

**POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING OF NJ
CAPITAL PRIVATE LIMITED (THE "COMPANY")**

"Type II Non Deposit Taking Non-Banking Financial Company having registration number
B.01.00606"

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1. PREAMBLE

The Reserve Bank of India has issued comprehensive guidelines on Know Your Customer (KYC) norms and Anti-Money Laundering (AML) standards under which NBFCs are required to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board. Such guidelines also require the NBFC to comply with the provisions of Prevention of Money Laundering Act. & the rules and operating guidelines issued thereunder. The objective of these guidelines (jointly referred to as “**Extant Regulations / Regulations**”) is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The Extant Regulations mandate making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers. Accordingly, in compliance with the Extant Regulations issued from time to time, the following **KYC & AML policy** of the Company is approved by the Board of Directors of the Company. This policy is applicable to all categories of products and services offered by the Company.

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 and it provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit-INDIA (FIU-IND) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies and financial institutions

2. ABOUT MONEY LAUNDERING

- **What is money laundering?**

All crimes that produce a financial benefit give rise to money laundering. Money Laundering refers to conversion of money illegally obtained to make it appear as if it is originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs & arms trafficking, terrorism & extortion, etc.

- **How does money laundering affect business?**

The integrity of the banking and financial services marketplace depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards. A reputation for integrity is the one of the most valuable assets of a financial institution.

If funds from criminal activity can be easily processed through a particular institution, due to any associated individual have been bribed or because the institution turns a blind eye to the criminal nature of such funds, the institution could be drawn into active complicity with criminals and become part of the criminal network itself. Evidence of such complicity will have a damaging effect on the attitudes of other financial intermediaries and of regulatory authorities, as well as ordinary customers.

Money laundering activities may affect changes in money demand, prudential risks to bank soundness, adverse effects on legal financial transactions and increased volatility of international capital flows and exchange rates due to unanticipated cross border asset transfers. Also, These activities rewards corruption and crime; successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law.

- **What is the connection with society at large?**

The possible social and political costs of money laundering if left unchecked or dealt ineffectively, are serious. Organized crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards, and ultimately

the democratic institutions of society. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it and such activities enables criminal activity to continue.

3. SCOPE AND APPLICATION OF THE POLICY

The scope of this policy is:

- To lay down explicit criteria for acceptance of customers.
- To establish procedures to identify of individuals/non-individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To lay down the roles and responsibilities on team members
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.
- To fulfill the scope, the following four key elements will be incorporated into our policy:
 - Customer Acceptance Policy
 - Customer Identification Procedures
 - Monitoring of Transactions
 - Risk Management

4. FINANCIAL INTELLIGENCE UNIT INDIA (FIU-IND)

Financial Intelligence Unit – India (FIU-IND) was set by the Government of India dated 18th November 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions.

FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes. FIU-IND is an

independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

5. ANTI MONEY LAUNDERING POLICY (AML)

The objective of having an AML Policy is to have in place adequate policy, practice and procedure that help to prevent money-laundering activities.

Such procedures would include the following:

- Appointment of Principal Officer.
- Client Due Diligence Procedures.
- Transaction monitoring to identify & report Suspicious Transactions (STR)
- Record keeping & retention of records
- Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities
- On-going training to the employees to ensure strict adherence to Customer Due diligence requirements & Imparting investor education
- Reports to Financial Intelligence Unit-India (FIU-IND)

These procedures and standards would assist in knowing and understanding the financing activities of its existing and prospective clients and to prevent the Company from being used as a medium, intentionally or unintentionally for carrying out money laundering activities. The chapters ahead detail the AML program adopted by the Company.

The Company shall adopt written procedures to implement the anti- money laundering provisions as envisaged under the PMLA which shall include following three specific parameters which are related to the overall '**Client Due Diligence Process**':

- Customer Acceptance Policy
- Guidelines For Accepting Customers
- Risk Level Categorization

- Due Diligence On Employees
- Customer Identification Procedure (CIP)
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

6. CUSTOMER ACCEPTANCE POLICY

➔ Definition of a Customer

- A person or entity that maintains an account and/or has a business relationship with the Company
- One on whose behalf the account is maintained (i.e. the beneficial owner)

A "Person" shall have the meaning as defined under KYC policy of RBI (and any amendment from time to time by RBI) which at present is as follows: 'Person' shall include:

