Awareness session on Anti Money Laundering norms

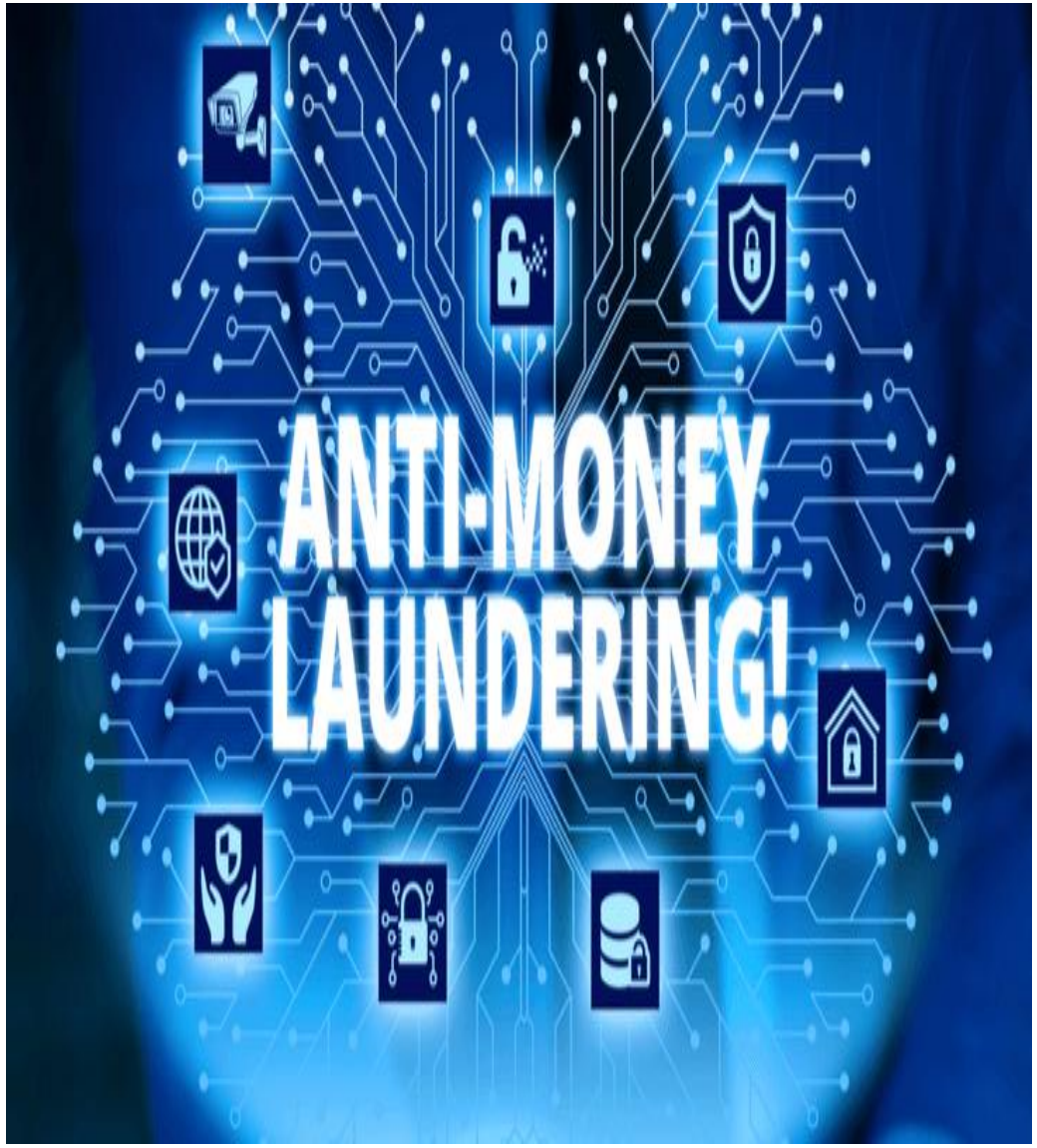
Legal and Compliance Team

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AMBIT
Acumen at work

Session Agenda / Contents

1. Money Laundering –Definition, forms and its impacts
2. How is Ambit Covered
3. Client Due Diligence, Client Acceptance and Client Identification
4. All about PEP and Clients of Special Categories
5. Risk Categorization and Risk Management
6. Record Management
7. Transaction Monitoring & Suspicious Transactions
8. Legal Obligation & Reporting Obligation
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What is Money Laundering?

