

# MONETARY & CREDIT INFORMATION REVIEW



# MCIR

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## I. MONETARY POLICY

### I) a) Second Bi-monthly Monetary Policy 2019-20

The Second Bi-monthly monetary policy announcement was made by the Reserve Bank of India on June 6, 2019.

#### Resolution of the MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on June 6, 2019 decided to:

- Reduce the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points to 5.75 per cent from 6.0 per cent with immediate effect.
- Consequently, the Reverse Repo Rate under the LAF stands adjusted to 5.50 per cent, and the Marginal Standing Facility (MSF) rate and the Bank Rate to 6.0 per cent.

The MPC also decided to change the stance of monetary policy from neutral to accommodative.

These decisions are in consonance with the objective of achieving the medium-term target for Consumer Price Index (CPI) inflation of 4 per cent within a band of +/- 2 per cent while supporting growth.

<https://rbi.org.in/scripts/Annualpolicy.aspx>



## Note from the Editor

Welcome to yet another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the RBI helps keep abreast with new developments and important policy initiatives taken by the RBI during the month of June in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in>

Through this communication tool, we aim to share information, educate, and stay in touch while ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at [mcir@rbi.org.in](mailto:mcir@rbi.org.in)

Yogesh Dayal  
Editor

### I) b) Statement on Developmental and Regulatory Policies

#### Leverage Ratio for Banks

In order to mitigate risks of excessive leverage, the Basel Committee on Banking Supervision (BCBS) designed the Basel III Leverage Ratio (LR) as a simple, transparent, and non-risk-based measure to supplement existing risk-based capital adequacy requirements. In terms of the framework on LR put in place by the Reserve Bank, banks have been monitored against an indicative LR of 4.5%. Keeping in mind financial stability and with a view to moving further towards harmonizing with finalized Basel III standards, it has been decided that the minimum LR should be 4 per cent for Domestic Systemically Important Banks (DSIBs) and 3.5 per cent for other banks.

#### On Tap Licensing of Small Finance Banks

A review of the performance of Small Finance Banks reveals that they have achieved their priority sector targets and thus attained their mandate for furthering financial inclusion. Hence there is a case for more players to be included to enhance access to banking facilities to the small borrowers and to encourage competition. Therefore, it is proposed to issue the draft guidelines for "On Tap" licensing of small finance banks by end of August 2019.

## **Regulatory and Supervisory Framework for Core Investment Companies (CICs)**

Over the years, corporate group structures have become more complex involving multiple layering and leveraging, which has led to greater inter-connectedness to the financial system through their access to public funds. Further, in light of recent developments, there is a need to strengthen corporate governance of CICs. Accordingly, it has been decided to review the regulatory guidelines and supervisory framework applicable to CICs.

## **Internal Working Group to Review Liquidity Management Framework**

An assessment of liquidity position by different market participants has varied markedly and is not always in sync with the actual systemic liquidity position in the economy.

Accordingly, it has been decided to constitute an Internal Working Group to review comprehensively the existing liquidity management framework and suggest measures, among others, to (i) simplify the current liquidity management framework; and (ii) clearly communicate the objectives, quantitative measures and toolkit of liquidity management by the Reserve Bank.

## **Foreign Exchange Trading Platform for Retail Participants**

The electronic trading platform for retail participants has been developed by Clearing Corporation of India Ltd. and is being tested by users. The platform will be available for users for trading from early August 2019.

## **Comprehensive Review of Money Market Directions**

With the objective of bringing consistency across products in terms of issuers, investors and other participants, it is proposed to rationalize existing regulations covering different money market products.

## **Retail Participation in the Government Security Market**

It has been decided to allow specified Stock Exchanges to act as Aggregators/ Facilitators to aggregate the bids of their stock brokers/ other retail participants and submit a simple consolidated bid under the non-competitive segment of the primary auctions of the SDLs. This measure will be implemented in consultation with the respective state governments.

