



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2009-10/506

RPCD.CO.RF.AML.BC. No. 88/07.40.00/ 2009-10

June 25, 2010

The Chief Executives of
all State and District Central Co-operative Banks

Dear Sir,

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

Please refer to our circulars [RPCD.AML.BC.No.80/07.40.00/ 2004-05](#) dated February 18, 2005 and [RPCD.CO.RF.AML.BC.No.28/07.40.00/ 2009-10](#) dated September 30, 2009 on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT) /Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002.

Suspicion of money laundering/terrorist financing

2. With a view to preventing banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing, it is clarified that whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, banks should carry out full scale customer due diligence (CDD) before opening an account.

Filing of STR

3. Kind attention is invited to the instructions contained in paragraph 2(iv) and also paragraph 8 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, in terms of which a bank should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It is clarified that in the circumstances when a bank believes that it would no longer be satisfied that it knows the true identity of the account holder, the bank should also file an STR with FIU-IND.

Politically Exposed Persons (PEPs)

4. In terms of instructions contained in paragraph 5 of circular dated September 30, 2009 on the subject, in the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, banks should obtain senior management approval to continue the business relationship and subject the account to the CDD measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. It is clarified that the instructions contained in paragraph 5 of the circular dated September 30, 2009, are also applicable to accounts where a PEP is the ultimate beneficial owner. Further, in regard to PEP accounts, it is reiterated that banks should have appropriate ongoing risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which a PEP is the ultimate beneficial owner.

Principal Officer

5. With reference to paragraph 9 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, referred to above, regarding appointment and responsibility of the Principal Officer, it is clarified that the role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of

Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time.

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

7. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(B.P.Vijayendra)
Chief General Manager