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NEW DELHI, FRIDAY, JULY 1, 2005/ ASADHA 10,1927

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

NOTIFICATION

New Delhi, dated the 1st July, 2005

G.S.R.444(E).— In exercise of the powers conferred by sub-section (1) read with clause (h), clause (i), clause (j) and clause (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 for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries, namely:—

1. Short title and commencement.—

- (1) These rules may be called the Prevention of Money-laundering (⁷[Maintenance of Records]) Rules, 2005.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions.—

- (1) In these rules, unless the context otherwise requires,—
 - (a) “Act” means the Prevention of Money-laundering Act, 2002 (15 of 2003);

¹⁵[²³[(aa) “Aadhaar number” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);]

(ab) “authentication” means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016;

¹⁰[(ac) “Central KYC Records Registry” means a reporting entity, substantially owned and controlled by the Central Government, and authorised by that Government through a notification in the Official Gazette to receive, store, safeguard and retrieve the KYC records in digital form of a client as referred to in clause (ha) in such manner and to perform such other functions as may be required under these rules;]

²⁶[(ad) “Depository Receipt” means a foreign currency denominated instrument, whether listed on an international exchange or not, issued by a foreign depository in a permissible jurisdiction on the back of eligible securities issued or transferred to that foreign depository and deposited with a domestic custodian and includes 'global depository receipt' as defined in the Companies Act, 2013 (18 of 2013);]

²³[***]

²³[***]

⁸[(b) “client due diligence” means due diligence carried out on a client referred to in clause (ha) of sub-section (1) of section 2 of the Act ³⁵[using reliable and independent sources of identification;]]

⁸[(ba) “Designated Director” means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes—

- (i) the Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,
- (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a ³²[body of individuals;]

³²[(va) a person who is heading the reporting entity in India, if the reporting entity is located in an International Financial Services Centre; and]

(vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.

Explanation.— For the purpose of this clause, the terms “Managing Director” and “Whole-time Director” shall have the meaning assigned to them in the ¹⁰[Companies Act, 2013 (18 of 2013);]

⁶[(bb) “Designated Officer” means any officer or a class of officers authorized by a banking company, either by name or by designation, for the purpose of opening small accounts;

²⁵[(bba) “digital KYC” means the capturing live photo of the client and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the reporting entity as per the provisions contained in the Act;

(bc) “Digital Signature” shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000);]

(c) “Director” means the Director appointed under sub-section (1) of section 49 of the Act for the purposes of sections 12,⁸[12A] and 13 of the Act;

(ca) “e – KYC authentication facility” means an authentication facility as defined in Aadhaar (Authentication) Regulations, 2016;

²⁵[(cb) “equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the client as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016;]

³³[(cba) “group” shall have the same meaning assigned to it in clause (e) of sub-section (9) of section 286 of the Income-tax Act, 1961 (43 of 1961)]

³²³³[(cbb)] “International Financial Services Centre” means an International Financial Services Centre set up under section 18 of the Special Economic Zones Act, 2005 (28 of 2005);]

¹⁰[(cc) “Know Your Client (KYC) Identifier” means the unique number or code assigned to a client by the Central KYC Records Registry;

(cd) “Know Your Client (KYC) records” means the records, including the electronic records, relied upon by a reporting entity in carrying out client due diligence as referred to in rule 9 of these rules;

(ce) “last KYC verification or updation” means the last transaction made by a reporting entity in the Central KYC Records Registry by which the KYC records of a client were recorded, changed or updated by a reporting entity;]

³³³¹⁰[(cf)] “Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), 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 the section 8 of the Companies Act, 2013 (18 of 2013)];]

(d) “officially valid document” means the passport, the driving licence,²³[proof of possession of Aadhaar number,]¹⁵[***] the Voter’s Identity Card issued by the Election Commission of India, ⁶[job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the Unique Identification Authority of India ¹⁰[or the National Population Register] containing details of name, address and Aadhaar number or any other document as notified by the Central Government in consultation with the ⁸[Regulator]]];

the passport, the driving licence, the Voter's Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator

⁸[Provided that where simplified measures are applied for verifying the identity of the clients the following documents shall ²⁵[also] be deemed to be ‘officially valid documents:

- (a) identity card with applicant’s Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
- (b) letter issued by a gazetted officer, with a duly attested photograph of the person;]

