

ANTI MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

What is Money Laundering & Terrorist Financing

Money laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from illegal activities, including drug trafficking, fraud, terrorism, organized crime into funds with an apparently legal source.

Terrorist Financing can be defined as the financial support, in any form, of terrorism or of those who encourage, plan or engage in terrorism.

Consequences of Money Laundering & Terrorist Financing

- ▣ Damages the integrity of the financial system
- ▣ Aiding and abetting of corruption and crime
- ▣ Leads to economic distortions and instability
- ▣ Weakens law & order and poses serious national/International security threats

Objectives of Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Program

- ▣ To prevent financial intermediaries from being used as a tool for the purpose of Money laundering & terrorist financing.
- ▣ To preserve the integrity of the Financial system.
- ▣ To work closely with the regulators in order to meet our commitment on stringent controls on AML and CFT.

Local regulations on AML/CFT

- ▣ Prevention of Money Laundering Act,2002 (PMLA) came in to force with effect from July 01,2005 read with the prevention of Money Laundering (Amendment) Act,2009.
- ▣ SEBI Guidelines on PMLA vide circular issued in January 2006 followed by latest Master circular issued in February 2010.
- ▣ Exchanges have also issued Guidelines on PMLA to be followed by Registered intermediary.
- ▣ RBI Guidelines on PMLA vide circular issued in April 2006 followed by the Latest Master circular in July 2009.

Obligations of a Customer

- ▣ To provide required documents/ information at the time of opening of account such as proof of Identity, Address proof, Income proof, etc.
- ▣ To keep the intermediary informed whenever there is a change in profile of the customer like change in occupation, address, contact details etc.
- ▣ To update the financial/income details with the intermediary on a periodic basis.
- ▣ To provide the updated information/documents as requested by the intermediary from time to time.
- ▣ To ensure that transactions undertaken are commensurate with disclosed income details.