



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

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July 01, 2014

The Chairmen/Chief Executive Officers
All Regional Rural Banks (RRBs)/
State / Central Cooperative Banks (StCBs/CCBs)

Madam / Dear Sir,

Master Circular – Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of Banks under PMLA, 2002

Please find enclosed our Master Circular consolidating instructions/guidelines issued to Regional Rural Banks (RRBs), State / Central Cooperative Banks (StCBs/CCBs) on Know Your Customer (KYC) norms /Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT)/ Obligation of banks under PMLA, 2002, up to June 30, 2014.

2. The Master Circular has been placed on the RBI website: (<http://www.rbi.org.in>)

Yours faithfully,

(A. Udgata)
Principal Chief General Manager

ग्रामीण आयोजना और ऋण विभाग, केंद्रीय कार्यालय, 10वीं मंज़िल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, पो. ब्रा. सं. 10014, मुंबई 400 001

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चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

Master Circular on

Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Measures / Combating of Financing of Terrorism (CFT) / Obligations of Banks under Prevention of Money Laundering Act (PMLA), 2002

Purpose

Banks were advised to follow a certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to the appropriate authority. These 'Know Your Customer' guidelines have been revisited in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). Detailed guidelines based on the Recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision, with indicative suggestions wherever considered necessary, have been issued. Banks have been advised to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures is formulated with the approval of their Board and put in place.

2. This Master Circular aims at consolidating all the instructions/guidelines issued by RBI on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating Financing of Terrorism (CFT)/Obligations of banks under PMLA, 2002. The Master Circular has been placed on the RBI website (<http://www.rbi.org.in>).

Previous instructions

A list of circulars issued in this regard is given in Annex – VII

Application

- i) The instructions, contained in the master circular, are applicable to Regional Rural Banks (RRBs) and State and Central Cooperative Banks (StCBs/CCBs).
- ii) These guidelines are issued under Section 35A of the Banking Regulation Act, 1949 read with Section 56 of the Act *ibid* and Rule 7 of Prevention of Money-

Laundering (Maintenance of Records) Rules, 2005. Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act.

iii) This Master Circular consolidates all the circulars issued on the subject up to June 30, 2014.

INDEX

| | |
|------|---|
| 1 | Introduction |
| 1.1 | KYC/AML/CFT/Obligation of banks under PMLA 2002 |
| 1.2 | Definition of Customer |
| 2 | Guidelines |
| 2.1 | General |
| 2.2 | KYC Policy |
| 2.3 | Customer Acceptance Policy |
| 2.4 | Customer Identification Procedure |
| 2.5 | Customer Identification Requirements – Indicative guidelines |
| 2.6 | Small Accounts |
| 2.7 | Operation of Bank Accounts and Money Mules |
| 2.8 | Monitoring of Transactions |
| 2.9 | Closure of Accounts |
| 2.10 | Risk Management |
| 2.11 | Introduction of New Technologies – Credit/Debit/Smart/Gift cards |
| 2.12 | 'At Par' Cheque Facility extended to Cooperative Banks and RRBs |
| 2.13 | Combating Financing of Terrorism |
| 2.14 | Jurisdictions that do not or insufficiently apply FATF Recommendations |
| 2.15 | Correspondent Banking |
| 2.16 | Wire Transfers |
| 2.17 | Principal Officer |
| 2.18 | Designated Director |
| 2.19 | Maintenance of Records of Transactions/Information to be Preserved/Maintenance and Preservation of Records/Cash and Suspicious transactions reporting to Financial Intelligence Unit- India (FIU-IND) |
| 2.20 | Customer Education/Training of Employees/Hiring of Employees |

| | |
|--------------------|---|
| Annex - I | Indicative List of Documents required for Opening of Accounts |
| Annex - II | List of Reporting Formats |
| Annex - III | UAPA Order dated August 27, 2009 |
| Annex - IV | Government of India, Notification dated December 16, 2010. |
| Annex - V | Operational Procedure to be followed by banks for e-KYC Exercise |
| Annex - VI | Categorisation of Foreign Investors and KYC documents for eligible FPIs under PIS |
| Annex - VII | List of Circulars consolidated in the Master Circular |

1. Introduction

1.1 Know Your Customer (KYC) Norms/Anti-Money Laundering (AML) Measures/Combating of Financing of Terrorism (CFT)/Obligations of Banks under PMLA, 2002

The objective of KYC/AML/CFT guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC procedures also enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

1.2 Definition of Customer

For the purpose of KYC policy, a 'Customer' is defined as:

- a person or entity that maintains an account and/or has a business relationship with the bank;
- one on whose behalf the account is maintained (i.e. the beneficial owner);
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law; and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

2. Guidelines

2.1 General

- (i) (a) Banks should keep in mind that the information collected from the customer for the purpose of opening of an account is to be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. Banks should, therefore, ensure that information sought from the

customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard.

(b) It has come to the notice of Reserve Bank that banks are seeking personal information/details like number of dependents, the names of sons and daughters, lifestyle, number of foreign visits undertaken during the last three years, details of family members/relatives settled abroad, assets and liabilities, name and date of birth of spouse, wedding date, investments, etc., from customers which are not mandatory and relevant to perceive risk of a prospective customer while complying with KYC/AML requirement during the process of opening an account or during periodic updation. Banks should obtain only the 'mandatory' information required for KYC purpose at the time of opening the account/during periodic updation. Other 'optional' customer details/additional information, if required, may be obtained separately after the account is opened only with the explicit consent of the customer. The customer has a right to know what is the information required for KYC that she/he is obliged to give, and what is the additional information sought by the bank that is optional. Both the 'mandatory' and 'optional' information collected from the customer are to be treated as confidential.

(ii) Banks should ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode and issue of travellers' cheques for value of Rupees fifty thousand and above is effected by debit to the customer's account or against cheques and not against cash payment.

(iii) Banks should ensure that the provisions of Foreign Contribution (Regulation) Act, 1976 as amended from time to time, wherever applicable, are strictly adhered to.

2.2 KYC Policy

Banks should frame their KYC policies incorporating the following four key elements:

(a) Customer Acceptance Policy;

- (b) Customer Identification Procedure;
- (c) Monitoring of Transactions; and
- (d) Risk Management.

2.3 Customer Acceptance Policy (CAP)

(a) Every bank should develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure that explicit guidelines are in place on the following aspects of customer relationship in the bank:

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorisation of customers into low, medium and high risk (banks may choose any suitable nomenclature viz. level I, level II and level III). Customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs) may, if considered necessary, be categorised even higher;
- (iii) Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time;
- (iv) No account is opened or an existing account is closed where the bank is unable to apply appropriate customer due diligence measures, i.e. the bank is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to the bank. It is, however, necessary to have suitable built-in safeguards to avoid harassment of the customer. For example, the decision by a bank to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;

(v) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity; and

(vi) Necessary checks are carried out before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

(b) Banks should prepare a profile for each new customer based on risk categorisation. The customer profile may contain information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the bank.

(c) For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies, etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met. Customers that are likely to pose a higher than average risk to the bank should be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. Banks should apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring higher

due diligence include (a) non-resident customers; (b) high net worth individuals; (c) trusts, charities, NGOs and organizations receiving donations; (d) companies having close family shareholding or beneficial ownership; (e) firms with 'sleeping partners'; (f) politically exposed persons (PEPs) of foreign origin; (g) non-face-to-face customers, and (h) those with dubious reputation as per public information available, etc. NPOs/NGOs promoted by United Nations or its agencies may be classified as low risk customer.

(d) It is important to bear in mind that the adoption of customer acceptance policy and its implementation should not become too restrictive and must not result in denial of banking services to general public, especially to those, who are financially or socially disadvantaged.

2.4 Customer Identification Procedure (CIP)

(a) The policy approved by the Board of banks should clearly spell out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a banking relationship, carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the banking relationship. Being satisfied means that the bank must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk based approach is considered necessary to avoid disproportionate cost to banks and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc.). For customers that are natural persons, the banks should obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the bank should (i) verify the legal status of the legal

person/entity through proper and relevant documents; (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorised and identify and verify the identity of that person; (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given in paragraph 2.5 (iii) below for guidance of banks. Banks may, however, frame their own internal guidelines based on their experience of dealing with such persons/entities, normal bankers' prudence and the legal requirements as per established practices. 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.

(b) It has been observed that some close relatives, e.g. wife, son, daughter and parents etc. who live with their husband, father/mother and son/daughter, as the case may be, are finding it difficult to open account in some banks as the utility bills required for address verification are not in their name. In such cases, banks may obtain an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person (prospective customer) wanting to open an account is a relative and is staying with him/her. Banks may use any supplementary evidence such as a letter received through post for further verification of the address. While issuing operational instructions to the branches on the subject, banks should keep in mind the spirit of instructions issued by the Reserve Bank and avoid undue hardships to individuals who are, otherwise, classified as low risk customers.

(c) Banks are advised that KYC once done by one branch of the bank should be valid for transfer of the account within the bank as long as full KYC has been done for the concerned account. The customer should be allowed to transfer his account from one branch to another branch without restrictions. In order to comply with KYC

requirements of correct address of the person, fresh address proof may be obtained from him/her upon such transfer by the transferee branch.

(d) A large number of customers with transferable jobs or those who migrate for jobs are unable to produce a utility bill or other documents in their name as address proof immediately after relocating. In such cases, banks may transfer existing accounts at the transferor branch to the transferee branch without insisting on fresh proof of address and on the basis of a self-declaration from the account holder about his/her current address, subject to submitting proof of address within a period of six months.