⁹[Provided further that where simplified measures are applied for verifying the limited purpose of proof of address of the clients, where a prospective customer is unable to produce any proof of address, the following documents shall ²⁵[also] be deemed to be ‘officially valid document’:

- (a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, Water bill);
- (b) property or Municipal tax receipt;
- (c) bank account or Post Office savings bank account statement ³²[or if the reporting entity is located in an International Financial Services Centre, statement of foreign bank];
- (d) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (e) letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and licence agreements with such employers allotting official accommodation; and

¹⁹[***]]

¹⁹[Provided also that in case the officially valid document presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address]

³²[Provided also that in an International Financial Services Centre, the national identity card and voter identification card, by whatever name called, issued by the Government of foreign jurisdictions or agencies authorised by them capturing the photograph, name, date of birth and address of a foreign national shall also be considered as officially valid document:]

²³[Provided also that where the client submits his proof of possession of Aadhaar number as an officially valid document, he may submit it in such form as are issued by the Unique Identification Authority of India.]

¹²[*Explanation.*— For the purpose of this clause, a document shall be deemed to an “officially valid document” even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.]

²⁵[(da) “offline verification” shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);]

³³[(db) “Politically Exposed Persons” (PEPs) are individuals who have been entrusted with prominent public functions by a foreign country, including the heads of States or Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials;]

(e) “prescribed value” means the value of transaction prescribed under these rules;

(f) “Principal Officer” means an officer designated by a⁸[reporting entity];

³⁴[Provided that such officer shall be an officer at the management level.]

¹⁴[(fa) “Regulator” means–

(i) a person or an authority or a Government which is vested with the power to license, authorise, register, regulate or supervise the activity of reporting entities or the Director as may be notified by the Government for a specific reporting entity or a class of reporting entities or for a specific purpose;

(ii) the Reserve Bank of India with respect to Central KYC Records Registry as defined in clause (ac) of sub-rule (1) of rule 2;]

³¹¹⁷[(iii) the Central Board of Indirect Taxes and Customs, constituted under Central Boards of Revenue Act, 1963, with respect to the dealers in precious metals and precious stones.]

³¹[(iv) the Central Board of Indirect Taxes and Customs, constituted under Central Boards of Revenue Act, 1963, with respect to the real estate agents.]

⁸[(fb) “Rules” means the Prevention of Money-laundering (Maintenance of Records) Rules, 2005;]

⁶[(fc) “small account” means a savings account in a banking company where-

(i) the aggregate of all credits in a financial year does not exceed rupees one lakh,

(ii) the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand, and

(iii) the balance at any point of time does not exceed rupees fifty thousand.]

¹⁶[Provided that this limit on balance shall not be considered while making deposits through government grants, welfare benefits and payment against procurements.]

(g) “suspicious transaction” means a transaction ³[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 may³[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;²[or

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

⁵[*Explanation.*—Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organisation or those who finance or are attempting to finance terrorism.]

⁸[(h) “transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes —

- (i) opening of an account;
- (ii) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- (iii) the use of a safety deposit box or any other form of safe deposit;
- (iv) entering into any fiduciary relationship;
- (v) any payment made or received in whole or in part of any contractual or other legal obligation;
- (vi) any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- (vii) establishing or creating a legal person or legal arrangement.]

(i) “Yes/No authentication facility” means an authentication facility as defined in Aadhar (Authentication) Regulations, 2016;]

(2) All other words and expressions used and not defined in these rules but defined in the Act shall have the meaning respectively assigned to them in the Act.

3. Maintenance of records of transactions (nature and value).—

(1) Every ⁸[reporting entity] shall maintain a record of ⁴[all transactions including the record of],—

(A) all cash transactions of the value of more than ten lakhs rupees or its equivalent in foreign currency;

(B) all series of cash transactions integrally connected to each other which have been ⁸[individually] valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month ⁸[and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency];

³[(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

(C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security ²[or a document] has taken place ²[facilitating the transactions];

(D) all suspicious transactions whether or not made in cash and by way of :