- a) an Individual;
- b) a Hindu Undivided Family;
- c) a Company;
- d) a Trust
- e) a Firm;
- f) an association of persons or a body of individuals, whether incorporated or not;
- g) every artificial juridical person, not falling within any one of the above person (a to e);
- h) any agency, office or branch owned or controlled by any one of the above persons (a to f)

7. GUIDELINES FOR ACCEPTING CUSTOMERS

Following norms and procedures will be followed by the Company in relation to its customers who approach the Company for availing financial facilities. While taking decision to grant any one or more facilities to customers as well as during the continuation of any loan account of the customer, the following norms will be adhered

to by the Company:

i. No loan account will be opened, and / or money will be disbursed in a name which is anonymous or fictitious or appears to be a name borrowed only for opening the loan account i.e. Benami Account. The Company shall insist on sufficient proof about the identity of the customer to ensure his physical and legal existence at the time of accepting the application form from any customer.

ii. Circumstances, in which a customer is permitted to act on behalf of another person /entity, shall be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by intermediary in a fiduciary capacity.

iii. The Company shall not open any account or give / sanction any loan or close an existing account where the Company is unable to apply appropriate due diligence measures arising due to any of the following circumstances:

The Company is unable to verify the identity of the customer.

- The customer without any valid or convincing reasons refuses to provide documents to the Company which are needed to determine the risk level in relation to the customer loan applied for by the customer and his paying capacity.
- Information furnished by the customer does not originate from the reliable sources or appears to be doubtful due to lack of supporting evidence.
- Identity of the customer, directly or indirectly matches with any individual terrorist or prohibited / unlawful organizations, whether existing within the country or internationally, or if the customer or beneficiary is found, even remotely, to be associated with or affiliated to any illegal, prohibited or unlawful or terrorist organization as notified from time to time either by Govt. of India, State Govt. or any other national or international body / organization.

- Subject to the above-mentioned norms and caution, at the same time all the employees of Company will also ensure that the above norms and safeguards do not result in any kind of harassment or inconvenience to bona fide and genuine customers who should not feel discouraged while dealing with the Company.

iv. The Operations team shall, at the time of approving a financial transaction/activity, or executing any transaction, obtain the approved KYC records which establish the identity and address of the Customer. For this purpose, the Company shall rely on, to the extent allowed under the Applicable Laws -

(i) the records obtained from the Central KYC Records Registry (CKYCR).

(ii) where necessary, from the records obtained from M/s. NJ India Invest Private Limited, the holding company and the master distributor of the products of the Company.

v. The Operations team of the Company shall however maintain a repository of KYC documents of such customers in accordance with the requirements under the Extant Regulations. The Company shall further enter into an agreement with NJ India Invest Private Limited In accordance with the Extant Regulations for the relevant services provided by the team.

8. RISK LEVEL CATEGORIZATION:

i. The Company shall categorize its customers based on the risk perceived by the Company. The levels of categorization would be Low Risk, Medium Risk and High Risk. The risk categorization would be a function of the industry the borrower operates in, the geography in which the borrower operates, the shareholding pattern of the entity etc. There will be level-wise categorization of customers i.e.High-Risk, Medium Risk and Low Risk. Such levels will be decided based on risk element involved in each case which will be determined by considering the following information submitted by the customer:

1. Nature of business of the Customer and of his Clients

2. Work place of Customers and of his Clients
3. Country of Origin
4. Source of funds
5. Volume of business over a period.
6. Social/Legal and financial status
7. Quantum and tenure of facility applied for and proposed schedule for repayment of loan

	High Risk	Medium Risk	Low Risk
Definition	Customers will include those where the sources of funds to be used for business operations or sources to repay the loan to the Company are not clearly disclosed or cannot be ascertained from the financial statements submitted by the customer to the Company.	Customers those are less risky in nature as compare to high risk customers – can be categorised as Medium Risk.	Individuals (other than High Net Worth) and entities whose sources of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile.
Illustrative List of Customers as per Risk Category	<ul style="list-style-type: none"> • NRI Customers • Trusts (except trusts appropriately set up under a specific regulation) • Societies • Charitable Institutions • NGOs and other organizations receiving donations from within or outside the country 	<ul style="list-style-type: none"> • Client with investment of Rs. 50 Lakh where identity and sources of wealth are not supported by public documents like income returns, registered conveyance deeds etc. • Clients with sudden multiple loan prepayments without 	<ul style="list-style-type: none"> • Well governed corporates • Salaried employees having definite and well-defined salary structure, • Employees of Government Departments or Government owned companies, • Statutory bodies, • Self-employed individuals, wit

