

August 09 , 2010

Dear Sir,

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

Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards_

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:

Client accounts opened by professional intermediaries

2 When the NBFC 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. NBFCs may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. NBFCs 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 NBFCs 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 NBFC, the NBFC should still look through to the beneficial owners. Further, in terms of paragraph 3 of Annex-VI of the above mentioned Master Circular, if a NBFC decides to accept an account in terms of the Customer Acceptance Policy, NBFC 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. Therefore, under the extant AML/CFT framework it is not possible for professional intermediaries like Lawyers and Chartered Accountants, etc. who are bound by any client confidentiality that prohibits disclosure of the client details, to hold an account on behalf of their clients.

3. It is, therefore, reiterated that NBFCs should not allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits NBFCs ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client.

4. These guidelines are issued under Section 45K and 45L of Reserve Bank of India Regulation Act, 1934. Any contravention thereof or non-compliance shall attract penalties under the RBI Act.

Yours sincerely,

(Uma Subramaniam)
Chief General Manager-in-Charge