- (i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of :
 - (a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or
 - (b) travellers cheques, or
 - (c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
 - (d) any other mode in whatsoever name it is referred to;
- (ii) credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;
- (iii) money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:—
 - (a) payment orders, or
 - (b) cashiers cheques, or
 - (c) demand drafts, or
 - (d) telegraphic or wire transfers or electronic remittances or transfers, or
 - (e) internet transfers, or
 - (f) Automated Clearing House remittances, or
 - (g) lock box driven transfers or remittances, or
 - (h) remittances for credit or loading to electronic cards, or
 - (i) any other mode of money transfer by whatsoever name it is called;
- (iv) loans and advances including credit or loan substitutes, investments and contingent liability by way of:
 - (a) subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitised participation, inter bank participation or any other investments in securities or the like in whatever form and name it is referred to, or
 - (b) purchase and negotiation of bills, cheques and other instruments, or
 - (c) foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or
 - (d) letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;
- (v) collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

⁸[(E) all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;

(F) all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.]

³³³⁵**3A. Implementation of policies by groups.**— (1) Every reporting entity, which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

(2) Groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the Prevention of Money Laundering Act, 2002. (15 of 2003).]]

4. Records containing Information.—

The records referred to in rule 3 shall contain ⁴[all necessary information specified by the Regulator to permit reconstruction of individual transaction including] the following information:—

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it was denominated;
- (c) the date on which the transaction was conducted; and
- (d) the parties to the transaction.

5. Procedure and manner of maintaining information.—

(1) Every ⁸[reporting entity] shall maintain information in respect of transactions with its client referred to in rule 3 ⁴[***] in accordance with the procedure and manner as may be specified by ³[its Regulator] from time to time.

(2) Every ⁸[reporting entity] shall evolve an internal mechanism for maintaining such information in such form and at such intervals as may be specified by ³[its Regulator] from time to time.

(3) It shall be the duty of every ⁸[reporting entity, its designated director, officers and employees] to observe the procedure and the manner of maintaining information as specified by ³[its Regulator] under sub-rule (1).

⁸[***]

7. Procedure and manner of furnishing information.—

(1) Every ⁸[reporting entity] shall communicate ⁸[to the Director] the name, designation and address of the Principal Officer⁸[***].

(2) The Principal Officer shall furnish the information referred to in ⁴[clauses (A), (B), (BA), (C) and (D) of] ⁸[sub-rule (1) of] rule 3 to the Director on the basis of information available with the ⁸[reporting entity]. A copy of such information shall be retained by the Principal Officer for the purposes of official record.

(3) Every ⁸[reporting entity shall] evolve an internal mechanism ⁷[having regard to any guidelines issued by ¹²[the Director in consultation with, its] regulator, for detecting the transactions] referred to in ⁴[clauses (A), (B), (BA), (C) and (D) of] ⁸[sub-rule (1) of] rule 3 ⁸[and for furnishing information about such transactions] in such form ⁸[***] as may be directed by ¹²[the Director in consultation with, its]³[its Regulator].

(4) It shall be the duty of every ⁸[reporting entity, its designated director, officers and employees] to observe the procedure and the manner of furnishing information ⁴[***] as specified by ¹²[the Director in consultation with, its]³[its Regulator].

8. Furnishing of information to the Director.—

²[(1) The Principal Officer of a ⁸[reporting entity] shall furnish the information in respect of transaction referred to in clause (A), (B), ³[(BA)], ⁸[(C) and (E)] of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.

²³⁵[(2) The principal officer of a reporting entity shall, on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3.]

(3) The Principal Officer of a ⁸[reporting entity] shall furnish the information ⁸[***] in respect of transactions referred to in clause ⁸[(F)] of sub-rule (1) of rule 3 ⁸[every quarter to the Director by the 15th day of the month succeeding the quarter. ***]

⁸[***]

⁸[(4) For the purpose of this rule, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-reported transaction beyond the time limit as specified in this rule shall constitute a separate violation.]

²⁹[(5) Notwithstanding anything contained in sub-rule (1) and (3) the Reporting Officer shall furnish the information ³⁰[in respect of transactions referred to in clauses (A), (B), (BA), (C) and (E) of sub rule (1) of rule 3 for the months of March 2020, April 2020 and May 2020, and in respect of transactions referred to in clauses (F) of sub rule (1) of rule 3 for the quarter January-March 2020] by the 30th June, 2020.]

³⁵[(6) Every reporting entity, its Directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 and furnishing of information to the Director is kept confidential.

