



## Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Programme

### AML/CFT Guidelines

Empowered by the Prevention of Money Laundering Act (PMLA) and the rules framed there under, the AML/CFT guidelines (the guidelines) to the insurance sector were first issued in March 2006. Since then the insurance sector has been working towards an effective AML/CFT regime in India. The guidelines emphasize the importance of the customer due diligence processes, reporting obligations and record keeping requirements as required under the PMLA.

Insurers have laid down systems and processes towards implementation of various requirements under the broad oversight of their board through the audit committee. There is a regular review of the effectiveness of the systems through the insurer's internal audit/inspection departments. Compliance with the guidelines is also monitored by IRDAI through both on-site and off-site processes.

A consolidated circular on various stipulations/requirements of AML/CFT framework, as applicable to general insurers was issued in February 2013. Through this circular, insurers have been advised to apply the AML/CFT requirements based on their risk assessment of each of the product's profile.

Pursuant to amendment of PML (Maintenance of Records) Rules, 2005 in 2013 by Central Government, IRDAI master circular on AML/ CFT issued in 2010 for Life Insurers was revised in line with amendments. The revised Master Circular was issued on September 28, 2015.

IRDAI is in active coordination with various agencies/departments in ensuring effective implementation of AML/CFT regime in India and is part of the Working Group for National Risk Assessment (NRA) on AML/CFT constituted by the Department of Revenue. IRDAI is also part of the Core Working Group (CWG) constituted by the Department of Economic Affairs (FATF Cell) for implementation of revised recommendations of FATF.

In addition, IRDAI is also actively associated with the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF style regional body.

Department of Revenue formed an Inter-Ministerial Co-ordination Committee (IMCC) and subsequently Joint Working Group (JWG) of which IRDAI is a member. The main aim of aforementioned Committees/group is to co-operate/ consult/ develop/ implement matters related to anti-money laundering or countering the financing of terrorism laws, regulations and guidelines among the Government, law enforcement agencies, FIU-IND and the regulators. IRDAI is reporting the concerned Ministry the preparedness of the insurance sector against the applicable FATF recommendations.

### Operationalization of Central KYC Records Registry

In order to facilitate Banks/Financial Institutions with KYC related information of customers so as to avoid multiplicity of undertaking KYC by Banks/Financial Institutions each time a customer avails any financial product/service, Hon'ble Finance Minister announced in the Union Budget 2012-13 that a Central Know Your Customer (KYC) depository will be developed to avoid multiplicity of registration of KYC data.

As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005, every reporting entity shall within 10 days of the establishment of client based relationship file the electronic copy of the client's KYC records with the Central KYC Records Registry (CKYCR).

IRDAI vide circular dated July 12, 2016 advised insurers to upload the KYC records of individual policyholders to Central KYC Registry. Thereafter, to comply with the extant PML Rules, IRDAI vide circular dated January 22, 2021 advised insurers to:

1. Upload the KYC records of Legal Entities (LEs) to CKYCR on or after April 01, 2021.
2. Communicate the KYC identifier to the respective policyholder in a confidential manner, once generated/allotted by CKYCR.
3. Update the existing KYC records periodically.

### Guidelines for e-KYC

IRDAI has issued a circular on January 29, 2019 advising insurers not to mandatorily seek Aadhaar and Form/60 from the proposer/ policyholder as part of KYC. However, insurers may accept Aadhaar card as one of the documents for establishing identity and/or address of the proposer/policyholder for KYC purpose subject to certain conditions.

In this connection, Department of Revenue/ Ministry of Finance dated February 13, 2019, has notified "Prevention of Money-Laundering (Maintenance of Records) Amendment Rules, 2019". Thereafter, Ministry of Law and Justice has notified "Aadhaar and the other laws (Amendment) Act, 2019" on July 24, 2019 allowing online authentication of Aadhaar only by Banking companies and Telecom industries and offline verification for Insurers under the Aadhaar (Targeted Delivery of Financials and other Subsidies, Benefits and Services) Act, 2016. This act also specified that insurers will be allowed to perform online authentication subject to the notification by Central government, on the recommendation of IRDAI and UIDAI.

Accordingly, 29 insurers were notified on April 23, 2020 and 24 insurers were notified on August 19, 2020 to undertake Aadhaar Authentication service of UIDAI under section 11A of PML Act 2002.

In order to simplify the process of KYC by leveraging various electronic platforms, IRDAI issued Circular dated September 18, 2020 on "Video Based Identification Process".