## **Review of Charges for RBI operated Payment Systems**

It has been decided to do away with the charges levied by the Reserve Bank for transactions processed

in the RTGS and NEFT systems. Banks will be required in turn, to pass on these benefits to their customers.

## **Constitution of a Committee to Review the ATM Interchange Fee Structure**

Usage of Automated Teller Machines (ATMs) by the public has been growing significantly. There have, however, been persistent demands to change the ATM charges and fees. In order to address these, it has been decided to set up a Committee involving all stakeholders, under the chairmanship of the Chief Executive Officer, Indian Banks' Association (IBA), to examine the entire gamut of ATM charges and fees.

## **l) c) Minutes of the Monetary Policy Committee Meeting**

Reserve Bank of India on June 20, 2019 placed in the public domain the minutes of the Second Bi-monthly Monetary Policy Committee (MPC) meeting held during June 3-6, 2019. The meeting was attended by all the members Dr. Chetan Ghatge, Professor, Indian Statistical Institute; Dr. Pami Dua, Director, Delhi School of Economics; Dr. Ravindra H. Dholakia, former Professor, Indian Institute of Management, Ahmedabad; Dr. Michael Debabrata Patra, Executive Director (the officer of the Reserve Bank nominated by the Central Board under Section 45ZB(2)(c) of the Reserve Bank of India Act, 1934); Dr. Viral V. Acharya, Deputy Governor in charge of monetary policy – and was chaired by Shri Shaktikanta Das, Governor. The MPC reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors, and the projections of professional forecasters. The MPC also reviewed in detail staff's macroeconomic projections, and alternative scenarios around various risks to the outlook. Drawing on the above and after extensive discussions on the stance of monetary policy, the MPC adopted the resolution. All the members of the MPC unanimously decided to reduce the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points to 5.75 per cent from 6.0 per cent with immediate effect and change the stance of monetary policy from neutral to accommodative.

These decisions are in consonance with the objective of achieving the medium-term target for Consumer Price Index (CPI) inflation of 4 per cent within a band of +/- 2 per cent while supporting growth.

## II. CONSUMER EDUCATION & PROTECTION

### Launch of Complaint Management System by RBI

The “Complaint Management System (CMS)” of RBI was launched by Shri Shaktikanta Das, Governor, RBI on June 24, 2019. Speaking on the occasion, the Governor observed that the CMS launch “symbolizes RBI’s commitment to improve customer experience in grievance redressal process by ensuring timely resolution of complaints received at the Reserve Bank.” He said “I take this opportunity to seek the co-operation of all RBI regulated entities with public interface such as commercial banks, Urban Co-operative banks, Non-Banking Financial Companies (NBFCs), etc., in resolving customer complaints in a speedy and meaningful manner to promote public confidence in the financial system”. CMS is a software application to facilitate RBI’s grievance redressal processes. Members of public can access the CMS portal at RBI’s website to lodge their complaints against any of the entities regulated by RBI. Keeping the convenience of the customers in mind, CMS has been designed to enable on-line filing of complaints. It provides features such as acknowledgement through SMS/Email notification(s), status tracking through unique registration number, receipt of closure advises and filing of appeals, where applicable. It also solicits voluntary feedback on the customer’s experience. CMS has self-help material (in video format) to guide the users of the portal; videos on safe banking practices; and on the regulatory initiatives of RBI. This system facilitates the regulated entities to resolve customer complaints received through CMS by providing seamless access to their Principal Nodal Officers/Nodal Officers. The CMS also has facilities for RBI officials handling the complaints to track the progress of redressal. With the launch of CMS, the processing of complaints received in the offices of Banking Ombudsman (BO) and Consumer Education and Protection Cells (CEPCs) of RBI has been digitalized.