Provided that nothing in this rule shall inhibit sharing of information under rule 3A of any analysis of transactions and activities which appear unusual, if any such analysis has been done.]

9. Verification of the records of the identity of clients.—

³³⁵[(1) Every reporting entity shall, at the time of commencement of an account-based relationship or while carrying out occasional 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 any international money transfer operations, –

(a) identify its clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;

(b) take reasonable steps to understand the nature of the customer's business, and its ownership and control;

(c) determine whether a client is acting on behalf of a beneficial owner, and identify the beneficial owner and take all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification:

Provided that where the Regulator is of the view that money laundering and terrorist financing risks are effectively managed and where this is essential not to interrupt the normal conduct of business, the Regulator may permit the reporting entity to complete the verification as soon as reasonably practicable following the establishment of the relationship:

Provided further that where a client is subscribing or dealing with depositary receipts or equity shares, issued or listed in jurisdictions notified by the Central Government, of a company incorporated in India, and it is acting on behalf of a beneficial owner who is a resident of such jurisdiction, the determination, identification and verification of such beneficial owner, shall be as per the norms of such jurisdiction and nothing in sub-rule (3) to sub-rule (9) shall be applicable for due-diligence of such beneficial owner.

Explanation.- For the purposes of this proviso, the expression “equity shares” means a share in the equity share capital of a company and equity share capital shall have the same meaning as assigned to it in the *Explanation* to section 43 of the Companies Act, 2013 (18 of 2013).]

¹⁰[(1A) Subject to the provisions of sub-rule (1), every reporting entity shall within ²²[ten] days after the commencement of an account-based relationship with a client, file the electronic copy of the client’s KYC records with the Central KYC Records Registry;

(1B) The Central KYC Records Registry shall process the KYC records received from a reporting entity for de-duplicating and issue a KYC Identifier for each client to the reporting entity, which shall communicate the KYC Identifier in writing to their client;

(1C) Where a client, for the purposes of clause (a) and clause (b), submits a KYC Identifier to a reporting entity, then such reporting entity shall retrieve the KYC records online from the Central KYC Records Registry by using the KYC Identifier and shall not require a client to submit the same KYC records or information or any other additional identification documents or details, unless –

- (i) there is a change in the information of the client as existing in the records of Central KYC Records Registry;
- (ii) the current address of the client is required to be verified;
- (iii) the reporting entity considers it necessary in order to verify the identity or address of the client, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

(1D) A reporting entity after obtaining additional or updated information from a client under sub-rule (1C), shall as soon as possible furnish the updated information to the Central KYC Records Registry which shall update the existing KYC records of the client and the Central KYC Records Registry shall thereafter inform electronically all reporting entities who have dealt with the concerned client regarding updation of KYC record of the said client.

(1E) The reporting entity which performed the last KYC verification or sent updated information in respect of a client shall be responsible for verifying the authenticity of the identity or address of the client.

(1F) A reporting entity shall not use the KYC records of a client obtained from the Central KYC Records Registry for purposes other than verifying the identity or address of the client and shall not

transfer KYC records or any information contained therein to any third party unless authorised to do so by the client or by the Regulator or by the Director;

(1G) The regulator shall issue guidelines to ensure that the Central KYC records are accessible to the reporting entities in real time.]

⁸[(2) For the purpose of clause (a) of sub-rule (1), a reporting entity may rely on a third party subject to the conditions that—

⁸[³⁵[(a) the reporting entity immediately obtains from the third party or from the Central KYC Records Registry, the record or the information of such client due diligence carried out by the third party;]]

(b) the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

(c) the reporting entity is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

(d) the third party is not based in a country or jurisdiction assessed as high risk;

(e) the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable; and

(f) where a reporting entity relies on a third party that is part of the same financial group, the Regulator may issue guidelines to consider any relaxation in the conditions (a) to (d).

