ANNEX - IV

ELECTRONIC DATA STRUCTURE

Report	COUNTERFEIT CURRENCY REPORT
Version	1.0

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Counterfeit Currency Report
Summary of Counterfeit Currency Report

1. Introduction

The Prevention of Money Laundering Act, 2002 (PMLA) forms the core of the legal framework put in place by India to combat money laundering. PMLA and the Rules notified thereunder came into force with effect from July 1, 2005. Director, FIU-IND and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant Sections of the Act to implement the provisions of the Act.

2. Counterfeit Currency Report

The PMLA and Rules notified thereunder impose an obligation on banks, financial institutions and intermediaries of the securities market (reporting entity) to furnish details of all cash transactions where forged or counterfeit currency notes of bank notes have been used as genuine to the Director, FIU-IND.

A separate Counterfeit Currency Report (CCR) should be filed for each incident of detection of <u>counterfeit Indian currency</u>. If the detected counterfeit currency notes can be segregated on the basis of tendering person, a separate CCR should be filed for each such incident.

3. Due Date

These transactions should be reported to Director, Financial Intelligence Unit, India not later than seven working days from the date of occurrence of such transactions.

4. Methods of filing

The CCR should be submitted to the Financial Intelligence Unit – India (FIU-IND) at the following address:

Director, FIU-IND
Financial Intelligence Unit-India
6th Floor, Hotel Samrat
Chanakyapuri, New Delhi -110021, India
(Visit http://fiuindia.gov.in for more details)

Counterfeit Currency Reports can be filed either in manual or electronic format. However, the reporting entity must submit all reports to FIU-IND in electronic format if it has the technical capability to do so.

For reporting entities, which do not have technical capacity to generate report in electronic form, a report preparation utility for preparation of electronic Counterfeit Currency Report (CCRRPU.xls) can be downloaded from the website of the FIU-IND at http://fiuindia.gov.in

5. Manual format

Counterfeit Currency Reports in manual format consists of following forms:

Form	Information	Completed by
Summary of Counterfeit Currency Reports	Contains summary of enclosed CCRs	Principal officer of the reporting entity
Counterfeit Currency Report	Details of branch and counterfeit currency.	Reporting branch/office

The above forms are given in the Appendix.

6. Electronic format

FIU-IND is in the process of developing technological infrastructure to enable submission of electronic return over a secure gateway. In the interim, the reporting entities should submit the following to Director, FIU-IND:

i) One CD containing three data files in prescribed data structure. A label mentioning name of the reporting entity, Unique code, type of report (CCR), report dated should be affixed on each CD for the purpose of identification.

ii) Each CD should be accompanied by Summary of Counterfeit Currency Report for Reporting entity (same form should be used for both manual as well as electronic format) in physical form duly signed by the principal officer. This summary should match with the data in Control File (CCRCTL.txt).

Important:

i) In case the size of data files exceeds the capacity of one CD, the data files should be compressed by using Winzip 8.1 or ZipItFast 3.0 (or higher version) compression utility only to ensure quick and smooth acceptance of the file.

ii) The CD should be virus free.

7. Description of Data Files

In case of electronic filing, the consolidated CCR data should have following three data files:

S No.	Filename	Description
1	CCRCTL.txt	Control File
2	CCRBRC.txt	Branch File
3	CCRTRN.txt	Transaction File

8. Steps in preparation of data files

i) The details of counterfeit currency should be captured in the Transaction File (CCRTRN.txt).

ii) The details of branches should be captured in the Branch File (CCRBRC.txt).

iii) The report level details and summary should be captured in the Control file. (CCRCTL.txt)

9. Steps in validation /sufficiency of data files

i) There should be three data files with appropriate naming convention.

ii) The data files should be as per specified data structure and business rules.

iii) None of the mandatory fields should be left blank.

iv) All dates should be entered in YYYYMMDD format.

v) The summary figures in control file should match with the totals in other data files.

vi) [Branch Reference Number] should be unique in Branch Data File (CCRBRC.txt)

vii) All values of [Branch Reference Number] in Transaction Data File (CCRTRN.txt) should have matching [Branch Reference Number] value in Branch Data File (CCRBRC.txt)

10. General notes for all Data Files

i) All Data Files should be generated in ASCII Format with ".txt" as filename extension.

ii) Each Record (including last record) must start on new line and must end with a newline character. Hex Values: "0D" & "0A".

iii) All CHAR fields must be left justified.

