

Preventing Financial Crime

A Handbook on Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT)





OBJECTIVE

- Provide guidance and best practices to prevent, detect and report money-laundering activities.
- Help you to understand and comply with the applicable laws and regulations related to Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT).
- Develop an effective AML program and procedure framework that will reduce the risk of financial crime and help protect the integrity of our organization.

INTRODUCTION

Money laundering has become a significant threat to the global financial system, and India is no exception. The Insurance Regulatory and Development Authority of India (IRDAI) has been proactive in implementing measures to combat money laundering and terrorist financing in the insurance industry. As a result, it has mandated insurance institutions to have a comprehensive Anti-Money Laundering (AML) program in place to prevent their products and services from being used for illicit purposes.

The IRDAI's regulatory framework requires insurance institutions to comply with the Prevention of Money Laundering Act, 2002 (PMLA), and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. The PMLA aims to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. It also provides for the establishment of the Financial Intelligence Unit-India (FIU-IND), which is responsible for receiving, analysing, and disseminating information relating to suspicious transactions.



This Handbook is an important guiding tool to prevent money laundering and terrorist financing. It provides a comprehensive overview of an AML program that complies with regulatory requirements. By adopting these guidelines can help safeguard the integrity of our financial system and protect from regulatory sanctions and reputational damage.

WHAT IS MONEY LAUNDERING?

Money laundering is the process of making illegally obtained funds, often from criminal activity such as drug trafficking or fraud, appear to have come from a legitimate source. It involves taking the proceeds of crime and moving them through a complex web of financial transactions in order to conceal their true origin and make them appear legitimate.

The ultimate goal of money laundering is to turn the proceeds of crime into clean money that can be used

without raising suspicion or alerting law enforcement.

HOW DOES MONEY LAUNDERING HAPPEN?

Money laundering typically involves three main stages:

Placement: placing the proceeds of illegal activities into the financial system

Layering: creating confusion and obfuscation by transferring funds between accounts, conducting multiple transactions, and using opaque structures

Integration: integrating "cleaned" funds back into the legitimate economy to make them appear as though they were generated from legitimate sources.

KEY ELEMENTS OF THE AML/CFT PROGRAM

AML (Anti-Money Laundering) program is a set of policies, procedures, and internal controls designed to prevent, detect, and report money laundering activities in a company.



Here are the key elements of an effective AML program:

- Know Your Customer (KYC) Guidelines
- Performing Due Diligence
- Watch List Screening / Implementation of Section 51A of UAPA
- Risk Assessment / Categorization
- Transactional Monitoring Program
- New Business Practices / Developments
- Central KYC Registration (CKYCR)
- Appointment of a Designated Director and Principal Compliance Officer
- Recruitment
- Training and Communication
- Other requirements of the Program & applicable guidelines

WHAT IS KYC?

KYC stands for "Know Your Customer". The KYC process typically involves collecting personal information, such as name, address, and identification documents, from customers and verifying that information through various methods, such as database checks or in-person identity verification.



WHY IS KYC / CUSTOMER IDENTIFICATION IMPORTANT?

KYC (Know Your Customer) / customer identification is important in health insurance for several reasons:

Preventing Fraud: KYC helps health insurance providers verify the identity of their customers and prevent fraudulent activities.

Ensuring Eligibility: KYC helps to ensure that customers are eligible for health insurance coverage.

Setting Premiums: KYC helps health insurance providers to set premiums based on the customer's age, health history, and other relevant factors. This ensures that premiums are set at an appropriate level based on the customer's risk profile.

Ensuring Compliance: KYC helps health insurance providers to comply with legal and regulatory requirements related to health insurance.

WHAT ARE THE REQUIREMENTS UNDER KYC?

The documents required for KYC may vary depending on the country and the type of financial institution. However, some commonly accepted documents for KYC include:

- Proof of Identity (PoI)
- Proof of Address (PoA)
- Photograph
- Proof of Income
- Business Proof

It is important to note that the specific documents required may vary depending on the customers' profile and details submitted.