(e) Banks should introduce a system of periodical updation of customer identification data (including photograph/s) after the account is opened. Full KYC exercise will be required to be done at least every two years for high risk individuals and entities. Full KYC exercise will be required to be done at least every ten years for low risk and at least every eight years for medium risk individuals and entities. Such verification should be done irrespective of whether the account has been transferred from one branch to another and banks are required to also maintain records of transactions as prescribed. Positive confirmation (obtaining KYC related updates through e-mail / letter / telephonic conversation / forms / interviews / visits, etc.) will be required to be completed at least every two years for medium risk and at least every three years for low risk individuals and entities. Fresh photographs have to be obtained from minor customers on becoming majors.

(f) An indicative list of the nature and type of documents/information that may be may be relied upon for customer identification is given in Annex I to this Master Circular. It is reiterated that the said list is only indicative and not exhaustive. It has been brought to our notice that banks have been calling for separate documents for verification of identity and address even though the documents for identity proof (passport, driver's license, etc.) also carry the address of the individual concerned. To ease the burden on the prospective customers in complying with KYC requirements, it has been decided that (a) if the address on the document submitted for identity proof by the prospective customer is same as that declared by him/her in the account opening form, the document may be accepted as a valid proof of both identity and address; (b)

if the address indicated on the document submitted for identity proof differs from the current address mentioned in the account opening form, a separate proof of address should be obtained. For this purpose, a rent agreement indicating the address of the customer duly registered with State Government or similar registration authority may also be accepted as a proof of address. (c) Customers may submit only one documentary proof of address (either current or permanent) while opening a bank account or while undergoing periodic updation. In case the address mentioned as per 'proof of address' undergoes a change, fresh proof of address may be submitted to the branch within a period of six months. (d) In case the proof of address furnished by the customer is not the local address or address where the customer is currently residing, the bank may take a declaration of the local address on which all correspondence will be made by the bank with the customer. No proof is required to be submitted for such address for correspondence / local address. This address may be verified by the bank through 'positive confirmation' such as acknowledgment of receipt of (i) letter, cheque books, ATM cards; (ii) telephonic conversation; (iii) visits; etc. Customers should intimate the new address for correspondence to the bank within two weeks of such a change. While opening new accounts and while periodically updating KYC data an undertaking to this effect should be obtained.

(g) Permanent correct address, as referred to in Annex I, means the address at which a person usually resides and can be taken as the address as mentioned in a utility bill or any other document accepted by the bank for verification of the address of the customer.

(h) Acceptance of Aadhaar letter for KYC purposes

- (i) Unique Identification Authority of India (UIDAI) has advised Reserve Bank that banks are accepting Aadhaar letter issued by it as a proof of identity but not of address, for opening accounts. If the address provided by the account holder is the same as that on Aadhaar letter, it may be accepted as a proof of both identity and address.

(ii) In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, it has been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process (“which is in an electronic form and accessible so as to be usable for a subsequent reference”) may be treated as an ‘Officially Valid Document’ under PML Rules. While using e-KYC service of UIDAI, the individual user has to authorize the UIDAI, by explicit consent, to release her or his identity/address through biometric authentication to the bank branches/business correspondents (BCs). The UIDAI then transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to the bank/BCs, which may be accepted as valid process for KYC verification. The broad operational instructions to banks on Aadhaar e-KYC service is enclosed as Annex V.

(iii) Banks may accept e-Aadhaar downloaded from UIDAI website as an officially valid document subject to the following:

- If the prospective customer knows only his/her Aadhaar number, the bank may print the prospective customer’s e-Aadhaar letter in the bank directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in the circular referred in paragraph (b) above.
- If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, the bank may print the prospective customer’s e-Aadhaar letter in the bank directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in the circular referred in paragraph (b) above, or confirm identity and address of the resident through simple authentication service of UIDAI.

(i) Acceptance of NREGA Job Card as KYC document for normal accounts

In order to avoid inconvenience to customers from rural areas, banks may accept NREGA Job Card as an 'officially valid document' for opening of bank accounts without the limitations applicable to 'Small Accounts'.

(j) Introduction not mandatory for opening accounts

Before implementation of the system of document-based verification of identity, introduction from an existing customer of the bank was considered necessary for opening of bank accounts. In many banks, obtaining of introduction for opening of accounts is still a mandatory part of customer acceptance policy even though documents of identity and address as required under our instructions are provided. This poses difficulties for prospective customers in opening accounts as they find it difficult to obtain introduction from an existing account holder. Since introduction is not mandatory for opening of accounts under PML Act and Rules or Reserve Bank's extant KYC instructions, banks should not insist on introduction for opening bank accounts of customers.

(k) The increasing complexity and volume of financial transactions necessitate that customers do not have multiple identities within a bank, across the banking system and across the financial system. This can be achieved by introducing a unique identification code for each customer. The Unique Customer Identification Code (UCIC) will help banks to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable banks to have a better approach to risk profiling of the customers. It would also smoothen banking operations for the customers. While some banks already use UCIC for their customers by providing them a relationship number, etc., other banks have not adopted this practice. Banks are, therefore, advised to allot UCIC to all their customers while entering into any new relationships for individual customers to begin with. Similarly, existing individual customers may also be allotted UCIC.

2.5 Customer Identification Requirements – Indicative Guidelines

(i) Trust/Nominee or Fiduciary Accounts

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Banks should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, banks should insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, banks should take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.

(ii) Accounts of Companies and Firms

Banks need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with banks. Banks should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company, it will not be necessary to identify all the shareholders.

(iii) Client Accounts opened by Professional Intermediaries

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 may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. 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. Where the banks rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves that the

intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer lies with the bank.

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 the true identity of the owner of the account / funds due to professional obligation of customer confidentiality. Any professional intermediary who under any obligation that inhibits the 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 the true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client.

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 specified the procedure for determination of 'Beneficial Ownership' 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 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.

(iv) Accounts of Politically Exposed Persons (PEPs) resident outside India

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Banks should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Banks should verify the identity of the person and seek information about the sources of funds before accepting PEP as a customer. The decision to open

an account for PEP should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. Banks should also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs and accounts where PEP is the ultimate beneficial owner. In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming 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 ongoing basis.

(v) Accounts of Non-Face-to-Face Customers

With the introduction of telephone and electronic banking, increasingly accounts are being opened by banks for customers without the need for the customer to visit the bank branch. In the case of non-face-to-face customers, apart from applying the usual Customer Identification Procedure, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented should be insisted upon and, if necessary, additional documents may be called for. In such cases, banks may also require the first payment to be effected through the customer's account with another bank which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the bank may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

(vi) Accounts of Proprietary Concerns

Apart from following the extant guidelines on Customer Identification Procedure as applicable to the proprietor, banks should call for and verify the following documents before opening of accounts in the name of a proprietary concern:

Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST/VAT

certificate, certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT, the complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities and utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern as required documents for opening of bank accounts of proprietary concerns. Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

(vii) Accounts of Salaried Employees

It has been brought to our notice that for opening bank accounts of salaried employees some banks rely on a certificate / letter issued by the employer as the only KYC document for the purposes of certification of identity as well as address proof. Such a practice is open to misuse and fraught with risk. It is, therefore, clarified that with a view to containing the risk of fraud, banks need to rely on such certification only from corporates and other entities of repute and should be aware of the competent authority designated by the concerned employer to issue such certificate/letter. Further, in addition to the certificate from the employer, banks should insist on at least one of the officially valid documents as provided in the Prevention of Money Laundering Rules (viz. passport, driving licence, PAN card, Voter's Identity card etc.) or utility bills for KYC purposes for opening bank accounts of salaried employees of corporates and other entities.

(viii) Accounts of Foreign Students studying in India

RRBs and StCBs/CCBs authorized to open / maintain NRE / NRO accounts may open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his / her passport (with appropriate visa and immigration endorsement) which contains the proof of identity and address in the home country along with a photograph and a letter offering admission from the educational institution. Within a period of 30 days of opening the account, the foreign student should submit to the branch where the account is opened, a valid address proof giving local address, in the form of a rent agreement or a letter from the educational institution as a proof of living in a facility provided by the educational institution. Banks should not insist on the landlord visiting the branch for verification of rent documents and alternative means of verification of local address may be adopted by banks. During the 30 days period, the account should be operated with a condition of allowing foreign remittances not exceeding USD 1,000 into the account and a cap of monthly withdrawal to Rupees fifty thousand, pending verification of address. On submission of the proof of current address, the account would be treated as a normal NRO account, and will be operated in terms of extant RBI instructions. The provisions of Schedule 3 of FEMA Notification 5/2000 RB dated May 3, 2000 may also be kept in view. Students with Pakistani nationality will need prior approval of the Reserve Bank for opening the account.

(ix) Opening of Savings Bank Accounts and Credit Linking of Account for Self Help Groups (SHGs)

In order to address the difficulties faced by Self Help Groups (SHGs) in complying with KYC norms while opening savings bank accounts and credit linking of their accounts, it is clarified that KYC verification of all the members of SHG need not be done while opening the savings bank account of the SHG and KYC verification of all the office bearers would suffice. As regards KYC verification at the time of credit linking of SHGs, it is clarified that since KYC would have already been verified while opening the savings bank account and the account continues to be in operation and is to be used for credit linkage, no separate KYC verification of the members or office bearers is necessary.

(x) Walk-in Customers

In case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds Rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address should be verified. Further, if a bank has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rupees fifty thousand, the bank should verify the identity and address of the customer and also consider filing a Suspicious Transaction Report (STR) to FIU-IND.

