



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2011-12/416

February 29, 2012

A.P. (DIR Series) Circular No. 87

To

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Sir,

Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating the Financing of Terrorism (CFT) / Obligation of Authorised Persons under Prevention of Money Laundering Act (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 - Assessment and Monitoring of Risk - Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all the Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) [APs (Indian Agents)] is invited to the Anti-Money Laundering Guidelines governing money transfer service scheme, issued vide [A.P. \(DIR Series\) Circular No. 18 \[A.P. \(FL/RL Series\) Circular No. 05\] dated November 27, 2009](#), as amended from time to time.

2. In terms of paragraph 5.3 (b) and (c) of the aforesaid circular, APs (Indian Agents) should prepare a profile for each new customer, where regular cross-border inward remittances are/ expected to be received, based on risk categorisation and apply enhanced due diligence measures on higher risk customers. Some illustrative examples of customers requiring higher due diligence have also been provided in the paragraph under reference. Further, paragraph 5.8 (a) of the aforesaid circular requires APs (Indian Agents) to put in place policies, systems and procedures for risk management keeping in view the risks involved in a transaction.

3. The Government of India had constituted a National Money Laundering / Financing of Terror Risk Assessment Committee to assess money laundering and terror financing risks, a national AML/CFT strategy and institutional framework for AML/CFT in India. Assessment of risk of Money Laundering /Financing of Terrorism helps both the competent authorities and the regulated entities in taking

necessary steps for combating ML/FT adopting a risk-based approach. This helps in judicious and efficient allocation of resources and makes the AML/CFT regime more robust. The Committee has made recommendations regarding adoption of a risk-based approach, assessment of risk and putting in place a system which would use that assessment to take steps to effectively counter ML/FT. The recommendations of the Committee have since been accepted by the Government of India and need to be implemented.

4. Accordingly, APs (Indian Agents) should take steps to identify and assess their ML/TF risk for customers, countries and geographical areas as also for products/ services/ transactions/delivery channels, in addition to what has been prescribed in the aforesaid circular, referred to in paragraph 5 of the above-mentioned Circular dated November 27, 2009. APs (Indian Agents) should have policies, controls and procedures, duly approved by their boards, in place to effectively manage and mitigate their risk adopting a risk-based approach as discussed above. As a corollary, APs (Indian Agents) would be required to adopt enhanced measures for products, services and customers with a medium or high risk rating.

5. APs (Indian Agents) may design risk parameters according to their activities for risk based transaction monitoring, which will help them in their own risk assessment.

6. All the other instructions contained in the [A.P. \(DIR Series\) Circular No. 18 \[A.P. \(FL/RL Series\) Circular No. 05\] dated November 27, 2009](#), as amended from time to time, shall remain unchanged.

7. These guidelines would also be applicable mutatis mutandis to all Sub-agents of the Indian Agents under MTSS and it will be the sole responsibility of the APs (Indian Agents) to ensure that their Sub-agents also adhere to these guidelines.

8. Authorised Persons (Indian Agents) should bring the contents of this circular to the notice of their constituents concerned.

9. The directions contained in this circular have been issued under sections 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act (PMLA), 2002 as amended by Prevention of Money Laundering (Amendment) Act, 2009 and 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, as amended from time to time and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge