



# Anti-Money Laundering & Counter Financing of Terrorism (AML / CFT Program)

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 **BAJAJ** | Allianz 



# Money Laundering

- The process by which money acquired from a crime or an illegal activity is moved through the financial system and invested into a legitimate channel so that it appears to be legally acquired and its original source cannot be traced.
- In simple words it is a method used by criminals through which they make “dirty” money appear “clean”, thereby making it legitimate.



Prevention of Money Laundering Act (PMLA) came into effect in 1<sup>st</sup> July 2005 to prevent money-laundering and to provide for confiscation of property derived from or involved in Money Laundering.

PMLA imposes AML obligations on:

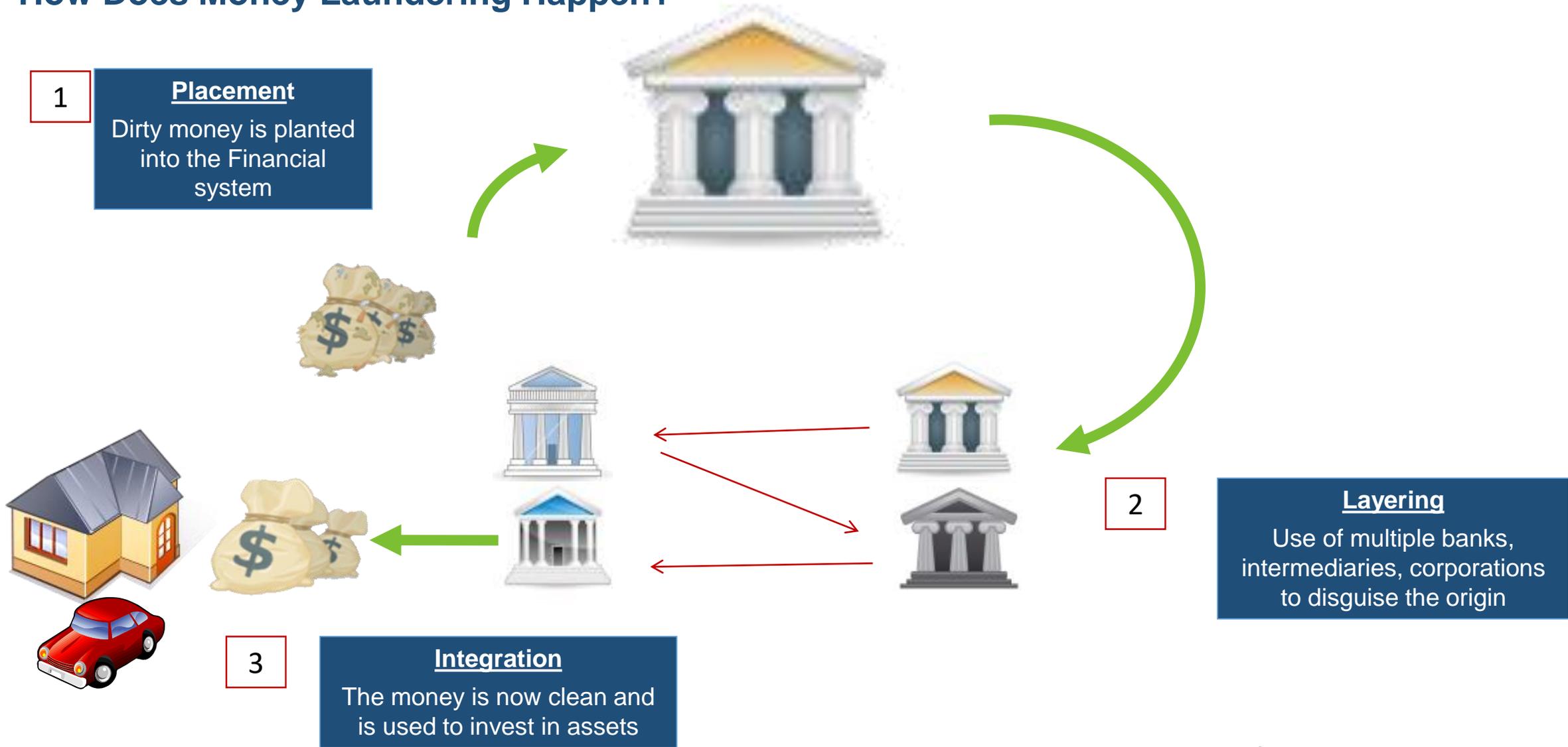
- Banking Companies
- Financial Institutions (including Insurance companies)
- Intermediaries of the Securities market