As per PMLA Act, 2002:

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 including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of Money-Laundering.



In simple terms:

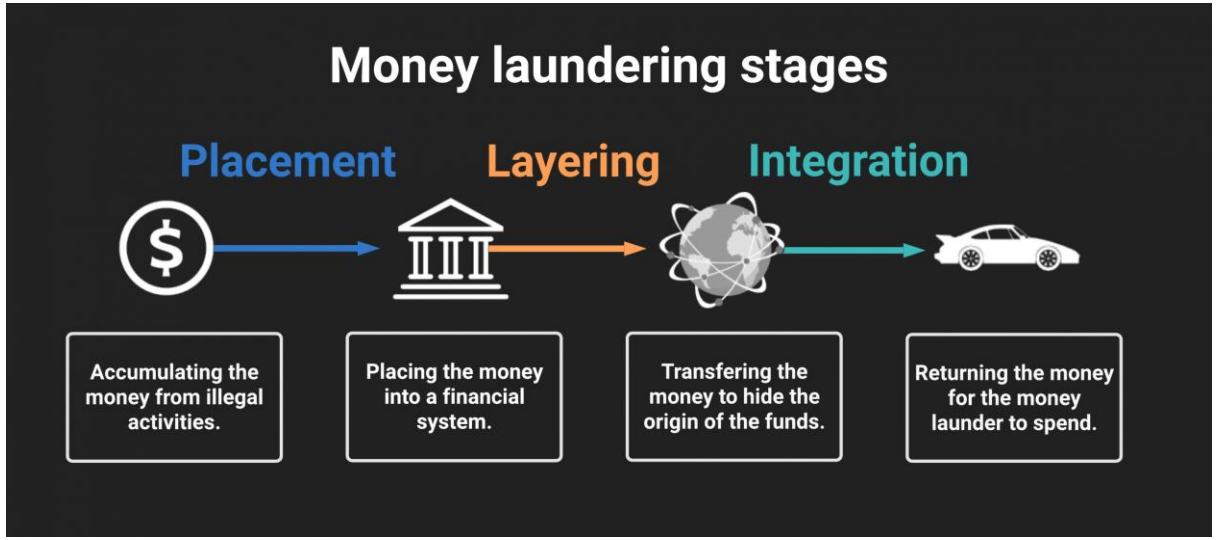
Money laundering is a process of attempting to hide the illegal source of income. By passing money through complex transfers and transactions, or through a series of businesses, the money is “cleaned” of its illegitimate origin and made to appear as legitimate business profits. Money laundering is the process of making illegally-gained proceeds (i.e., "dirty money") appear legal (i.e., "clean").

Money obtained from illegitimate sources is "dirty" and needs to be "cleaned" to appear to have been derived from legal activities, so that banks and other financial institutions will deal with it without suspicion. Money can be laundered by many methods that vary in complexity and sophistication.

Forms of money laundering

Money laundering can take up several forms, some of them, *inter alia*, are as follows:

- Structuring, also referred to as smurfing,
- Cash-intensive businesses,
- Bulk cash smuggling,
- Trade-based laundering,
- Shell companies,
- Round tripping,
- Gambling,
- Black salaries,
- Tax amnesties,
- Transaction laundering.



Stages of Money Laundering

1. Placement
2. Layering
3. Integration

Impact of money laundering

Economic impacts

- Money laundering can have a dire effect on the economy of a country; some of the impacts, *inter alia*, are as follows:
- It compromises with the legality of the private sector.
- It compromises the integrity of financial markets.
- There is economic distortion and unsteadiness.
- There is a loss of control of economic policy.
- There is also a loss of revenue.