## III. COMMITTEE REPORTS

### III) a) Expert Committee on Micro, Small and Medium Enterprises

The Expert Committee on Micro, Small and Medium Enterprises (MSMEs) chaired by Shri U.K. Sinha submitted its report to the Reserve Bank of India on June 18, 2019. The committee had been constituted

by RBI in January 2019 to suggest long-term measures for the economic and financial sustainability of the MSME sector.

The recommendations of the committee related to several areas. The full report of the committee can be accessed by clicking [here](#).

### III) b) Benchmarking India’s Payment Systems

Reserve Bank of India on June 4, 2019 released a report on “Benchmarking India’s Payment Systems” with the objective to provide a comparative position of the payment system ecosystem in India relative to comparable payment systems and usage trends in other major countries.

The Reserve Bank has undertaken an exercise of benchmarking India’s Payment Systems vis-à-vis payment systems in a mix of advanced economies, Asian economies and the BRICS (Brazil, Russia, India, China and South Africa) nations. The analysis was attempted under 41 indicators covering 21 broad areas including regulation, oversight, payment systems, payment instruments, payment infrastructure, utility payments, government payments, customer protection and grievance redressal, securities settlement and clearing systems and cross border personal remittances.

The study found that India has a strong regulatory system and robust large value and retail payment systems which have contributed to the rapid growth in the volume of transactions in these payment systems. There has been substantial growth in e-payments by Government and also in digital infrastructure in terms of mobile networks. The report, however, notes that India is required to take further efforts to bring down the volume of paper clearing and increase acceptance infrastructure to enhance digital payments. The full report on Benchmarking India’s Payment Systems can be accessed by clicking [here](#).

## IV. BANKING REGULATION

### Prudential Framework for Resolution of Stressed Assets

Reserve Bank of India on June 7, 2019 placed on its website the prudential framework for resolution of stressed assets by banks. The fundamental principles underlying the regulatory approach for resolution of stressed assets are:

- Early recognition and reporting of default in respect of large borrowers by banks, Foreign Investors and Non-Banking Financial Companies.

(Continued on Page 4)

- Complete discretion to lenders with regard to design and implementation of resolution plans, in supersession of earlier resolution schemes (S4A, SDR, 5/25 etc.), subject to the specified timeline and independent credit evaluation;
- A system of disincentives in the form of additional provisioning for the delay in implementation of resolution plan or initiation of insolvency proceedings;
- Withdrawal of asset classification dispensations on restructuring. Future upgrades to be contingent on a meaningful demonstration of satisfactory performance for a reasonable period;
- For the purpose of restructuring, the definition of 'financial difficulty' to be aligned with the guidelines.
- The signing of Inter-Creditor Agreement (ICA) by all lenders to be mandatory, which will provide for a majority decision making criteria. Further details about the new prudential framework can be found by clicking [here](#).

## V. CURRENCY MANAGEMENT

### V) a) Security Measures for ATMs

RBI on June 14, 2019 notified measures aimed at mitigating risks in ATM operations and enhancing security. The measures have been issued after a review of the recommendations of the Committee on Currency Movement, chaired by Dr. D.K. Mohanty, Executive Director, RBI. The committee had been constituted by the Reserve Bank to review the entire gamut of security of treasure in transit. The measures are listed below:

- All ATMs shall be operated for cash replenishment only with digital One Time Combination (OTC) locks.
- All ATMs shall be grouted to a structure (wall, pillar, floor, etc.) by September 30, 2019, except for ATMs installed in highly secured premises such as airports, etc. which have adequate CCTV coverage and are guarded by state/ central security personnel.
- Banks may also consider rolling out a comprehensive e-surveillance mechanism at the ATMs to ensure timely alerts and quick response.

The measures shall be implemented in addition to the existing instructions, practices and guidance issued by the RBI and law enforcement agencies. For more information please click [here](#).

