

# ***ANTI-MONEY LAUNDERING HANDBOOK***



L I F E   I N S U R A N C E

## Objectives of this handbook

- ✦ Impart awareness and understanding on money laundering
- ✦ Information about the IRDAI regulations
- ✦ Dos & Don'ts and your responsibilities



## Money laundering

What is money laundering?

Explained in simple terms, money laundering is the process by which the identity of illegally obtained money (also called proceeds of crime or tainted money) is changed so that i.e., illegally obtained money appears to have originated from a legitimate or legal source.

## Proceeds of crime

The proceeds of crime is the money generated by committing one or more of the following types of offence:

- ✦ Drug trafficking/ Dealing in drugs
- ✦ Murder/ Attempt to murder
- ✦ Extortion/ Kidnapping for ransom
- ✦ Major thefts/ Robbery/ Dacoity
- ✦ Fraud/ Forgery/ Counterfeiting of currency notes
- ✦ Gun running (offence relating to illegal arms)
- ✦ Use/ Purchase of illegal arms or for illegal purpose
- ✦ Offence relating to wildlife
- ✦ Prostitution money
- ✦ Corruption money

## How is Money laundered?

There are three common stages of money laundering which are resorted to by the launderers. The details of which are below. Life insurers may unwillingly get exposed to a potential criminal activity while undertaking normal business transactions:



- ✦ Placement
- ✦ Layering
- ✦ Integration

## What is Placement stage?

- ✦ The cash/proceeds of crime generated have to be disposed by depositing/investing
- ✦ Thus, depositing the cash into a bank account or buying insurance or any financial product with such money is called Placement (i.e., the bad money entering the financial service system getting parked into a financial product with the aim of laundering it)

## What is Layering stage?

- ✦ After parking the bad money into the financial service system, the money is then moved through several products
- ✦ The purpose is to break the audit trail by creating complex layers of financial transaction
- ✦ A variety of methods are used in laying process including cash and electronic payments and is limited only by the ingenuity of the criminals

Layering transaction may be revealed by their lack of normal commercial purpose, i.e., transactions made in abnormal circumstances.

## What is Integration stage?

- ✦ This is the last stage in money laundering
- ✦ In this stage, the illegal money gets mixed with the legal money and it acquires the characteristic of legal money
- ✦ After integration, it may become very difficult to identify the illegal money
- ✦ The aim of changing the identity of illegal money to legal money is achieved
- ✦ If the layering process has succeeded, integration schemes place the laundered money back into the economy as if they were legitimate funds



## Why it is important to guard against money laundering

- ✦ To protect the reputation of the company
- ✦ Implication in money laundering is equivalent to abetting/ participating in the criminal act itself
- ✦ It hampers the reputation of the company
- ✦ Taking reasonable steps and exercising due diligence to prevent the use of the company as a vehicle for money laundering
- ✦ To safeguard the company since organised crime disrupts established legal business practices
- ✦ Criminal money is used to finance further criminal activity

## Snapshot of Anti Money Laundering (AML) Law

- ✦ AML law applies to bank, insurers, finance companies and capital market intermediaries and other reporting entities
- ✦ Client under AML means a person who is engaging into any transaction with us. In other words, client is the owner/ proposer/ beneficial owner/ assignee of the policy

Thus, policyholder/ proposer is a client and is covered by AML law

PAN card, an Officially Valid Document (OVD), and a recent photograph is required to be taken for the purpose of identification and verification of the client.

OVDs are:

**Passport**

**Driving license**

**Voter ID Card**

**Masked Aadhaar card**

**NREGA Job card**

## Synopsis of IRDAI guidelines

- ✦ Prevention of Money Laundering laws and IRDAI master circular on AML/ CFT for life insurers are applicable
- ✦ Life insurers are required to have board approved AML policy

## AML policy covers

- ✦ AML policy and control framework (AML Program) for the company
- ✦ Designated Director and Principal officer for AML
- ✦ Customer due diligence/ KYC (Know Your Customer)
- ✦ Reporting to Financial Intelligence Unit - India
- ✦ Training of employees and agents on AML

## Synopsis of IRDAI guidelines

Why is KYC/ customer identification important?

