



## Anti - Money Laundering Compliance Program



### CORPORATE OFFICE:

Vakrangee Corporate House

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## Introduction

The Government of India introduced the Prevention of Money Laundering Act, 2002 (PMLA) to prevent money laundering and terrorist financing in India. We have designed a policy to not only comply with PMLA but also benchmark against global practices and frameworks. We have documented policies and processes to detect, prevent, and report suspicious transactions in our ecosystem.

All Banking and Financial services provided through the Vakrangee Kendras are done on behalf of our partners banks and other financial institutions. Due to this, we do not have customer account information and are unable to do any kind of customer profiling / monitoring at our end. For example, while providing ATM services, we capture only the transaction details of the cash withdrawal transaction done by the customer. Since, the customer card belongs to the Issuer Bank, the profiling of the customer is done at the Issuer Bank's end. Instead, we ensure that all our franchisee partners fall under this policy and have implemented strong processes in place to prevent money laundering through our franchisee network.

## Scope

All our Anti-Money Laundering (AML) Policies and processes would apply to all our subsidiaries. Also, they would be applicable to all our Vakrangee Kendras across the country. Our policy and process would be applicable to all our affiliates and our affiliates' customer's. Additionally, we would not employ any third party for conducting anti-money laundering operations.

We are fully compliant with the below mentioned regulations:

- Prevention of Money Laundering Act - (PMLA) – 2002
- Payment and Settlement Systems Act – 2007
- AML and CFT laws/ regulations and guidelines issued by Reserve Bank of India

## Relationship with Shell Banks

We have a strong corporate governance code in place. We commit that we would not have any account/relationship with shell banks and that we would not conduct any transactions with or on behalf of shell banks through any of its accounts or products.

## Political Involvement

We have a detailed political involvement policy in place (Link - <https://www.vakrangee.in/pdf/Policies-PDF/Political%20Involvement%20Policy.pdf>). We would not make contributions to candidates or political parties in any type of elections, at the state level or at Central level across Pan India and also Prohibit

political involvement of any kind on the company's behalf. We would not be involved in lobbying activities. We would not deal with political exposed persons, their family and close associates.

## Onboarding of a Franchisee

### Know Your Customer (KYC)

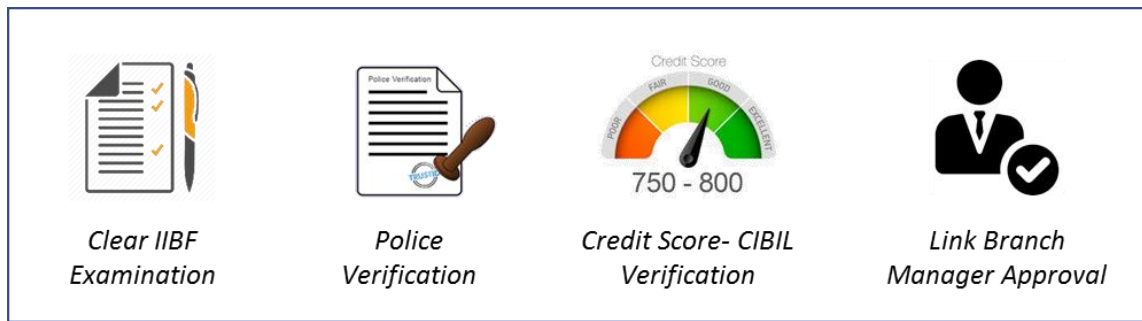
We have defined very strong KYC norms for our franchisee to ensure that we capture all required information to identify our franchisee partner before we allow them to open a Vakrangee Kendra. For example, the KYC documents to be submitted by an applicant include but not limited to the below –

- Photo identity proof
- Address proof
- CIBIL verification
- Police verification
- MSME registration
- GST registration
- 6-month bank statement of the applicant
- 5-year Registered lease agreement / Ownership proof of the prospective Kendra location
- Kendra address proof

All these documents would be then scrutinized by our central team before the applicant being accepted as a franchisee. This team would carry out verification of all KYC details submitted such as PAN card details and GST number from the respective portals to ensure authenticity of the documents submitted.

We have been appointed as a Corporate Business Correspondent (BC) to multiple Public Sector banks. Vakrangee Kendra has a BC point through which the Business Correspondent Agent (BCA) provides multiple banking services such as account opening through e-KYC, cash deposit, cash withdrawal, fund transfer, money transfer, lead generation for loan products, etc.

In case, the BCA is different from the applicant himself, apart from collecting the above documents, the BCA would undergo scrutiny in various forms to ensure that the right person is selected for providing banking services at the outlet.



