



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2009-10/494

DBOD. AML.BC. No. 111 /14.01.001/2009-10

June 15, 2010

The Chairmen and Chief Executive Officers

**All Scheduled Commercial Banks excluding RRBs/
All India Financial institutions/ Local Area 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 the [Master Circular DBOD.AML.BC. No.2/14.01.001/ 2009-10 dated July 01, 2009](#) on 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.

Countries which do not or insufficiently apply the FATF recommendations.

2. In paragraph 2.11 (c) of the Master circular dated July 1, 2009 referred to above, banks 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 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.

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हिंदी आसान है, इसका प्रयोग बढ़ाएँ



3. In terms of paragraph 2.7 of the Master Circular dated July 1, 2009, ongoing 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.

Shell Banks

4. In terms of instructions contained in Para 2.12(b) of the Master Circular dated July 1, 2009 referred to above, 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 35A of the Banking Regulation Act, 1949. Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act.

Yours faithfully,

(Vinay Baijal)
Chief General Manager