



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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January 22, 2013

The Chairmen / CEOs of all Regional Rural Banks /
State and Central Co-operative Banks

Dear Sir,

**Know Your Customer (KYC) norms /Anti-Money Laundering (AML)
Standards/Combating of Financing of Terrorism (CFT)/Obligation of banks
under Prevention of Money Laundering Act (PMLA), 2002**

Please refer to paragraph 3 of our [circular RPCD.AML.BC.No.80/07.40.00/2004-05 dated February 18, 2005](#) on 'Know Your Customer' (KYC) Guidelines - Anti Money Laundering Standards.'

2. Rule 9(1A) of the Prevention of Money Laundering Rules, 2005 requires that every banking company, and financial institution, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity. The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person. Government of India has since examined the issue and has specified the procedure for determination of Beneficial Ownership. The procedure as advised by the Government of India is as under:

A. Where the client is a person other than an individual or trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

(i) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control interest.

Explanation: Controlling ownership interest means ownership of/entitlement to more than 25 percent of shares or capital or profits of the juridical person, where the juridical person is a company; ownership of/entitlement to more than 15% of the capital or profits of the juridical person where the juridical person is a partnership; or, ownership of/entitlement to more than 15% of the property or capital or profits of the

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juridical person where the juridical person is an unincorporated association or body of individuals.

(ii) In cases where there exists doubt under (i) as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements, etc.

(iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official.

B. Where the client is a trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

3. Banks may review their KYC policy in the light of the above instructions and ensure strict adherence to the same.

4. Compliance Officer/Principal Officer should acknowledge receipt of this circular to our concerned Regional Office.

Yours faithfully,

(C.D. Srinivasan)
Chief General Manager