Social impact

- The social impacts of money laundering, *inter alia*, are as follows:
- There is an upsurge in crime rates.
- It causes a decline in the process of human development.
- The resources get misallocated.
- Money laundering affects the trust of the general public in their domestic financial institution.
- Money laundering also weakens the moral and social position of society by exposing it to illicit activities.

Political impact

- It initiates political distrust and volatility.
- There is criminalization of politics.

How is Ambit Covered?

Ambit Group holds multiple licenses which are governed by SEBI and RBI :

SEBI

- Stock Broking
- Depository Participant
- Research Analyst
- Merchant Banking
- Portfolio Management
- Alternate Investment Fund
- Category III AIF registered in GIFT City
- Private equity













RBI

- NBFC



Anti Money Laundering (AML) Procedures

Each 'Registered Intermediary' with SEBI and 'Regulated Entities' with RBI shall **adopt written procedures** to implement the AML provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following **four** specific parameters which are related to the overall **'Client Due Diligence (CDD) Process'**:

- Policy for **acceptance** of clients.
- Customer **Identification** Procedures (CIP)
- **Risk** Management
- **Monitoring** of Transactions.

Accordingly, Ambit has laid down the **Policy on Prevention of Money Laundering** which needs to be adhered by all the employees.



Client Acceptance Procedures

- Necessary checks and balances to ensure that identity of client does not match with any person having known criminal background.
- Risk Factors of the client (like Client's location, nature of business activity, trading turnover, manner of payment, etc.) which shall enable classification of client into Low, Medium and High Risk.
- Documentation requirements for different classes of clients depending on perceived risk.
- Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies.
- No account should be opened in fictitious or benami name.
- No account should be opened in name of anyone whose name appears in the sanctions lists (circulated by RBI) / list of Designated Individuals / Entities (circulated by SEBI).
- Merchant Banking clients, an initial level screening of prospective client through specialized software (e.g. CIBIL check, Watch out Investor Check, MCA defaulter list etc.) to be done to check whether the name of the Client appears on the UNSCR ("United Nations' Security Council Resolutions") list or FATF ("Financial Action Task Force") List and to generally check the reputation and standing of the prospective Client in the industry.



Client Identification and Due Diligence

- Identify the person(s) who is the beneficially owner or control the securities account.
- Verify the customer's/ client's identity using reliable, independent source documents, data information like IPV, Identity proof, PAN or Form No. 60, Address Proof.
- Conduct ongoing due diligence and scrutiny of the customer's/client transactions.
- Periodically update all documents, data or information of all customers/ clients and beneficial owners collected under the CDD process.
- No exemption from carrying CDD / obtaining minimum documents / information for any category of customers/ clients.



- Review the due diligence measures where there are suspicions of Money Laundering or unusual pattern, there are doubts on adequacy / veracity of previously obtained customer/ client identification data.
- Failure in verifying the identity of a customer/ client to be escalated to Business Head or Compliance.

Due Diligence covers OVD & 6 KYC attributes

OVD – Officially Valid Documents	6 KYC attributes
• Passport	• Name
• Driving License.	• PAN
• Voters Identity Card.	• Address
• Job Card issued by NREGA.	• Mobile Number
• Letter issued by National Population Register (NPR) containing details of name, address.	• Email id
• Aadhaar	• Income Range

Identification of Beneficial Owner

- **Beneficial Owner** means the natural person or persons who ultimately own, control or influence a Client and/or persons on whose behalf a transaction is being conducted including those persons who exercise ultimate effective control over a legal person or arrangement Natural person (s) having controlling ownership.

- **Customers/ Clients other than individuals or trusts:**

- **Company:** >10% **Unincorporated Association:** > 15%
- **BOI :** > 15% **Partnership:** >10% **Trust: >** 10 **%**



In cases no natural person identified as above:

- ❑ Natural person exercising control through voting rights, agreement, arrangements or in any other manner

OR

- ❑ natural person who holds the position of senior managing official.

