



RBI/2014-15/212

DBOD.AML.BC. No.39 /14.01.001/2014-15

September 4, 2014

The Chairperson/Chief Executive Officers
All Scheduled Commercial Banks (excluding RRBs) /
All India Financial Institutions/ Local Area Banks

Dear Madam/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 Obligation of banks – Client
Due Diligence measures**

Please refer to [paragraph 2](#) of our Master Circular DBOD.AML.BC.No.22/14.01.001/
2014-15 July 1, 2014, as per which banks are required to:

- (i) Undertake client due diligence measures while commencing an account-based relationship. Such measures include identifying and verifying the customer and beneficial owner on the basis of reliable and independent information and data or documentation.
- (ii) Apply client due diligence measures to existing clients at an interval of two/eight/ten years in respect of high/medium/low risk clients respectively.
- (iii) Carry out ongoing due diligence of existing clients in order to ensure that their transactions are consistent with the bank's knowledge of the client, his business and risk profile and where necessary, the source of funds.
- (iv) Obtain 'positive confirmation' at two/three years in respect of medium and low risk customers respectively.

2. Taking into account the feedback received in this regard and keeping in view the provisions of the PML Rules, the matter has been reviewed. Accordingly, it is advised that while the requirements of client due diligence measures applied when establishing an account-based relationship and on-going due diligence would continue as indicated at paragraph 1(i) to 1(iii) above, it has been decided to dispense with the requirement of 'positive confirmation' as indicated at paragraph 1(iv) above.

3. Further, the requirement of applying client due diligence measures to existing clients at an interval of two/eight/ten years in respect of high/medium/low risk clients respectively, would also continue taking into account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained. Physical presence of the clients may, however, not be insisted upon at the time of such periodic updations.
4. Banks may revise their KYC policy in the light of the above instructions and ensure strict adherence to the same.

Yours faithfully

(Lily Vadera)
Chief General Manager