

RBI/2010-11/126

RPCD.CO.RRB.AML.BC.No. 13/03.05.33(E) /2010-11

July 22 ,2010

The Chairman

All Regional Rural Banks (RRBs)

Dear Sir,

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

Please refer to our circular RPCD.CO.RRB.NO.13611/03.05.28-A/2008-09 dated June 18, 2009 and circular [RPCD.RRB.BC.NO. 81/03.05.33\(E\)/2004-05 dated February 18, 2005](#) on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002.

Countries which do not or insufficiently apply the FATF recommendations.

2. In paragraph 3 of the circular RPCD.CO.RRB.NO.13611/03.05.28-A/2008-09 dated June 18, 2009, RRBs 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.

Rural Planning & Credit Department Central Office, 10th Floor, Central Office Building, Shahid Bhagat Singh Marg Mumbai - 1

टेलिफोन /Tel No: 91-22-22661602 फैक्स/Fax No: 91-22-22621011/22610943/22610948 Email

ID:cgmicrped@rbi.org.in

हिन्दी आसान है , इसका प्रयोग बढ़ाइये।

3. In terms of paragraph 4 of the Guidelines on 'Know Your Customer' Norms and Anti-Money Laundering Measures enclosed with our circular RPCD.RRB.BC.NO. 81/03.05.33(E)/2004-05 dated February 18, 2005, ongoing monitoring is an essential element of effective KYC procedures. It is advised that RRBs 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 1 to the Guidelines on 'Know Your Customer' Norms and Anti-Money Laundering Measures enclosed with our 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. Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act.

Yours faithfully,

(B.P.Vijayendra)
Chief General Manager