- **Trust** : Author, trustee, protector, beneficiaries with 10% or more interest and other natural person exercising ultimate effective control.
- **Foreign investors** : As per guidelines issued by SEBI/RBI from time to time
- **Exemption** : Listed client, Subsidiary of listed client, Entity controlled by listed entity.

Politically Exposed Persons (PEP)

- PEP are individuals who are or have been entrusted with prominent public functions **by a foreign country**, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials;
- This include family members, close relatives of PEPs/ Associates of PEPs.

Additional precautions for PEP:

- Senior management approval for business relationships;
- Verify the sources of funds as well as the wealth of clients and beneficial ownership
- Enhance monitoring on an ongoing basis



Clients of Special Category (CSC)

Following category of Clients are classified as High Risk Clients:

- Non - resident clients
- High net-worth clients
- Trust, Charities, NGO / NPO and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership
- Politically Exposed Persons (PEP)
- Clients in high risk countries (eg. Iran, Pakistan, North Korea),
- Non face to face clients, **wherein video based customer identification process is not carried out for face-to-face onboarding of clients.**
- Clients with dubious reputation as per public information available etc. (eg. List of designated Individuals / Entities from UNSC)

Such clients require high degree of due diligence and regular update of KYC profile and transaction monitoring.

Risk Categorization & Management

- The client must be classified into low, medium, and high categories based on factors such as customer or client identity, location, social or financial status, nature of business activity, business or trading turnover, and the method of payment for transaction.
- Risk Categorization helps in identifying high risk clients and in defining the degree of due diligence required.
- Intermediary shall also take into account any country specific information circulated by Govt. of India, RBI and SEBI as well as updated list of individuals and entities who are subjected to sanction measures.

- **For High Risk Category:**

Enhanced Client Due Diligence / Frequent KYC update is required.



- **For Medium / Low Risk Category:**

Simplified Client Due Diligence/ Infrequent KYC update is required.

Monitoring Client Transactions & Suspicious Transaction Reporting

- Special attention should be given to all complex unusually large transactions / patterns of client transactions.
- Establish internal threshold limits for each class of client accounts and closely monitor transactions that surpass these limits.
- Any suspicious transaction shall be immediately notified to the Designated Director / Principal Officer.
- Ensure that transactions of a suspicious nature are reported to the Director, FIU-IND.
- No restriction shall be put on operations of accounts where STR has been made. Intermediary and their officials are prohibited from disclosing (Tipping off) the fact that STR has been filed.





Record Management

Intermediary/ Regulated Entity shall maintain the following records under PMLA:



- the nature of the transactions;
- the amount of the transaction and the currency in which it is denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction.

Intermediary shall ensure that all customer/ client identification and transaction records/information are available to the competent authorities upon request on a timely basis.

Records to be retained includes:

- **Records of transactions**: 5 years from the date of transactions with the customer/ client.
- **Records of Transactions reported to FIU** : 5 years from the date of transactions with the client
- **KYC & Customer/ Client correspondence** : 5 years after the end of business relationship with customer/ client or the account closure whichever is later
- **For on-going investigations** : Until it is confirmed that the case has been closed.

Legal Obligations under PMLA

- All SEBI and RBI regulated intermediaries / entities shall be registered with FIU-India as a **“Reporting Entity.**”
- Names, designation and addresses (including email addresses) of ‘Principal Officer’ including any changes therein shall also be intimated to the Office of the Director-FIU.
- **Appointment of a Principal Officer-Who can act as the Principal Officer**

❖ An Officer at the Management Level can be designated as a Principal Officer.

❖ To ensure proper discharge of legal obligations to report suspicious transactions to the authorities.

❖ Play an active role in the identification and assessment of potentially suspicious transactions.

❖ Shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

❖ Principal Officer shall be in a sufficiently senior position and is able to discharge the functions with independence and authority.

Legal Obligations under PMLA (Contd.)

