

Regulatory and Other Measures

January 2010

RBI/2009-10/285 DBOD. AML.BC. No. 68 / 14.01.001/2009-10 dated January 12, 2010

The Chairmen and Chief Executive Officers (All Scheduled Commercial Banks excluding RRBs)/Financial Institutions/ Local Area Banks

Prevention of Money-laundering Rules - Amendment – Obligation of Banks/FIs

Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009 - Obligation of banks/Financial institutions

As you are aware Government of India *vide* its Notification No.13/2009/F.No.6/8/2009-ES dated November 12, 2009, has amended the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

2. Some of the salient features of the amendment, relevant to banks and financial institutions, are as under:

- Clause (ca) inserted in sub-rule (1) of Rule 2 defines "non-profit organisation"
- Clause (BA) inserted in sub-rule (1) of Rule 3 requires banks/financial institutions to maintain proper record

of all transactions involving receipts by non-profit organisations of value more than rupees ten lakh or its equivalent in foreign currency.

- The amended Rule 6 provides that the records referred to in rule 3 should be maintained for a period of ten years from the date of transactions between the client and the banking company/ financial institution.
- A proviso has been inserted in sub-rule (3) of Rule 8, which requires that banks /financial institutions and its employees should keep the fact of furnishing suspicious transaction information strictly confidential.
- Rule 9, now requires banks/financial institutions to verify identity of the non-account based customer while carrying out transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- The amended sub-rule (1) of Rule 9, in terms of clause (b) (ii) requires verification of identity of the customer for all international money transfer operations.
- Proviso to Rule 9 (1) regarding the verification of identity of the client within a reasonable time after opening the account/execution of the transaction has been deleted.

3. Accordingly, in view of amendments to the above Rules, banks/financial institutions are required to :

- Maintain proper record of all transactions involving receipts by non- profit organisations of value more than rupees ten lakh or its equivalent in foreign currency and to forward a report to FIU-IND of all such transactions in the prescribed format every month by the 15th of the succeeding month.
- In case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address should be verified. Further, if a bank has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50,000/-, the bank should verify identity and address of the customer and also consider filing a suspicious transaction report (STR) to FIU-IND.

4. *Banks/ financial institutions are advised to strictly follow the amended provisions of PMLA Rules and ensure meticulous compliance to these Rules.*

MPD.BC.327/07.01.279/2009-10 dated January 29, 2010

Third Quarter Review of Monetary Policy 2009-10

Please refer to Monetary Policy Statement 2009-10 section of the bulletin.