(xi) Accounts of Foreign Portfolio Investors (FPIs)

Securities and Exchange Board of India (SEBI) has rationalised the KYC norms for entry of FPIs. SEBI has categorised FPIs based on their perceived risk profile (Annex VI-A). FPIs who have been duly registered in accordance with SEBI guidelines and have undergone the required KYC due diligence/verification prescribed by SEBI through a Custodian / Intermediary regulated by SEBI may approach Authorised Dealer (AD) Category-I StCBs for opening a bank account for the purpose of investment under Portfolio Investment Scheme (PIS) for which KYC documents prescribed by RBI (Annex VI-B) would be required. For this purpose, StCBs may rely on the KYC verification done by the third party (i.e. the Custodian/SEBI Regulated Intermediary) subject to the conditions laid down in Rule 9(2)(a) to (e) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. StCBs may obtain a set of hard copies of the relevant KYC documents furnished by the FPIs to the Custodians/Regulated Intermediaries, duly certified by the Custodians/Regulated Intermediaries that the documents have been duly verified with the original or notarized documents have been obtained, where applicable. Further, banks are required to obtain undertaking from FPIs or a Global Custodian acting on behalf of FPI to the effect that as and when required, the exempted documents as detailed in Annex VI-B will be obtained. StCBs may share the KYC documents received from FPI or certified copies received from a Custodian/Regulated Intermediaries with other banks/regulated market intermediaries, based on written authorization of FPI, to facilitate secondary market transactions. These provisions are applicable for both new and existing FPI clients and only for PIS by FPIs. In case FPIs intend to use the bank

account opened under the above procedure for any other approved activities (i.e. other than PIS), they would have to undergo KYC drill as prescribed for other customers.

2.6 Small Accounts

In terms of Government of India Notification No. 14/2010/F.No.6/2/2007-E.S dated December 16, 2010, the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 has been amended. The notification is reproduced at Annex IV of this circular.

(a) In terms of Rule 2 clause (fb) of the Notification 'small account' means a savings account in a banking company where-

- (i) the aggregate of all credits in a financial year does not exceed Rupees one lakh;
- (ii) the aggregate of all withdrawals and transfers in a month does not exceed Rupees ten thousand; and
- (iii) the balance at any point of time does not exceed Rupees fifty thousand.

(b) Rule (2A) of the Notification lays down the detailed procedure for opening 'small accounts'. Banks are advised to ensure adherence to the procedure provided in the Rules for opening of small accounts.

2.7 Operation of Bank Accounts and Money Mules

(a) It has been brought to our notice that “Money Mules” can be used to launder the proceeds of fraud schemes (e.g., phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties to act as “money mules.” In some cases these third parties may be innocent while in others they may be having complicity with the criminals.

(b) In a money mule transaction, an individual with a bank account is recruited to receive cheque deposits or wire transfers and then transfer these funds to accounts held on behalf of another person or to other individuals, minus a certain commission payment. Money mules may be recruited by a variety of methods, including spam e-mails, advertisements on genuine recruitment web sites, social networking sites, instant messaging and advertisements in newspapers. When caught, these money mules often have their bank accounts suspended, causing inconvenience and potential financial loss, apart from facing likely legal action for being part of a fraud. Many a times the address and contact details of such mules are found to be fake or not up to date, making it difficult for enforcement agencies to locate the account holder.

(c) The operations of such mule accounts can be minimised if banks follow the guidelines on opening of accounts and monitoring of transactions contained in this Master Circular. Banks are, therefore, advised to strictly adhere to the guidelines on KYC/AML/CFT issued from time to time and to those relating to periodical updation of customer identification data after the account is opened and also to monitoring of transactions in order to protect themselves and their customers from misuse by such fraudsters.

2.8 Monitoring of Transactions

(a) Ongoing monitoring is an essential element of effective KYC procedures. Banks can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Banks should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Banks may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the bank. Very high account turnover

inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account. High risk accounts have to be subjected to intensified monitoring. Every bank should set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors. Banks should put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. Such review of risk categorization of customers should be carried out at a periodicity of **not less** than once in six months.

(b) In view of the risks involved in cash intensive businesses, accounts of bullion dealers (including sub-dealers) and jewellers should also be categorised by banks as "high risk" requiring enhanced due diligence.

(c) High risk associated accounts should be taken into account by banks to identify Suspicious Transactions Reports.

(d) The risk categorization of customers as also compilation and periodic updation of customer profiles and monitoring and closure of alerts in accounts by banks are extremely important for effective implementation of KYC/AML/CFT measures. It is, however, observed that there are laxities in effective implementation of the Reserve Bank's guidelines in this area, leaving banks vulnerable to operational risk. Banks should, therefore, ensure compliance with the regulatory guidelines on KYC/AML/CFT both in letter and spirit.

2.9 Closure of Accounts

Banks should ensure that all the existing accounts are subjected to minimum KYC standards which would establish the identity of the natural / legal person and those of the 'beneficial owners.' Where the bank is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the bank should consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

2.10 Risk Management

(a) The Board of Directors of the bank should ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the bank for ensuring that the bank's policies and procedures are implemented effectively. Banks should, in consultation with their Boards, devise procedures for creating risk profiles of their existing and new customers and apply various anti money laundering measures keeping in view the risks involved in a transaction, account or banking/business relationship.

(b) Banks' internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function should provide an independent evaluation of the bank's own policies and procedures, including legal and regulatory requirements. Banks should ensure that their audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures. Concurrent/ Internal Auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard should be put up before the Audit Committee of the Board on quarterly intervals.

(c) The Government of India had constituted a National Money Laundering / Financing of Terror Risk Assessment Committee to assess money laundering and terror financing risks, a national AML / CFT strategy and institutional framework for AML / CFT in India. The recommendations of the Committee have been accepted by the Government of India and need to be implemented. The Committee has made recommendations regarding adoption of a risk-based approach, assessment of risk and putting in place a system which would use that assessment to take steps to effectively counter ML/FT. Accordingly, banks should take steps to identify and assess their ML / FT risk for customers, countries and geographical areas as also for products / services / transactions / delivery channels, in addition to what has been prescribed in the circulars issued by the Reserve Bank on KYC/AML/CFT/Obligation of banks under PMLA from time to time. Banks should have policies, controls and procedures, duly

approved by their boards in place, to effectively manage and mitigate their risk adopting a risk-based approach as discussed above. As a corollary, banks would be required to adopt enhanced measures for products, services and customers with a medium or high risk rating.

2.11 Introduction of New Technologies – Credit Cards/Debit Cards/Smart Cards/Gift Cards

Banks should pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes. Many banks are engaged in the business of issuing a variety of electronic cards that are used by customers for buying goods and services, drawing cash from ATMs, and can be used for electronic transfer of funds. Banks are required to ensure full compliance with all KYC/AML/CFT guidelines issued from time to time, in respect of add-on/ supplementary cardholders also. Further, marketing of credit cards is generally done through the services of agents. Banks should ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers. It is also desirable that agents are also subjected to KYC measures.

2.12 ‘At Par’ Cheque Facility extended to Cooperative Banks / Regional Rural Banks by Scheduled Commercial Banks

Some banks are utilizing ‘at par’ cheque facility extended by Scheduled Commercial Banks not only for their own use but also for their customers, including walk-in customers for facilitating their remittances and payments. Keeping in view the systemic and supervisory concerns that emanate from such an arrangement, banks are advised to utilize the ‘at par’ cheque facility only for:

- i) their own use;
- ii) their account holders who are KYC compliant provided that all transactions of Rupees fifty thousand or more should be strictly by debit to the customer’s account;
- iii) ‘walk-in customers’ against cash for less than Rupees fifty thousand per individual.

In order to utilise the 'at par' cheque facility in the above manner, RRBs/ StCBs/ CCBs should maintain (i) records pertaining to issuance of 'at par' cheques covering inter alia the applicant's name and account number, beneficiary's details and date of issuance of the 'at par' cheque, (ii) sufficient balances/drawing arrangements with the commercial bank extending such facility for purpose of honouring such instruments. Banks should also ensure that all 'at par' cheques issued by them are crossed 'account payee' irrespective of the amount involved. Banks may make use of more efficient means of remittances for the customers like NEFT or RTGS by providing such services directly or by becoming sub-members of banks providing such services as per regulations in this regard issued by RBI from time to time.

2.13 Combating Financing of Terrorism

(a) In terms of PMLA Rules, suspicious transaction should include, *inter alia*, transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. Banks are, therefore, advised to develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.

(b) As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), are received from Government of India, Reserve Bank circulates these to all banks and financial institutions. Banks should ensure to update the consolidated list of individuals and entities as circulated by the Reserve Bank. Further, the updated list of such individuals/entities can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. The UN Security Council has adopted Resolutions 1822 (2011) and 1889 (2011) which have resulted in splitting of the Consolidated List into two separate lists, namely:

(i) 'Al-Qaida Sanctions List', which is maintained by the 1267 / 1889 Committee.

This list shall include only the names of those individuals, groups,

undertakings and entities associated with Al-Qaida. General information on the work of the committee is available at <http://www.un.org/sc/committees/1267/information.shtml>. The Updated Al-Qaida Sanctions List is available at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml

- (ii) '1988 Sanctions List', which is maintained by the 1988 Committee. This list consists of names previously included in Sections A ("Individuals associated with the Taliban") and B ("Entities and other groups and undertakings associated with the Taliban") of the Consolidated List. The Updated 1988 Sanctions list is available at <http://www.un.org/sc/committees/1988/list.shtml>

It may be noted that both 'Al-Qaida Sanctions List' and '1988 Sanctions List' are to be taken into account for the purpose of implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967. Banks are required to update the lists of individuals/entities as circulated by Reserve Bank and before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in either list. Further, banks should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the two lists. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to the Reserve Bank and FIU-IND.

(c) The Unlawful Activities (Prevention) Act, 1967 (UAPA) has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. Government has since issued an Order dated August 27, 2009 detailing the procedure for implementation of Section 51A of the UAPA relating to the purposes of prevention of, and for coping with terrorist activities. In terms of Section 51A, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism and prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities

listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

Banks should strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 (Annex-III) and ensure meticulous compliance to the Order issued by the Government.

