



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK

By Registered Post

NHB (ND)/DRS/Pol-No.32/2009-10

March 16, 2010

All Registered Housing Finance Companies

Madam/ Dear Sirs,

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, 2002 (PMLA) and rules framed there under.

National Housing Bank issued revised guidelines regarding 'Know Your Customer' (KYC) norms and Anti-Money Laundering Measures vide circular letter No. NHB(ND)/DRS/POL-No-13/2006 dated April 10, 2006 wherein housing finance companies were advised *inter alia* the Customer Identification Procedure, Maintenance of records of transactions and the periods of preservation of such records keeping in view the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) and the Rules framed there under.

2. The PMLA was amended vide Prevention of Money Laundering (Amendment) Act, 2009 (21 of 2009) and the amended Act came into effect from June 1, 2009. Section 12 of amended PMLA requires every housing finance company to maintain records as under:

- (a) records of all transactions over Rs. 10 lacs, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

The record of such transactions is required to be maintained for a period of ten years from the date of transactions between the clients and the housing finance company.

- (b) records of the identity of all clients of the housing finance company which are obtained by housing finance company in accordance with the guidelines provided in Annexure to circular letter No. NHB(ND)/DRS/POL-No-13/2006 dated April 10, 2006 of National Housing Bank mentioned in para. 1 above.

The record of such identity is required to be maintained for a period of ten years from the date of cessation of business relationship between the clients and the housing finance company.

3. Further, the Government of India vide its notification No. 13/2009/F.No.6/8/2009-ES dated November 12, 2009 has also amended the 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



भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व में

कोर-5-ए, तृतीय तल, इंडिया हैबिटेट सेंटर, लोधी रोड, नई दिल्ली-110003

दूरभाष नं. पी.बी.एक्स.-2464 9031-35 फ़ैक्स : 011-2464 6988, 2464 9041

वेबसाईट : www.nhb.org.in ईमेल : nhbho1@bol.net.in तार : निवास बैंक

Wholly owned by Reserve Bank of India

Core-5-A, 3rd Floor, India Habitat Centre, Lodhi Road, New Delhi-110003

Phone : PBX 2464 9031-35 Fax : 011-2464 6988, 2464 9041

Website : www.nhb.org.in E-mail : nhbho1@bol.net.in Gram : NIWAS Bank

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Companies, Financial Institutions and Intermediaries) Rules, 2005. A copy of the notification is enclosed for information. In terms of amendment to Rule 2, 3, 6, 8 and 9, the housing finance companies are also required:

- (a) to maintain proper record of all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency {Rule 3(1)}. For this the definition of 'non-profit organization' is also inserted under Rule 2(1)(ca);

The report of such transactions by 'non-profit organization' is also required to be forwarded to FIU-IND in prescribed format every month by the 15th of succeeding month;

- (b) to maintain records referred to in rule 3 for a period of ten years from the date of transaction between the client and the housing finance company (Rule 6);
- (c) the housing finance company and its employees maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions {proviso to Rule 8(3)};

- (d) to verify identity of:

- i. non-account based customer while carrying out transaction of an amount equal to or exceeding rupees fifty thousand;
- ii. the customer for all international money transfer operations {Rule 9(1)(b)(i) & (ii)};

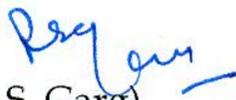
The relaxation, in verifying the identity of the client within a reasonable time after opening the account/ execution of the transaction, is also stands withdrawn (proviso to Rule 9).

4. As regards the accounts of Politically Exposed Persons (PEPs) it is advised that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the housing finance company should obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as specified in Annexure - I of the National Housing Bank's circular letter No. NHB(ND)/ DRS/POL-No-13/2006 dated April 10, 2006.

5. The housing finance companies are advised to take note of the above and ensure compliance of amended provisions of the aforesaid Act and rules framed thereunder.

Kindly acknowledge receipt.