V) b)

### Public can continue to accept all the coins as legal tender

Reserve Bank of India issued a public notice on June 26, 2019 stating that people can continue to accept all coins put into circulation by RBI which is minted by the Government of India. It was reported that there are doubts in some quarters, regarding the genuineness of such coins which has resulted in reluctance on the part of some traders, shop-keepers and members of public to accept coins. This has impeded the free use and circulation of coins in certain pockets of the country. Reserve Bank appealed to members of the public not to give credence to such rumours and continue to accept these coins as legal tender in all their transactions without any hesitation. These coins have distinctive features. Coins in new denominations to meet transaction needs of public and coins in new designs to reflect various themes - economic, social and cultural - are introduced from time to time. As coins remain in circulation for a longer period, coins of different designs and shapes circulate at the same time. Presently, coins of 50 paise, ₹ 1/-, 2/-, 5/- and 10/- denominations of various sizes, themes and designs are in circulation. The Reserve Bank of India has separately reiterated its instructions to banks to accept coins for transactions and exchange at all their branches as advised vide [DCM \(NE\) No.G-2/08.07.18/2018-19](#) dated July 2, 2018 and updated as on January 14, 2019. For more details please click [here](#).

## VI. BANKER TO GOVERNMENT

### Rationalisation & Revision of Agency Commission

On a review, the RBI has decided that the agency commission rates on eligible government transactions shall be carried out as per the table given on page 5 with effect from July 01, 2019. Furthermore, on a review of the claim process, it has been decided to replace the current process of centralised claims submission with a system whereby applicable GST (18% at present) shall be paid along with agency commission by the respective Regional Offices of RBI/CAS, Nagpur as the case may be. For eligible government transactions done with effect from July 01, 2019, agency banks shall submit the agency commission claims, including applicable GST amount, as per revised agency commission rates indicated below, to RBI at respective ROs/CAS, Nagpur as per the extant instructions issued by RBI in this regard. TDS on GST shall be deducted as applicable by RBI at the time of making agency

commission payment.

However, for eligible government transactions done by agency banks up to June 30, 2019, agency banks shall continue to submit agency commission claims as well as the claims for ST/GST reimbursement as hitherto. For details click [here](#).

Agency Commission Rates				
	Transaction Type	Unit	Existing Rates	Revised Rates
1	Receipts – Physical	Per transaction	₹50/-	₹40/-
2	Receipts – e-mode	per transaction	₹12/-	₹9/-
3	Pension Payments	per transaction	₹65/-	₹75/-
4	Payments other than Pension	Per ₹100 turn over	₹5.5 paise	₹6.5 paise

## VII. FINANCIAL INCLUSION

### VII) a) Financial Literacy Week

Reserve Bank of India celebrated the Financial Literacy Week (FLW), 2019 in various parts of the country through its Regional Offices, coordinated by Financial Inclusion and Development Department, Central Office, from June 3 to 7, 2019. The theme of FLW 2019 is 'Financial education for the farmers'. FLW is an initiative of the Reserve Bank to promote financial awareness on key topics every year through a focused campaign. As part of the financial literacy initiatives, RBI has created lucid and engaging content in the form of booklets in 13 languages viz., Assamese, Bengali, English, Gujarati, Hindi, Kannada, Malayalam, Marathi, Oriya, Punjabi, Tamil, Telugu and Urdu for the benefit of farmers and other target groups. The audience belonged to various target groups like members of SHGs, farmers, senior citizens, entrepreneurs and students. The event was marked by participation from officials of state governments, commercial and co-operative banks, NABARD and officials from the villages and farmers clubs.

### VII) b) Access to Banking Services – BSBDA Account

Reserve Bank of India on June 10, 2019 decided to make certain changes in the facilities associated with the Basic Savings Bank Deposit Account (BSBDA). RBI has advised offering the following basic minimum facilities in the BSBDA free of charge, without any requirement of minimum balance.

- The deposit of cash at bank branch as well as

ATMs or CDMs.