Banks are advised that on receipt of the list of individuals and entities subject to UN sanctions (referred to as designated lists) from the Reserve Bank, they should ensure expeditious and effective implementation of the procedure prescribed under Section 51A of UAPA in regard to freezing /unfreezing of financial assets of the designated individuals/entities enlisted in the UNSCRs and especially in regard to funds, financial assets or economic resources or related services held in the form of bank accounts.

In terms of paragraph 4 of the Order, in regard to funds, financial assets or economic resources or related services held in the form of bank accounts, the Reserve Bank would forward the designated lists to the banks requiring them to:

- (i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the Schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of bank accounts with them.
- (ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, held by such customer on their books to the Joint Secretary (IS-I), Ministry of Home Affairs (MHA) at FAX No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail.

- (iii) Banks shall also send by post a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the Reserve Bank, Chief General Manager, Department of Banking Operations and Development, Anti Money Laundering Division, Central Office Building, 13th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 and also by fax at No.022-22701239. The particulars apart from being sent by post/FAX should necessarily be conveyed on e-mail.
- (iv) Banks shall also send a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the State/Union Territory where the account is held as the case may be and to FIU-IND.
- (v) In case, the match of any of the customers with the particulars of designated individuals/entities is **beyond doubt**, the banks would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS-I), MHA at Fax No. 011-23092569 and also convey over telephone over 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail.
- (vi) Banks shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted, as per the prescribed format.

(d) Freezing of financial assets

- (i) On receipt of the particulars as mentioned in paragraph c (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by the banks are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks are held by the designated individuals/entities. This verification would be completed within a period not exceeding five working days from the date of receipt of such particulars.

- (ii) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 51-A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the bank branch concerned under intimation to the Reserve Bank and FIU-IND.
- (iii) The Order shall take place without prior notice to the designated individuals/entities.

(e) Implementation of requests received from foreign countries under UNSCR 1373 of 2001

- (i) UNSCR 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly by such persons and associated persons and entities.
- (ii) The Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets, to give effect to the requests of foreign countries under UNSCR 1373.
- (iii) The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officers in the Reserve Bank. The proposed designee, as mentioned above would be treated as designated individuals/entities.

(iv) Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to banks and the procedure as enumerated at paragraph 2.13(c),(d) shall be followed.

(v) The freezing orders shall take place without prior notice to the designated persons involved.

(f) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated persons

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned /held by them has been inadvertently frozen, they shall move an application giving the requisite evidence, in writing, to the bank concerned. The banks shall inform and forward a copy of the application together with full details of the asset frozen, given by any individual or entity informing of the funds, financial assets or economic resources or related services frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 2.13(c)(ii) above within two working days. The Joint Secretary, IS-I, MHA being the nodal officer for IS-I Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the bank concerned. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

(g) Communication of Orders under Section 51A of Unlawful Activities (Prevention) Act, 1967

All Orders under Section 51A of Unlawful Activities (Prevention) Act, 1967 relating to funds, financial assets or economic resources or related services, would be communicated to all banks through the Reserve Bank. Banks are advised to bring the provisions of the Unlawful Activities (Prevention) Act, 1967 to the notice of the staff concerned and ensure strict compliance.

2.14 Jurisdictions that do not or insufficiently apply the FATF Recommendations

(a) Banks are required to take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement. In addition to FATF Statements circulated by Reserve Bank of India from time to time, banks should 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.

(b) 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.

2.15 Correspondent Banking

(a) Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). These services may include cash/funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable-through-accounts, cheques clearing etc. Banks should gather sufficient information to understand fully the nature of the business of the correspondent/respondent bank. Information on the other bank’s management, major business activities, level of AML/CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services, and regulatory/supervisory framework in the correspondent’s/respondent’s country may be of special terrorist financing

investigation or regulatory action. While it is desirable that such relationships should be established only with the approval of the Board, in case the Boards of some banks wish to delegate the power to an administrative authority, they may delegate the power to a committee headed by the Chairman/CEO of the bank while laying down clear parameters for approving such relationships. Proposals approved by the Committee should invariably be put up to the Board at its next meeting for post facto approval. The responsibilities of each bank with whom correspondent banking relationship is established should be clearly documented. In the case of payable-through-accounts, the correspondent bank should be satisfied that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking ongoing 'due diligence' on them. The correspondent bank should also ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.

(b) Correspondent relationship with a 'Shell Bank'

Banks should refuse to enter into a correspondent relationship with a 'shell bank' (i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group). Shell banks are not permitted to operate in India. Banks should also guard against establishing relationships with respondent foreign financial institutions that permit their accounts to be used by shell banks. 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. Banks should be extremely cautious while continuing relationships with respondent banks located in countries with poor KYC standards and countries identified as 'non-cooperative' in the fight against money laundering and terrorist financing. Banks should ensure that their respondent banks have anti money laundering policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

2.16 Wire Transfer

(a) Banks use wire transfers as an expeditious method for transferring funds between bank accounts. Wire transfers include transactions occurring within the national boundaries of a country or from one country to another. As wire transfers do not involve actual movement of currency, they are considered as a rapid and secure method for transferring value from one location to another. The salient features of a wire transfer transaction are as under:

- (i) Wire transfer is a transaction carried out on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank. The originator and the beneficiary may be the same person.
- (ii) Cross-border transfer means any wire transfer where the originator and the beneficiary bank or financial institutions are located in different countries. It may include any chain of wire transfers that has at least one cross-border element.
- (iii) Domestic wire transfer means any wire transfer where the originator and receiver are located in the same country. It may also include a chain of wire transfers that takes place entirely within the borders of a single country even though the system used to effect the wire transfer may be located in another country.
- (iv) The originator is the account holder, or where there is no account, the person (natural or legal) that places the order with the bank to perform the wire transfer.

(b) Wire transfer is an instantaneous and most preferred route for transfer of funds across the globe and hence, there is a need for preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting any misuse when it occurs. This can be achieved if basic information on the originator of wire transfers is immediately available to appropriate law enforcement

and/or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by Financial Intelligence Unit - India (FIU-IND) for analysing suspicious or unusual activity and disseminating it as necessary. The originator information can also be put to use by the beneficiary bank to facilitate identification and reporting of suspicious transactions to FIU-IND. Owing to the potential terrorist financing threat posed by small wire transfers, the objective is to be in a position to trace all wire transfers with minimum threshold limits. Accordingly, banks must ensure that all wire transfers are accompanied by the following information:

Cross-border wire transfers

- (i) All cross-border wire transfers must be accompanied by accurate and meaningful originator information.
- (ii) Information accompanying cross-border wire transfers must contain the name and address of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number, as prevalent in the country concerned, must be included.
- (iii) Where several individual transfers from a single originator are bundled in a batch file for transmission to beneficiaries in another country, they may be exempted from including full originator information, provided they include the originator's account number or unique reference number as at (ii) above.
- (iv) With the amendments to Prevention of Money Laundering (PML) Rules, notified by the Government of India vide Notification No. 12 of 2013 dated August 27, 2013 and in terms of amended Rule 3, every reporting entity is required to maintain the record of all transactions including the record of all cross border wire transfers of more than Rs. 5 lakh or its equivalent in foreign currency, where either the origin or destination of the fund is in India. FIU-IND has advised that the information of all such transactions may be furnished to Director, FIU-IND by 15th of the succeeding month. 'Transaction Based Reporting Format' (TRF) already developed by FIU-IND and being used for

reporting Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and Non-Profit Organizations Transaction Reports (NTRs) may be used for reporting the Cross Border Wire Transfers. The information may be furnished electronically in the FINnet module developed by FIU-IND.

Domestic wire transfers

- (i) Information accompanying all domestic wire transfers of Rupees fifty thousand and above must include complete originator information i.e. name, address and account number etc., unless full originator information can be made available to the beneficiary bank by other means.
- (ii) If a bank has reason to believe that a customer is intentionally structuring wire transfer to below Rupees fifty thousand to several beneficiaries in order to avoid reporting or monitoring, the bank must insist on complete customer identification before effecting the transfer. In case of non-cooperation from the customer, efforts should be made to establish his identity and Suspicious Transaction Report (STR) should be made to FIU-IND.
- (iii) When a credit or debit card is used to effect money transfer, necessary information as at (i) above should be included in the message.

Exemptions

Interbank transfers and settlements where both the originator and beneficiary are banks or financial institutions would be exempted from the above requirements.

(c) Role of Ordering, Intermediary and Beneficiary banks

(i) Ordering Bank

An ordering bank is the one that originates a wire transfer as per the order placed by its customer. The ordering bank must ensure that qualifying wire transfers contain complete originator information. The bank must also verify and preserve the information at least for a period of ten years.

(ii) Intermediary bank

For both cross-border and domestic wire transfers, a bank processing an intermediary element of a chain of wire transfers must ensure that all originator information accompanying a wire transfer is retained with the transfer. Where technical limitations prevent full originator information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, a record must be kept at least for ten years (as required under Prevention of Money Laundering Act, 2002) by the receiving intermediary bank of all the information received from the ordering bank.

(iii) Beneficiary bank

A beneficiary bank should have effective risk-based procedures in place to identify wire transfers lacking complete originator information. The lack of complete originator information may be considered as a factor in assessing whether a wire transfer or related transactions are suspicious and whether they should be reported to the Financial Intelligence Unit-India. The beneficiary bank should also take up the matter with the ordering bank if a transaction is not accompanied by detailed information of the fund remitter. If the ordering bank fails to furnish information on the remitter, the beneficiary bank should consider restricting or even terminating its business relationship with the ordering bank.