WHICH TYPE OF DOCUMENTS ARE ACCEPTABLE AS KYC?

<p>I. Identity (POI) & Address Proof (POA):</p>	<ul style="list-style-type: none"> • Passport • Voter ID • Driving Licence • Proof of possession of Aadhaar • NREGA JOB CARD (Mahatma Gandhi National Rural Employment Guarantee Act) • National Population Register Letter
<p>II. Recent Photograph</p>	<ul style="list-style-type: none"> • Passport-size • Colored • Clear Backdrop • No cropped photo from ID Proof is acceptable
<p>III. PAN Card</p>	<ul style="list-style-type: none"> • Clear Copy of PAN Card • FORM 60 in absence of PAN Card • FORM 61 for Agriculturist
<p>IV. Address Proof Document List: This document need to be selected if your address is different from the POA/POI's Address</p>	<ul style="list-style-type: none"> • Aadhaar • Voter ID • Passport • Driving Licence • NREGA Job Card (Mahatma Gandhi National Rural Employment Guarantee Act) • Rural Employment Guarantee Act) • National Population Register Letter • Self-Declaration • Electricity/ Telephone/ Gas/ Water Bill* • Property or Municipal Tax receipt* • Pension Payment Order (PPOS)* • Letter of Allotment from State/ Central Govt.* • Lease & License Agreement*
<p>Officially Valid Documents (OVD)</p>	<p>* Deemed OVD (Official Valid Document) Documents</p> <ul style="list-style-type: none"> • Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill). • Property or Municipal Tax receipt. Deemed Proof of Address. • Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address. • Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation



Helping build a
Secure Future





POINTS TO REMEMBER:

- Choose preferred documents from the KYC list only
- Collect clear copy of original documents, preferably self-attested
- Verify the originality of the documents before submission
- A recent photo with a clean backdrop
- Name and other fields should match the information on the application form
- Identical and illegible photo should not be procured. Most recent photograph should be procured and shouldn't be cropped from ID proofs
- Don't upload any incorrect, blank or illegible document
- AML related questions should be accurately captured – Complete Address, PAN details, PEP, Occupation, & Income, Source of Income, etc.

CLIENT DUE DILIGENCE (CDD)

Client Due Diligence (CDD) in health insurance refers to the process of verifying the identity of customers, understanding the nature of their business, and assessing the risk of money laundering associated with them. The Insurance Regulatory and Development Authority of India (IRDAI) has issued guidelines on CDD for health insurance providers, which include the following requirements:

Identification and Verification of Customer Identity: Health insurance providers are required to obtain and verify the identity of their customers, including their name, address, and other personal details. This may include verifying the customer's identity documents, such as a passport or Aadhaar card.

Understanding the Nature of Business: Health insurance providers are required to understand the nature of the customer's business and the purpose of the insurance policy. This may include obtaining information about the customer's occupation and income source.

Risk Assessment: Health insurance providers are required to assess the risk of money laundering associated with each customer. This may include considering factors such as the customer’s country of residence, source of funds, and business activities.

Enhanced Due Diligence (EDD): Health insurance providers are required to conduct enhanced due diligence for high-risk customers. This may include additional verification of their identity and source of funds.

Ongoing Monitoring: Health insurance providers are required to monitor customer transactions on an ongoing basis to detect any suspicious activities, such as unusual patterns or high-risk transactions.

Overall, the IRDAI guidelines on CDD for health insurance providers aim to prevent money laundering activities and ensure compliance with regulatory requirements. By implementing effective CDD procedures, health insurance providers can protect their business from reputational and financial risks, and ensure that their customers are protected from fraudulent activities.





WHAT IS CKYC?

CKYC stands for Central KYC (Know Your Customer). It is a centralized repository of KYC records of customers in the financial sector in India.

