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SBI PENSION FUNDS PRIVATE LIMITED

Anti-Money Laundering Policy

1. BACKGROUND:

The Prevention of Money Laundering Act, 2002 which was brought in force with effect from 01st July, 2005 vide Gazette notification/ Rules by Government of India, Department of Revenue, Ministry of Finance. The PMLA Act provides that every intermediary i.e. (i) a stock-broker, sub-broker share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser or any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992); or (ii) an association recognised or registered under the Forward Contracts (Regulation) Act, 1952 (74 of 1952) or any member of such association; or (iii) intermediary registered by the Pension Fund Regulatory and Development Authority; or (iv) a recognised stock exchange referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules notified under the Act.

Such transactions as applicable in NPS industry would include

- (A) all suspicious transactions whether or not made in cash and by way of
 - (i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of:
 - (a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or (both)
 - (b) any other mode in whatsoever name it is referred to;

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' will also be considered.

2. Important Definitions

To better understand their roles and responsibilities, the KYC (Know Your Client)/ AML (Anti-Money Laundering) / CFT (Combating the Financing of Terrorism). functionaries at various levels must be familiar with certain terms commonly used with reference to AML/ CFT Some of the key terminologies as defined in the PMLA, 2002 are given below:

Beneficial Owner:

According to Chapter I, Section 2(fa) of PMLA, 2002, Beneficial Owner means an individual who ultimately owns or controls a client of a reporting entity or the person on whose behalf a transaction is being conducted and includes a person who exercises ultimate effective control over a juridical person.

In the operations of POP , we as a NPS intermediary corporate do not financially deal for passing on credit to any entity/corporate account. However, for all the NPS related financial dealings/transactions, the beneficial owner is always an individual who is NPS subscriber in whose NPS account contribution amounts are getting reflected by way of UNITS.

Client: Chapter I Section 2 (ha) of PMLA, 2002 states that “Client” means a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Person: Chapter I Section 2 (s) of PMLA, 2002 states that a ‘person’ includes:

- i) an individual,
- ii) a Hindu undivided family,
- iii) a company,
- iv) a firm,
- v) an association of persons or a body of individuals, whether incorporated or not,
- vi) every artificial juridical person, not falling within any one of the above persons (i to iv), and
- vii) any agency, office or branch owned or controlled by any of the above persons (i to v).

In the operations of POP , we as a NPS intermediary corporate do not financially deal for passing on credit to any entity/ corporate account. However, for all the NPS related financial dealings/transactions, the beneficial owner is always an individual who is NPS subscriber in whose NPS account contribution amounts are getting reflected by way of UNITS.

Money Laundering Offence: Whosoever 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.

PEPs: Politically exposed persons are individuals who are or have been entrusted with prominent public function in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc. The close relatives of PEPs are also considered as PEPs for the purpose of risk categorization.

PMLA, 2002: The Prevention of Money Laundering Act, 2002 is an Act of Parliament to prevent money-laundering and to provide for confiscation of property derived from.

Predicate Offence: A “predicate offence” is an offence whose proceeds may become the subject of any of the money-laundering offences. With reference to the PMLA 2002, every Scheduled Offence is a Predicate Offence. The Scheduled Offence is called Predicate Offence and the occurrence of the same is a pre- requisite for initiating investigation into the offence of money laundering.

Principal Officer: is an officer designated by a Reporting Entity for the purpose of Section 12 of PMLA, 2002. Rule 7 of the PML (Maintenance of Records) Rules 2005 requires every reporting entity to communicate the name, designation and address of the Principal Officer to the Director.

Proceeds of Crime: Proceeds of crime means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.

Reporting Entity (RE): Reporting Entity means a banking company, financial institution, intermediary or a person carrying on, a designated business or profession.

Scheduled Offence: means (i) the offences specified under Part A of the Schedule; or (ii) the offences specified under Part B of the Schedule if the total value involved in such offences is one crore rupees or more; or (iii) the offences specified under Part C of the Schedule;

Suspicious Transactions: means 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 bona fide purpose; or
- (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Explanation. - Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organisation or those who finance or are attempting to finance terrorism.