The following would be done before the BCA starts the banking operations:

- The BCA needs to clear IIBF examination
- Police verification to be conducted by the link bank branch
- CIBIL verification to be done by the link bank branch
- Bank Manager of the link bank branch needs to provide approval
- Branch officials to conduct an inspection before allocation a BC point

While onboarding a franchisee, we would capture whether the applicant is associated with any political party. This ensures we would conduct risk profiling at the franchisee onboarding step itself. We would also carry out screening of applicants against the Sanction Lists issued by Regulatory bodies in India as well as relevant international bodies.

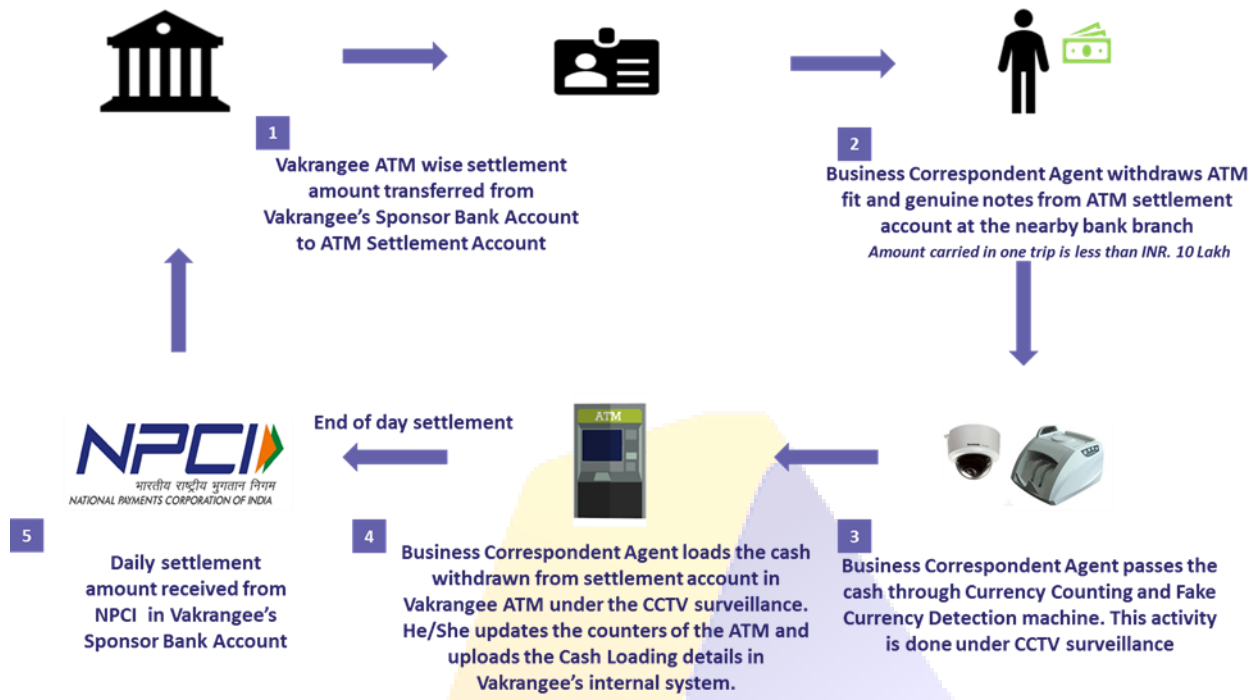
### **No Relationship with Shell Banks**

We would ensure that our franchisee open the ATM settlement account and commission account only with the Scheduled Commercial Banks defined by Reserve Bank of India (RBI) who have the license to provide Banking services in India. Our system would have validation in place which does not let the applicant select Bank name other than the Scheduled Banks updated in our system. This prevents the applicant from opening Bank account with a Shell Bank or any other Bank not licensed by RBI.

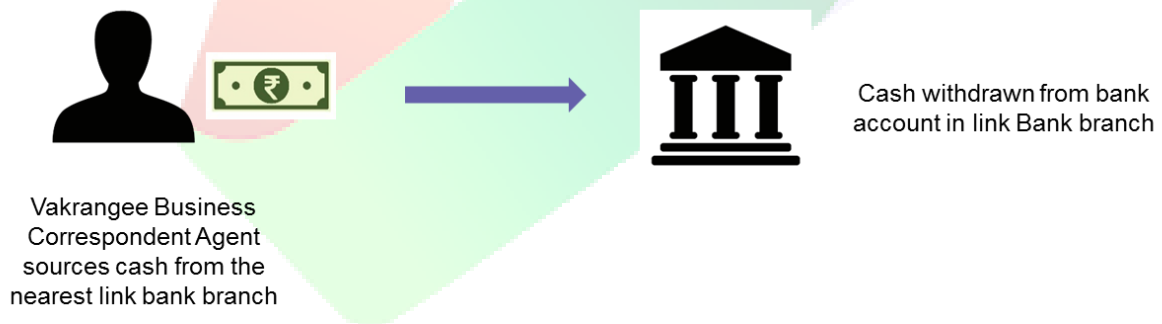
## **ATM Cash Management Process**

Vakrangee Cash Management is not outsourced. The Cash management is done inhouse through our BC channel. Each process has been defined keeping in mind the AML guidelines and daily monitoring is done to ensure compliance of the same.