(3) The beneficial owner for the purpose of sub-rule (1) shall be determined as under—

(a) where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation.— For the purpose of this sub-clause—

1. “Controlling ownership interest” means ownership of or entitlement to more than ³³[ten] percent of shares or capital or profits of the company;

2. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

(b) where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than ³⁴[ten] percent of capital or profits of the partnership ³⁴[or who exercises control through other means];

Explanation – For the purpose of this clause, “Control” shall include the right to control the management or policy decision;]

(c) where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

- (d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- (e) where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ³³[ten] percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and
- (f) where the client or the owner of the controlling interest is ²⁶[an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities], it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such ²⁶[entities].
- (4) Where the client is an individual, ²³[***] he shall for the purpose of sub-rule (1), submit to the reporting entity, [***]—
- ²⁵[(a) the Aadhaar number where,
- (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
- (ii) he decides to submit his Aadhaar number voluntarily to a banking company or any reporting entity notified under first proviso to sub-section (1) of section 11A of the Act; or
- (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
- (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any officially valid document or the equivalent e-document thereof containing the details of his identity and address; and
- (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (c) such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the reporting entity.]

²³[***]

- (5) Notwithstanding anything contained in sub-rule (4)²⁵[and as an alternative thereto]²³[***], an individual who desires to open a small account in a banking company may be allowed to open such an account on production of a self-attested photograph and affixation of signature or thumb print, as the case may be, on the form for opening the account:

Provided that—

- (i) the designated officer of the banking company, while opening the small account, certifies under his signature that the person opening the account has affixed his signature or thumb print, as the case may be, in his presence;

²⁴[Provided that where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall

certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.]

(ii) a small account shall be opened only at Core Banking Solution linked banking company branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to a small account and that the stipulated limits on monthly and annual aggregate of transactions and balance in such accounts are not breached, before a transaction is allowed to take place;

(iii) a small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if the holder of such an account provides evidence before the banking company of having applied for any of the officially valid documents within twelve months of the opening of the said account, with the entire relaxation provisions to be reviewed in respect of the said account after twenty four months;

²⁸[(iiia) Notwithstanding anything contained in clause (iii), the small account shall remain operational between 1st April, 2020 and 30th June 2020 and such other periods as may be notified by the Central Government.]

¹⁵[(iv) the small account shall be monitored and when there is suspicion of money laundering or financing of terrorism or other high risk scenarios, the identity of client shall be established ²⁵[as per the provisions of sub-rule (4)]:

²³[***]]

(v) foreign remittance shall not be allowed to be credited into a small account unless the identity of the client is fully established ²⁵[as per the provisions of sub-rule (4)]:

²³[***.]

(6) Where the client is a company, it shall for the purposes of sub-rule (1) submit to the reporting entity one certified copy of the following documents ²⁵[or the equivalent e-documents thereof]:-

(i) Certificate of incorporation;

(ii) Memorandum and Articles of Association;

²³[(iii) Permanent Account Number of the company;]

³³[(iv) a resolution from the Board of Directors and power of attorney granted to its managers, officers or employees, as the case may be, to transact on its behalf;]

(v) ²⁵[such documents as are required for an individual under sub-rule (4) relating to beneficial owner,] managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.]

³³[(vi) the names of the relevant persons holding senior management position; and

(vii) the registered office and the principal place of its business, if it is different.]

(7) Where the client is a partnership firm, it shall for the purposes of sub-rule (1) submit to the reporting entity one certified copy of the following documents²⁵[or the equivalent e-documents thereof]:-

(i) registration certificate;

(ii) partnership deed;

³³[²³[(iii) Permanent Account Number of the partnership firm;]

³³[(iv) ²⁵[such documents as are required for an individual under sub-rule (4) relating to beneficial owner, managers, officers or employees, as the case may be,] of the person holding an attorney to transact on its behalf;] and]

³³[(v) the names of all the partners and address of the registered office, and the principal place of its business, if it is different.]

(8) Where the client is a trust, it shall, for the purposes of sub-rule (1) submit to the reporting entity one certified copy of the following documents²⁵[or the equivalent e-documents thereof]:-

(i) registration certificate;

(ii) trust deed; and

³³[²³[(iii) Permanent Account Number or Form No.60 of the trust;]

(iv) ²⁵[such documents as are required for an individual under sub-rule (4) relating to beneficial owner, managers, officers or employees, as the case may be,] of the person holding an attorney to transact on its behalf.]

³³[(v) the names of the beneficiaries, trustees, settler ³⁵[, protector, if any] and authors of the trust and the address of the registered office of the trust; and

(vi) list of trustees and documents as are required for individuals under sub-rule (4) for those discharging role as trustee and authorised to transact on behalf of the trust.]

