

Sub: Summary of Order in Original No. 20/DIR/FIU-IND/2023 dated 18th Dec, 2023 in the case of ESAF Financial Holdings Private Limited (reporting entity)-reg.

An analysis was carried out by the FIU-IND and it was found that although ESAF Financial Holdings Private Limited (RE) was registered with RBI under the category of NBFC-Core Investment Company, yet the RE was not registered with FIU-IND. Therefore, the matter was taken up by the FIU-IND and a Show Cause Notice u/s 13 of PML Act, 2002 was issued to the RE. During the proceedings, the RE submitted that the company is a CIC and not having any deposit or advances and hence no customers. Further, the company submitted that there are no reportable transactions, hence, no policy for AML/CFT. After examining the material on record and the submissions made, the RE has been found to breach/violated the following relevant obligations:

- I. Failure of the RE to inform and register itself with change in name of the company u/s 12(1)(a) and 12(1)(b) of PMLA,2002 r.w. Rule 3 & 8 of the PML (Maintenance of Records) Rules,2005.
- II. Failure of the RE to intimate the appointment of Designated Director and principal officer under Rule 7(1) of the PML (Maintenance of Records) Rules, 2005

2. During the proceedings, the RE initiated and completed the registration with FIU-IND. In view of the same and considering the fact that deficiencies had been addressed by the RE, the charges/proceedings were dropped. However, certain specific directions were issued to the RE u/s 13(2)(a) and 13(2)(b) of the PML Act, 2002. The directions issued are as under:-

- a) Put in place and adopt a suitable AML/CFT policy as well as a robust mechanism for risk assessment with regard to AML/CFT.
- b) Arrange for conduct of an Audit, by an external agency, of the processes put in place by the RE to raise/process/investigate/close alerts. Such audit must be oriented to ensure the entity implements best practices in its sector with regard to AML/CFT issues.
- c) Ensure that its AML staff is adequately trained to monitor for new and emerging types of crimes from the perspective of 'proceeds of crime' including reference to orders/queries/reports relating to regulatory and law enforcement actions.

3. RE was further required to return, within a period of 6 months, a certificate under signature of the Designated Director and Principal Officer that the above measures have been implemented and placed on record.

Disclaimer: The summary of the instant order is only representational in nature and does not hold any legal significance and cannot be relied upon or referred to as a precedence in any other case.