



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2010-11/120

RPCD.CO.RF.AML.BC.No.11/07.40.00//2010-11

July 20, 2010

**The Chairmen and Chief Executive Officers
All State and District Central Co-operative Banks**

Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002.

Please refer to our circulars [RPCD.AML.BC.No.80/07.40.00/ 2004-05 dated February 18, 2005](#) and RPCD.CO.RF.No.16412/07.02.12/2008-09 dated June 12, 2009 on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards and Combating of Financing of Terrorism (CFT).

Countries which do not or insufficiently apply the FATF recommendations.

2. In paragraph 2 of the circular RPCD.CO.RF.AML.No.13412/07.02.12/2008-09 dated June 12, 2009, referred to above, banks have been advised to take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement. It is further advised that banks should, in addition to FATF Statements circulated by Reserve Bank of India from time to time, also consider publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations. It is clarified that banks should also give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

3. In terms of Paragraph 4 of the Guidelines on 'Know Your Customer' Norms and Anti Money Laundering Measures enclosed to our circular

RPCD.AML.BC.No.80/07.40.00/ 2004-05 dated February 18, 2005, ongoing monitoring is an essential element of effective KYC procedures. It is advised that banks should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible be examined, and written findings together with all documents should be retained and made available to Reserve Bank/other relevant authorities, on request.

Shell Banks

4. In terms of instructions contained in Annex-I to the Guidelines on 'Know Your Customer' Norms and Anti-Money Laundering Measures enclosed with the Circular dated February 18, 2005, referred to above, banks should guard against establishing relationships with respondent foreign financial institutions that permit their accounts to be used by shell banks. It is clarified that banks should not enter into relationship with shell banks and before establishing correspondent relationship with any foreign institution, banks should take appropriate measures to satisfy themselves that the foreign respondent institution does not permit its accounts to be used by shell banks.

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

Yours faithfully,

(B.P.Vijayendra)
Chief General Manager