

RBI/2005-06/179

DNBS(PD)/ CC No. 58/ 10.42 /2005-06

October 11, 2005

All deposit taking NBFCs(excluding RNBCs)

Dear Sir,

KYC for persons authorised by NBFCs including brokers/agents etc. to collect public deposit on behalf of NBFCs

Please refer to our circular DNBS(PD).CC No. 48/10.42/2004-05 dated February 21, 2005 on the guidelines on 'Know Your Customer' norms. NBFCs were advised to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority. These 'Know Your Customer' guidelines have been revisited in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT).

2. The compliance with these standards by the banks/financial institutions/NBFCs in the country have become necessary for international financial relationships. It is necessary that the guidelines should be equally applicable to the persons authorised by NBFCs including brokers/agents etc. collecting public deposits on behalf of NBFCs.

i. Adherence to Know Your Customer (KYC) guidelines by NBFC and persons authorised by NBFCs including brokers/agents etc.

An obligation has been cast on the banking companies, financial institutions and intermediaries, by the Prevention of Money Laundering Act, 2002 (Chapter IV), to comply with certain requirements in regard to maintenance of record of the transactions of prescribed nature and value, furnishing of information relating to those transactions and verification and maintenance of the records of identity of all its clients in prescribed manner. Accordingly, instructions were issued to NBFCs vide our circular DNBS (PD) CC No. 48 /10.42/ 2004-05 dated February 21, 2005.

As regards deposits collected by persons authorised by NBFCs including brokers/agents etc. inasmuch as such persons are collecting the deposits on behalf of the NBFC, it shall be the sole responsibility of the NBFC to ensure full compliance with the KYC guidelines by such persons. The NBFC should make available all information to the Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by NBFCs including brokers/agents etc. who are operating on its behalf.

ii **Due diligence of persons authorised by NBFCs including brokers/agents etc.**

As an extension of the KYC Guidelines, NBFCs should put in place a process of due diligence in respect of persons authorised by NBFCs including brokers/agents etc. collecting deposits on behalf of the company through a uniform policy for appointment and detailed verification. Details of due diligence conducted may be kept on record with the company for verification. Compliance in this regard should be reported to RBI by December 31, 2005.

In the depositors' interests and for enhancing transparency of operations, the companies should have systems in place to ensure that the books of accounts of persons authorised by NBFCs including brokers/agents etc, so far as they relate to brokerage functions of the company, are available for audit and inspection whenever required.

iii. **Customer service in terms of identifiable contact with persons authorised by NBFCs including brokers/agents etc.**

All deposit receipts should bear the name and Registered Office address of the NBFC and must invariably indicate the name of the persons authorised by NBFCs including brokers/agents etc. and their addresses who mobilised the deposit and the link office with the telephone number of such officer and/or persons authorised by NBFCs including brokers/agents etc in order that there is a clear indication of the identifiable contact with the field persons

and matters such as unclaimed / lapsed deposits, discontinued deposits, interest payments and other customer grievances are appropriately addressed. The companies may also evolve suitable review procedures to identify persons authorised by NBFCs including brokers/agents etc. in whose cases the incidence of discontinued deposits is high for taking suitable action.

Yours faithfully,

Sd/-
(P. Krishnamurthy)
Chief General Manager In-Charge