2.17 Principal Officer

(a) Banks should appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/corporate office of the bank and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. With a view to enabling the Principal Officer to discharge his responsibilities, it is advised that the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. Further, banks should ensure that the Principal Officer is able to act independently

and report directly to the senior management or to the Board of Directors. 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 PMLA 2002, rules and regulations made thereunder, as amended from time to time. The Principal Officer will be responsible for timely submission of CTR, STR and reporting of counterfeit notes to FIU-IND.

2.18 Designated Director

With the enactment of Prevention of Money Laundering (Amendment) Act, 2012 and amendment to section 13 of the Act which provides for "Powers of Director to impose fine", the section 13(2) now reads as under:

"If the Director, in the course of any inquiry, finds that a reporting entity or its designated director on the Board or any of its employees has failed to comply with the obligations under this Chapter, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may –

(a) issue a warning in writing; or

(b) direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or

(c) direct such reporting entity or its designated director on the Board or any of its employees, to send reports at such interval as may be prescribed on the measures it is taking; or

(d) by an order, levy a fine on such reporting entity or its designated director on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure."

In view of the above amendment, banks are advised to nominate a Director on their Boards as "Designated Director" to ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012.

2.19 Maintenance of records of transactions/Information to be preserved/Maintenance and preservation of records/Cash and Suspicious transactions reporting to Financial Intelligence Unit- India (FIU-IND)

Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of

PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the banking companies in regard to preservation and reporting of customer account information. Banks are, therefore, advised to go through the provisions of PMLA, 2002 (as amended from time to time) and the Rules notified thereunder and take all steps considered necessary to ensure compliance with the requirements of section 12 of the Act, *ibid*.

(a) Maintenance of records of transactions

Banks should introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- (i) all cash transactions of the value of more than Rupees ten lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been valued below Rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees ten lakh;
- (iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction; and
- (iv) all suspicious transactions whether or not made in cash and by such other ways as mentioned in the Rules.

Illustration of Integrally connected cash transactions referred to at (ii) above

The following transactions have taken place in a branch during the month of April 2008:

| Date | Mode | Dr. (in Rs.) | Cr. (in Rs.) | Balance B/F (in Rs.) – 8,00,000.00 |
|-------------|-------------|---------------------|---------------------|---|
| 02/04/2008 | Cash | 5,00,000.00 | 3,00,000.00 | 6,00,000.00 |
| 07/04/2008 | Cash | 40,000.00 | 2,00,000.00 | 7,60,000.00 |

| | | | | |
|-------------------|------|---------------------|--------------------|-------------|
| 08/04/2008 | Cash | 4,70,000.00 | 2,00,000.00 | 3,90,000.00 |
| Monthly summation | | 10,10,000.00 | 6,00,000.00 | |

As per above clarification, the debit transactions in the above example are integrally connected cash transactions because total cash debits during the calendar month exceeds Rupees ten lakh. However, the bank should report only the debit transaction taken place on 02/04/2008 and 08/04/2008. The debit transaction dated 07/04/2008 should not be separately reported by the bank, which is less than Rupees fifty thousand. All the credit transactions in the above example would not be treated as integrally connected, as the sum total of the credit transactions during the month does not exceed Rupees ten lakh and hence credit transaction dated 02, 07 & 08/04/2008 should not be reported by banks.

(b) Information to be maintained

Banks are required to maintain the following information, including necessary information required for reconstruction of the transactions referred to in Rule 3:

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it was denominated;
- (c) the date on which the transaction was conducted; and
- (d) the parties to the transaction

(c) Maintenance and Preservation of Records

(i) Banks are required to maintain the records (hard and soft copies) containing information in respect of transactions referred to in Rule 3 above. Banks should take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, banks should maintain for at least ten years from the date of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and

types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

(ii) Banks should ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years **after the business relationship is ended**. The identification records and transaction data should be made available to the competent authorities upon request.

(iii) In paragraph 2.8 of this Master Circular, banks have been advised to pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. It is further clarified that the background including all documents/office records/memorandums pertaining to such transactions and purpose thereof should, as far as possible, be examined and the findings at the branch, as well as Principal Officer level should be properly recorded. Such records and related documents should be made available to help auditors in their day-to-day work relating to the scrutiny of transactions and also to Reserve Bank/other relevant authorities. These records are required to be preserved for ten years as is required under PMLA, 2002.

(d) Reporting to Financial Intelligence Unit – India

(i) In terms of the PMLA rules, banks are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.
Website - <http://fiuindia.gov.in/>

(ii) Banks should carefully go through all the reporting formats as detailed in Annex II, viz. i) Cash Transactions Report (CTR); ii) Summary of CTR iii) Electronic File

Structure-CTR; iv) Suspicious Transactions Report (STR); v) Electronic File Structure-STR; vi) Counterfeit Currency Report (CCR); vii) Summary of CCR, viii) Electronic File Structure-CCR and (ix) Non Profit Organisation Transaction Report (NTR). The reporting formats contain detailed guidelines on the compilation and manner/procedure of submission of the reports to FIU-IND. It would be necessary for banks to initiate urgent steps to ensure electronic filing of all types of reports to FIU-IND. The related hardware and technical requirement for preparing reports in an electronic format, the related data files and data structures thereof are furnished in the instructions part of the concerned formats. Banks may use FINnet gateway for uploading of reports in the new XML reporting format.

(iii) FIU-IND have placed on their website editable electronic utilities to enable banks to file electronic CTR/STR who are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data base. It is, therefore, advised that in cases of banks, where all the branches are not fully computerized, the Principal Officer of the bank should cull out the transaction details from the branches which are not yet computerized and suitably arrange to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND in their website <http://fiuindia.gov.in>

(e) In terms of instructions contained in paragraph 2.3(b) of this Master Circular, banks are required to prepare a profile for each customer based on risk categorisation. Further, vide paragraph 2.8, the need for periodical review of risk categorisation has been emphasized. It is, therefore, reiterated that banks, as a part of transaction monitoring mechanism, are required to put in place an appropriate software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers. It is needless to add that a robust software throwing alerts is essential for effective identification and reporting of suspicious transaction.

(f) The Chairmen / CEOs of banks are advised to personally monitor the adherence by the bank officials to the provisions of the AML/ PMLA guidelines and ensure that the systems and procedures are put in place and instructions percolated to the

operational levels. It should also be ensured that there is a proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.

A. Cash Transaction Report (CTR)

While detailed instructions for filing all types of reports are given in the instructions part of the related formats, banks should scrupulously adhere to the following:

(i) The Cash Transaction Report (CTR) for each month should be submitted to FIU-IND by 15th of the succeeding month. Cash transaction reporting by branches to their Principal Officer / controlling offices should, therefore, invariably be submitted on monthly basis (**not on fortnightly basis**) and banks should ensure to submit CTR for every month to FIU-IND within the prescribed time schedule. In regard to CTR the cut off limit of Rs. 10 lakh is applicable to integrally connected cash transactions also.

(ii) All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine should be reported by the Principal Officer to FIU-IND immediately in the specified format (Counterfeit Currency Report – CCR). These cash transactions should also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND.

(iii) While filing CTR, details of individual transactions below Rupees fifty thousand need not be furnished.

(iv) CTR should contain only the transactions carried out by the bank on behalf of their clients/customers excluding transactions between the internal accounts of the bank.

(v) A summary of CTRs for the bank as a whole should be compiled by the Principal Officer of the bank every month as per the format specified. The summary should be signed by the Principal Officer and submitted for both manual and electronic reporting.

B. Suspicious Transaction Reports (STR)

(i) While determining suspicious transactions, banks should be guided by definition of a suspicious transaction contained in PMLA Rules as amended from time to time.

(ii) It is likely that in some cases transactions are abandoned / aborted by customers on being asked to give some details or to provide documents. It is clarified that banks should report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

(iii) Banks should make STRs if they have reasonable ground to believe that the transactions involve proceeds of crime generally irrespective of the amount of the transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

(iv) As per extant instructions 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.

(v) The Suspicious Transaction Report (STR) should be furnished within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received from a branch or any other office. Such report should be made available to the competent authorities on request.

(vi) In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, banks may consider the indicative list of suspicious activities contained in Annex E of the 'IBA's Guidance Note for Banks, 2012.'

(vii) Banks should not put any restrictions on operations in the accounts where an STR has been made. Banks and their employees should keep the fact of furnishing of STR strictly confidential, as required under PML Rules. Moreover, it should be ensured that there is no tipping off to the customer at any level.

C. Non-Profit Organization Transaction Reports (NTRs)

Banks should maintain proper record of all transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency and to forward a report to FIU-IND of all such transactions in the prescribed format by the 15th of the succeeding month.

2.20 Customer Education / Employees' Training / Employee's Hiring

(a) Customer Education

Implementation of KYC procedures requires banks to demand certain information from customers which may be of personal nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. There is, therefore, a need for banks to prepare specific literature/ pamphlets, etc. so as to educate the customer of the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

(b) Training of Employees

Banks must have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

(c) Hiring of Employees

It may be appreciated that KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the banking channels. It would, therefore, be necessary that adequate screening mechanism is put in place by banks as an integral part of their recruitment/hiring process of personnel.