To seek answers to the following:

- ✦ Can we positively identify who we are dealing with?
- ✦ Can we identify the person actually making the payment (is that person someone else?)
- ✦ Are they actually who they claim to be?
- ✦ Do they live or conduct business, at the address they have given?
- ✦ Do we understand why and how a customer wants to transact a particular piece of business?
- ✦ Is the proposer's business consistent with his business profile?
- ✦ What is the customer's source of funds?

If we gather correct answer to above, it will help in mitigating money laundering risks.



## KYC - Basic

- ✦ KYC for all contacts to be completed before issuances
- ✦ PAN/ Form 60 (as applicable), one officially valid document and a recent photograph to be obtained for all individual proposers
- ✦ Agent to confirm the verified address provided in the application form and address proof
- ✦ For all proposals - details of past conviction of the proposer (if any) to be provided in the proposal form
- ✦ A proposal will not/should not be logged without above KYC documents

## KYC for individual customer

- + PAN/Form 60
- + Any one of the officially valid documents is required
  - Passport
  - Driving License
  - Voter's Identity Card issued by Election Commission of India
  - Job card issued by NREGA duly signed by an officer of the State Government
  - Letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator
  - Proof of possession of Aadhaar number (to be taken in masked form/ take redacted Aadhaar and with the informed consent from clients)
- + A recent photograph

## KYC for non-individual clients

- + Company customers
- + Partnership customers
- + Trust customers
- + HUF
- + Proprietorship

For more details on above ask your manager or branch operations

## Client's known background

- + We will NOT enter in to a contract with any person with a known criminal background
- + If you are aware that a proposer has a criminal background, you should report it in your confidential report (CCR/ ACR) or through MLPO email ID. KYC/ AML check is currently NOT required for group product members

## KYC/ due diligence is also required at

- + Assignment stage (of assignee)
- + Claims payout stage (of claimant)
- + Top-up stage (appropriateness of top-up)

## KYC/ due diligence - Enhanced

- + For all policies purchased by high-risk customer as per the AML risk matrix (As and when triggered by underwriting)
- + Basic KYC
  - PAN/ Form 60 (Mandatory)
  - Officially valid document (Mandatory)
  - A recent photograph
- + When can a customer submit Form 60?

The customer can submit Form 60 under following circumstances:

- The customer is an NRI
  - Individuals whose income is less than ₹ 2,50,000/- per annum
  - Individuals with only agricultural income
- + Enhanced due diligence

Income proof would be required (any one of the following)

- Tax assessment orders (previous financial year)
- Employer's certificate (not more than 2 months old)
- Audited accounts (previous financial year)
- CA Certificate (not more than 2 months old)
- Agricultural income certificate (not more than 1 year old)
- Land records and Income Assessment (current)
- Bank cash flow statements or copy of pass book (should show transaction in preceding 6 months & these transactions should show customer's source of income)
- Income Tax Returns (previous Financial Year) Form 16 (previous Financial Year)



## Remember

A proposal will NOT be accepted if KYC documents are not correctly submitted

## Recognising suspicious transactions

The KYC information helps to see the financial flows and transaction patterns of policy owners, particularly where there is a significant, unexpected or unexplained change in the behaviour of an account

All transactions should be consistent with the customer's profile.

If you are aware of or come across suspicious transactions:

- that may involve proceeds of crime or money involved in illegal activities;
- that appears to be made in circumstances of unusual or unjustified complexities;
- that appears to have no bonafide interest and has an ulterior motive be vigilant and report the same to the Anti-Money Laundering Team. If you are aware of, or come across suspicious transactions.

