

March 8 , 2011

Dear Sir,

All Non-Banking Financial Companies,  
Residuary Non-Banking Companies

Dear Sir,

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

Please refer to the Master Circular No. 184 dated July 01, 2010 on the captioned subject. All NBFCs (including RNBCs) are advised to take note of modifications to the above circular as under:

2. Reference has been invited to para 2 of Annex VI of the Master Circular No. 184 dated July 1, 2010. NBFCs are required to apply enhanced due diligence measures on high risk customers. Some illustrative examples of customers requiring higher due diligence have also been given in the paragraph under reference. NBFCs have been further advised that in view of the risks involved in cash intensive businesses, accounts of bullion dealers(including sub-dealers) and jewelers should also be categorized by NBFCs as 'high risk' requiring enhanced due diligence.

3. In terms of paragraph 4 of Annex-VI of the Master Circular No 184 dated July 1, 2010, ongoing monitoring is an essential element of effective KYC procedures. It is advised that NBFCs are also required to subject these 'high risk accounts' to intensified transaction monitoring. High risk associated with such accounts should be taken into account by NBFCs to identify suspicious transactions for filing Suspicious Transaction Reports (STRs) to FIU-ND.

4. These guidelines are issued under Section 45K and 45L of RBI Act,1934 read with Rule 7 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 and any contravention thereof or non-compliance shall attract penalties under relevant Act / Rules.

Yours sincerely,

(Uma Subramaniam)  
Chief General Manager-in-Charge