	<ul style="list-style-type: none"> • Partnership firms with sleeping partners • Family owned companies • Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc • Companies having close family shareholding or beneficial ownership • Politically exposed persons (PEPs) of foreign origin means 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, Senior Government, important political officials • High net worth individuals 	<p>apparent reasons.</p> <ul style="list-style-type: none"> • Customers having speculative income. • Person in business/industry or trading activity where scope or history of unlawful trading / business activity dealings is more, etc. 	<p>h regular income and good credit behaviour</p>
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- ii. The Company shall ensure that Enhanced Due Diligence Procedure prescribed by the extant regulations is duly exercised in respect of those customers who happen to be high profile and/or Politically Exposed Persons (“PEP”) within or outside country. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming PEP, the Company shall obtain approval of the Principal Officer/Board of Directors in such cases to continue the business relationship with such person, and undertake enhanced monitoring.
- iii. The extent of due diligence requirement will vary from case to case as the same will depend upon risk perceived by the Company while granting credit facilities to customers. For the purpose of preparing customer profile only such relevant information from the customers will be sought based on which the Company can easily decide about the risk category in which the customers are to be placed. Ordinarily, the customer profile maintained by the Company will be kept confidential except for cases where the customer himself allows and/or gives consent for the use of the information given in customer profile / application form for offering other products / services of other companies / entities belonging to the Company’s group or any other legal entity with whom the Company is having any business tie-ups.

9. DUE DILIGENCE ON EMPLOYEES

The Company shall perform the following Due Diligence on Prospective Employees prior to their date of joining by way of collection of any of the Officially Valid Documents (OVD's) as specified by the Company.

A) Verify Identity.

B) Verify Domicile of Residence

C) Verify the previous employment record by way of making necessary reference calls.

10. CUSTOMER IDENTIFICATION PROCEDURE(CIP)

The Company shall identify and verify the Customer and the Beneficial Owner using ‘Officially Valid Documents’ as a ‘proof of identity’ and a ‘proof of address’ in the manner provided under this Policy read along with the manner prescribed under the Extant Regulations on “Know Your Customer” and Anti-Money Laundering Measures,

as amended from time to time. “**Beneficial Owner**” (‘**BO**’) in relation to a customer is a person or an entity who is to be considered a beneficiary of the financial transaction entered in to with the Company by the customer. A list of persons who are to be considered as such BOs in relation to a customer is given below

Type of Customer	Person's to be considered Beneficial Owners
Public / Private Limited Companies	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company; or</p> <p>b) A natural person having, whether alone or together, or through one or more juridical person, right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements; or</p> <p>c) Where none of the above is been identified – a natural person who holds the position of senior managing official.</p>
Partnership Firm	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of capital or profits of the partnership; or</p> <p>b) Where the above is not been identified – a natural person who holds the position of senior managing official</p>
Unincorporated association of persons or body of individuals	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of property or capital or profits of such association or body of individuals; or</p> <p>b) Where the above is not been identified – a natural person who holds the</p>

	position of senior managing official
Trust/ Foundation	a) The Author of the trust; or b) The Trustees of the trust; or c) The Beneficiaries of the trust with fifteen percent or more interest in the trust; or d) A natural person exercising ultimate effective control over the trust through a chain of control or ownership
Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or Beneficial Owner of such companies.	

The Company shall, for all the Customers registered with the CKYC, obtain the stipulated records (“Officially Valid Documents” / “OVD”) from the Central KYC Registry which provide both Customer and address identification.

In case where the Customer does not have a registered CKYC number, then the Operations team shall ensure that the OVD's as specified from time to time shall be duly collected and stored.

Information sought from the Customer would be relevant to the perceived risk and would not be intrusive.

11. MONITORING OF TRANSACTIONS

The Company will keep a constant vigil, if any of the following acts or events is noticed in relation to the customer's approach or behaviour while dealing with the Company:

- Reluctance of the customer to provide confirmation regarding his identity.
- If false information is provided by the customer, especially regarding identity and address.
- Loan money is used for the purpose other than the one mentioned in the Loan Term Sheet and the real purpose is not disclosed to the Company.

