

August 09 , 2010

Dear Sir,

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

Dear Sir,

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:

Countries which do not or insufficiently apply the FATF recommendations.

2. Reference has been invited to para 16 of the Master Circular No 184 dated July 1, 2010. NBFCs have been advised to take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement. It is further advised that NBFCs should, in addition to FATF Statements circulated by Reserve Bank of India from time to time, also consider publicly available information for identifying such countries, which do not or insufficiently apply the FATF Recommendations. NBFCs should give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries.

3. In terms of paragraph 4 of Annex-VI of the Master Circular No 184 dated July 1, 2010, ongoing monitoring is an essential element of effective KYC procedures. It is advised that NBFCs 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 documents be retained and made available to Reserve Bank/other relevant authorities, on request.

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

Yours sincerely,

(Uma Subramaniam)
Chief General Manager-in-Charge