IRDAI has made the AML guidelines mandatory for all Insurance Companies. All financial institutions need to report to the Financial Intelligence Unit of Govt of India



# How Does Money Laundering Happen?



# Steps to Control Money Laundering

## Main elements of the AML / CFT Program:

- a) Internal Policies, Procedures & Controls: Board approved AML Policy, that covers employees, agents as well as independent contractors
- b) Appointment of the Principal Compliance Officer: monitoring & reporting the compliance
- c) Recruitment & Training of Employees including Off-Role Employees & Intermediaries : On-going process with training at the time of on-boarding & periodical refresher courses
- d) Internal Control & Audit: verify compliance, assurance of robustness policies & procedures with exception reporting to the Board of Directors

## Main steps to prevent Money Laundering:

1. Conduct Due Diligence
2. Maintain Records
3. Furnish Information to the Authorities

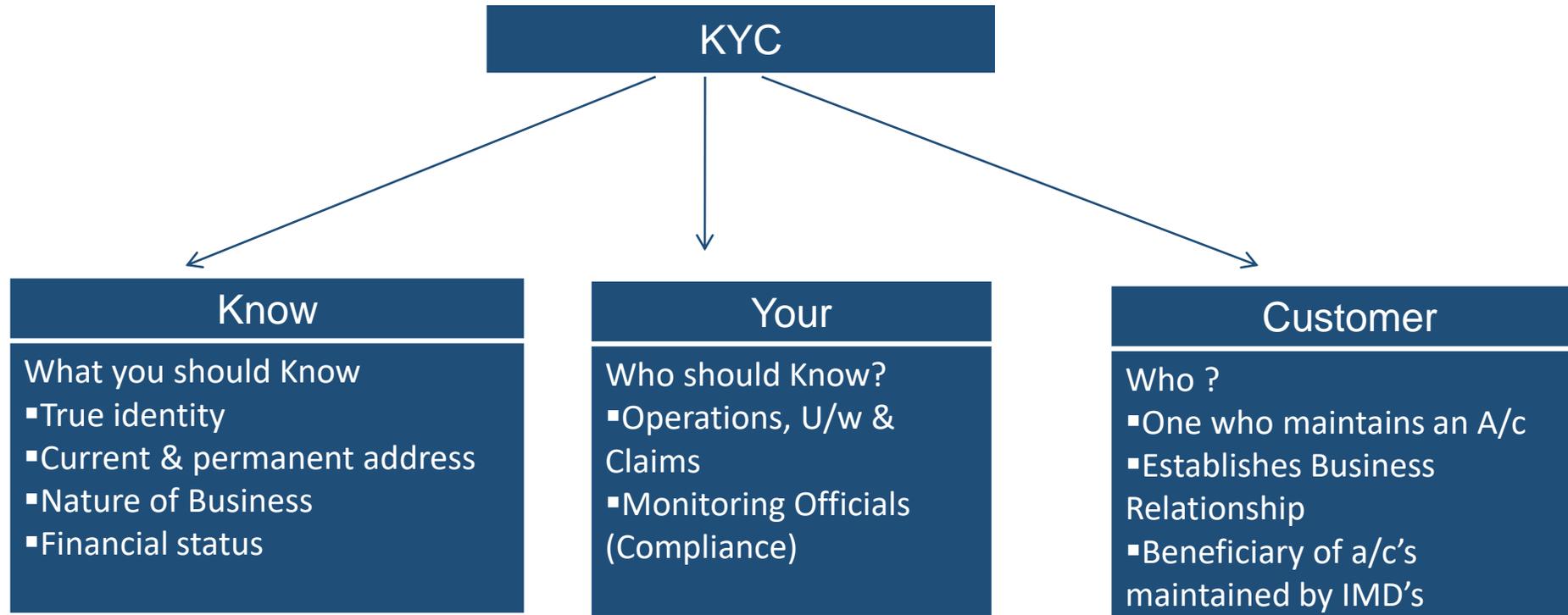


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# 1 Conduct Due Diligence

BJAZ should make reasonable efforts to determine the “*true identity of all customers*” requesting its services through a method called “Know your Customer”



