AB Bank

Mumbai, India

Policy Framework for Cross-Border Transactions

1. Executive Summary & Policy Objective

The **Policy Framework for Cross-Border Transactions** establishes operational controls, regulatory compliance standards, and risk management guidelines for all foreign exchange and international banking operations conducted by **AB Bank PLC, Mumbai Branch**.

We being facilitator of Indo-Bangladesh trade transaction, we align our cross-border activities with the statutory requirements of the **Reserve Bank of India (RBI)**, the **Foreign Exchange Management Act (FEMA), 1999**, the **Prevention of Money Laundering Act (PMLA), 2002**, **Central Bank of Bangladesh (Bangladesh Bank)**, our **Head office** directives and guidelines issued by **FEDAI** and **FIU-IND**.

Primary Objectives

- We ensure 100% adherence to RBI Master Directions on Trade, Capital, and Current Account Transactions.
- We hold Anti-Money Laundering (AML), Counter-Financing of Terrorism (CFT), and Sanctions Screening mechanisms.
- We have defined clear governance, risk management, and audit tracks for cross-border funds transfers, Nostro/Vostro account operations, and trade clearance.
- To mitigate operational, reputational, legal, and settlement risks associated with international payments.

2. Regulatory Alignment & Governing Authorities

All cross-border transactions processed through SWIFT, domestic gateways (RTGS/NEFT/IFT), comply with the following statutory regimes:

Regulatory Area	Key Governing Regulation / Authority
Foreign Exchange Operations	FEMA, 1999 & RBI Master Directions (Imports, Exports, Directives on Compounding), Central Bank of Bangladesh, & our Head Office trade finance directives
AML / CFT & Financial Crime	PMLA, 2002; PML Rules, 2005; RBI Master Direction – KYC / AML / CFT; FIU-IND
Trade & Reporting	Foreign Trade Policy (FTP), EDPMS, IDPMS, e-BRC, FETERS, Trade Credit Guidelines
Sanctions & Watchlists	UNSC, OFAC, EU, UK sanctions, and MHA Designated Lists
Market Standards	Foreign Exchange Dealers' Association of India (FEDAI) Rules & ICC Rules (UCP 600, URC 522, ISBP)

3. Scope & Applicable Transaction Types

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This policy applies to all departments, mid-office operations, trade finance desks, and compliance units involved in initiating, processing, clearing, or reporting cross-border flows, including:

- **Current Account Transactions:** Trade imports/exports, merchanting trade, invisibles, software exports, and cross-border remittances.
- **Special Rupee Vostro Accounts (SRVA) & Asian Clearing Union (ACU):** Settlements under bilateral mechanisms and invoicing in INR.
- **NRE/NRO Account** opening and operations in INR.
- **Interbank & Treasury Operations:** Nostro/Vostro funding, FX cover deals, and liquidity management.

4. Our Key 3 Operational Pillars & Controls

Pillar A: Trade Finance & Settlement Controls

1. **Import & Export Verification:**
    - Mandatory matching of trade remittances against **EDPMS** (Export Data Processing and Monitoring System) and **IDPMS** (Import Data Processing and Monitoring System).
    - Strict adherence to timeline limits for export realization (9 months standard) and import payments (6 months standard for non-capital goods). We regularly follow up for entries pending for realization.
    - Automated issuance and reconciliation of **e-BRC** (electronic Bank Realisation Certificate) for export realization tracking.
2. **Special Rupee Vostro Accounts (SRVA):**
    - Operations for INR trade settlement under RBI guidelines must undergo enhanced due diligence (EDD) on the foreign correspondent bank, purpose code validation, and quarterly audit reporting.
3. **Advance Remittances & Guarantees:**
    - Outward advance remittances require verification of purchase orders, proforma invoices, and bank guarantees (where thresholds exceed regulatory limits).

Pillar B: AML / CFT, Sanctions & Transaction Screening

1. **Real-Time SWIFT Screening:**
    - All incoming and outgoing MT/MX messages (MT103, MT202, pacs.008, etc.) must be automatically screened against UNSC, OFAC, and local FIU/MHA watchlists.
    - Partial matches or potential hits must be routed to the Compliance Screening Desk for manual review before release.
2. **KYC & Customer Due Diligence (CDD):**
    - Enhanced Due Diligence (EDD) for high-risk corporate accounts, Ultimate Beneficial Owners (UBOs) holding, Politically Exposed Persons (PEPs), and shell entities, if any.
    - Verification of trade counterparties against adverse media and trade-based money laundering (TBML) indicators (e.g., dual-use goods, red-flag shipping routes, over/under-invoicing).