Customer Identification Procedure

Features to be verified and documents that may be obtained from customers

| Features | Documents |
|--|---|
| <p>Accounts of individuals</p> <ul style="list-style-type: none"> - Legal name and any other names used - Correct permanent address | <p>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number (vii) Identity card (subject to the bank's satisfaction) (viii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank</p> <p>(i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the bank) (vii) Rent agreement indicating the address of the customer duly registered with State Government or similar registration authority.</p> <p>(any one document which provides customer information to the satisfaction of the bank will suffice)</p> |
| <p>Accounts of companies</p> <ul style="list-style-type: none"> - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number | <p>(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees</p> |

| | |
|--|---|
| | to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill |
| Accounts of partnership firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners | (i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners |
| Accounts of trusts & foundations - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers | (i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses (iv) Resolution of the managing body of the foundation/association (v) Telephone bill |
| Accounts of Proprietorship Concerns Proof of the name, address and activity of the concern | <ul style="list-style-type: none"> • Registration certificate (in the case of a registered concern) • Certificate/licence issued by the Municipal authorities under Shop & Establishment Act, • Sales and income tax returns • CST/VAT certificate • Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities • Licence issued by the Registering |

| | |
|--|--|
| | <p>authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration/ licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department, etc. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of the bank account.etc.</p> <ul style="list-style-type: none">• The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax Authorities.• Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern. <p>Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.</p> |
|--|--|

(List of various Reports)

1. Cash Transaction Report (CTR)
2. Summary of CTR
3. Electronic File Structure - CTR
4. Suspicious Transaction Report (STR)
5. Electronic File Structure - STR
6. Counterfeit Currency Report (CCR)
7. Summary of CCR
8. Electronic File Structure – CCR
9. Non Profit Organisation Transaction Report (NTR)

**File No.17015/10/2002-IS-VI
Government of India
Ministry of Home Affairs
Internal Security-I Division**

New Delhi, dated 27th August, 2009

ORDER

Subject : Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967

The Unlawful Activities (Prevention) Act, 1967 (UAPA) has been amended and notified on 31.12.2008, which, inter-alia, inserted Section 51A to the Act. Section 51A reads as under:-

"51A. For the prevention of, and for coping with terrorist activities, the Central Government shall have power to –

(a) freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism;

(b) prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism;

(c) prevent the entry into or the transit through India of individuals Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism",

The Unlawful Activities (Prevention) Act define "Order" as under:-

"Order" means the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as may be amended from time to time.

In order to expeditiously and effectively implement the provisions of Section 51A, the following procedures shall be followed:-

Appointment and Communication of details of UAPA nodal officers

2. As regards appointment and communication of details of UAPA nodal officers -

(i) The UAPA nodal officer for IS-I division would be the Joint Secretary (IS.I), Ministry of Home Affairs. His contact details are 011-23092736(Tel), 011-23092569(Fax) and e-mail.

(ii) The Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, FIU-IND; and RBI, SEBI, IRDA (hereinafter referred to as Regulators) shall appoint a UAPA nodal officer and communicate the name and contact details to the IS-I Division in MHA.

(iii) The States and UTs should appoint a UAPA nodal officer preferably of the rank of the Principal Secretary/Secretary, Home Department and communicate the name and contact details to the IS-I Division in MHA.

(iv) The IS-I Division in MHA would maintain the consolidated list of all UAPA nodal officers and forward the list to all other UAPA nodal officers.

(v) The RBI, SEBI, IRDA should forward the consolidated list of UAPA nodal officers to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.

(vi) The consolidated list of the UAPA nodal officers should be circulated to the nodal officer of IS-I Division of MHA in July every year and on every change. Joint Secretary(IS-I), being the nodal officer of IS-I Division of MHA, shall cause the amended list of UAPA nodal officers to be circulated to the nodal officers of Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, RBI, SEBI, IRDA and FIU-IND.

Communication of the list of designated individuals/entities

3. As regards communication of the list of designated individuals/entities-

(i) The Ministry of External Affairs shall update the list of individuals and entities subject to UN sanction measures on a regular basis. On any revision, the Ministry of External Affairs would electronically forward this list to the Nodal Officers in Regulators, FIU-IND, IS-I Division and Foreigners' Division in MHA.

(ii) The Regulators would forward the list mentioned in (i) above (referred to as designated lists) to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.

(iii) The IS-I Division of MHA would forward the designated lists to the UAPA nodal officer of all States and UTs.

(iv) The Foreigners Division of MHA would forward the designated lists to the immigration authorities and security agencies.

Regarding funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc.

4. As regards funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., the Regulators would forward the designated lists to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively. The RBI, SEBI and IRDA would issue necessary guidelines to banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies requiring them to –

- (i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc. with them.
- (ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks, stock exchanges/ depositories, intermediaries regulated by SEBI and insurance companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc. held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail.
- (iii) The banks, stock exchanges/ depositories, intermediaries regulated by SEBI and insurance companies shall also send by post a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the state/ UT where the account is held and Regulators and FIU0IND, as the case may be.

(iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks stock exchanges / depositories, intermediaries regulated by SEBI and insurance companies would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail.

(v) The banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above , carried through or attempted, as per the prescribed format.

5. On receipt of the particulars referred to in paragraph 3(ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by the banks, stock exchanges/depositories, intermediaries regulated by SEBI and Insurance Companies are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

6. In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned bank branch, depository, branch of insurance company branch under intimation to respective Regulators and FIU-IND. The UAPA nodal officer of IS-I Division of MHA shall also forward a copy thereof to all the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic assets or economic resources or related services available for the benefit of the designated individuals/entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA nodal officer of IS-I Division of MHA shall also forward a copy of the order under Section 51A, to all Directors General of Police/Commissioners of Police of all states/UTs for initiating action under the provisions of Unlawful Activities (Prevention) Act.

The order shall take place without prior notice to the designated individuals/entities.

Regarding financial assets or economic resources of the nature of immovable properties

7. IS-I Division of MHA would electronically forward the designated lists to the UAPA nodal officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable properties in their respective jurisdiction.

8. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property and if any match with the designated individuals/entities is found, the UAPA nodal officer of the State/UT would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources of the nature of immovable property to the Joint Secretary (IS.I), Ministry of Home Affairs, immediately within 24 hours at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail.

9. The UAPA nodal officer of the State/UT may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent by the Registrar performing the work of registering immovable properties are indeed of these designated individuals/entities. This verification would be completed within a maximum of 5 working days and should be conveyed within 24 hours of the verification, if it matches with the particulars of the designated individual/entity to Joint Secretary(IS-I), Ministry of Home Affairs at the Fax telephone numbers and also on the e-mail id given below.

10. A copy of this reference should be sent to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail. MHA may have the verification also conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.

11. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under Section 51A of the UAPA would be issued within 24 hours, by the nodal officer of IS-I Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA nodal officer of the State/UT.

The order shall take place without prior notice, to the designated individuals/entities.

12. Further, the UAPA nodal officer of the State/UT shall cause to monitor the transactions/accounts of the designated individual/entity so as to prohibit any

individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the schedule to the order or any other person engaged in or suspected to be engaged in terrorism. The UAPA nodal officer of the State/UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State/UT for also initiating action under the provisions of Unlawful Activities (Prevention) Act.

Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001

13. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally, to ensure that effective cooperation is developed among countries, countries should examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.

14. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

15. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within 5 working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officers in Regulators, FIU-IND and to the nodal officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/entities.

16. Upon receipt of the requests by these nodal officers from the UAPA nodal officer of IS-I Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

The freezing orders shall take place without prior notice to the designated persons involved.

Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

17. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence, in writing, to the concerned bank, stock exchanges / depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT nodal officers.

18. The banks stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT nodal officers shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 4(ii) above within two working days.

19. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within 15 working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance company and the nodal officers of States/UTs. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

Communication of Orders under section 51A of Unlawful Activities (Prevention) Act

20. All Orders under section 51A of Unlawful Activities (Prevention) Act, relating to funds, financial assets or economic resources or related services, would be communicated to all banks, depositories/stock exchanges, intermediaries regulated by SEBI, insurance companies through respective Regulators, and to all the Registrars performing the work of registering immovable properties, through the State/UT nodal officer by IS-I Division of MHA.

Regarding prevention of entry into or transit through India

21. As regards prevention of entry into or transit through India of the designated individuals, the Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry into or the transit through India. The order shall take place without prior notice to the designated individuals/entities.

22. The immigration authorities shall ensure strict compliance of the Orders and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the Foreigners' Division of MHA.

Procedure for communication of compliance of action taken under Section 51A

23. The nodal officers of IS-I Division and Foreigners Division of MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs for onward communication to the United Nations.

24. All concerned are requested to ensure strict compliance of this order.

(D .Diptivilasa)
Joint Secretary to Government of India

Government of India
Ministry of Finance
(Department of Revenue)
Notification

New Delhi, the 16th December 2010

GSR ----- (E) – In exercise of the powers conferred by sub-section (1) read with clauses (h) (i), (j) and (k) of sub-section (2) of Section 73 of the Prevention of Money-laundering Act, 2002 (15 of 2003), the Central Government hereby makes the following amendments to the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, namely:-

1. (1) These rules may be called the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Third Amendment Rules, 2010.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, -

(a) in rule 2,-

(i) after clause (b), the following clause shall be inserted, namely:-

“(bb) “Designated Officer” means any officer or a class of officers authorized by a banking company, either by name or by designation, for the purpose of opening small accounts”.

(ii) in clause (d), for the words “the Election Commission of India or

financial institution or intermediary”, the words “Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document as notified by the Central Government in consultation with the Reserve Bank of India or any other document as may be required by the banking companies, or financial institution or intermediary” shall be substituted;

(iii) after clause (fa), the following clause shall be inserted, namely:-

“(fb) “small account” means a savings account in a banking company where-

- (i) the aggregate of all credits in a financial year does not exceed rupees one lakh,
- (ii) the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand, and;
- (iii) the balance at any point of time does not exceed rupees fifty thousand”.

(b) In rule 9, after sub-rule (2), the following sub-rule shall be inserted, namely:-

“(2A) Notwithstanding anything contained in sub-rule (2), an individual who desires to open a small account in a banking company may be allowed to open such an account on production of a self-attested photograph and affixation of signature or thumb print, as the case may be, on the form for opening the account.

