

KYC/AML - Guidance for Clients

Q1: What is Money Laundering?

Money Laundering is the criminal practice of processing ill-gotten gains, or “dirty” money, through a series of transactions; in this way, the funds are “cleaned” so that they appear to be proceeds from legal activities. Money Laundering generally does not involve currency at every stage of the laundering process. Although Money Laundering is a diverse and often complex process, it often involves three independent steps that can occur simultaneously:

- (a) Placement:** Placement is the first and most vulnerable stage of laundering money. The goal is to introduce the unlawful proceeds into the financial system without attracting the attention of financial institutions or law enforcement.
- (b) Layering:** Layering is the second stage of money laundering, which involves moving funds around the financial system, often in a complex series of transactions to create confusion and complicate the paper trail.
- (c) Integration:** Integration is the ultimate goal of money laundering is integration, which involves integrating dirty money into legitimate commerce by conducting additional transactions to add an appearance of legality.

Q2: Why is Anti Money Laundering (AML) guideline applicable to CRISIL Ratings Ltd. and CRISIL Ltd.?

CRISIL Ratings Ltd. (CRL) is registered with the Securities and Exchange Board of India (SEBI) as a Credit Rating Agency under SEBI (Credit Rating Agencies) Regulation, 1999.

CRISIL Ltd. (CRISIL) is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst under SEBI (Research Analyst) Regulation, 2014.

As a registered intermediary CRL and CRISIL (together referred as Regulated Businesses) have to comply with the applicable regulatory requirements related to AML.

Q3: What is the Money laundering risk from Regulated Businesses context?

The risk of the products and services of Regulated Businesses being used for money laundering is extremely low as it is not a bank or a financial intermediary which moves funds or securities for Clients. However, below two areas can possess potential money laundering risk for Regulated Businesses:

- Payment received from an entity which is different from the entity signing the agreement with Regulated Businesses;
- Refund of fees to an entity which is different from the entity signing the agreement with Regulated Businesses.

KYC/AML policies applies to Regulated Businesses.

Q4: Do Regulated Businesses accept cash payment?

No, payment in cash is strictly prohibited, this includes direct cash payment being done by Clients in bank accounts.

Q5: Can payment be made from a bank account other than that of the entity signing agreement?

No, payments are to be made only by the entities entering into a direct agreement with Regulated Businesses unless supported by a valid rationale.

Q6: In case of excess payment received from client, can the excess payment be remitted to an entity which is different from the entity where it was originally received?

No, excess payment is only remitted to the entity from where it was originally received.

Q7: What is KYC and will Regulated Businesses request for KYC from clients?

KYC is an acronym for “Know your Client”, a term commonly used for Client Identification Process. Regulated Businesses can ask for KYC from clients as per the requirements of AML Policy.

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