



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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UBD.BPD. (PCB). No.10/12.05.001/2010-11

August 23, 2010

The Chief Executive Officers
All Primary (Urban) Co-operative Banks

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.

In terms of the KYC guidelines issued vide [UBD. PCB.Cir. No. 30 / 09.161.00/2004-05 dated December 15, 2004](#), banks were advised to follow certain customer identification procedures for opening of accounts and monitoring of transactions in cash and also transactions of suspicious nature for the purpose of reporting it to appropriate authority.

Client accounts opened by professional intermediaries

2. Your attention is drawn to Annex – I of the above circular. It was advised therein that:

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.

Further, in terms of paragraph 3 of the guidelines on KYC norms and AML measures appended to the aforesaid circular:

if a 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.

3. Thus, under the extant AML/CFT framework it is not possible for professional intermediaries like Lawyers and Chartered Accountants, etc. who are bound by client confidentiality that prohibits disclosure of the client details, to hold an account on behalf of their clients. It is, therefore, reiterated that any professional intermediary who is under any obligation that inhibits bank's 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 35A of the Banking Regulation Act, 1949 (AACs). Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act, 1949 (AACs).

Yours faithfully

(Uma Shankar)
Chief General Manager