Transaction: A transaction is defined under rule 2(h) of the PML Rules and means a purchase, sale, loan, pledge, gift, transfer, deliver or the arrangement thereof and includes-

- a) Opening of an account
- b) Deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instrument or by electronic or other non-physical means.
- c) The use of a safety deposit box or any other form of safe deposit.
- d) Entering into any fiduciary relationship
- e) Any payment made or received in whole or in part of any contractual or other legal obligation
- f) Any payment made in respect of playing games of chance for cash or kind including such activities associated with casino and
- g) Establishing or creating a legal persons or legal arrangement.

In the context of NPS, the Transaction would include

- a. Generating of an PRAN
- b. All the permissible financial transactions under NPS routed through POP.

3. SCOPE AND APPLICABILITY:

SBI Pension Funds Private Limited (SBIPFPL) is registered with Pension Fund Regulatory and Development Authority as a Pension Fund and had entered into an Investment Management agreement (IMA) with NPS Trust. In terms of IMA, SBIPFPL has assumed the day to day investment management activities of the fund under various NPS schemes in accordance with the scheme objectives, Trust Deed, provisions of IMA and PFRDA Regulations & Guidelines.

SBIPFPL is also registered with PFRDA as Point of Presence (PoP) under sub-section (3) of Section 27 and shall perform the functions relating to registration of subscribers, undertaking Know Your Customer (KYC) verification, receiving contributions and instructions from subscribers and transmission of the same in the NPS architecture. Therefore, SBIPFPL is required to comply with Regulation 15 of the PFRDA (PoP) Regulations, 2018 and also with the provisions of the Prevention of Money Laundering Act (PMLA), 2002 & the rules framed thereunder as may be applicable from time to time and reporting & compliance of various activities under PMLA & PFRDA guidelines issued for AML/CFT.

There has been no amendments/ insertion or deletion of any clause related to PMLA in PFRDA regulations from the date of last review by the Board.

This AML Policy is applicable to all NPS subscribers onboarded and actively transacting through SBIPFPL POP.

4. Purpose and Policy on Anti-Money Laundering Measures :

In terms of Regulations issued by PFRDA on AML/CFT, the registered intermediary is required to comply with the provisions of PMLA, 2002 and the rules framed thereunder. Accordingly, SBIPFPL has framed this policy to take adequate measures to prevent money laundering as well as put in place a frame-work to report any suspicious transactions. as per the guidelines of PMLA, 2002. The relevance and usefulness of these Guidelines will be kept in perspective and SBIPFPL, being a registered intermediary will ensure that the Policy will be based on the guidelines and recommendations issued by PFRDA from time to time. All amendments as are issued by PFRDA/ or FIU/ or Government of India will form an integral part of this policy as applicable.

The purpose of the Anti-Money Laundering Policy (“**AML Policy**”) is to prevent any money laundering activity during the course of the business. It requires our directors, senior managements and other employees and those who work with us to recognize questionable financial transactions and to take steps to conduct appropriate additional due diligence. In case of any ambiguity under this policy, SBIPFPL shall follow the , PFRDA issued guidelines from time to time

5. OBJECTIVES:

The objective of these Policy is to:

- a) Create awareness and provide clarity on Know Your Customer (KYC) standards and AML measures as elaborated in PFRDA Guidelines/ Circulars/ Regulations, etc
- b) Frame work for obligations of SBIPFPL under PMLA as per PFRDA Guidelines/ Circulars/ Regulations and FIU Circular on Guidelines for detecting suspicious transactions
- c) To facilitate employees at all levels including persons associated with SBIPFPL-POP to align their operations with Regulatory and Statutory guidelines.
- d) To assist law enforcement agencies in their effort to investigate and track money launderers in best possible manner.

6. SBIPFPL Obligations under PMLA, 2002 :

Section 12 under Chapter IV places certain obligations on the REs which are as follows:

- a) Maintain a record of all transactions that are initiated and processed through SBIPFPL, including information relating to transactions covered under clause (b), in such manner as to enable it to reconstruct individual transactions;
- b) Information on suspicious transactions to be to be reported suitably within such time as may be prescribed, the nature and value as may be prescribed.
- c) Maintain record of documents evidencing identity of its clients., conducted at SBIPFPL.