iv) If CHAR field has no data or less data with respect to defined length, then the entire field (in case of no data) or the remaining field (in case of less data) has to be filled with right justified blank characters (Spaces).

v) All NUM fields must be right justified.

vi) If NUM field has no data or less data with respect to defined length, then the entire field (in case of no data) or the remaining field (in case of less data) has to be filled with left justified zeroes.

vii) If DATE field has no data then the entire field has to be filled with blank characters (Spaces).

viii) Fields with an asterisk (*) have to be compulsorily filled up.

ix) For fields that do not have an asterisk (*), reasonable efforts have to be made to get the information. Enter "N/A" to indicate that the field is not applicable. Do not substitute any other abbreviations or special characters (e.g., "x", "-" or "*").

11. Data structure of Control File (CCRCTL.txt)

S. No.	Field	Type	Size	From	To	Remarks
1.	Report Name*	CHAR	3	1	3	Value should be "CCR" signifying Counterfeit Currency Report
2.	Serial Number of Report*	NUM	8	4	11	Indicates the running sequence number of CCR for the reporting entity starting from 1
3.	Record Type*	CHAR	3	12	14	Value should be "CTL" signifying Control file
4.	Report Date*	NUM	8	15	22	Date of sending report to FIU-IND in YYYYMMDD format
5.	Reporting Entity Name*	CHAR	80	23	102	Complete name of the reporting entity (Bank, financial institution, intermediary)
6.	Reporting Entity Category*	CHAR	1	103	103	"A"-Public Sector Bank "B"-Private Sector Bank "C"-Foreign Bank "D"-Co-operative Bank "E"-Regional Rural Bank "F"-Local Area Bank "Z"-Other
7.	Unique code of the Reporting Entity*	CHAR	12	104	115	Unique code issued by the regulator, if applicable
8.	Unique ID issued by FIU*	CHAR	10	116	125	Use XXXXXXXXXX till the ID is communicated
9.	Principal Officer's Name*	CHAR	80	126	205	Field + filler spaces = 80
10.	Principal Officer's Designation*	CHAR	80	206	285	Field + filler spaces = 80
11.	Principal Officer's Address1*	CHAR	45	286	330	No., Building Field + filler spaces = 45
12.	Principal Officer's Address2	CHAR	45	331	375	Street/Road Field + filler spaces = 45
13.	Principal Officer's Address3	CHAR	45	376	420	Locality Field + filler spaces = 45
14.	Principal Officer's Address4	CHAR	45	421	465	City/Town, District Field + filler spaces = 45
15.	Principal Officer's Address5	CHAR	45	466	510	State, Country Field + filler spaces = 45

16.	Principal Officer's Pin code*	NUM	6	511	516	Pin code without "-" or space
17.	Principal Officer's Telephone	CHAR	30	517	546	Telephone in format STD Code-Telephone number
18.	Principal Officer's FAX	CHAR	30	547	576	Fax number in format STD Code-Telephone number
19.	Principal Officer's E-mail	CHAR	50	577	626	E-mail address
20.	Report Type*	CHAR	1	627	627	"N"- New Report "R"- Replacement to earlier submitted report
21.	Reason for Replacement*	CHAR	1	628	628	"A" – Acknowledgement of Original Report had many warnings or error messages. "B" – Operational error, data omitted in Original Report. "C" – Operational error, wrong data submitted in Original Report. "N"- Not Applicable as this is a new report "Z"- Other Reason
22.	Serial Number of Original Report *	NUM	8	629	636	Serial Number of the Original Report which is being replaced. Mention 0 if Report Type is "N"
23.	Operational Mode*	CHAR	1	637	637	"P"- Actual/ Production mode "T"- Test / Trial mode
24.	Data Structure Version*	CHAR	1	638	638	Value should be 1 to indicate Version 1.0
25.	Number of Counterfeit Currency Reports*	NUM	8	639	646	Number of CCRs enclosed in this summary. This figure should match with the number of records in CCRTRN.txt
26.	Total Value of Counterfeit Currency*	NUM	12	647	658	Total Value of Counterfeit Currency reported in enclosed CCRs. This figure should match with the sum of the Field Total Counterfeit Currency (S. No. 11) in CCRTRN.txt