(9) Where the client is an unincorporated association or a body of individuals, it shall submit to the reporting entity one certified copy of the following documents²⁵[or the equivalent e-documents thereof]:-

(i) resolution of the managing body of such association or body of individuals;

(ii) power of attorney granted to him to transact on its behalf;

²³[(iii) Permanent account number or Form No.60 of the unincorporated association or a body of individuals;

(iv) ²⁵[such documents as are required for an individual under sub-rule (4) relating to beneficial owner, managers, officers or employees, as the case may be,] of the person holding an attorney to transact on its behalf; and

(v) such information as may be required by the reporting entity to collectively establish the existence of such association or body of individuals.]

³³[(9A) Every Banking Company or Financial Institution or intermediary, as the case may be, shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and a reporting entity has ended or the account has been closed, whichever is later.

(9B) Where the client has submitted any documents for the purpose of sub-rule (1), it shall submit to the reporting entity any update of such documents, for the purpose of updating the records mentioned under sub-rules (4),(5),(6),(7),(8) or (9), as the case may be, within 30 days of such updation.]

(10) Where the client ³³[purports to act on behalf of juridical person or individual or trust], the reporting entity shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

³⁴[Provided that in case of a trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account based relationship or when carrying out transaction as specified in clause (b) of sub-rule (1) of rule 9.]

(11) No reporting entity shall allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified.

(12) (i) Every reporting entity 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 client, his business and risk profile and where necessary, the source of funds.

(ii) When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data, the reporting entity shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be.

(iii) The reporting entity shall apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships at appropriate times or as may be specified by the regulator, taking into account whether and when client due diligence measures have previously been undertaken and the adequacy of data obtained ³⁵[, such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly where there is high risk].

(13) (i) Every reporting entity shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, and products, services, transactions or delivery channels that is consistent with any national risk assessment conducted by a body or authority duly notified by the Central Government.

(ii) The risk assessment mentioned in clause (i) shall –

(a) be documented;

(b) consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;

(c) be kept up to date; and

(d) be available to competent authorities and self-regulating bodies.

(14) (i) The regulator shall issue guidelines incorporating the requirements of sub-rules (1) to (13) ²³[, sub-rule (15) and sub-rule (17)] and may prescribe enhanced or simplified measures to verify the client's identity taking into consideration the type of client, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved.

Explanation.— For the purpose of this clause, simplified measures are not acceptable whenever there is a suspicion of money laundering or terrorist financing, or where specific

higher-risk scenarios apply or where the risk identified is not consistent with the national risk assessment.

²¹[²³(ia) The guidelines issued under clause (i) shall also include appropriate-

(A) exemptions, limitations and conditions and alternate and viable means of identification, to provide account based services to clients who are unable to undergo biometric authentication;

(B) relaxation for continued operation of accounts for clients who are unable to provide Permanent Account Number or Form No. 60; and

²⁵[(C) exemption, limitations and conditions and alternate and viable means of identification, to provide account based services of clients who are unable to undergo Aadhaar authentication for receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016);]

owing to injury, illness or infirmity on account of old age or otherwise, and such like causes.]

³⁵[(ib) the guidelines shall include countermeasures to be undertaken when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.]

(ii) Every reporting entity shall formulate and implement a Client Due Diligence Programme, incorporating the requirements of sub-rules (1) to (13) ²³[, sub-rule (15) and sub-rule (17)] and guidelines issued under clause (i) and (ia).]

(iii) the Client Due Diligence Programme ³⁵[shall have regard to the money laundering and terrorist financing risks and the size of the business and] shall include policies, controls and procedures, approved by the senior management, to enable the reporting entity to manage and mitigate the risk that have been identified either by the reporting entity or through national risk assessment.]

²⁵[(15) Where the client has submitted—

(a) his Aadhaar number under clause (a) of sub-rule (4) to the banking company or a reporting entity notified under first proviso to sub-section (1) of section 11A, such banking company or reporting entity shall carry out authentication of the client's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India;

(b) proof of possession of Aadhaar under clause (aa) of sub-rule (4) where offline verification can be carried out, the reporting entity shall carry out offline verification;

(c) an equivalent e-document of any officially valid document, the reporting entity shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annexure 1.