7. Designated Director of the Company:

According to Rule 2 of the PML (Maintenance of Records) Rules 2005, the Managing Director or the whole time Director duly authorized by the Board of Directors shall be Designated Director to ensure overall compliance with the obligation imposed under Chapter IV of the act and the Rules. It is important to note as under:

- (a) A "Designated Director" shall be nominated by the Board.
- (b) The name, designation and address of the Designated Director shall be communicated to FIU-IND.
- (c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

Accordingly, Managing Director & CEO of SBIPFPL shall be the Designated Director under PMLA.

8. Principal Officer of the Company:

All intermediaries are required to designate a person as “Principal Officer” who is responsible for ensuring compliance of the provisions of the Act and liaise with the relevant authorities. The Principal Officer should be an official with sufficiently high position, independence and authority. Accordingly, Chief Risk Officer (CRO) has been designated as Principal Officer for SBIPFPL for AML/CFT matters for the purpose of Section 12 of PMLA, 2002. The Role of the Principal Officer is to furnish all information to Director FIU-IND under Rules 7 and 8 of the PML Rules. The Principal Officer:

- Shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law
- maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism.
- Oversee and ensure overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time alongwith FIU Circular on Guidelines for detecting suspicious transactions.

The Company should ensure that the Principal Officer is able to act independently and report directly to the senior management or to the Board of Directors. With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information.

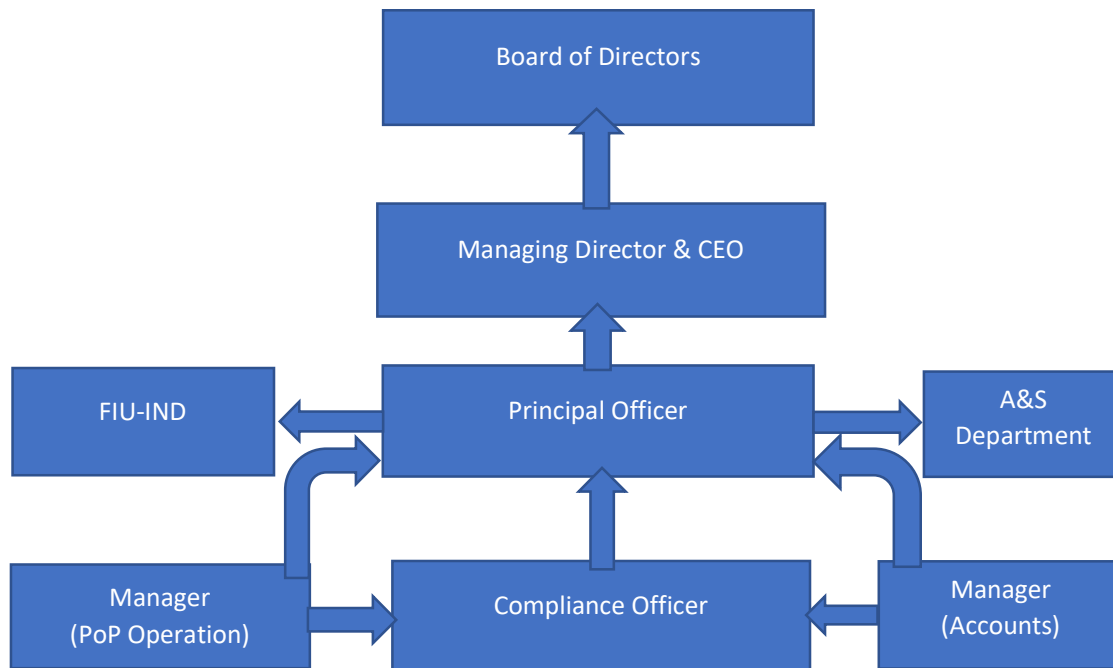
9. Compliance Officer:

The designated persons should raise all queries, concerns or complaints to the Compliance Officer of the company on a money laundering issue and any matters related to a money laundering issues should be reported to the Compliance Officer along with the Principal Officer. Any action required to be undertaken under this AML Policy shall be taken by the Principal Officer in consultation with Compliance Officer and Managing Director & CEO in accordance with this AML Policy.

10. Internal Audit :

Role of Internal Audit to provide an independent evaluation of the AML/CFT measures adopted by the Company and specifically point out the shortcomings that are likely to expose the Company to ML/ FT risks. They specifically check and verify the application of KYC/AML procedures & controls relating to the prevention of ML & TF and comment on the lapses observed in this regard including the level of awareness of front line staffs & other employees of their responsibilities in this regard.

The organisational structure of the AML/CFT are given as under:



11. The AML/CFT Architecture: Three Lines of Defence

To create a robust AML/CFT architecture and manage the wide range of risks that it faces from Money Launderers and Terrorist Financing. The “Three Lines of Defence” is a widely used approach for the creation of a strong and efficient AML/CFT infrastructure and works as under:

a) The First Line of Defence:

As the first line of defence, operational managers own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

The Operational Management through managerial and supervisory controls, ensures the implementation of internal policies and conduct of business activities in accordance with the approved systems & procedures. The control breakdowns whenever they occur, are managed through laid down procedures and reported to the management.

Some of the principal functions of the operational units which make it a first line of defence from the AML/CFT perspective are as under:

- To conduct due diligence at the time of Customer on-boarding as expected by regulatory guidelines.

- For detecting and reporting of suspicious transactions Regulatory Guidelines to be followed meticulously.

b) The Second Line of Defence:

Compliance Officer and Principal Officer is the second line of defence in the AML/CFT architecture of the Company. It establishes various AML/ CFT risk management and compliance functions to help build and monitor the first line-of-defence controls.

Typically, while performing its assigned duties towards fulfilment of the Company obligations under PMLA, 2002, the AML/CFT acts as the second line of defence by way of:

- Identification of all the relevant AML/CFT risk factors, assessment of the overall risk faced by the Company and determining the type of mitigation to be applied.
- Filing the Suspicious Transactions Reports (STRs) and other mandatory reports with FIU-IND.
- Identifying the gaps in controls if any, and taking appropriate action for plugging the same. Coordinating with the concerned departments/stakeholders for prompt implementation of the systems and procedures.
- Reporting major AML/CFT failures/exceptions to the Designated Director for appropriate action.

c) The Third Line of Defence:

Internal Auditors to provide the Board and Senior Management with comprehensive assurance based on the highest level of independence and objectivity within the Company.

This is achieved through an assessment of the process as per Regulatory guidelines.

Company AML/CFT systems and procedures are evaluated by the Internal Auditors, as under:

- Benchmark practices followed at industry level are adhered to.
- KYC Compliance as per regulatory guidelines.
- Existence of SOPs and guidelines for the operating officials at various levels.
- Transaction monitoring, STR escalation process as desired by regulations.
- System of escalating AML/CFT concerns by Principal Officer to the Top Management.
- Staff Training & Awareness and understanding of roles and responsibilities.

12. Measures on Anti Money Laundering

A) Client Due Diligence (CDD) at the time of onboarding.

i) The Client due diligence measures comprises of the following:

- (a) at the time of commencement of an account-based relationship for the clients onboarded by us.-
 - (i) identify clients, verify their identity, obtain information as per regulatory account opening form.

The Company shall initiate the process in consultation with C-KYC authorities and the regulators for upload of client's KYC documents within ten days after the commencement of an account-based relationship with a client & file the electronic copy of the client's KYC records with the Central KYC Records Registry, if not already uploaded on C-KYC Platform;

Conduct ongoing due diligence and scrutiny, of the transactions to ensure that suitable alerts are being generated to identify suspicious transactions as per regulatory guidelines.

- ii) As per the regulatory guidelines issued from time to time, various options available as under to complete the KYC Process for Client Identification Procedure. SBIPFPL may choose any of the options to complete KYC for the subscribers.

13. POLICY FOR ACCEPTANCE OF CLIENTS – Any Prospective NPS Subscribers who submits requisite documents for opening of NPS Account through CRA Platform would be accepted as a NPS subscriber without intervention of POP

Customer Acceptance Policy : SBIPFPL shall accept application for subscription accompanied with valid KYC acknowledgement from KRA ,C-KYC & Physical KYC. Know Your Customer (KYC) refers to, the activities of customer due diligence to identify subscribers and ascertain pertinent information. KYC compliance and submission of Permanent Account Number (PAN) is mandatory for every client who invests in NPS schemes

14. Different KYC Options available for the prospective NPS Subscribers.

Know Your Customer (KYC) - As per the regulatory guidelines issued from time to time, various options available as under to complete the KYC Process for Client Identification Procedure. SBIPFPL may choose any of the options to complete KYC for the subscribers.

