



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

---

**RBI/2010-11/292**  
**A.P. (DIR Series) Circular No.20**  
**A.P. (FL/RL Series) Circular No.03**

**November 30, 2010**

To,

All Authorised Persons

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- Money changing activities**

Attention of the Authorized Persons is invited to the [A.P. \(DIR Series\) Circular No. 17 \[A.P.\(FL/ RL Series\) Circular No. 04\] dated November 27, 2009](#) on 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 in respect of money changing activities.

**Countries which do not or insufficiently apply the FATF recommendations**

2. In F-Part-I, paragraph 4.10 (b) of the circular dated November 27, 2009 referred to above, Authorised Persons (APs) have been advised to take into account the risks arising from the deficiencies in the AML/ CFT regime of certain jurisdictions, as identified in the Financial Action Task Force (FATF) Statement, issued from time to time, while dealing with the individuals or businesses from these jurisdictions. It is advised that APs should, in addition to the FATF Statements, issued from time to time, also consider using publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations. Further, it is clarified that APs should also give special attention

to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF recommendations and jurisdictions included in FATF Statements.

3. In terms of F-Part-I, paragraph 4.6 of the circular dated November 27, 2009 referred to above, it is advised that ongoing monitoring is an essential element of effective KYC procedures. In this regard, it is advised that APs should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined and written findings together with all the documents should be retained and made available to the Reserve Bank/ other relevant authorities, on request.

4. These guidelines would also be applicable mutatis mutandis to all agents/ franchisees of Authorised Persons and it will be the sole responsibility of the Authorised Persons (franchisers) to ensure that their agents/ franchisees also adhere to these guidelines.

5. Authorised Persons should bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this Circular are issued under Section 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. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**