(d) any officially valid document or proof of possession of Aadhaar number under clause (ab) of sub-rule (4) where offline verification cannot be carried out, the reporting entity shall carry out verification through digital KYC as specified under Annexure 1:

Provided that for a period not beyond such date as may be notified for a class of reporting entity, instead of carrying out digital KYC, the reporting entity pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the

officially valid document and a recent photograph where an equivalent e-document is not submitted.

Explanation.— Obtaining a certified copy by the reporting entity shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity as per the provisions contained in the Act.

²³[(16) Every reporting entity shall, where its client submits ²⁵[a proof of possession of Aadhaar Number containing] Aadhaar number, ensure such client redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15).

(17) (i) A client already having an account based relationship with a reporting entity, shall submit his Permanent Account Number²⁵[or the equivalent e-documents thereof] or Form No.60, on such date as may be notified by the Central Government, failing which the account shall temporarily cease to be operational till the time the Permanent Account Number ²⁵[or the equivalent e-documents thereof] or Form No. 60 is submitted by the client:

Provided that before temporarily ceasing operations for an account, the reporting entity shall give the client an accessible notice and a reasonable opportunity to be heard.

Explanation.— For the purpose of this clause, “temporary ceasing of operations” in relation to an account means the temporary suspension of all transactions or activities in relation to that account by the reporting entity till such time the client complies with the provisions of this clause;

(ii) if a client having an existing account based relationship with a reporting entity gives in writing to the reporting entity that he does not want to submit his Permanent Account Number ²⁵[or the equivalent e-documents thereof] or Form No.60, as the case may be, the client’s account with the reporting entity shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the client in the manner as may be determined by the regulator.

(18) In case of officially valid document furnished by the client does not contain updated address, the following documents ²⁵[or the equivalent e-documents thereof] shall be deemed to be officially valid documents for the limited purpose of proof of address:-

- (a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- (b) property or Municipal tax receipt;
- (c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (d) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation:

Provided that the client shall submit updated officially valid document ²⁵[or the equivalent e-documents thereof] with current address within a period of three months of submitting the above documents.]

²⁷[(19) Where a client has provided his Aadhaar number for identification under clause (a) of sub-rule (4) and wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the reporting entity.]

9A. Functions and obligations of the Central KYC Records Registry.—

¹⁰[(1) The Central Government shall within a period of ¹¹¹³[one hundred and eighty]] days from the date of coming into force of the Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2015 set-up a Central KYC Records Registry having its own seal for the purpose of receiving, storing, safeguarding and retrieving electronic copies of KYC records obtained by the reporting entities from their clients in accordance with these rules.

³²[Provided that in an International Financial Services Centre, no such receiving, storing, safeguarding and retrieving of records shall be required for a client who is a foreign national.]

- (2) The Central KYC Registry shall perform the following functions and obligations, namely: —
- (a) shall follow any operating instructions issued by the Regulator, consistent with the guidelines referred to in clause (g) and issue the same to implement the requirements of these rules;
 - (b) shall be responsible for storing, safeguarding and retrieving the KYC records and making such records available online to reporting entities or Director;
 - (c) shall take all precautions necessary to ensure that the electronic copies of KYC records are not lost, destroyed or tampered with and that sufficient back up of electronic records are available at all times at an alternative safe and secure place;
 - (d) shall cause an annual audit of its controls, systems, procedures and safeguards and shall undertake corrective actions for deficiencies, if any;
 - (e) shall provide information only to the reporting entities which are registered with it on payment of fees as specified by the Regulator;
 - (f) shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the rules made and the notifications issued thereunder and also the guidelines and instructions issued by the Central Government and the Regulator and for redressal of client's grievances; the compliance officer shall immediately and independently report to the Central Government any noncompliance observed by him;
 - (g) the Regulator in consultation with the Central Government and the Central KYC Records Registry may issue guidelines to be followed by the reporting entities for filing the KYC records with the Central KYC Records Registry or any other matter in connection with or incidental thereto;
 - (h) the Central Government, in consultation with Regulator, may by notification in the public interest and in the interest of the regulated entities, direct that any of the provisions of rule 9 or rule 9A,—
 - (i) shall not apply to a class or classes of regulated entities; or
 - (ii) shall apply to the class or classes of regulated entities with such exceptions, modifications and adaptations as may be specified in the notification.]