12. Data structure of Branch File (CCRBRC.txt)

S. No.	Field	Type	Size	From	To	Remarks
1.	Record Type	CHAR	3	1	3	Value should be "BRC" signifying Control file
2.	Line Number*	NUM	6	4	9	Running Sequence Number for each line in the file starting from 1. This Number will be used during validation checks.
3.	Name of Branch*	CHAR	80	10	89	Name of branch/location where the counterfeit currency was tendered Field + filler spaces = 80
4.	Branch Reference Number*	CHAR	12	90	101	Unique Code issued by the regulator or any temporary code to uniquely identify each branch/office
5.	Unique ID issued by FIU*	CHAR	10	102	111	Use XXXXXXXXXX till the ID is communicated
6.	Branch Address1*	CHAR	45	112	156	No., Building Field + filler spaces = 45
7.	Branch Address2*	CHAR	45	157	201	Street/Road Field + filler spaces = 45
8.	Branch Address3	CHAR	45	202	246	Locality Field + filler spaces = 45
9.	Branch Address4	CHAR	45	247	291	City/Town, District Field + filler spaces = 45
10.	Branch Address5	CHAR	45	292	336	State, Country Field + filler spaces = 45
11.	Branch Pin code*	NUM	6	337	342	Pin code without "-" or space
12.	Branch Telephone	CHAR	30	343	372	Telephone number in format STD Code-Telephone number
13.	Branch Fax	CHAR	30	373	402	Fax number in format STD Code-Telephone number
14.	Branch E-mail	CHAR	50	403	452	E-mail address

13. Data structure of Transaction File (CCRTRN.txt)

S. No.	Field	Type	Size	From	To	Remarks
1.	Record Type*	CHAR	3	1	3	Value should be "TRN" signifying Transaction data file
2.	Line Number*	NUM	6	4	9	Running Sequence Number for each line in the file starting from 1. This Number will be used during validation checks.
3.	Branch Reference Number*	CHAR	12	10	21	Branch Reference Number of branch/location where counterfeit currency was tendered. Use any unique number issued by the regulator or any temporary code to uniquely identify each branch/ location
4.	Denomination1000	NUM	10	22	31	Number of counterfeit currency notes of Rs. 1000/- each
5.	Denomination500	NUM	10	32	41	Number of counterfeit currency notes of Rs. 500/- each
6.	Denomination100	NUM	10	42	51	Number of counterfeit currency notes of Rs. 100/- each
7.	Denomination50	NUM	10	52	61	Number of counterfeit currency notes of Rs. 50/- each
8.	Denomination20	NUM	10	62	71	Number of counterfeit currency notes of Rs. 20/- each
9.	Denomination10	NUM	10	72	81	Number of counterfeit currency notes of Rs. 10/- each
10.	Denomination5	NUM	10	82	91	Number of counterfeit currency notes of Rs. 5/- each
11.	Total Counterfeit Currency	NUM	10	92	101	Value of counterfeit currency detected. This value should match with the value derived from the number of notes mentioned in S. No. 4 to 10 above.
12.	Tendering Date	NUM	8	102	109	Date of tendering counterfeit currency in YYYYMMDD format, if available. E.g.: 2nd May 2007 should be written as 20070502
13.	Total Cash Tendered	NUM	20	110	129	Total Cash tendered by the tenderer including the counterfeit currency, if available
14.	Detection Date*	NUM	8	130	137	In YYYYMMDD format E.g.: 2nd May 2007 should be written as 20070502
15.	Detected At*	CHAR	1	138	138	"A"- Cash Counter "B"- Branch Level "C"- Currency Chest "D"- RBI's CVPS "Z"- Other

16.	Police Informed	CHAR	1	139	139	Y – for Yes, N – for No
17.	FIR Detail	CHAR	80	140	219	FIR, Police Station details etc., if available
18.	Additional Information	CHAR	80	220	299	Additional Information such as quality of counterfeit currency, sequence of events, if available
19.	Name of Tendering Person	CHAR	80	300	379	Person who tendered the counterfeit currency, if available.
20.	Name of Account Holder	CHAR	80	380	459	Name of the Sole/First account holder in whose account the counterfeit currency was tendered, if available.
21.	Account Number	CHAR	20	460	479	Account/Card Number of the person in whose account the counterfeit currency was tendered, if available.

Annex -V

An Indicative List of Suspicious Activities Transactions Involving Large Amounts of Cash

Company transactions, that are denominated by unusually large amounts of cash, rather than normally associated with the normal commercial operations of the company, e.g. cheques,

Transactions that do not make Economic Sense

Transactions in which assets are withdrawn immediately after being deposited unless the business activities of the customer's furnishes a plausible reason for immediate withdrawal.