In case of Corporate clients: Know the persons acting on behalf of the company

**In any case: No contract should be anonymous or in fictitious name**

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# Know Your Customer

KYC should be done at the following stages :-

- KYC is mandatory for all lines of business without any exception, including Group Insurance business at the stage of customer on boarding / policy issuance.
- However, in the case of Group Insurance business KYC check is only required to be carried out on the Group Manager/Master Policyholders(entity).
- Group Managers are required to collect KYC of Group Members. Details include Member Name, Email ID, Mobile No, DOB, PAN Card and Addresses.
- Group Manager shall share the KYC documents of the members with the insurer as and when needed.



## Products / Policies where KYC is exempted

**Reinsurance/co-insurances/Consortium account as a follower or Retrocession Contracts: for reallocation of risks within the industry & do not involve transactions with customers**

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# Customer Risk Classification

***Company is required to carry out risk classification from Jan 1, 2023***

Customer risk profiling is the process of mapping the customers to the risk categories. Customers may be broadly classified as under basis on their occupation and income status (this may change from time to time basing on the available information). As a company we should apply due diligence on each customer and map them into two categories:

High Risk profile	Low Risk Profile
<ol style="list-style-type: none"><li>1. Non-Residents</li><li>2. High Net Worth Individuals</li><li>3. Politically Exposed Persons</li><li>4. Trust, Charities, NGO's, Residential society</li><li>5. Firms with Sleeping Partner/s</li><li>6. Entities registered under respective regulatory bodies where Beneficial ownership is not established</li></ol>	<ol style="list-style-type: none"><li>1. Salaried Employees</li><li>2. People working with Govt Depts</li><li>3. People from lower strata of society</li><li>4. Employees of Regulatory Bodies</li><li>5. Entities registered under respective regulatory bodies</li></ol>

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## Know Your Customer Contd.....

Risk Classification	Customer	Documents
Low Risk	Individuals	POI: PAN is a mandatory requirement (Form 60 declaration in case the customer does not hold the PAN on specific conditions) POA: Utility Bill/Bank Passbook(issued not less than 2 months)
Low Risk	Juridical Person (Including Group Administration)	POI: PAN/ TAN is a mandatory requirement POA: GST Certificate/ Registration certificate/Incorporation Certificate
High Risk	Individuals	POI: PAN is a mandatory requirement (Form 60 declaration in case the customer does not hold the PAN on specific conditions) POA: Passport/OCI Card *EDD: Reg. Agreements/Declarations
High Risk	Juridical Person (Including Group Administration)	POI: PAN/TAN is a mandatory requirement POA: GST Certificate/ Registration certificate/Incorporation Certificate EDD: Declaration from the entity on their letter head sealed and signed

\* Note: No further document required as proof of address if proof of identity contains address  
POI: Proof of Identity, POA: Proof of Address, EDD: Enhance Due Diligence



# Know Your Customer Contd.....

## ***Other Valid Documents :***

<b>Individual</b>	<b>Juridical Person (Including Group Administration)</b>
<ul style="list-style-type: none"><li>• Passport</li><li>• Driving License</li><li>• Voter's Identity Card</li><li>• Job Card issued by NREGA</li><li>• Aadhar (in case the customer does not want to share the Aadhar they may submit any of the documents from the OVD list below for address proof)</li><li>• Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number</li><li>• Any other document as notified by the Central Government in consultation with the Regulator, Letter from a recognized public authority or public servant verifying the identity and residence of the customer</li></ul>	<ul style="list-style-type: none"><li>• Verification of legal status of the legal entity/person : through CKYC</li><li>• KYC of the Authorized person who will be acting on behalf of the entity : same for individual person</li><li>• KYC of the beneficial owner</li><li>• Certificate of incorporation/registration and Memorandum &amp; Articles of Association</li><li>• Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account or Partnership Deed or Trust Deed</li><li>• Power of Attorney granted to its partners, managers, officers or employees to transact business on its behalf</li></ul>