Provided that –

- (i) the designated officer of the banking company, while opening the small account, certifies under his signature that the person opening the account has affixed his signature or thumb print, as the case may be, in his presence;
- (ii) a small account shall be opened only at Core Banking Solution linked banking company branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to a small account and that the stipulated limits on monthly and annual aggregate of transactions and balance in such accounts are not breached, before a transaction is allowed to take place;
- (iii) a small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if the

holder of such an account provides evidence before the banking company of having applied for any of the officially valid documents within twelve months of the opening of the said account, with the entire relaxation provisions to be reviewed in respect of the said account after twenty four months.

(iv) a small account shall be monitored and when there is suspicion of money laundering or financing of terrorism or other high risk scenarios, the identity of client shall be established through the production of officially valid documents, as referred to in sub rule (2) of rule 9"; and

(v) foreign remittance shall not be allowed to be credited into a small account unless the identity of the client is fully established through the production of officially valid documents, as referred to in sub-rule (2) of rule 9."

(Notification No.14/2010/F.No.6/2/2007-ES)

(S.R. Meena)
Under Secretary

Note: The principal rules were published in Gazette of India, Extraordinary, Part-II, Section 3, Sib-Section (i) vide number G.S.R.444 (E), dated the 1st July, 2005 and subsequently amended by number G.S.R.717 (E), dated the 13th December, 2005, number G.S.R. 389(E), dated the 24th May, 2007, number G.S.R. 816(E), dated the 12th November, 2009, number G.S.R.76 (E), dated the 12th February, 2010 and number G.S.R. 508(E), dated the 16th June, 2010.

Operational Procedure to be followed by banks for e-KYC exercise

The e-KYC service of the UIDAI is to be leveraged by banks through a secured network. Any bank willing to use the UIDAI e-KYC service is required to sign an agreement with the UIDAI. The process flow to be followed is as follows:

1. Sign KYC User Agency (KUA) agreement with UIDAI to enable the bank to specifically access e-KYC service.
2. Banks to deploy hardware and software for deployment of e-KYC service across various delivery channels. These should be Standardisation Testing and Quality Certification (STQC) Institute, Department of Electronics & Information Technology, Government of India certified biometric scanners at bank branches/ micro ATMs/ BC points as per UIDAI standards. The current list of certified biometric scanners is given in the link below:

http://www.stqc.gov.in/sites/upload_files/stqc/files/UID_Auth_Certlist_250613.pdf

3. Develop a software application to enable use of e-KYC across various Customer Service Points (CSP) (including bank branch, BCs etc.) as per UIDAI defined Application Programming Interface (API) protocols. For this purpose banks will have to develop their own software under the broad guidelines of UIDAI. Therefore, the software may differ from bank to bank.
4. Define a procedure for obtaining customer authorization to UIDAI for sharing e-KYC data with the bank. This authorization can be in **physical** (by way of a written explicit consent authorising UIDAI to share his/her Aadhaar data with the bank/BC for the purpose of opening bank account) **electronic** form as defined by UIDAI from time to time.
5. Sample process flow would be as follows:
 - a. Customer walks into CSP of a bank with **his/her 12-digit Aadhaar number and explicit consent** and requests to open a bank account with Aadhaar based e-KYC.
 - b. Bank representative manning the CSP enters the number into bank's e-KYC application software.
 - c. The customer inputs his/her biometrics via a UIDAI compliant biometric reader (e.g. fingerprints on a biometric reader).
 - d. The software application captures the Aadhaar number along with biometric data, encrypts this data and sends it to UIDAI's Central Identities Data Repository (CIDR).

- e. The Aadhaar KYC service authenticates customer data. If the Aadhaar number does not match with the biometrics, UIDAI server responds with an error with various reason codes depending on type of error (as defined by UIDAI).
- f. If the Aadhaar number matches with the biometrics, UIDAI responds with digitally signed and encrypted demographic information [Name, year/date of birth, Gender, Address, Phone and email (if available)] and photograph. This information is captured by bank's e-KYC application and processed as needed.
- g. Bank's servers auto populate the demographic data and photograph in relevant fields. It also records the full audit trail of e-KYC viz. source of information, digital signatures, reference number, original request generation number, machine ID for device used to generate the request, date and time stamp with full trail of message routing, UIDAI encryption date and time stamp, bank's decryption date and time stamp, etc.
- h. The photograph and demographics of the customer can be seen on the screen of computer at bank branches or on a hand held device of BCs for reference.
- i. The customer can open bank account subject to satisfying other account opening requirements.

A. Categorisation of Foreign Investors

| Category | Eligible Foreign Investors |
|----------|---|
| I | Government and Government related foreign investors such as Foreign Central Banks, Governmental Agencies, Sovereign Wealth Funds, International/ Multilateral Organizations/ Agencies. |
| II | <ul style="list-style-type: none"> a. Appropriately regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance /Reinsurance Companies, Other Broad Based Funds etc. b. Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers etc. c. Broad based funds whose investment manager is appropriately regulated. d. University Funds and Pension Funds. e. University related Endowments already registered with SEBI as FII/Sub Account. |
| III | All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies/Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices, etc. |

B. KYC documents for eligible FPIs under PIS

| | | FPI Type | | |
|---------------|--|---|---|--|
| Document Type | | Category I | Category II | Category III |
| Entity Level | Constitutive Documents (Memorandum and Articles of Association, Certificate of Incorporation etc.) | Mandatory | Mandatory | Mandatory |
| | Proof of Address | Mandatory (Power of Attorney {PoA} mentioning the address is acceptable as address proof) | Mandatory (Power of Attorney mentioning the address is acceptable as address proof) | Mandatory other than Power of Attorney |

| | | | | |
|--|-------------------------------|--|--|---|
| | PAN Card | Mandatory | Mandatory | Mandatory |
| | Financial Data | Exempted * | Exempted * | Mandatory |
| | SEBI Registration Certificate | Mandatory | Mandatory | Mandatory |
| | Board Resolution | Exempted * | Mandatory | Mandatory |
| Senior Management (Whole Time Directors/ Partners/ Trustees/ etc.) | List | Mandatory | Mandatory | Mandatory |
| | Proof of Identity | Exempted * | Exempted * | Entity declares* on letter head full name, nationality, date of birth or submits photo identity proof |
| | Proof of Address | Exempted * | Exempted * | Declaration on Letter Head * |
| | Photographs | Exempted | Exempted | Exempted * |
| Authorized Signatories | List and Signatures | Mandatory – list of Global Custodian signatories can be given in case of PoA to Global Custodian | Mandatory - list of Global Custodian signatories can be given in case of PoA to Global Custodian | Mandatory |
| | Proof of Identity | Exempted * | Exempted * | Mandatory |
| | Proof of Address | Exempted * | Exempted * | Declaration on Letter Head * |
| | Photographs | Exempted | Exempted | Exempted * |
| Ultimate Beneficial Owner (UBO) | List | Exempted * | Mandatory (can declare “no UBO over 25%”) | Mandatory |
| | Proof of Identity | Exempted * | Exempted * | Mandatory |
| | Proof of Address | Exempted * | Exempted * | Declaration on Letter Head * |
| | Photographs | Exempted | Exempted | Exempted * |
| * Not required while opening the bank account. However, FPIs concerned may submit an undertaking that upon demand by Regulators/Law Enforcement Agencies the relative document/s would be submitted to the bank. | | | | |

List of Circulars Consolidated in the Master Circular

| SI.No. | Circular No. | Date | Subject |
|--------|--|------------|--|
| 1 | RPCD.RRB.RCB.AML.BC.No.112/07.51.018/2013-14 | 16.06.2014 | Harmonization of KYC norms for Foreign Portfolio Investors (FPIs) |
| 2 | RPCD.RRB.RCB.AML.BC.No.111/07.51.018/2013-14 | 12.06.2014 | Clarification on Proof of address |
| 3 | RPCD.RRB.RCB.AML.BC.No.97/07.51.018/2013-14 | 25.04.2014 | Reporting of Cross Border Wire Transfer Report on FINnet Gateway |
| 4 | RPCD.RRB.RCB.AML.BC.No.92/07.51.018/2013-14 | 13.03.2014 | Recognising e- Aadhaar as an 'Officially Valid Document' under PML Rules |
| 5 | RPCD.RRB.RCB.AML.BC.No.75/07.51.018/2013-14 | 09.01.2014 | Amendment to Section 13(2) of PMLA 2002 |
| 6 | RPCD.CO.RRB.RCB.BC.No.48 / 07.51.010//2013-14 | 29.10.2013 | 'At par' cheque facility extended to Cooperative Banks / Regional Rural Banks by Scheduled Commercial Banks |
| 7 | RPCD.RRB.RCB.AML.BC.No.37 /07.51.018/2013-14 | 18.09.2013 | Foreign students studying in India |
| 8 | RPCD.RRB.RCB.AML.BC.No.31 /07.51.018/2013-14 | 16.09.2013 | Information sought by banks from customers |
| 9 | RPCD.RRB.RCB.AML.BC.No.32/07.51.018/2013-14 | 10.09.2013 | e-KYC Service of UIDAI – Recognising on-line Aadhaar authentication (electronic verification process) to be accepted as an 'Officially Valid Document' under PML Rules |
| 10 | RPCD.RRB.RCB.BC.No.84/07.51.018/2013-14 | 25.07.2013 | Simplifying norms for periodical updation of KYC |
| 11 | RPCD.RCB.RRB.AML.BC.No.76/07.51.018/2012-13 | 04.06.2013 | Unique Customer Identification Code (UCIC) for banks' customers in India |
| 12 | RPCD.RCB.RRB.AML.BC.No.71/07.51.018/2012-13 | 01.04.2013 | Simplifying Norms for Self Help Groups |
| 13 | RPCD.RRB.RCB.BC.No.63/07.51.018/2012-13 | 30.01.2013 | Shifting of bank accounts to another centre-address proof |
| 14 | RPCD.RRB.RCB.BC.No.59/07.51.018/2012-13 | 22.01.2013 | Identification of beneficial owner |
| 15 | RPCD.CO.RRB.RCB.AML.No.6097/ 7.51.018/2012-13 | 13.12.2012 | Simplification of KYC documents |
| 16 | RPCD.CO.RRB.RCB.AML.BC.No.29/03.05.33(E)/2012-13 | 15.10.2012 | Uploading of reports on FINnet Gateway |
| 17 | RPCD.CO.RRB.RCB.AML.BC.No.29/03.05.33(E)/2012-13 | 18.09.2012 | Uploading of reports in 'Test Mode' on FINnet Gateway |
| 18 | RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 | 22.08.2012 | Financial Inclusion - access to banking Services - Basic Savings Bank Deposit Account |
| 19 | RPCD.CO.RRB.RCB.AML.BC.No.82/03.05.33(E)/2011-12 | 11.06.2012 | Unique Customer Identification Code for bank customers in India |
| 20 | RPCD.CO.RRB.RCB.AML.BC.No.81/07.40.00/2011-12 | 11.06.2012 | Risk Categorisation and updation of Customer Profile |

