



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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UBD.BPD. (PCB). No.9 /12.05.001/2010-11

August 23, 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 Know Your Customer (KYC) guidelines - Anti-Money Laundering (AML) Standards and circular [UBD. BPD.Cir. No. 38 / 09.16.100 / 2005- 06 dated March 21, 2006](#) on obligation of banks under prevention of Money Laundering Act (PMLA), 2002 and the Rules notified thereunder.

Suspicion of money laundering/terrorist financing

2. With a view to preventing banks 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, banks should carry out full scale customer due diligence (CDD) before opening an account.

Filing of STR

3. The attention of banks is invited to the instructions contained in Para 2 (iv) of the guidelines on KYC and AML measures appended to circular UBD.PCB. Cir. 30 / 09.161.00/2004-05 dated December 15, 2004 in terms of which a bank 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 bank believes that it would no longer be satisfied that it knows the true identity of the account holder, the bank should also file an STR with FIU-IND.

Principal Officer

4. In terms of para 9 of the guidelines referred to above, banks were advised to appoint a senior management officer to be designated as 'Principal Officer' for monitoring and reporting of all transactions and sharing of information as required under the law. 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.

Politically Exposed Persons (PEPs)

5. In terms of instructions contained in para 5 of circular [UBD.CO. BPD. PCB.Cir.No. 23 /12.05.001/2009-10 dated November 16, 2009](#), in the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, banks 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 on-going basis. It is clarified that the instructions contained in the above circular are also applicable to accounts where PEP is the ultimate beneficial owner. Further, in regard to PEP accounts, it is reiterated that banks should have appropriate on-going risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which a PEP is the ultimate beneficial owner.

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

Yours faithfully,

(Uma Shankar)
Chief General Manager