- Customer forecloses /part prepays the loan prior to the stated maturity repeatedly.
- Repayment of loans happens regularly through either cash or receipts from third parties. Such transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer (incl.Prepayment),
- There exist reasonable grounds to doubt the end beneficiary of the loans or the asset being procured with those loans.
- Overpayment of instalments with a request to refund the overpaid amount.
- Frequent requests for change of address.
- Large, material Initial contribution made through unrelated third party accounts without proper justification.
- Usage of loan amount by the customer in connivance with the vendor / dealer etc. and using the same for a purpose other than what has been stipulated.

The Company shall further closely monitor the following transactions -

- All complex, high-risk, unusually large transactions and all unusual or suspicious patterns which have no apparent economic or visible lawful purpose.
- Cash transactions which exceed the limits of rupees **Ten Lakhs**, either per transaction or credit and debit summation in a single month. This would include transaction where the customer by way repayment of loan, whether in part or full, deposit rupees **Ten Lakhs** and above in cash.

Such transactions shall be reported to the Risk Department and the Principal Officer appointed as per this policy. In such cases, the Company shall keep a close and careful watch on the subsequent mode of payments adopted by such customer.

12. MAINTENANCE & PRESERVATION OF RECORDS OF SUSPICIOUS TRANSACTIONS

- (i) The Company shall introduce a system of maintaining proper record of the following transactions:

1. All cash transactions of the value of more than rupees **Ten lakhs** to its equivalent in foreign currency;
2. 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 and the aggregate value of such transactions exceeds rupees **Ten Lakhs**;
3. All transactions involving receipts by non-profit organizations of rupees **Ten Lakhs** or its equivalent in foreign currency;
4. All suspicious transactions, where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of valuable security or a document has taken place facilitating the transactions;
5. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules. The Company shall ensure that it continues to maintain proper record of all cash transactions (deposits and withdrawals) of rupees **Ten Lakhs** and above.
6. All suspicious transactions whether or not made in cash and by way of:
 - (i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of:
 - a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or
 - b) travellers cheques, or
 - c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
 - d) any other mode in whatsoever name it is referred to;

(ii) The internal monitoring system shall have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling / head office on a fortnightly basis. The records shall be preserved in the following manner:

i) The nature of transactions

ii) The amount of the transaction and the currency in which it was denominated

iii) The date on which the transaction was conducted

iv) The parties to the transaction

(iii) The Company shall preserve records as specified in the Extant Regulations. Currently the requirement is to maintain a record of all transactions, including information relating to transactions covered under clause (b) below, in such manner as to enable it to reconstruct individual transactions; such records being maintained for a period of five years from the date of transaction between a client and the Company.

a) furnish to the Director, Financial Intelligence Unit, within such time as may be prescribed, information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed;

b) verify the identity of its clients in such manner and subject to such conditions, as may be prescribed;

c) identify the beneficial owner, if any, of such of its clients, as may be prescribed;

d) maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients, such records shall be maintained for a period of five years after the business relationship between the client and the reporting entity has ended / or the account has been closed whichever is later.

(iv) The Company shall introduce a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. The Company shall maintain records of the identity of clients, and records in respect of

transactions with its client referred to in PMLA rule 3 in hard or soft format.

13. REPORTING OF SUSPICIOUS TRANSACTIONS

(i) As required in the Extant Regulations, the Company shall report information relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). Further, where the Principal officer of the Company has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of the law, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

(ii) The information has to be furnished at the following address by the Principal Officer of the Company:

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.
Website: <http://fiuindia.gov.in>

A copy of information furnished shall be retained by the Principal Officer for the purposes of official record.

(iii) Submissions to the Director, FIU-IND

(a) The information in respect of the transactions referred to in clause(A), (B) and (BA) of sub-rule (1) of rule 3 of the PML Rules is to be submitted to the Director every month by the 15th day of the succeeding month.