3. **FIU-IND Reporting:**
   - Prompt submission of **Suspicious Transaction Reports (STRs)** within 7 days of arriving at a conclusion of suspicion.
   - Reporting of Cross-Border Wire Transfers (CBWTR) for the transaction value more than INR 5,00,000/- on FIU Portal by 15th of the following month.

Pillar C: Nostro/Vostro & Treasury Risk Governance

1. **Reconciliation & Unmatched Items:**
   - Daily reconciliation of Nostro accounts (Mirror vs. Foreign Bank Statements).
     - Outstanding unmatched entries beyond 30 days are escalated to the Chief Compliance officer, Local Management Committee (LMC) and Risk Management Committee (RMC).
2. **Foreign Exchange & Settlement Risk:**
   - Continuous monitoring of Intra-day Open Positions (NOOPL), Aggregate Gap Limits (AGL), and Interest Rate Risk in the Banking Book (IRRBB).

5. Risk Assessment & Internal Audit (RBIA Integration)

Cross-border activities are regularly audited under AB Bank PLC's **Risk-Based Internal Audit (RBIA)** matrix.

Risk Identification (Sanctions/TBML) **--->**

- Pre-Transaction Controls (Document Check/IDPMS) **--->**
- Real-Time Monitoring (SWIFT/PMLA Filters) **--->**
- Post-Facto Audit & FIU Reporting (FETERS / STR / e-BRC)

- **High-Risk Triggers:** Transactions involving high-risk jurisdictions (FATF Blacklist/Grey List), third-party payments, structural changes in payment instructions, or frequent amendments to Bills of Lading or any other transport documents.
- **Audit Frequency:** High-risk trade desks and cross-border remittance units are checked at quarterly internal compliance reviews and annual concurrent audits.

6. Regulatory Reporting Framework

Report / Return	Target Authority	Frequency	Key Contents
FETERS	Reserve Bank of India	Fortnightly	Purpose-wise classification of foreign exchange transactions.
CBWTR	FIU-IND	Monthly	Cross-Border Wire Transfer Reports above prescribed limits.
STR	FIU-IND	Event-Driven	Suspicious transactions indicative of ML/TF or predicate offenses.

EDPMS / IDPMS Updates	RBI / Customs Interface	Real-time / Daily	Shipping bill mark-offs and Bill of Entry matching.
CIMS Return	Reserve Bank of India	Daily/Weekly/Monthly /Quarterly/Half-Yearly/Yearly. (14 Returns)	Statement of FE Turnover/ IBS Returns/Import of Gold etc.,
Internal Audit	Head Office & Central Bank of Bangladesh	Annually	On-line as well as off-line physical audits
Concurrent /Statutory Audit	Third party FCA/SA	Daily/ Annually	Concurrent Auditors carries out daily Check. The statutory Auditors check Annually.

7. Governance, Roles & Policy Review

- **Board of Directors / Executive Management Committee:** Overall oversight and annual approval of the Cross-Border Transaction Policy.
- **Chief Compliance Officer & Chief Manager – Compliance & Risk:** Responsible for tracking regulatory updates (RBI circulars, FEDAI guidelines), policy amendments, and handling escalated sanctions alerts.
- **Trade Operations & Treasury Mid-Office:** Execution of primary controls, document verification, system entry, and daily reconciliation.
- **Review Cycle:** This policy shall be reviewed **annually**, or immediately upon major regulatory updates issued by the Reserve Bank of India or FIU-IND.

General Process for Forex/Trade Finance Transactions:

- The applicant/account holders can approach our Head of the Forex department for Documentation requirements for each type of transaction.
- We hold up to date Forex Policy, Trade Finance Policy based on RBI directives and various related Standard Operating Procedures (SOP), along with Process flows are available with our Forex Department, including approving authorities.
- All inward/outward transactions are routed through automated AML alerts for OFAC/UN list/RBI or SDN or Sanction lists.
- We strictly follow Timelines for processing transactions.as per UCPDC, 600, ISBP 821, URC 522, URDG 758 and Foreign Trade policy guidelines.

FOREIGN EXCHANGE / TRADE FINANCE- Applicable Charges

Please refer to our web portal (Rates & Charges) for details related to Exports, Imports, SWIFT charges, Inward/Outward remittance, DHL Charges & Commitment Charges.

These service charges are subject to change as per our Local Management Committee/Board directives. The customers/applicant are requested to contact Forex Department for confirmations before undertaking any type of forex transactions.

- Our website holds grievance redressal & Nodal Officer details for taking up any issues related to our forex trade customer service. The Customer Complaint flow chart displays about the escalation

Please feel free to contact our branch/forex desk officer for any detailed clarification or queries. Our email- mumbai@ab.bank.in or through www.abbl.com.or +91 22 6633 2854.

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