- Receipt/credit of money through any electronic channel or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments.
- No limit on the number and value of deposits that can be made in a month.
- Minimum of four withdrawals in a month, including ATM withdrawals.
- ATM Card or ATM-cum-Debit Card.

The BSBDA shall be considered as a normal banking service available to all. Banks are free to provide additional value-added services, including the issue of cheque book, beyond the above minimum facilities, which may/may not be priced (in a non-discriminatory manner) subject to disclosure. While offering additional services, banks shall not require the customer to maintain a minimum balance. The holders of BSBDA will not be eligible for opening any other saving bank deposit account in that bank and the BSBDA shall be subject to RBI instructions on KYC/AML for the opening of bank accounts. For further details about the instructions on BSBDA please click [here](#).

## VIII. FINANCIAL MARKETS

### VIII) a) Financial Benchmark Administrators Directions 2019

Reserve Bank of India released the Financial Benchmark Administrators (Reserve Bank) Directions 2019 on June 26, 2019 under section 45 W of the RBI Act, 1934. The directions shall apply to benchmarks administrators administering 'significant benchmarks' in the markets for financial instruments regulated by RBI. The identification of a benchmark as a 'significant benchmark' shall be based on use, efficiency and relevance of the benchmark in domestic financial markets. Financial Benchmark Administrators administering significant benchmarks shall adhere to these directions to ensure that accepted standards of governance, quality of benchmarks, quality of methodology and accountability in respect of the benchmark administration process are duly observed. The Reserve Bank in its Statement on Developmental and Regulatory Policies, dated October 5, 2018 had announced that it will introduce a regulatory framework for financial benchmark in markets regulated by it. The directions are issued with the objective to improve the governance of the benchmark processes, ensure transparency in benchmark administration and prevent misuse of benchmarks. The directions can be accessed on the RBI website by clicking [here](#).

## VIII) b) Rupee Interest Rate Derivatives Directions 2019

The Reserve Bank of India on June 26, 2019, released the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019. Regulations on Interest Rate Derivatives have so far been issued separately for each product, including for products traded on exchanges. Given the evolution of the market, there is now a need to permit flexibility for exchanges and market-makers in the design and innovation of products while ensuring that relatively less informed participants using these derivatives markets are adequately protected. The directions consolidate, rationalize and simplify all previous regulations issued on interest rate derivatives. For details click [here](#)

## IX. PAYMENT & SETTLEMENT SYSTEMS

### IX) a) Directions for Central Counterparties

On a review, the Reserve Bank on June 12, 2019, amended its earlier Directions on Governance framework of domestic Central Counterparties dated October 15, 2018. As per the amendment/modification, the upper age limit for appointment of Director, Nominee Director, Independent Director and Chairperson has been revised to 70 years. The upper age limit for appointment of Managing Director shall continue to be 65 years. The updated directions governing the functioning of Central Counterparties can be found by clicking [here](#).

### IX) b) NEFT & RTGS Waiver of Charges

Reserve Bank of India on June 11, 2019, decided to waive off the processing charges and time-varying charges levied on banks for outward transactions undertaken using the RTGS system and the processing charges levied for transactions processed in NEFT system with effect from July 1, 2019. The decision has been taken with the objective to provide an impetus to digital funds movement and banks have been advised to pass on the benefits to their customers undertaking transactions using RTGS and NEFT systems. For more details please click [here](#).

### IX) c) Committee to Review ATM Interchange Fee Structure

Reserve Bank of India on June 11, 2019 constituted a committee to review the ATM interchange fee structure with the objective to give a fillip to the ATM

deployment in unbanked areas of the country. The committee constituted under the chairmanship of Shri V.G. Kannan, Chief Executive, Indian Bankers' Association will review the entire gamut of ATM charges and fees. The committee comprises of Shri Dilip Asbe, Chief Executive Officer, National Payments Corporation of India; Shri Girish Kumar Nair, Chief General Manager, State Bank of India; Shri S. Sampath Kumar, Group Head, Liability Products, HDFC Bank Ltd; Shri K. Srinivas, Director, Confederation of ATM industry and Shri Sanjeev Patel, Chief Executive Officer, Tata Communications Payment Solutions Ltd. Other details about the committee such as the terms of reference, etc., can be accessed by clicking [here](#).