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## BAGIC KYC Process:

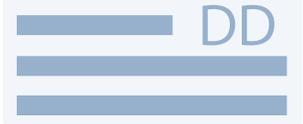
Mode	New/Rollover Policies	Renewal	Endorsements/Claims
Digital	<p>For KYC verification following steps:</p> <ul style="list-style-type: none"> <li>Using CKYC No. Verification : Real time verification of 14-digit unique Central Know Your Customer (CKYC) number</li> <li>Verifying PAN and Date of birth</li> <li>Using PAN no. Verification : Real time PAN No. from NSDL Website</li> <li>Uploading other valid documents</li> </ul>	<ul style="list-style-type: none"> <li>KYC Verification journey will go live From 1st Jan, 2024 journey for all the policies issued from Jan 1, 2023 to Dec 31, 2023.</li> <li>If the policyholder has already submitted the KYC, we will request them to verify the available KYC details and if any change is observed then sufficient document to be obtained and update accordingly in the records.</li> </ul>	<p>Claim / Request for change in the name (Post marriage)/ Address/ registered Mobile No. during the policy period, supporting documents to be obtained and update accordingly in the records.</p>
Offline	Physical self attested KYC documents along with the proposal form	Physical self attested KYC Documents along with the renewal notice	Physical self attested documents along with the request/claim form

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## 2 Maintain Records



- All the KYC Documents along with the logs (documents collected physical ) to be maintained for 10 years.
- AML Training records and logs of the training to be maintained for 10 years
- Documents and Logs related STR/CTR/NTR/CCR filed with FIU-Ind to be maintained for 10 years.
- All records should contain amount, currency, nature, parties involved and date of transactions.

## 3 Information Submission to Regulatory Authorities

Reporting Obligations to the Director of Financial Intelligence Unit to be filed with 15 days of the succeeding month are as under:

- Suspicious Transaction Reports (STR) : All suspicious transactions whether made in cash
- Cash Transaction Reports (CTR): All cumulative cash transactions of value more than Rs 10 Lakh or its equivalent in foreign currency in a month.
- Counterfeit Currency Reporting (CCR): All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions
- Non Profit Organisations Transaction Reports (NTR): All receipts by Non-profit organizations valued at more than Rs.10 lakhs or its equivalent in foreign currency in a month

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# Suspicious Transaction

A transaction which, to a person acting in good faith:

- (a) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime
- (b) appears to be made in circumstances of unusual or unjustified complexity
- (c) appears to have no economic rationale or bona fide purpose;

Examples of Suspicious Transactions	Status
False Identification Documents	✓
Activity inconsistent with declared business	✓
Unusual or unjustified complexity	✓
Non face to face interaction with a client (other than websales)	✓
Unreasonable amount of insurance (especially in non-motor)	✓

- *Proposal Form may include question / declaration on source of funds*
- *Source of funds, net-worth of customer may be documented for reference*
- *Independent enquiries may be conducted / public database may be used*



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## AML / CFT – Global Perspective with FATF

- Financial Action Task Force – FATF – is an inter-governmental body set by member countries
- FATF sets standards and promotes legal framework for anti-money laundering and combating terrorism financing activities, increase transparency of financial system so that criminal activities can be easily detected
- FATF assesses the legal and regulatory framework in various countries and advises on due-diligence to be carried out while dealing with such countries

## United Nations Security Council Recommendation

- United Nations publishes a list of Individuals and entities connected with Terrorist activities and organizations.
- IT Department is responsible to maintain the updated database on a regular basis and Operation team will carry out a check on a monthly basis against their database of customers.
- Special attention should be paid to business relationships that don't have apparent economic / visible lawful purpose, which should be examined and written findings be maintained

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## Procedure to tackle with Money Laundering

In case you notice or detect any money laundering activities you may do the following:

-  Hierarchal Escalation – Any money laundering activity noticed or detected should be immediately brought to the attention of the Branch Manager with relevant proof
-  Compliance Officer – The Compliance Officer should be immediately intimated of any wrong doings so that they can take the necessary counter-measures.
-  Whistle Blowing Committee - The employee can approach the “Whistle Blowing Committee” in case any money-laundering activity has been detected.

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