Activities not consistent with the Customer's Business

Accounts with large volume of credits whereas the nature of business does not justify such credits.

Attempts to avoid Reporting/Record-keeping Requirements

(i) A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.

(ii) Any individual or group that coerces/induces or attempts to coerce/induce a NBFC employee not to file any reports or any other forms.

(iii) An account where there are several cash transactions below a specified threshold level to a avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

Unusual Activities

Funds coming from the countries/centers which are known for money laundering.

Customer who provides Insufficient or Suspicious Information

(i) A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.

(ii) A customer/company who is reluctant to reveal details about its activities or to provide financial statements.

(iii) A customer who has no record of past or present employment but makes frequent large transactions.

Certain NBFC Employees arousing Suspicion

(i) An employee whose lavish lifestyle cannot be supported by his or her salary.
(ii) Negligence of employees/willful blindness is reported repeatedly.

Some examples of suspicious activities/transactions to be monitored by the operating staff-

- Large Cash Transactions
- Multiple accounts under the same name
- Placing funds in term Deposits and using them as security for more loans
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts

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Annex-VI

Guidelines issued by DBOD to banks

Guidelines on 'Know Your Customer' norms and Anti-Money Laundering Measures

'Know Your Customer' Standards

1. The objective of KYC guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering 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. Banks should frame their KYC policies incorporating the following four key elements:

(i) Customer Acceptance Policy;

(ii) Customer Identification Procedures;

(iii) Monitoring of Transactions; and

(iv) Risk management.

For the purpose of KYC policy, a 'Customer' may be 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.

Customer Acceptance Policy (CAP)

2. Banks 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 categorization 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 – as explained in Annex II) 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 guidelines issued by Reserve Bank from time to time;

(iv) Not to open an account or close an existing account where the bank is unable to apply appropriate customer due diligence measures i.e. bank is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non cooperation of the customer or non reliability of the data/information furnished to the bank. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account may 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 may be opened by an intermediary in the fiduciary capacity and

(vi) Necessary checks 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.

Banks may 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. However, while preparing customer profile banks should take care to seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

For the purpose of risk categorisation, 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 categorised 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 & 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 may 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 may 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 may 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.

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.

<u>Customer Identification Procedure (CIP)</u>

3. 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 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 authorized 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 Annex-II 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. An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in the Annex-III.

Monitoring of Transactions

4. 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. The bank 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. Banks should ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.

Banks should ensure that its branches continue to maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakh and above. The internal monitoring system should have an inbuilt procedure for reporting of such transactions and those of suspicious nature to controlling/ head office on a fortnightly basis.

Risk Management

5. 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 may, 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.

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 may be put up before the Audit Committee of the Board on quarterly intervals.

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.

Customer Education

6. 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.

Introduction of New Technologies – Credit cards/debit cards/smart cards/gift cards

7. 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. Further, marketing of these 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.

In case of NBFCs this policy may be adopted in respect of issue of credit cards as NBFCs are not permitted to issue debit cards, smart cards, stored value cards, charge cards, etc.

<u>KYC for the Existing Accounts</u>

8. Banks were advised vide our circulars DBOD.AML.BC.47/14.01.001/2003-04, DBOD.AML.129/14.01.001/2003-04 and DBOD.AML.BC.No.101/14.01.001/ 2003-04 dated November 24, 2003, December 16, 2003 and June 21, 2004 respectively to apply the KYC norms advised vide our circular DBOD. No. AML.BC.18/ 14.01.001/ 2002-03 dated August 16, 2002 to all the existing customers in a time bound manner. [**NBFCs were advised, vide our circular DNBS(PD) CC No. 34/2003-04 dated January 6, 2004 to apply the KYC norms to all the existing customers in a time bound manner.]** While the revised guidelines will apply to all new customers, banks should apply the same to the existing customers on the basis of materiality and risk. However, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the CDD measures. Banks may consider applying monetary limits to such accounts based on the nature and type of the account. It may, however, be ensured that all the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards which would establish the identity of the natural/legal person and those of the 'beneficial owners'. Banks may also ensure that term/ recurring deposit accounts or accounts of similar nature are treated as new accounts at the time of renewal and subjected to revised KYC procedures.

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 may 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.

Applicability to branches and subsidiaries outside India

9. The above guidelines shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of Reserve Bank.

Appointment of Principal Officer

10. Banks may 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.

Annex-VII

Customer Identification Requirements – Indicative Guidelines

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 may 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 settlors 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.

