



**Credit Guarantee Fund Trust for  
Micro and Small Enterprises  
Procedure Document**

cgtmse



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## **1. INTRODUCTION**

### **1.1 Introduction**

CGTMSE is dedicated to the highest levels of Anti Money Laundering policy. The essence of the connection between the CGTMSE and banks and financial organisations is trust, and any form of money laundering or terrorist financing erodes trust. Money laundering or terrorist financing could raise business uncertainty and can have serious reputational and financial ramifications. Money laundering or terrorist financing may expose CGTMSE, as well as banks and financial institutions, to reputational and legal damage.

### **1.2 Objective**

The CGTMSE has a zero tolerance policy for any type of money laundering or terrorist financing and has committed to take proactive efforts to prevent such risks. The CGTMSE expects similar efforts from all the bank and financial institutions to monitor, detect and money laundering or terrorist financing.

### **1.3 Procedures to be implemented by Member Lending Institutions (MLI)**

CGTMSE expects all MLI to implement following and report suspicious activities to CGTMSE.

- To implement Know Your Customer Policy
  - (a) Customer Acceptance Policy (CAP)
  - (b) Risk Management
  - (c) Customer Identification Procedures (CIP) and
  - (d) Monitoring of Transactions
- To classify customers as low, medium, or high risk depending on risk perception and assessment
- If Politically Exposed Person (PEP) is part of client Ownership or Senior management then MLI must obtain senior management approval to continue the business relationship
- Monitoring of transactions to eliminate the operations of "Money Mules / Benami"
- MLI to implement Fraud detection systems to avoid Fraud and Scams
- MLI must perform KYC updation at least once every two years for high risk clients, once every eight years for medium risk customers, and once every ten years for low risk customers
- MLI needs to maintain all client records for a period of minimum 5 years from the date of transaction
- MLI shall furnish suspicious transactions and activities of clients to CGTMSE
- MLI has to incorporate international sanctions, including the sanctions regulations of the United Nations (UN) and the European Union (EU).



- MLI to check client details like Ownership or Senior management against Indian sanction and criminal database

#### **1.4 Breach of the Policy**

Compliance with the AML Policy, as well as other applicable laws, regulations, and processes, is a key requirement for all MLI. Any violation of the policy will result in disciplinary or corrective action in accordance with the applicable service rules or contract terms.

