



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2010-11/180

UBD.BPD. (PCB). No. 11/12.05.001/2010-11

August 25, 2010

The Chief Executive Officers
All Primary (Urban) 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 circular [UBD. PCB. Cir. 30 / 09.161.00 / 2004-05 dated December 15, 2004](#) on KYC guidelines / AML Standards and UBD. (PCB) CO. BPD.Cir. No. 18 / 14.01.062 / 2009- 10 dated October 28, 2009 on Know Your Customer (KYC) norms / AML Standards / CFT.

Countries which do not or insufficiently apply the FATF recommendations

2. In terms of paragraph 4 of the guidelines on KYC norms and AML measures contained in the circular December 15, 2004 banks were advised that on-going monitoring is an essential element of effective KYC procedures. It is advised that banks 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 should be retained and made available to Reserve Bank / other relevant authorities, on request.

3. In terms of circular dated October 28, 2009, UCBs have been advised to take into account risks arising from the deficiencies in AML/CFT regime of the countries included in the FATF Statement. It is further advised that banks should, in addition to FATF Statements circulated by Reserve Bank of India from time to time, also consider publicly available information for identifying countries, which do not or

insufficiently apply the FATF Recommendations. It is clarified that banks 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.

Shell Banks

4. In terms of the indicative guidelines on customer identification requirements contained in Annex – I of circular dated December 15, 2004, banks should guard against establishing relationships with respondent foreign financial institutions that permit their accounts to be used by shell banks. It is clarified that banks should not enter into relationship with shell banks and before establishing correspondent relationship with any foreign institution, banks should take appropriate measures to satisfy themselves that the foreign respondent institution does not permit its accounts to be used by shell banks.

5. These guidelines are issued under Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). Any contravention thereof or non-compliance shall attract penalties under the Banking Regulation Act, 1949 (AACS).

Yours faithfully

(Uma Shankar)
Chief General Manager