to submit another officially valid document (OVD) which contains address details.

ii. Address Proof:- For valid address proof in form of :

- Voter's Identity Card
- Passport
- Bank Statement
- Ration card and latest Electricity/telephone bill (not more than 2 months old) in the name of the client
- And any other document prescribed by the regulatory authorities.

b. Partnership Firm:- One certified copy of the following must be obtained:

- Registration Certificate, if registered
- Partnership Deed
- Pan Card of Partners
- Power of Attorney granted to a partner or an employee to transact the business on its behalf
- Any officially valid document identifying the partners and the persons holding the power of attorney and their addresses
- Copy of latest Telephone Bill in the name of the firm (not more than 2 months old)
- Copy of latest electricity bill in the name of the firm (not more than 2 months old).

c. Trust & Foundations:- One certified copy of the following must be obtained:

- Registration Certificate, if registered
- Trust Deed
- Power of Attorney granted to transact the business on its behalf,
- Any officially valid document (OVD) to identify the trustees, settlers, beneficiaries and those holding Power of Attorney
- Founders/managers/Directors and their addresses
- Resolution of managing body of the Foundation/Association
- Copy of latest Telephone Bill in the name of the trust & foundations (not more than 2 months old)
- Copy of latest electricity bill in the name of the trust & foundations (not more than 2 months old).

d. Unincorporated association or a body of individuals:- One certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individual
- Power of Attorney(“POA”) in favour of person authorized to transact
- Officially valid documents like PAN Card, Voters ID, Passport, etc to the person(s) authorized to transact
- Any document required by MFL to establish the legal existence of such association or body of individuals.

e. Proprietary Concern: - Any two of the below documents would suffice. These documents should be in the name of the proprietary concern :

- Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act,
- Sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities,
- Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.
- Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department.
- May also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
- The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax Authorities.
- Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.

f. NRI :- One certified copy of the following must be obtained:

- Copy of the Passport
- Copy of the PAN Card
- Proof of Overseas address and Indian address
- Copy of Bank Statement.

Risk Management

The following elements of MFL would manage the risk arising out of the non-compliance to PMLA.

Board would ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensure their effective implementation.

Internal audit and compliance function would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of MFL own policies and procedures, including legal and regulatory requirements. Internal auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard would be put up before the Audit Committee of the Board on quarterly basis.

The Risk Categorization would be reviewed on real time basis based on the collection feedback and enhanced due diligence measures would be applied in case of higher risk perception on a Client.

Periodical updating of Client identification data would be taken up once in five (5) years for Low risk Clients, once in two (2) years for Medium Risk Clients and once in one (1) year for high risk Clients. For low risk Clients the updating would be only through a self-certification by the Clients in cases where there is no change in the status with respect to their identities and addresses. In case of change of address of such “low risk” Clients, they would be merely asked to submit a certified copy of the document (proof of address).

3. Suspicious Transaction Identification & Reporting:-

What is Suspicious Transaction: Suspicious Transaction means a transaction whether or not made in cash, which to a person acting in good faith:-

- Gives rise to reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose.

Reasons for Suspicious:

- Identity of client
 - False identification documents
 - Identification document which could not be verified within reasonable time
 - Non-face to face client
 - Doubt over the real beneficiary of the account
- Suspicious Background
 - Suspicious background or links with criminals

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of fund are doubtful
- Transactions reflect likely market manipulations

What to Report

- The nature of transactions
- The amount of the transaction and the currency in which it was denominated
- The date on which the transaction was conducted
- The parties to the transaction
- The reason of suspicion

Suspicious Transaction Reports (STR)

MFL would be guided by the definition of suspicious transaction as contained in PMLA Rules as amended from time to time.

All such transactions would be reported to and reviewed by Principal Officer – PMLA who would enquire into the matter and decide whether the transaction would qualify to be termed as suspicious transaction. When it is believed that MFL no longer are satisfied that to know the true identity of the account holder, STR would be filed with FIU-IND. The Principal Officer – PMLA would file Suspicious Transaction Report with the Director, Financial Intelligence Unit-India (FIU-IND) within 7 days of identifying them. After filing of STR, transactions would be allowed to be continued in the account unhindered and the Client would not be tipped in any manner.

4. Monitoring of Transactions:

MFL would continue to maintain proper record of all cash transactions of INR10 Lacs and above and have in place centralised internal monitoring system at head office.

MFL would strive to have an understanding of the normal and reasonable activity of the clients through personal visits and by observing the transactions and conduct of the account in order to identify transactions that fall outside the regular pattern of the activity – unusual transactions.

The following transactions would be considered as unusual transactions deserving special attention. Such transactions would be treated as Low Risk/Medium Risk/High Risk clients after review of the unusual transactions by the Principal Officer-PMLA.

- Repeated pre-termination of the loan accounts of size exceeding INR10 lacs;
- Same client appearing in the Cash Transaction Report (CTR) more than 3 times during a span of 6 months;
- Total cash received from a client in a financial year exceeding INR50 lacs.

MFL is not empowered to seize any counterfeit currency. However the following incidents of counterfeit currency at the cash counter would be recorded and repeated occurrence would be reported.

- Bulk counterfeit currency of more than 10 pieces at a time;
- Repeated event within a week from a collection executive or client.

All CTR/STR would be filed electronically or as per the norms stipulated by FIU-IND from time to time. The STR would be filed for even for attempted transactions.

Designated Director and principal officer

To ensure compliance with the obligations under the Act and Rules, Board may appoint/nominate designated director and principal officer required under provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

In case any further information/clarification is required in this regard, the ‘Principal Officer’ as designated/nominated may be contacted.
