

## **Anti Money Laundering (AML) Standards And Know Your Client (KYC) Requirements**

Credit Suisse Securities (India) Private Limited ("CSSIPL") is a private limited company incorporated under the provisions of the Companies Act, 1956. CSSIPL is a licensed stockbroker with membership of the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) and a licensed clearing member. CSSIPL is also a licensed merchant banker and underwriter; and a portfolio manager. CSSIPL is committed in its effort to comply with the applicable anti money laundering standards. This brochure provides an introduction to anti-money laundering standards and Know Your Client requirements.

### **1. What is Money Laundering & Terrorist Financing?**

Money laundering is the process by which the illegal origin of wealth is disguised to avoid suspicion of law enforcement authorities and to wipe the trail of incriminating evidence. Terrorists and terrorist organisations though may not be keen to disguise the origin of their money but would be interested in concealing the destination and the purpose for which the money is collected. Therefore terrorists and terrorist organization could also employ techniques to hide and disguise money. Governments around the world recognize the corrosive dangers that unchecked money laundering poses to their economic and political systems and has prescribed acts, rules and regulation for prevention of money laundering.

### **2. What is a money laundering offence?**

The offence 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.

"Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.

### **3. What is the International standard against AML & CTF activities?**

The Financial Action Task Force (FATF) is an inter-governmental body which sets standards, and develops and promotes policies to combat money laundering and terrorist financing.

The Forty Recommendations and Nine Special Recommendations of FATF provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation. These Recommendations have been recognised, endorsed, or adopted by many international bodies as the international standards for combating money laundering.

Website of FATF – [www.fatf-gafi.org](http://www.fatf-gafi.org)

### **4. What is the existing anti-money laundering & counter terrorism financing legislations in India?**

#### ***PREVENTION OF MONEY LAUNDERING ACT, 2002***

The Prevention of Money Laundering Act, 2002 (**PMLA**) was enacted with effect from July 1, 2005. The PMLA forms the core of the legal framework to combat money laundering and terrorist financing in India. The PMLA and Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of

Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules) impose obligation on banking companies, financial institution and intermediary to verify the identity of investors & maintain records of transactions with each investor. Rule 3 of PMLA Rules inter-alia requires maintains of records relating to following transactions:

- All cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs.10 lakh or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All transactions involving receipts by non-profit organisations of value more than Rs.10 lakh, or its equivalent in foreign currency.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.
- 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.

#### ***SEBI CIRCULAR, ISD/CIR/RR/AML/1/06***

SEBI has issued a circular reference number ISD/CIR/RR/AML/1/06 dated January 18, 2006 containing the Guidelines laying down the minimum requirements / disclosures to be made in respect of identification of investor. SEBI from time to time has issued various directives, covering issues related to Know Your Client (**KYC**) norms, Anti-Money Laundering (**AML**), Client Due Diligence (**CDD**), Combating Financing of Terrorism (**CFT**) and standards set by the Financial Action Task Force (**FATF**) on AML/ CFT.

CSSIPL has adopted the standards as defined in SEBI circular to identify and verify new investors as well as implement controls to ensure compliance with the AML standards.

#### **5. What is Know Your Clients (KYC) Requirements?**

KYC (also commonly referred to as Client Due Diligence) involves verifying an investor's identity as well as checking that the investor's activities are in line with the identity which they have claimed.

The Prevention of Money Laundering Act, 2002 (PMLA) & SEBI Circular ISD/CIR/RR/AML/1/06 require CSSIPL to collect certain information about each investor and verify their identity, supported by relevant identification documents.

All investors, including persons appointed under a Delegation of Authority or Power of Attorney, are required to meet the KYC requirements under the PMLA laws and SEBI Circular ISD/CIR/RR/AML/1/06.

In accordance with client identification requirements introduced under rule 9 of PMLA Rules, CSSIPL is required to collect certain information about each investor. This includes collecting proof of identity, proof of address, photograph, such other documents including in respect of the nature of business and financial status of the client as may be required by the CSSIPL of investors in the capacity of beneficial owners, directors, authorised persons, Delegation of Authority or Power of Attorney holders or any key stakeholders of the relationship.

In accordance with client identification requirements for corporate entities under rule 9 of PMLA Rules of PMLA, CSSIPL is required to obtain documents to establish incorporation status, mandate of governing body, or

equivalent documents. Additional documents to determine financial soundness, source of income, of the client may be required as supporting identification documents.

We may require additional information about investor for the purposes of satisfying CSSIPL obligations under the PMLA and SEBI Circular ISD/CIR/RR/AML/1/06. CSSIPL may take actions we believe necessary to comply with PMLA laws and SEBI Circular ISD/CIR/RR/AML/1/06 which include delaying or refusing any request to establish a relationship or process any transaction.

#### **6. When do KYC requirements apply?**

KYC is carried out at the following stages:

- Prior to establishing a new relationship.
- Opening of subsequent account where documents or KYC information has changed since opening the initial account.
- From time to time when CSSIPL feels it necessary to obtain additional information from existing customers based on conduct of the account
- When there are changes to signatories, mandate holders, beneficial owners etc

#### **7. Who is my contact point in CSSIPL to comply with AML and CTF requirements?**

Your contact point will be the Sales / Coverage Person/ Relationship Manager who opens your account and who is in touch with you for your transactions with CSSIPL.

Should you require more information on AML & CFT requirements, you may wish to refer to the Financial Intelligence Unit- India website - <http://fiuindia.gov.in/faq-overview.htm>