(b) The information in respect of the transactions referred to in clause(C) of sub-rule (1) of rule 3 of the PML Rules is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

(c) The information in respect of the transactions referred to in clause(D) of sub-rule (1) of rule 3 of the PML Rules (i.e. clause(v) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

14. DESIGNATION OF OFFICERS FOR ENSURING COMPLIANCE WITH PROVISIONS OF PMLA:

A) Appointment of Principal Officer

- To ensure that Company properly discharge its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Managing Director.
- **Company has appointed Mr. Chaitanya S. Chunduri, as the Principal Officer under the provisions of PMLA and has intimated his name and contact details to FIU-IND as follows:**

Sr. No	Designated Director	Designation	Address	Email Id	Mobile	Telephone
1	Chaitanya. S. Chunduri	Chief Operating Officer	Flat No.702, Soham Heights, VIP Road, Vesu, Surat – 395007, Gujarat	chaitanya.cs@njgroup.in	9909997521	0261-4025924

- Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, 'Principal Officer' of Company will be of a

sufficiently senior position and is able to discharge the functions with independence and authority.

B) Appointment of Designated Director:

- In addition to the existing requirement of designation of a Principal Officer, Company shall also designate a person as a '**Designated Director**' in terms of Rule 2 (ba) of the PML Rules whose details are mentioned as under:

Sr. No	Designated Director	Designation	Address	Email Id	Mobile	Telephone
1.	Misbah Yousuf Baxamusa	Director	201/202, Al Amir Appartment, Above A.V.Sons, Parle Point, Surat - 395007, Gujarat	misbah@njgroup.in	9374543687	0261-4025901

- The details of appointment of Designated Director has been intimated to the FIU-IND by Company.
- In case of any changes, Company shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.
- In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

15. BOARD OF DIRECTORS APPROVAL

This policy and procedure shall be considered and reviewed by the board as and when updation made, if any or as deemed fit from time to time

The Board has approved this AML program as resonably designed to achieve and monitor the Company's ongoing compliance with the requirements of the PMLA and implementing regulations under it.

16. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING

- **Hiring of Employees**

Company ensures adequate screening procedures at the time of hiring of its employee. It also ensures that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

- **Employees' Training**

Company shall have an ongoing employee training programme so that the employees are adequately trained regarding the AML and CFT procedures.

Company also imparts periodical refresher training to the staff to keep them updated on new developments and to communicate any changes in the policies, procedures etc.

This Policy is issued under the order and authority of the Board.

Important provisions under PMLA

The offense of money laundering is defined as “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering”

Punishment for Money Laundering is laid down as “whoever commits the offense of money laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but may extend to seven years and shall also be liable to fine which may extend to five lakh rupees”.

Every banking company or financial institution and intermediary or a person carrying on designated business or profession (hereinafter “reporting enterprise”) is required to:

- Maintain a record of all transactions the nature and value of which may be prescribed, whether such transaction comprise of a single transaction or series of transactions integrally connected to each other and where such series of transactions take place within a month.
- Furnish information of transactions referred to in the clause above to the Director (FIU IND) within such time as may be prescribed.
- Verify and maintain records of the identity of all its clients, in such a manner as may be prescribed.
- Identify Beneficial Owner, if any, of such of its clients, as may be prescribed.\
- Maintain record of documents evidencing identity of its clients and Beneficial Owners as well as account files and business correspondence relating to its clients.
- Where the Principal Officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions

to the Director-FIU IND within the prescribed time.

- The records referred to above shall be maintained for a period of ten years from the cessation of the transactions between the clients and the banking company of financial institution or intermediary, as the case may be. However, details furnished to Director FIU-IND, documents related to identity and Beneficial Owner of the client shall be maintained permanently.

The reporting entities shall have "Designated Director" designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules thereof. The Designated Director can be any one of the Managing Director or a whole-time Director or a person who holds the position of senior management (One level below the Board) or equivalent, duly authorized by the Board of Directors of the company. However, in no case, the principal officer shall be nominated as the "Designated Director" for the purpose of this Policy.

The Director-FIU IND may whether on his own or on an application made by an authority, officer or person call for records referred to above and may make such inquiry or cause such inquiry to be made, as he thinks fit, with respect to obligations of the reporting entity.

If the Director-FIU IND, in the course of any inquiry, finds that a banking company, financial institution or intermediary or any of its officers has failed to comply with the provisions for maintenance of records, furnishing of information, verification of identity of customers etc., then without prejudice to any other action that may be taken under any other provisions of PMLA, Director – FIU-IND may, by an order, levy a fine on such banking company or financial institution or intermediary which shall not be less than ten thousand rupees but may extent to one lakh rupees for each failure.

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