Below figure describes the cash management process to be followed at a Vakrangee Kendra.



1. Vakrangee ATM wise Settlement Amount to be transferred from Vakrangee's Sponsor Bank Account to ATM Settlement Account. The fund transferred to individual franchisees should be the fund received from NPCI in our dedicated Sponsor Bank account. As per the amount dispensed from the ATM, this fund is to be transferred to franchisee's settlement account which is opened in one of the Scheduled Commercial Banks licensed by RBI.
2. Vakrangee Business correspondent agent to withdraws ATM fit and genuine notes from settlement account in the nearby link bank branch.



All Vakrangee Kendras to be covered under Shop insurance policy. Our Shop insurance policy to cover the below:

- Cash in the ATM Machine
- Cash in Transit
- Cash in Safe in Vakrangee Kendra

The Business correspondent agent to ensure that the below guidelines of cash transportation are followed:

- Cash withdrawn and transported is less than INR. 10 Lakhs in one trip.
  - The cash withdrawn is carried to the Vakrangee Kendra, which is also a BC point, in a secure manner. Public transport is NOT used for transportation of cash. The below modes of transport are used:
    - Amount up to INR. 2 lakhs – Two-wheeler / Four-Wheeler
    - Amount from INR. 2 lakhs to INR. 5 lakhs – Four-Wheeler
    - Amount from INR. 5 lakhs to INR. 10 lakhs – Four-Wheeler with 1 additional employee
  - The Business correspondent agent takes the busiest route to the Vakrangee Kendra and does not halt for any other activity on the way.
  - The Business correspondent agent has local police station contact details handy. In case of any hazard, immediately seek help using Vakrangee's helpline number and local police.
  - The Business correspondent agent ensures that the vehicle is parked as close to the Vakrangee Kendra as possible.
  - No cash loading or cash transportation activities are done
    - After 7 PM in Urban areas
    - After 5 PM in Rural areas
    - Before 9 AM or after 4 PM in the districts notified by the Central Government as Left-Wing Extremism (LWE) affected areas
3. Once the cash has been sourced and transported to the Vakrangee Kendra, the business correspondent agent should pass the cash through the Currency Counting and Fake Currency Detection machine. This activity is to be done under CCTV surveillance installed in the Kendra. In order to ensure compliance of this activity, Vakrangee should make both equipment a part of the hardware kit provided to the franchisee while opening the Vakrangee Kendra. This would ensure that the cash withdrawn from the Bank account is replenished in the ATM.



4. The Business correspondent agent would then load the cash in the ATM machine. He/She to update the counters of the ATM and upload the Cash Loading details in Vakrangee's internal system.

The Business correspondent agent should performs below the activities when loading the Cash in the ATM machine:

- The Vakrangee Kendra Shutter is closed during the cash loading activity
- "Please wait cash loading in process" placard is displayed outside the Kendra when the cash loading is in process
- Only ATM fit currency which has successfully passed through the Currency Counting and Fake Currency Detection Machine is loaded in the ATM machine. This activity is carried out strictly under CCTV surveillance.

Our Central team should follow mechanism of daily reconciliation in the system. Each cash loading done by the franchisee is to be matched using the Electronic journal (EJ) with the cash withdrawal amount entered (along with proof uploaded) in the system. The daily settlement should not sent to the franchisee if there is a mismatch in this entry. Hence, there would be no chance of misappropriation of the funds.

Also, monthly reconciliation is to be done by Relationship Managers located at the Head office. The Relationship Manager should reconcile the amount dispensed from the ATM throughout the month with the withdrawal done by the franchisee from his/her designated current account. The Bank statement is to be scrutinized to ensure that no suspicious source of fund is observed in the account. Also, heightened level of scrutiny is to be done for franchisee who have high risk profiling (For example, franchisees associated with political parties).

In case, any suspicious transactions are observed, we would be reporting the same to the concerned regulatory authority.

5. At the end of the day, the ATM wise daily settlement amount would be transferred to Vakrangee Sponsor Bank Account by NPCI.



## AML Policy for other services at Vakrangee Kendra

For services other than ATM and Banking, transactions are carried out using a closed wallet maintained by the franchisee with Vakrangee. Real-time transactions take place, and we have complete visibility of the inflow and outflow of funds in franchisee's wallet account. Wallet transactions would be reconciled on daily basis and any suspicious transaction found (for example, abnormal inflow of funds in the wallet account) would be monitored and address immediately.