The Reserve Bank of India (RBI) has mandated that all financial institutions, including banks, mutual funds, insurance companies, and other financial intermediaries, must comply with the CKYC guidelines for customer identification. The CKYC system was introduced in 2016 to simplify the KYC process for customers and financial institutions by eliminating the need for submitting KYC documents multiple times to different financial institutions.

Under the CKYC system, a customer needs to provide their KYC details only once to any financial institution, and these details will be shared with all other financial institutions where the customer has an account. This system helps to reduce the time and effort required for customers to complete their KYC and also helps financial institutions save time and resources in KYC verification.



HOW DOES CKYC WORK?

- The customer must fill out a KYC form before investing with any financial institution. The CKYC form must be completed and sent along with the required papers. CERSAI double-checks the KYC paperwork. While insuring with Star Health, no separate form is required since the requesting details are an integral part of the proposal journey.
- CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India) verifies KYC documents and stores them digitally on one server. A 14-digit number is assigned to the customer and is connected to his/her ID proof.

- If the customer decides to invest with another financial institution once the process is completed, he/she will not be requested for KYC again unless there is a change.
- By providing the CKYC number, the financial institution can request that CERSAI make the customer's documentation available. All authorized financial entities have access to the data that has been stored. The data can be used by the financial institution as needed.

YOUR ROLE

- 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 and sales managers since they deal face-to-face with customers
- Advisor / sales managers 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 internal 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
- Do not engage into a contract with anyone who has a documented crimi-

nal history. If you become conscious that a proposer has a criminal history, please disclose it in your private report (CCR/ACR) or via the AML PO email ID.

- You are required to report suspicious transaction at the designated email ID by writing to AML@starhealth.in

In case of violations to this policy, organization reserves the right to take appropriate management measures as defined in its employee and agents disciplinary action matrix/policies, including the termination of its business relationship with the concerned.





***Stay committed to
end corruption***



REPORTING

A suspicious transaction is one that has no apparent economic or lawful purpose or is inconsistent with a customer's known financial profile or business activities. Employees who detect such transactions or behaviour are required to report them to the institution's compliance or AML officer for further investigation.

Employees who report suspicious transactions are protected under whistleblower laws and are typically encouraged to report any suspicious activity without fear of retaliation.

TIPPING OFF

Financial institutions and their employees have a legal obligation to maintain the confidentiality of information related to suspicious cases or AML investigations and not to disclose any information that may alert customers or third parties that they are under investigation.

Failure to comply with the tipping-off prohibition can result in severe penalties for financial institutions and their employees, including fines, imprisonment, and reputational damage. Therefore, it is important for financial institutions to

provide adequate training and guidance to their employees on the prohibition of tipping off under AML laws and regulations.

TOUCHPOINT

The AML Principal Officer is a senior leadership member within the organization promoting a culture of compliance within the financial institution and ensuring that AML compliance is integrated into the institution's business strategy and operations. Any exceptions should be brought to the immediate attention of the company's AML Principal Officer.

For any unsure suspicious transaction, query or support required, you can feel free to get it touch with AML Principal Officer at aml@starhealth.in.





Disclaimer: This Handbook is for the internal circulation and should be used for educational purpose of the employees, agents and other entities associated with Star Health. The same can't be relied as a substantial document in any regard. The readers of the Handbook are permitted only to make "fair use" of the contents of the Handbook specifically for the purpose of criticism, comment, news reporting, teaching, scholarship, education and research. **Note:** Fair use is a use permitted under Section 52 of the Copyrights Act, 1957 anything otherwise would be an infringement.



Make a **promise.**
Keep the **promise.**

Together let us prevent financial crime



Registered & Corporate Office:

No.1, New Tank Street, Valluvar Kottam High Road,
Nungambakkam, Chennai - 600 034. Phone: 044 - 28288800
IRDAI Registration No. : 129 | CIN No. : L66010TN2005PLC056649
Reach us: 044 6900 6900 / Toll Free: 1800 425 2255