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| 21 | RPCD.CO.RRB.RCB.AML.BC.No.70/07.40.00/2011-12 | 18.04.2012 | Accounts of proprietary concerns |
| 22 | RPCD.CO.RCB.AML.BC.No.52/07.40.00/2011-12 | 04.01.2012 | Splitting of UNSC 1267 Committee's list of individuals and entities linked to Al-Qaida and Taliban |
| 23 | RPCD.CO.RRB.AML.BC.No.51/03.05.33(E)/2011-12 | 02.01.2012 | Splitting of UNSC 1267 Committee's list of individuals and entities linked to Al-Qaida and Taliban |
| 24 | RPCD.CO.RCB.AML.BC.No.50/07.40.00/2011-12 | 30.12.2011 | Assessment and Monitoring of Risk |
| 25 | RPCD.CO.RRB.AML.BC.No.46/03.05.33(E)/2011-12 | 21.12.2011 | Assessment and Monitoring of Risk |
| 26 | RPCD.CO.RRB.AML.BC.NO.31/03.05.33(E)/2011-12 | 16.11.2011 | Payment of Cheques / Drafts / Pay Orders / Banker's Cheques |
| 27 | RPCD.CO.RCB.AML.BC.No.23/07.40.00/2011-12 | 17.10.2011 | Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number |
| 28 | RPCD.CO.RRB.AML.BC.No.21/03.05.33(E)/2011-12 | 13.10.2011 | Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number |
| 29 | RPCD.CO.RRB.AML.BC.No.15/03.05.33(E)/2011-12 | 08.08.2011 | Opening of "Small Account" |
| 30 | RPCD.CO.RCB.AML.BC.No.63/07.40.00/2010-11 | 26.04.2011 | Opening of "Small Account" |
| 31 | RPCD.CO.RCB.AML.BC.No.50/07.40.00/2010-11 | 02.02.2011 | Accounts of bullion dealers (including sub-dealers) & jewelers should be categorized by banks as ' high risk'. |
| 32 | RPCD.CO.RRB.AML.BC.No.46/03.05.33(E)/2010-11 | 12.01.2011 | Accounts of bullion dealers (including sub-dealers) & jewelers should be categorized by banks as ' high risk'. |
| 33 | RPCD.CO.RCB.AML.BC.No.39/07.40.00/2010-11 | 27.12.2010 | Operation of bank accounts & money mules |
| 34 | RPCD.CO.RRB.AML.BC.No.40/03.05.33(E)/2010-11 | 24.12.2010 | Operation of bank accounts & money mules |
| 35 | RPCD.CO.RCB.AML.BC.No.37/07.40.00/2010-11 | 10.12.2010 | Opening of bank accounts -salaried employees |
| 36 | RPCD.CO.RRB.AML.BC.No.31/03.05.33(E)/2010-11 | 06.12.2010 | Opening of bank accounts -salaried employees |
| 37 | RPCD.CO.RF.AML.BC.No.20/07.40.00/2010-11 | 13.09.2010 | Accounts of proprietary concerns |
| 38 | RPCD.CO.RRB.AML.BC.No.19/03.05.33(E)/2010-11 | 09.09.2010 | Accounts of proprietary concerns |
| 39 | RPCD.CO.RF.AML.BC.No.12/ | 20.07.2010 | Prevention of Money Laundering |

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| | 4007.40.00/2010-11 | | (Maintenance of records of the ...Intermediaries) Second Amendment Rules 2010 |
| 40 | RPCD.CO.RRB.AML.BC.No.13 / 03.05.33(E)/2010-11 | 22.07.2010 | 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 |
| 41 | RPCD.CO.RF.AML.BC.No.11/ 07.40.00/2010-11 | 20.07.2010 | Obligation of banks under PMLA, 2002 |
| 42 | RPCD.CO.RF.AML.BC.No.89/ 07.40.00/2009-10 | 25.06.2010 | Client Accounts opened by professional intermediaries |
| 43 | RPCD.CORRB.AML.BC.No.87/ 03.05.33(E)/2009-10 | 23.06.2010 | 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 |
| 44 | RPCD.CO.RF.AML.BC.No.88/ 07.40.00/2009-10 | 25.06.2010 | Filing of STRs; PEPs and Principal Officer |
| 45 | RPCD.CO.RRB.AML.BC.No.86 /03.05.33(E)/2009-10 | 21.06.2010 | 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 |
| 46 | RPCD.CO.RF.AML.BC.No.84/ 07.40.00/2009-10 | 14.05.2010 | Government of India Notification dated February 12, 2010 amending the Prevention of Money Laundering (Maintenance of records of the Intermediaries) Rules 2005 |
| 47 | RPCD.CO.RF.AML.BC.No.83/ 07.40.00/2009-10 | 12.05.2010 | Customer identification procedure issued for account opening by proprietary concerns. |
| 48 | RPCD.CO.RRB.AML.No.67/ 03.05.33(E)/2009-10 | 09.04.2010 | Know Your Customer (KYC) Guidelines - Accounts of Proprietary Concerns |
| 49 | RPCD.CO.RF.AML.BC.No.83/ 07.40.00/2009-10 | 03.03.2010 | Prevention of Money laundering (Amendment) Rules 2009- Obligation of banks /Financial Institutions |
| 50 | RPCD.CO.RRB.No.39/03.05.33 (E)/2009-10 | 05.11.2009 | Combating Financing of Terrorism - Unlawful Activities (Prevention) Act, 1967 - Obligation of Banks |
| 51 | RPCD.CO.RF.AML.BC.No.34/07.40.00/2009-10 | 29.10.2009 | Combating Financing of Terrorism- Unlawful Activities (Prevention) Act,(UAPA) 1967- Obligation of banks |
| 52 | RPCD.CO.RF.AML.BC.No.28/07.40.00/2009-10 | 30.09.2009 | KYC norms / AML standards / CFT / Obligation of banks under PMLA, 2002 |
| 53 | RPCD.CO.RRB.BC.No.27/ 03.05.33(E)/2009-10 | 29.09.2009 | Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards and |

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| | | | Obligation of Regional Rural Banks (RRBS) Under PMLA, 2002 |
| 54 | RPCD.CO.RCB.AML.BC.No.81/07.40.00/2007-08 | 25.06.2008 | Prevention of Money Laundering Act, 2002 – Obligation of banks in terms of Rules notified thereunder. |
| 55 | RPCD.CO.RRB.No.BC.77/03.05.33(E)/2007-08 | 18.06.2008 | Prevention of Money Laundering Act, 2002 - Obligation of Banks in terms of Rules Notified there under |
| 56 | RPCD.CO.RF.AML.BC.No.51/07.40.00/2007-08 | 28.02.2008 | Know Your Customer (KYC) Norms/Anti Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT) |
| 57 | RPCD.CO.RRB.No.BC.50/03.05.33(E)/2007-08 | 27.02.2008 | Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards / Combating of Financing of Terrorism (CFT)- RRBs |
| 58 | RPCD.CO.RRB.AML.BC.No.98/03.05.28-A/2006-07 | 21.05.2007 | Wire Transfers - Regional Rural Banks (RRBs) |
| 59 | RPCD.CO.RF.AML.BC.No.96/07.40.00/2006-07 | 18.05.2007 | Wire transfers |
| 60 | RPCD.CO.RRB.AML.BC.68/03.05.33(E)/2005-06 | 09.03.2006 | Prevention of Money Laundering Act, 2002 – Obligation of Regional Rural Banks in terms of Rules notified thereunder |
| 61 | RPCD.CO.RF.AML.BC.No.65/07.40.00/2005-06 | 03.03.2006 | Prevention of Money Laundering Act, 2002 – Obligation of banks in terms of Rules notified thereunder |
| 62 | RPCD.No.RRB.BC.33/03.05.33(E)/2005-06 | 23.08.2005 | Know Your Customer Guidelines - Anti-Money Laundering Standards |
| 63 | RPCD.RF.AML.BC.No.30/07.40.00 /2005-06 | 23.08.2005 | Know Your Customer Guidelines - Anti-Money Laundering Standards |
| 64 | RPCD.AML.BC.No.80/07.40.00/2004-05 | 18.02.2005 | Know Your Customer (KYC) guidelines – Anti Money Laundering Standards |
| 65 | RPCD.No.RRB.BC.81/03.05.33(E)/2004-05 | 18.02.2005 | Know Your Customer (KYC) guidelines – Anti Money Laundering Standards |