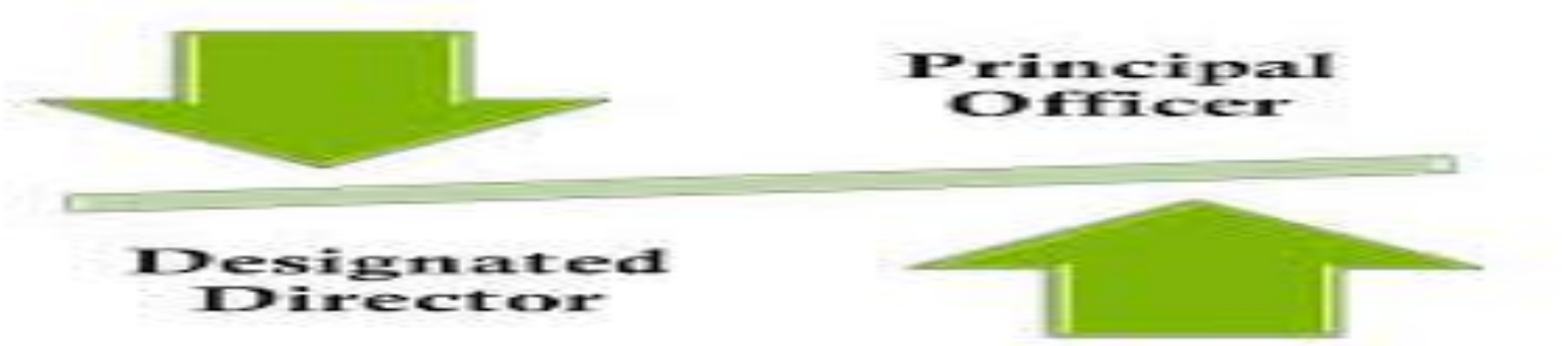
Appointment of a Designated Director

- In addition to the existing requirement of appointing a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'.
- Details of the Designated Director, such as, name designation and address shall be intimated to the Office of the Director-FIU.

- **Role of Designated Director:**

❖ Ensure overall compliance with the obligations imposed under the PMLA Act and Rules;

❖ Be liable for failure of the intermediary to comply with AML / CFT obligations.



Reporting Obligations under PMLA

- Intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND).
- Cash Transaction (CTRs) shall be reported to FIU by 15th of succeeding month.
- Suspicious Transaction (STRs) shall be reported to FIU within 7 days of establishment of suspicion.
- The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND.
- No Nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious transactions to be reported.





Punishment for Money Laundering

Money Laundering is one of the most heinous crimes, which not only affects the social and economic fabric of the nation but also tends to promote other offences such as terrorism.

- Any person found guilty of money-laundering shall be punishable with rigorous imprisonment from 3 years to 7 years which may extend to a maximum of 10 years; and / or
- Fine; and / or
- Attachment of property, seizure, freezing of property and records involved in money-laundering.





Global and Domestic Initiatives & legal cases

Global and Domestic Initiatives

Global Efforts to combat Money Laundering:

- **Creation of the Financial Action Task Force (FATF) :** Global money laundering and terrorist financing watchdog. Issued a set of 40 FATF Recommendations for improving national legal systems, enhancing the role of the financial sector and intensifying cooperation in the fight against money-laundering.
- **The International Organization of Securities Commissions (IOSCO):** It encourages its members to take necessary steps to combat Money Laundering in securities and futures markets.
- **IMF:** It has pressed its 190 member countries to comply with international standards to thwart terrorist financing.
- **The United Nations office on Drugs and Crime:** It proactively tries to identify and stop Money Laundering.

Global and Domestic Initiatives (Contd.)

Initiatives in India

- **Act/Regulations/Directions:**
  - Prevention of Money Laundering Act, 2002 (“PMLA”) & Rules;
  - SEBI Master Circular on PMLA dated February 03, 2023;
  - RBI Master Direction - Know Your Customer (KYC) Direction, 2016.

The PML Act seeks to combat money laundering in India and has following main objectives:

- To prevent and control money laundering and also proposes punishment under Section 4
- To confiscate and seize the property obtained from the laundered money; and
- To deal with any other issue connected with money laundering in India.

