

RBI/20010-11/162

**DNBS. (PD) CC No 192 /03.10.42/2010-11**

**August 09 , 2010**

Dear Sir,

All Non-Banking Financial Companies,  
Residuary Non-Banking Companies

**Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards**

Please refer to the Master Circular No. 184 dated July 01, 2010 on the captioned subject. All NBFCs (including RNBCs) are advised to take note of modifications to the above circular as under:

**Suspicion of money laundering/terrorist financing**

2. With a view to preventing NBFCs from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing, it is clarified that whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, NBFCs should carry out full scale customer due diligence (CDD) before opening an account.

**Filing of Suspicious Transaction Report (STR)**

3. Kind attention is invited to the instructions contained in Para 2 (iv) Annex-VI of the Master Circular in terms of which a NBFC should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It is clarified that in the circumstances when a NBFC believes that it would no longer be satisfied that it knows the true identity of the account holder, the Company should also file an STR with FIU-IND.

**Politically Exposed Persons (PEPs)**

4. In terms of instructions contained in Para 15(1) of the Master Circular No 184 dated July 1, 2010 in the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, NBFCs (including RNBCS) should obtain

senior management approval to continue the business relationship and subject the account to the CDD measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. It is further clarified that the instructions are also applicable to accounts where PEP is the ultimate beneficial owner. Further, in regard to PEP accounts, it is reiterated that NBFCs should have appropriate ongoing risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which PEP is the ultimate beneficial owner.

### **Principal Officer**

5. With reference to Para 15(2) of the Master Circular referred to above, regarding appointment and responsibility of the Principal Officer, it is clarified that the role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time.

6. These guidelines are issued under Section 45K and 45L of Reserve Bank of India Regulation Act, 1934. Any contravention thereof or non-compliance shall attract penalties under the RBI Act.

Yours sincerely,

(Uma Subramaniam)  
Chief General Manager-in-Charge