

POLICY ON PREVENTION OF MONEY-
LAUNDERING ACT, 2002

Date of approval:

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**POLICY AND PROCEDURE IN
COMPLIANCE WITH THE
PREVENTION OF MONEY-
LAUNDERING ACT, 2002
OF
SMC INSURANCE BROKERS
PRIVATE LIMITED**

***[Approved & adopted by the Board of Directors on 25th
October, 2025]***



1. Introduction

This Prevention of Money Laundering and Anti-Money Laundering Policy ("**Policy**") is adopted by SMC Insurance Brokers Private Limited ("**the Company**") in compliance with the Prevention of Money Laundering Act, 2002 (PMLA) and the IRDAI Master on AML/Guidelines issued in 2022.

As **IRDA- Composite Insurance Broker**, the Company is engaged in insurance broker business and to commence and carry on, as and when permitted by the Insurance Regulatory and Development Authority all activities connected with insurance broker for general and/or life insurance for their clients to provide appropriate insurance coverage and coordinate with insurer. Further, to carry on solicit or procure the business as a Composite Insurance Broker to provide services, advice, assistance, consultancy to clients relating to selection and recommendation of Insurer(s) and insurance policies with insurer(s), collecting & remitting premiums and claims, maintaining records for premium and claims and other necessary records, negotiations of claims with Insurers, risk management services, uninsured loss recoveries, keeping clients informed regarding developments in the insurance market and insurance law.

The Company is committed to ensuring that it is not used as a conduit for money laundering or the financing of terrorism. This policy outlines the procedures and controls in place to mitigate such risks.

2. Objective

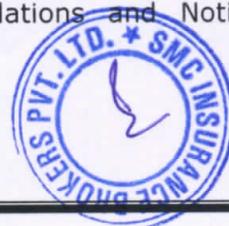
- To prevent and detect any activity relating to money laundering or terrorist financing.
- To establish a framework for identifying, verifying, and monitoring clients and transactions.
- To ensure timely reporting of suspicious transactions to FIU-IND.
- To comply with all relevant regulations issued by IRDAI, FIU-IND, and other authorities.
- To implement customer due diligence (CDD) and ongoing monitoring processes to prevent money laundering.
- To comply with the provisions of Prevention of Money Laundering Act (PML Act), 2002 and its associated rules.
- To prevent SMC Insurance Brokers Pvt Ltd from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. This policy applies to all employees, directors, and business partners of the firm.

3. Governance Structure

3.1 Designated Director

The Whole Time Directors will be the Designated Director for the Purpose of Prevention of Money Laundering and shall be responsible for overall compliance of the provisions of the Prevention of Money Laundering Act and the Rules, Regulations and Notifications thereunder.

3.2 Principal Officer (PO)



The Compliance officer of the Company will be Principal Officer for the Purpose of Prevention of Money Laundering and shall be responsible for compliance of the provisions of the Prevention of Money Laundering Act and the Rules, Regulations and Notifications thereunder and he will be responsible for implementing AML controls and reporting to the Financial Intelligence Unit – India (FIU-IND).

4. Client Due Diligence (CDD) & Know Your Customer (KYC)

The Company will do the KYC and CDD wherever applicable and as required by law on reasonable ground. In the case of online policies, KYC is not possible as policy is issued directly through Insurer portal through KYC being done on the Insurer portal only.

Mandatory collection of PAN, proof of identity (e.g., Aadhaar, Passport), and address proof for all other clients.

Enhanced Due Diligence (EDD): Required for **High-Risk Clients**, including Politically Exposed Persons (PEPs), complex legal entities, and non-resident clients.

5. Risk Categorization

Clients must be classified based on their risk profile:

- Low Risk: Individuals with a clear source of income and standard transaction patterns.
- Medium Risk: Clients whose background or business does not fit standard profiles but lacks high-risk indicators.
- High Risk: Clients from high-risk jurisdictions, PEPs, or those with unusually high-value transactions.

5.1 Client On boarding Process

- Collection and verification of Officially Valid Documents (OVDs) per the KYC Registration Agency (KRA) norms, wherever applicable.
- In-person verification or digital verification as applicable.
- If the client or the owner of the controlling interest is a company listed on stock exchange or is a majority owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- In case KYC is being done by the Insurer we are unable to do the same verification again and accordingly consider Insurance company KYC remarks.

6. Monitoring of Transactions

- Monitoring of unusually large-size transactions, structured transactions, or transactions without economic rationale.
- Monitoring of transactions with respect to PEPs, trusts, non-resident clients, clients from high-risk jurisdictions.
- Automated tools or manual review for unusual patterns.
- Suspicious transaction shall be regularly reported to Principal Officer and Directors for potential red flags.

