

NOTE ON PML ACT

Suspicious Transaction Reports:

We must furnish to FIU-IND information of all suspicious transactions whether or not made in cash.

Suspicious transaction means a transaction referred to in clause (h), including an attempted transaction, whether or not made in cash which, to a person acting in good faith -

- (a) Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- (b) Appears to be made in circumstances of unusual or unjustified complexity; or
- (c) Appears to have no economic rationale or bonafide purpose; or
- (d) Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Broad categories of reason for suspicious transactions are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals

Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Sources of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the client's apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

Cash Transaction Reports:

- A. All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- B. 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;

Verification of the records of the identity of clients:

Our broking company, as the case may be, shall,

At the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and

- (a) In all other cases, verify identity while carrying out:
 - I. Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
 - II. Any international money transfer operations.
- (b) Client means a person that engages in a financial transaction or activity with a banking company, or financial institution or intermediary and includes a person on whose behalf the person that engages in the transaction or activity, is acting.
- (c) Transaction includes deposit, withdrawal, exchange or transfers of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means.

What is money laundering?

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 criminal activity into funds with an apparently legal source.

Which documents need to be verified and maintained when the client is an individual?

Following document need to be verified and maintained when the client is an individual:

- I. One certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses; and
- II. One copy of his/her recent photograph; and
- III. Such other documents including in respect of the nature of business and financial status of the client as may be required by the banking company or the financial institution or the intermediary Company

Documents needed for verification:

- I. Certificate of incorporation;
- II. Memorandum and Articles of Association;
- III. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and
- IV. An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.