Apart from this, all Business heads would be responsible for monitoring transactions taking place at each Kendra. Since most of the transactions are of a low ticket size, any abnormal increase in transaction amount / count would be monitored and actioned by the respective Business Head.

## Training

We would implement a comprehensive AML training program to ensure that all staff, in particular individuals responsible in ATM and BFSI segment for transaction processing and/or initiating and/or establishing business relationships, undergo AML awareness training. Our training would be tailored to the business to ensure that staff are aware of different possible patterns and techniques of money laundering which may occur in their everyday business. Training would also cover the general duties arising from applicable external (legal and regulatory), internal requirements and the resulting individual duties which must be adhered to in everyday business as well as typologies to recognise money laundering or financial crime activities.

Adequate ongoing training programmes would be conducted for all employees on the requirements laid down in this Policy document as well as the KYC/AML procedures. Specialised training programmes would be undertaken to address the needs of:

- Compliance functionaries and their staff.
- The employees dealing with high risk products.
- The employees with customer contacts or those authorised to settle cash or non-cash financial transactions.

The AML training programmes would address the requirements relating to the following:

- AML requirements.
- Possible risks of not adhering to the AML requirements.
- Requirements for adequate KYC procedures.
- Methods for recognition of suspicious transactions or suspicious behaviour.
- Identification and reporting of transactions that must be reported to regulatory authorities
- Typologies of different forms of money laundering involving our products and services
- Internal policies to prevent money laundering

Training relates to employees' daily work and comprise examples from business including continuous training needs.

Effective AML risk management is not possible without clear and routine cross-organizational communication and the training of appropriate personnel. This starts with a strong risk management culture and the tone established by the board of directors and flows through senior management into middle management as well as line management and staff. Mature communication and risk management infrastructures include compliance and AML executives in strategic discussions and operational committee meetings. This allows critical and timely AML operational, compliance, and regulatory changes and issues to be discussed and addressed at a strategic level and ensures buy in at all levels of the institution. This structure also allows all departments with pertinent information that may be useful to the AML compliance staff to freely flow that information to the necessary executives. This timely sharing of information creates a stronger and more integrated control and risk management environment. The stronger and more transparent the control and risk management environment, the more likely the AML program effectiveness will be viewed favorably by the regulator.

Our procedures to retain records of AML training sessions including attendance records and training materials used is in place. We would conduct training for our staff once when they join and then on an annual basis to keep them updated with the current regulations regarding anti money laundering.

## Audit

Internal audit, as described, is the third line of defense that independently evaluates the AML/CFT program and processes carried out by the first and second lines of defense. To further promote the independence of the audit-testing function, the board and senior management would ensure that all AML audit reports (whether internal or external) are directly provided to the board and audit committee.

At a minimum, independent audit testing would include an assessment of the following components of the AML program:

- Governance and oversight and organizational structure;
- Risk assessment;
- Written policies and procedures;
- Customer identification, customer due diligence, and enhanced due diligence;
- Transaction monitoring;
- Suspicious-transaction and currency-transaction reporting;
- Management information systems reporting;
- Training;
- AML technology platforms used to support the AML program;
- Use of third parties for AML related processes;
- Record retention; and
- Applicable legal requirements not previously mentioned.

Independent audit testing would also include sample testing of key controls and processes, such as customer identification, CDD/EDD, transaction monitoring, suspicious-transaction, and others, as applicable. Additionally, transaction monitoring tool(s) and other models/methodologies supporting AML

compliance (for example, CRR and product risk rating) would be subjected to an independent validation to ensure they operate as intended.

Periodically, internal auditors would conduct AML audits at the enterprise wide level. Mature programs are typically subjected to an annual independent testing. In addition, internal auditors would be proactive in following up on any remedial actions arising from independent audit or regulatory findings and periodically report to the board or applicable committee on the status of those corrective activities.

## Principle Compliance Officer

Principle Compliance officer is a senior level officer – Head – Legal and Compliance, who is responsible for monitoring day-to-day implementation of the AML Policy and processes.

The key activities of the Principle Compliance Officer would include –

- Formulate the AML policy and framework and update them from time to time as per the regulations passed by relevant national and international authorities
- Review all internal processes as per the framework defined in the AML policy
- Develop content for training programs to be held for all employees and franchisees
- Carry out periodic training on AML policy to all relevant stakeholders

## Board Level Responsibility

We give prime importance to anti money laundering policies in our organization. Our Board has given this responsibility to a sub-committee formed within the Board members, i.e., “Audit Committee” which is an independent subcommittee responsible for these activities.



**Thank You**

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