15. SUSPICIOUS TRANSACTIONS: IDENTIFICATION, MONITORING / REVIEWING OF TRANSACTIONS AND REPORTING:

1. Suspicious Transactions

The PML Rules define suspicious transactions as:

“Suspicious transaction means a transaction, 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”.

2. How to identify suspicious transactions?

Unusually large and/or multiple transactions in short interval / patterns or transactions that are abnormal. Would be screened to identify “Potentially suspicious transactions” as per provided regulatory guidelines.

- a. Criteria by PFRDA:

Pension Funds has to undertake transaction screening process as prescribed by PFRDA from time to time for further reporting as mentioned in the PFRDA (PoP) Regulations, 2018 and the Guidelines for Operational Activities to be followed by Point of Presence (POPs), POP-SP, POP-SE & POP -Corporate and FIU Circular on Guidelines for detecting suspicious transactions under Rule 7 (3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005

3. Transaction Monitoring / Review:

SBIPFPL shall carry out scrutiny of transactions in terms of PMLA and PFRDA guidelines to ensure that the performed transactions are being monitored as prescribed by PFRDA.

4. Suspicious Transactions Reporting (STR):

In the event of any suspicious transactions that have been identified on the basis of above, POP operations team shall flag such transactions to the Principal Officer for his further necessary action. Utmost confidentiality should be maintained while preparing and escalating necessary reports. It should be ensured that, there is no tipping off to the client at any level on the fact that a STR or related information is being reported or provided to relevant agencies..

16. RECORD KEEPING OF TRANSACTIONS:

SBIPFPL shall maintain and preserve necessary client and transactions related records for the compliance of the AML guidelines for a period of 5 years. The records pertaining to client's transactions will be maintained for a period of 5 years from the date of the transaction. The records pertaining to the clients as well as account files and business correspondence shall be maintained for a period of 5 years after the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later.

Records would be made available for inspection by regulators on demand, if necessary. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, shall be retained until it is confirmed that the case has been closed.

17. FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

Since SBIPFPL do not hold any assets on behalf of the subscribers, freezing and unfreezing of funds would be suitably informed to relevant authorities holding the assets.

18. TRAINING

SBIPFPL shall also conduct a training programme so that the members of the staff are adequately trained in AML and CFT procedures for effective implementation of measures.

19. AML COMMITTEE

AML Committee would be set up comprising of the following members.

1. MD&CEO of the company.
2. Principal Officer
3. Compliance Officer
4. VP Operations.

Functions of the AML committee are as under.

1. For a primary review of the alerts shortlisted by the PO / AML team and
2. To approve the suspicious to be reported to relevant authorities
3. Discuss general compliance, new regulations / legislations, give guidance and review the PEP transactions, if any,
4. To ensure compliance of the general provisions of PML Act and PFRDA guidelines.

List of Abbreviations

Abbreviations	Description
AML	Anti-Money Laundering
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CERSAI	Central Registry of Securitization and Asset Reconstruction and Security interest of India.
CFT	Combating the Financing of Terrorism
CKYC	Central Know Your Customer
CKYCR	Central KYC Records Registry
CSC	Clients of Special Category
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GoI	Government of India
KRA	KYC Registration Agency
LEA	Law Enforcement Agencies
MHA	Ministry of Home Affairs
ML	Money Laundering
NCCT	Non-Governmental Organisations
NGO	Non-Governmental Organizations
NRE	Non-Resident External
NRO	Non-Residential Ordinary
NTR	Non-Profit Organisation Transaction Report
PAN	Permanent Account Number
PEP	Politically Exposed Persons
PFRDA	Pension Fund Regulatory and Development Authority
PMLA	Prevention of Money Laundering Act
PML	Prevention of Money Laundering
PO	Principal Officer
POI	Proof of Identity
RTA	Registrar and Transfer Agent
SBIPFPL	SBI Pension Funds Private Limited
SEBI	Securities and Exchange Board of India
STR	Suspicious Transactions Report
TF	Terrorist Financing
UNSCR	United Nations Security Council Resolutions