Few examples of suspicious transactions are:

- Submitting two different versions of ID/ address proof documents
- Reluctant to disclose his/ her income/ job profile in the application form or to you
- Enquiring about ways to invest large amounts of cash through multiple policies
- Making frequent service request for address change or for cancellation of policies
- Insisting on assigning the policy to a person other than a blood relative
- Top-ups inconsistent with client's income/ profile
- Request for a purchase of policy in amount considered beyond his apparent need
- Overpayment of premiums with a request for a refund of the amount overpaid

If you are unsure whether a transaction is suspicious, more information should be obtained from the customer and report the same to the AML team or through [report2MLPO@icicprulife.com](mailto:report2MLPO@icicprulife.com). When reporting a suspicious TXN, include the name, policy/ proposal number, description of transaction, reason for suspicion, amount, and parties involved.

**For clarification/ queries & reporting, write to [report2mlpo@icicprulife.com](mailto:report2mlpo@icicprulife.com)**

## Role of staff / partners

- ✦ For staff members dealing with customers or handling customer-facing processes, it is essential to be sensitive to the AML requirements and obligations
- ✦ Primary responsibility of compliance is on the advisors since they deal face-to-face with customers. But where an advisor is not involved, it will become responsibility of the staff concluding the sale
- ✦ Advisor/ sale staff to carry out KYC process/ customer due diligence process / any further checks required as per our process during new business, receiving renewal premium, assignment, etc.
- ✦ Default on carrying out obligation under AML law can attract action as per set company policies
- ✦ Even after the policy is issued, if you come to know of any suspicious activity, you have to bring that to our notice
- ✦ You are required to report suspicious transaction at the designated email ID by writing to [report2mlpo@iciciprulife.com](mailto:report2mlpo@iciciprulife.com)

## Remember

### Not Reporting

It is an offence if a person does not report suspicious activity, when he knows or suspects that the customer may be indulging in money laundering.

### Tipping Off

If we come to know that any transaction is 'suspicious' or has been marked as 'suspicious' we must not, in under any circumstances, disclose that to the customer who is being investigated or to any other party.

In case of violation of above, appropriate action will be taken.

## Summary

Money Laundering is a process whereby origin of funds generated by illegal means is concealed by doing multiple complex transactions. It is the movement of illegally acquired cash through financial systems so that it appears to be legally acquired.

**Employees/Partners:** To take all necessary steps to stop individuals from using our company as a vehicle to launder money and thus, safeguard the reputation of the company

**Advisors:** To carry out KYC process and should declare that the identity/address of customer is verified by him

**Basic KYC:** PAN or Form 60, officially valid document and a recent photograph

**Enhanced KYC:** Income proof for high risk customer as per the AML risk matrix

KYC is not applicable for group product

The Company has stopped accepting cash as a premium payment mode. Advisors should not accept any money in cash from any prospect/ policyholder. Where any prospect/ policyholder wishes or proposes to make any premium payment in cash, advisors shall direct them to the authorised collection centres of ICICI Prudential Life for making such payment personally wherein a premium payment of upto Rs. 49,999/- can be made in cash. Advisors should advise prospects/ policyholders to make payments cheque, demand draft or other payment instruments (not being a bearer cheque) if and only if they are drawn in the name of ICICI Prudential Life. Customers can also avail our various digital platform facility.

If employees/ partners come to know about any suspicious activity, they should report those transactions to the company ([report2mlpo@iciciprulife.com](mailto:report2mlpo@iciciprulife.com))

## Points to remember

- 1) All customers to complete basis KYC
  - PAN/ Form 60 (as applicable)
  - Get one officially valid document
  - Get one recent photograph
- 2) High risk cases
  - High risk customers as per AML risk matrix Complete Basis KYC
  - Get income proof (As and when triggered by Underwriting)
- 3) Do not collect premiums in cash
- 4) Mandatory self-attestation to be done by the customer



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