9B. Inspection by Reserve Bank of India.—

¹⁴[(1) The Reserve Bank may, with respect to functions of the Central Registry referred to in rule 9A, call for any information, statement or other particulars from the Central Registry or cause an inspection of the Central Registry to be made by one or more of its officers as the Reserve Bank may deem fit.

(2) The Reserve Bank shall supply to the Central Registry, a copy of the report of such inspection.

(3) It shall be the duty of every director or officer or employee of the Central Registry to produce before the officer making an inspection under sub-section (1) all such books, accounts and other documents in his custody and to furnish him with any statement and information relating to the affairs of the Central Registry, as the said officer may require of him.

(4) The expenses of the inspection under sub-rule (1) shall be borne by the Central Registry.]

10. Maintenance of the records of the identity of clients.—

(1) Every ⁸[reporting entity] shall maintain the records of the identity of its clients⁸[obtained in accordance with rule 9, ¹⁰[after filing the electronic copy of such records with the Central KYC Records Registry]].

(2) The records of the identity of clients shall be maintained ⁸[***]¹⁰[by a reporting entity] in the manner as may be specified by ³[its Regulator] from time to time.

⁸[(3) Where the reporting entity does not have records of the identity of its existing clients, it shall obtain the records within the period specified by the regulator, failing which the reporting entity shall close the account of the clients after giving due notice to the client.

Explanation.— For the purpose of this rule, the expression “records of the identity of clients” shall include updated records of the identification data, account files and business correspondence ³⁴[and result of any analysis undertaken under rule 3 and rule 9.]]

10A. Furnishing of Report to Director.—

⁸[(1) The persons referred to in clause (c) of sub-section (2) of section 13 of the Act shall furnish reports on the measures taken to the Director every month by the 10th day of the succeeding month.

(2) The Director may relax the time interval in sub-rule (1) above to every three months on specific request made by the reporting entity based on reasonable cause.]

10B. Expenses for audit.—

⁸[(1) The expenses of, and incidental to, audit referred to in sub-section (1A) of section 13 of the Act (including the remuneration of the accountant, qualified assistants, semi-qualified and other assistants who may be engaged by such accountant) shall be paid in accordance with the amount specified in sub-rule (2) of rule 14B of the Income-tax Rules, 1962 for every hour of the period as specified by the Director.

(2) The period referred to in sub-rule (1) shall be specified in terms of the number of hours required for completing the report.

(3) The accountant referred to in sub-section (1A) of section 13 of the Act shall maintain a time sheet and submit it to the Director, along with the bill.

(4) The Director shall ensure that the number of hours claimed for billing purposes is commensurate with the size and quality of the report submitted by the accountant.

11. Interpretation.—

If any question arises relating to the interpretation of these rules, the matter shall be referred to the Central Government and the decision of the Central Government shall be final.

Annexure 1 Digital KYC Process

²⁵[A. The reporting entities shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated Application of the Reporting Entities.

B. The access of the Application shall be controlled by the Reporting Entities and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by Reporting Entities to its authorized officials.

C. The client, for the purpose of KYC, shall visit the location of the authorized official of the Reporting Entity or vice-versa. The original Officially Valid Document (OVD) shall be in possession of the client.

D. The Reporting Entity must ensure that the Live photograph of the client is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of the Reporting Entity shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by Reporting Entities) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the client.

E. The Application of the Reporting Entities shall have the feature that only live photograph of the client is captured and no printed or video-graphed photograph of the client is captured. The background behind the client while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the client.

F. Similarly, the live photograph of the original officially valid document or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.

G. The live photograph of the client and his original documents shall be captured in proper light so that they are clearly readable and identifiable.

H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the client. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to client's own mobile number. Upon successful validation of the OTP, it will be treated as client signature on CAF. However, if the client does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with the Reporting Entity shall not be used for client signature. The Reporting Entity must check that the mobile number used in client signature shall not be the mobile number of the authorized officer.

J. The authorized officer shall provide a declaration about the capturing of the live photograph of client and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the Reporting Entity. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.

K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the Reporting Entity, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to client for future reference.

L. The authorized officer of the Reporting Entity shall check and verify that:-

- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF.
- (ii) live photograph of the client matches with the photo available in the document.; and
- (iii) all of the necessary details in CAF including mandatory field are filled properly.;

M. On Successful verification, the CAF shall be digitally signed by authorized representative of the Reporting Entity who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.]