Yours faithfully


(R.S. Garg)
General Manager
Department of Regulation & Supervision

Encl.: as above



MINISTRY OF FINANCE

(Department of Revenue)

NOTIFICATION

New Delhi, the 12th November, 2009

G.S.R. 816(E).—In exercise of the powers conferred by clauses (a), (b) and (c) of sub-section (1) of Section 12 and Section 15 read with clauses (h), (i), (j) and (k) of sub-section (2) of Section 73 of the Prevention of Money-laundering Act, 2002 (15 of 2003), the Central Government, in consultation with the Reserve Bank of India, hereby makes the following rules further to amend the 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, namely :—

1. (1) These rules may be called the 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) Amendment Rules, 2009.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the 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 (hereinafter referred to as the principal rules),—

In rule 2, sub-rule (1),—

(a) after clause (c), the following clause shall be inserted, namely :—

‘(ca) “non profit organisation” means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956);’;

(b) after clause (f), the following clause shall be inserted, namely :—

‘(fa) “Regulator” means a person or an authority or a Government which is vested with the power to license, authorise, register, regulate or supervise the activity of banking companies, financial institutions or intermediaries, as the case may be;’;

(c) for clause (g), the following clause shall be substituted, namely :—

‘(g) “Suspicious transaction” means a transaction referred to in clause (h), including an attempted transaction, whether or not made in cash, which to a person acting in good faith—

(a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or

(b) appears to be made in circumstances of unusual or unjustified complexity; or

(c) appears to have no economic rationale or bonafide purpose; or

(d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;’.

3. In the principal rules, in rule 3, in sub-rule (1), after clause (B), the following clause shall be inserted, namely :—

“(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;”.

4. In the principal rules, in rule 5, for the words “the Reserve Bank of India or the Securities and Exchange Board of India, or the Insurance Regulatory Development Authority, as the case may be,” where ever they occur, the words, “its Regulator,” shall be substituted.

5. In the principal rules, for rule 6, the following rule shall be substituted, namely :—

“6. Retention of records of transactions—The records referred to in rule 3 shall be maintained for a period of ten years from the date of transactions between the client and the banking company, financial institution or intermediary, as the case may be.”.

6. In the principal rules, in rule 7, for the words “the Reserve Bank of India or the Securities and Exchange Board of India, or the Insurance Regulatory Development Authority, as the case may be,” where ever they occur, the words, “its Regulator,” shall be substituted;

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7. In the principal rules, in rule 8,—
- (a) in sub-rule (1), for the word, brackets and letters, “clauses (A) and (B)”, the word, brackets and letters “clauses (A), (B) and (BA)” shall be substituted;
- (b) after sub-rule (3), the following proviso shall be inserted at the end, namely :—
“Provided that a banking company, financial institution or intermediary, as the case may be, and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.”.
8. In the principal rules, in rule 9,—
- (a) for sub-rules (1) and (2), the following sub-rules shall be substituted, namely :—
“(1) Every banking company, financial institution and intermediary, as the case may be, shall,—
(a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and
(b) in all other cases, verify identity while carrying out:
(i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
(ii) any international money transfer operations.
(1A) Every banking company, financial institution and intermediary, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity.
(1B) Every banking company, financial institution and intermediary, as the case may be, shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.
(1C) No banking company, financial institution or intermediary, as the case may be, shall keep any anonymous account or account in fictitious names.

(2) Where the client is an individual, he shall for the purpose of sub-rule (1), submit to the banking company, financial institution and intermediary, as the case may be, one certified copy of an ‘officially valid document’ containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required by the banking company or the financial institution or the intermediary, as the case may be :

Provided that photograph need not be submitted by a client falling under clause (b) of sub-rule (1).”;

(b) after sub-rule (6), the following sub-rule shall be inserted, namely :—

“(6 A) Where the client is a juridical person, the banking company, financial institution and intermediary, as the case may be, shall verify that any person purporting to act on behalf of such client is so authorised and verify the identity of that person.”;

(c) for sub-rule (7), the following sub-rule shall be substituted, namely :—

“(7) (i) The regulator shall issue guidelines incorporating the requirements of sub-rules (1) to (6A) above and may prescribe enhanced measures to verify the client’s identity taking into consideration type of client, business relationship or nature and value of transactions.

(ii) Every banking company, financial institution and intermediary as the case may be, shall formulate and implement a Client Identification Programme to determine the true identity of its clients, incorporating requirements of sub-rules (1) to (6A) and guidelines issued under clause (i) above.

9. In the principal rules, in rule 10, for the words “the Reserve Bank of India or the Securities and Exchange Board of India, or the Insurance Regulatory Development Authority, as the case may be,”, wherever they occur, the words, “its regulator;”, shall be substituted.

[Notification No. 13/2009/F. No. 6/8/2009-ES]

S. G. P. VERGHESE, Under Secy.

Note: The principal rules were published in Part II, Section 3, Sub-section (i) of the Gazette of India, Extraordinary *vide* No. G.S.R. 444(E), dated 1st July, 2005 and subsequently amended *vide* No. G.S.R. 717(E), dated 13th December, 2005 and No. G.S.R. 389(E), dated 24th May, 2007.