Statutory Framework

- Financial Intelligence Unit (FIU) India
- Enforcement Directorate (ED)
- Special Courts



Historical Cases of Money Laundering-Foreign

- The biggest bank in Europe, **HSBC, paid a $1.9 billion fine** for failing to prevent drug cartels from using the bank to launder hundreds of millions of dollars. According to investigators, poor regulation at HSBC allowed the bank to serve as the chief money laundering conduit for a pair of drug cartels, one in Mexico and the other in Colombia. They combined for a total of $881 million in drug money.
- **Standard Chartered Bank's** New York branch continued to make transactions with Iran in spite of sanctions. In 2012, the Fed found the bank in violation of its agreement. The bank paid a total of **$670 million in fines** to U.S. and foreign regulators. Thereafter as well it processed over $600 million in illegal transactions from Iran, Libya, Sudan, Burma, and Cuba and **paid over $1.1 billion in fines** to both U.S. and British regulators.
- The world-renowned **Goldman Sachs :** The Malaysian unit of Goldman Sachs was involved in crimes including bribery, money laundering, and severe misuse of customer funds. **Agreeing to pay out a $2.5 billion fine, another $1.4 billion was fined in order to avoid prosecution.**

Historical Cases of Money Laundering-India

ABG Shipyard Case:

- A firm based in Gujarat, ABG Shipyard Ltd. (ABG SL), purportedly defrauded banks of **INR 22,842 crore (approx. USD 3 billion).**
- The company allegedly **created a web of transactions to cheat a consortium of 28 banks** led by State Bank of India (SBI) and the ICICI bank.
- ABG SL allegedly made investments in overseas subsidiaries from the loan amounts, bought assets in the names of affiliated companies, and also transferred money to several related parties.

Punjab National Bank – Nirav Modi and Mehul Choksi

- The scam alleged to have orchestrated by Nirav Modi and Mehul Choksi, involved fraud of **over USD 2 billion.**
- This crime is reported to have been conducted **with the help of about 50 employees of the Punjab National Bank** in one particular branch (in Fort, Mumbai) while keeping the higher-up management entirely in the dark. The Indian authorities have been relentless in their attempts to extradite the **two businessmen**, both of whom are **declared fugitives as of date**.

Historical Cases of Money Laundering-India

ED vs. Alchemist Group (PMLA Case)

- **The Multi-Crore Scam**

The Alchemist Group (primarily **Alchemist Holdings** and **Alchemist Township**) illegally mobilized approximately **₹1,842 crore** from over 4 lakh investors. They promised high returns or real estate (plots and villas) but siphoned the funds through a network of shell companies instead of fulfilling these promises.

- **Siphoning to "Alchemist Limited"**

The Enforcement Directorate (ED) traced the "Proceeds of Crime" and found that over **₹685 crore** was funneled into the group's flagship company, **Alchemist Limited**, through inter-corporate loans. These funds were used to acquire high-value assets, including luxury hospitals (Alchemist and Ojas in Panchkula), aircraft, and vast land parcels.

- **The "Sham" Insolvency Attempt**

In an attempt to protect these assets, a small creditor (Sai Tech Medicare) initiated insolvency proceedings against Alchemist Limited. This triggered a **Moratorium (Section 14 of IBC)**, which the group used as a legal "shield" to prevent the ED from taking possession of their attached properties.

Historical Cases of Money Laundering-India

- **Fraudulent Committee of Creditors (CoC)**

The ED intervened in the NCLT, proving that the insolvency was a "collusive" inside job. Crucially, **97% of the voting rights** in the Committee of Creditors were held by **Technology Parks Ltd**—another Alchemist group entity. Effectively, the accused were acting as their own creditors to reclaim their own laundered assets.

- **Historic NCLT Ruling (February 2026)**

On **February 3, 2026**, the NCLT New Delhi Bench passed a groundbreaking order:

  - It **recalled the entire insolvency process**, ruling it was "vitiated by fraud and malicious intent.“
  - It held that the **IBC cannot be used as a shield** to legitimize proceeds of crime or frustrate PMLA proceedings.
  - It imposed a **₹5 lakh penalty** on the initiating creditor for abusing the legal system.