### IX) d) FAQs on Payment System Data

The Payment System Operators (PSOs) have sought clarification on certain implementation issues, from time to time, from the Reserve Bank. The Reserve Bank vide its directive dated April 6, 2018 had advised all payment system providers to ensure that the entire data relating to payment systems operated by them is stored only in India within a period of six months. The FAQs are aimed at shedding light on issues such as applicability of the direction, the place where payment data is to be stored, clarification regarding data that needs to be stored, storage of data pertaining to cross-border transactions, processing of payment transactions, etc. The detailed FAQs can be accessed by clicking [here](#).

## X. RESEARCH

The RBI has released the findings of the following surveys:

### X) a) Survey of Professional Forecasters on Macroeconomic Indicators

The Reserve Bank has been conducting the Survey of Professional Forecasters (SPF) since September 2007. 26 panelists participated in the 58th round of the survey conducted during May 2019. The survey results are summarised in terms of their median forecasts along with quarterly paths for key variables. The findings of the survey can be found by clicking [here](#).

### X) b) Consumer Confidence Survey (CCS)

The Reserve Bank released the results of the May 2019 round of its Consumer Confidence Survey (CCS) on June 6, 2019. The finds of the survey can be found by clicking [here](#).

## X) c) Households' Inflation Expectations Survey

The Reserve Bank released the results of the May 2019 round of the Inflation Expectations Survey of Households (IESH) on June 6, 2019. The results can be found by clicking [here](#).

## XI. DATA RELEASES

### XI) a) Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks

The Reserve Bank on June 25, 2019 released its web publication entitled 'Quarterly Basic Statistical Returns (BSR)-1: Outstanding Credit of Scheduled Commercial Banks (SCBs) for December 2018' on its Database on Indian Economy (DBIE) portal. The publication can be accessed by clicking [here](#)

### XI) b) Quarterly Statistics on Deposits and Credit of SCBs

The Reserve Bank on May 31, 2019 released its web publication entitled Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs), March 2019 on its Database on Indian Economy (DBIE) portal. The statistics can be accessed by clicking [here](#).

**Is your banking complaint unresolved?**  
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RBI Employee

KL Rahul  
Indian Cricketer and  
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- Banking Ombudsman Scheme covers a range of deficiencies in banking services

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## Financial Action Task Force (FATF) Public Statement

The Financial Action Task Force (FATF) has called on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction of Democratic People's Republic of Korea (DPRK). Jurisdiction of Iran is subject to a FATF call on its members to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction. FATF has further identified the following jurisdictions as having strategic deficiencies which have developed an action plan with the FATF to deal with them. These jurisdictions are: The Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Panama, Sri Lanka, Syria, Trinidad and Tobago, Tunisia and Yemen.

The information is available in the updated public statement and document released by FATF on June 21, 2019. The statement and document can be accessed at the following URL:

1. <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-june-2019.html>and,
2. <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-june-2019.html>

FATF plenary releases a public statement and a document titled 'Improving Global AML/CFT Compliance: On-going Process' with respect to jurisdictions that have strategic AML/CFT deficiencies as a part of the ongoing efforts to identify and work with jurisdictions with strategic Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) deficiencies. The statement and the document are available on the website of FATF. Such advice does not preclude the regulated entities from legitimate trade and business transactions with the countries and jurisdictions mentioned there.

### About FATF

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terror-financing and other related threats to the integrity of the international financial system. It monitors the progress of its members in implementing necessary measures, reviews money laundering and terror-financing techniques and counter measures.