



RESERVE BANK OF INDIA

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RPCD.CO.RF.AML.BC. No. 89/07.40.00/ 2009-10

June 25, 2010

The Chief Executives of
all State and District 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 our circular [RPCD.AML.BC.No.80/07.40.00/ 2004-05](#) dated February 18, 2005 on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards.

Client accounts opened by professional intermediaries

2. Annex-I to the Guidelines on 'Know Your Customer' Norms and Anti-Money Laundering Measures enclosed with the Circular dated February 18, 2005, referred to above, provides "When the bank has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Banks also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the intermediaries are not co-mingled at the bank and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such funds are co-mingled at the bank, the bank should still look through to the beneficial owners". Further, in terms of paragraph 3 of the afore-said Guidelines on 'Know Your Customer' Norms and Anti Money

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Laundering Measures, if the bank decides to accept such accounts in terms of the Customer Acceptance Policy, the bank should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. Therefore, under the extant AML/CFT framework it is not possible for professional intermediaries like Lawyers and Chartered Accountants, etc. who are bound by any client confidentiality that prohibits disclosure of the client details, to hold an account on behalf of their clients.

3. It is, therefore, reiterated that banks should not allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits bank's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client.

4. 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 the said Act.

5. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(B.P.Vijayendra)
Chief General Manager