Highlights of IFSCA AML Guidelines 2022 (in addition to PMLA 2002)

- The Gujarat International Finance Tech-City (GIFT City) International Financial Services Centre (GIFT IFSC) is a financial center and special economic zone in GIFT City of India.
- GIFT IFSC is regulated by the International Financial Services Centers Authority (IFSCA), an independent regulator exclusive to the zone.
- IFSCA is also committed to ensure that regulatory environment is fully FATF compliant with strong enforcement measures of AML and CFT in place. Following the PMLA and the overall FATF Recommendations, IFSCA has issued the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022.

- IFSCA AML guidelines mandate regulated entities to establish robust AML frameworks to detect and report suspicious transactions related to money laundering and terrorist financing. Key aspects of these initiatives include customer due diligence, risk assessment, enhanced due diligence for high-risk customers, record-keeping, and reporting of suspicious transactions.
- Ambit has adopted AML-CFT Policy in line with this guidelines. Major provisions of IFSCA AML-CFT Guidelines are similar and adopted from the PMLA Act, 2002 and its Rules.

Following sets the IFSCA AML CFT Guidelines apart from the PMLA Act and Rules

IFSCA Guidelines	Other Indian Regulators
IFSCA guidelines are tailored to the unique global nature of IFSC operations	The fundamental goals of Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) are shared across all Indian regulators (like RBI, SEBI, IRDAI, PFRDA)
IFSCA acts as a single point of regulation for diverse financial activities within IFSC	Most Indian regulators are sector-specific, managing areas like banking, securities, insurance, or pensions
Given the international focus of IFSCA, its AML/CFT guidelines align closely with the recommendations of the Financial Action Task Force (FATF), the global standard-setter for combating illicit financial flows	The AML/CFT guidelines of Indian Regulators are more aligned with Indian Financial Environment
IFSC entities primarily deal with international clients and cross-border transactions, requiring a strong emphasis on global KYC, CDD, and sanctions screening procedures aligned with international practices	The Indian Regulators primarily deal with domestic clients, requiring a strong alignment with Indian laws, rules and regulations
IFSCA aims to provide a world-class regulatory environment with ease of doing business, which may lead to streamlined KYC procedures potentially differing from those for domestic entities	The KYC/CDD process being followed by other Indian Regulators have been carved out in such a manner so as to suit the Indian business requirements

Key Requirements for IFSC Entities:

1. Business Risk Assessment: All financial institutions (including exempted ones) must conduct and document a Business Risk Assessment (BRA).
2. Transaction Monitoring: All monetary receipts must only be through accounts maintained with a banking unit in the IFSC.
3. KYC & Due Diligence: Entities must follow robust KYC (Know Your Customer) procedures, including enhanced diligence for high-risk clients, identification of beneficial owners, source of funds, and ongoing monitoring.
4. Reporting Obligations: Suspicious transactions and specific high-value transactions must be reported to relevant authorities.

IFSCA AML guidelines

What AML-CTF changes are aligned as per the IFSC ecosystem !

- The Regulated Entity shall preserve all necessary records, for ***at least six years*** or for such period as prescribed under the applicable laws, from the date on which business relationship has ended or transaction is completed.

As per IFSCA AML guidelines (considering and including the provisions of the PMLA Act and its Rules);

- **Designated Director :** The head of the regulated entity in IFSC can be designated as Designated Director.
- **Customer due diligence:** The periodicity of updation of KYC from the date of opening of the account / last CDD updation in case of ***resident Indian customer*** having an existing client relationship with the Financial Group in India, shall be as follows:

(a) once in every two years - for high-risk customers,
(b)once in every eight years - for medium risk customers and
(c) once in every ten years - for low-risk customers.

Provided further that where the risk categorization made by the Financial Group entity differs from the risk categorization made by the Regulated Entity, the stricter of the two periodicity shall apply.

Thank you

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