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.

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.

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 identify of the person and seek information about the sources of funds before accepting the 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.

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 procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may 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.

Correspondent Banking

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 relevance. Similarly, banks should try to ascertain from publicly available information whether the other bank has been subject to any money laundering or 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.

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. 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.

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Annex-VIII

Customer Identification Procedure

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

Features	**Documents**
Accounts of individuals	
Legal name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the bank's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank
Correct permanent address	(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) (any one document which provides customer information to the satisfaction of the bank will suffice)
Accounts of companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(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 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, settlors, 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 Proprietary Concerns -Name, Address and Activity of the Proprietary Concern.	i) 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, etc. ii) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. NBFCs/RNBCs may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account. iii) 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. iv) Utility bills such as electricity,

	water, and landline telephone bills in the name of the proprietary concern. v) Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

Appendix

List of KYC Circulars

Sr. No.	Circular No.	Date
(i)	DNBS (PD) CC.No.46/02.02(RNBC)/2004-05	December 30, 2004
(ii)	DNBS(PD). CC 48 /10.42/2004-05	February 21, 2005
(iii)	DNBS(PD).CC No. 58/ 10.42 /2005-06	October 11, 2005
(iv)	DNBS.PD. CC No. 64 /03.10.042/2005-06	March 7, 2006
(v)	DNBS(PD). CC 113 /03.10.042/ 2007- 08	April 23, 2008
(vi)	DNBS(PD). CC 163/03.10.042/ 2009-10	November 13, 2009
(vii)	DNBS(PD).CC. No 166 /03.10.42 /2009-10	December 2, 2009
(viii)	DNBS. (PD) CC No 192/03.10.42/2010-11	August 9, 2010
(ix)	DNBS. (PD) CC No 193/03.10.42/2010-11	August 9, 2011
(x)	DNBS(PD).CC. No 201/03.10.42 /2010-11	September 22, 2010
(xi)	DNBS(PD).CC. No 202/03.10.42 /2010-11	October 4, 2010
(xii)	DNBS(PD).CC.No209/03.10.42/2010-11	January 28, 2011
(xiii)	DNBS(PD).CC.No210/03.10.42/2010-11	February 14, 2011
(xiv)	DNBS.(PD)CCNo212/03.10.42/2010-11	March 8, 2011
(xv)	DNBS(PD).CC. No.216/03.10.42 /2010-11	May 02, 2011
(xvi)	DNBS(PD).CC.No218/03.10.42/2010-11	May 04 , 2011
(xvii)	DNBS.(PD)CC No215/03.10.42/2010-11	April 5, 2011
(xviii)	DNBS(PD).CC. No 242 /03.10.42 /2011-12	September 15, 2011
(xix)	DNBS(PD).CC. No 244 /03.10.42 /2011-12	September 22, 2011
(xx)	DNBS(PD).CC. No 251 /03.10.42 /2011-12	December 26, 2011
(xxi)	DNBS(PD).CC. No 257 /03.10.42 /2011-12	March 14, 2012
(xxii)	DNBS(PD).CC. No 264/03.10.42/2011-12	March 21, 2012
(xxiii)	DNBS(PD).CC. No.270/03.10.42 /2011-12	April 4, 2012
(xxiv)	DNBS(PD).CC. No 275 /03.10.42 /2011-12	May 29, 2012

List of PMLA Circulars

Appendix

Sr. No.	Circular No.	Date
(i)	DNBS(PD). CC 68 /03.10.042/2005-06	April 5, 2006
(ii)	DNBS(PD). CC 126/03.10.042/ 2008- 09	August 5, 2008
(iii)	DNBS(PD). CC 164/03.10.042/ 2009- 10	November 13, 2009
(iv)	DNBS(PD).CC. No 170 /03.10.42 /2009-10	April 23 , 2010
(v)	DNBS(PD)CC.No 171/03.10.42/2009-10	April 23 , 2010
(vi)	DNBS(PD).CC. No.172/03.10.42 /2009-10	April 30, 2010
(vii)	DNBS(PD)CC.No 175/03.10.42/2009-10	May 26, 2010
(viii)	DNBS(PD)CC.No 198/03.10.42/2010-11dated	August 26, 2010
(ix)	DNBS(PD).CC. No 247 /03.10.42 /2011-12	October 28, 2011

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