7. Reporting Obligations

7.1 Suspicious Transaction Reports (STRs)



- STRs shall be filed promptly with FIU-IND, wherever applicable.
- Guidelines and formats as prescribed on FIU-IND portal to be followed for preparing STRs.
- Cash Transaction Report (CTR): Mandatory for individual or integrally connected cash transactions exceeding ₹10 Lakhs in a month.
- Suspicious Transaction Report (STR): Must be filed with FIU-IND within 7 working days of reaching a conclusion of suspicion.
- Counterfeit Currency Report (CCR): Filed for any use of forged notes.
- Tipping Off: Employees are strictly prohibited from disclosing to the client that a report has been filed.

7.2 Other Regulatory Reports

- Compliance with any requirements under IRDAI, or FIU-IND such as CTR (Cash Transaction Reports), if applicable.



8. Record Keeping

- Every reporting entity shall maintain the record of all transactions including, the record of—
 - (A) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
 - (B) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
 - (BA) all transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency;
 - (C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
 - (D) 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
 - (b) travellers cheques, or
 - (c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
 - (d) any other mode in whatsoever name it is referred to;
 - (ii) credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;
 - (iii) money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:—
 - (a) payment orders, or
 - (b) cashiers cheques, or
 - (c) demand drafts, or
 - (d) telegraphic or wire transfers or electronic remittances or transfers, or
 - (e) internet transfers, or
 - (f) Automated Clearing House remittances, or
 - (g) lock box driven transfers or remittances, or
 - (h) remittances for credit or loading to electronic cards, or
 - (i) any other mode of money transfer by whatsoever name it is called;
- Retention of client records, KYC documents, and transaction data for a minimum of



10 years from the date of cessation of transactions.

9. Employee Training & Awareness

- Regular AML training sessions for employees and compliance teams.
- All front-line and compliance staff must undergo annual AML training to recognize red flags.
- Training includes identification of suspicious transactions, documentation standards, and internal reporting protocols.

10. Audit

Periodic quarterly audits shall be conducted to verify the effectiveness of the PMLA controls.

11. Confidentiality

- All STRs and client-related AML records are handled with strict confidentiality.
- Disclosure of STR filing or related information is prohibited under the PMLA.

12. Penalty for Non-Compliance

Non-compliance with AML obligations can attract penalties, prosecution, or license cancellation under IRDAI Act, PMLA, or relevant regulations. The Company and its officers may be held accountable.

13. Red Flag Checklist

The following **Red Flag Checklist** is designed to supplement the PMLA Policy. It helps frontline staff and the Principal Officer identify suspicious behavior that may require a Suspicious Transaction Report (STR).

- **Large Lump-Sum Payments/Income not matching with ITR in case of saving product:** Sudden shift from small regular premium payments to a large, single lump-sum payment without a plausible economic explanation.
- **Unrelated Beneficiaries:** Designation of a beneficiary with no apparent connection or legitimate relationship to the policyholder.
- **Unusual Claims Activity:** Multiple claims for small amounts made within a short period of time or a claim made very soon after a policy is issued.
- **Overpayment of Premiums:** Intentionally overpaying a premium and requesting the refund to be paid to a third-party or a foreign account.
- **Stranger-Owned Policies:** Attempts to purchase insurance on assets or individuals where there is no clear "insurable interest".
- **Vague Damage:** Claims where the damage or injury is difficult to verify or where the client is willing to settle for an inexplicably low amount in exchange for immediate payment.

III. Client Behavior & Payment Red Flags (Universal)

- **Secretive Clients:** Reluctance to provide standard identification (KYC) documents or providing vague, misleading, or unverifiable information.



- **Third-Party Payments:** Premiums paid by a party other than the policyholder without a clear reason, especially via third-party checks or wire transfers from abroad.
- **Inconsistent Financial Standing:** The size of the policy or premium is clearly not commensurate with the client's declared income or known business profile.
- **Avoidance of Thresholds:** A client makes multiple small payments (e.g., just under ₹50,000) to avoid providing a PAN or triggering reporting thresholds.
- Except online transactions of policies as all payment integrations are with Insurance companies and Insurance companies use their payment gateway for payment on online portals. We do not have any check on this.

Action Required if a Red Flag is Triggered

1. **Do Not Tip-Off:** Staff must never inform the client they are under suspicion.
2. **Internal Escalation:** Immediately notify the **Principal Officer (PO)** with a summary of the red flags observed.
3. **Enhanced Due Diligence (EDD):** The PO must conduct deeper verification of the client's source of funds and business nature.
4. **Reporting:** If suspicion is confirmed, an STR must be filed with FIU-IND within 7 working days.

14. Policy Review

This Policy will be reviewed in case of significant regulatory changes. Any amendments will be approved by the Board of Directors.

**BY THE AUDIT COMMITTEE OF SMC INSURANCE BROKERS PRIVATE LIMITED
RECOMMENDED TO THE BOARD OF DIRECTORS**

**ADOPTED AND APPROVED BY THE BOARD
For SMC INSURANCE BROKERS PRIVATE LIMITED**



**PRAVIN KUMAR AGARWAL
(CHAIRMAN)**

DATE: 25th October 2025

