THE PREVENTION OF MONEY-LAUNDERING (MAINTENANCE OF RECORDS) RULES, 2005[1]

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 [2][Prevention of Money-laundering (Maintenance of Records) Rules], 2005.

(2) They shall come into force on the date[3] 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);

[4][(aa) "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;]

[5][(aaa) "Aadhaar number" means an identification number as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016;]

[5][(aab) "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;]

[5][(aac) "Resident" means an individual as defined under sub-section (v) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016;]

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1. *Vide* G.S.R. 444(E), dated 1st July, 2005, published in the Gazette of India, Extra., Pt. II, Sec. 3(i), dated 1st July, 2005.
2. Subs. by G.S.R. 481(E), dated 24th June, 2011, for "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" (w.e.f. 24-6-2011).
3. Came into force on 1-7-2005.
4. Ins. by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
5. Ins. by G.S.R. 538(E), dated 1st June, 2017 (w.e.f. 1-6-2017).

[1][(aad) "identity information" means the information as defined in sub-section (n) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016;]

[1][(aae) "e – KYC authentication facility" means an authentication facility as defined in Aadhaar (Authentication) Regulations, 2016;]

[1][(aaf) "Yes/No authentication facility" means an authentication facility as defined in Aadhaar (Authentication) Regulations, 2016;]

[2][(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;]

[3][(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 entry 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 body of individuals, 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 [4][Companies Act, 2013 (18 of 2013)];]

[5][(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.]

(c) "Director" means the Director appointed under sub-section (1) of section 49 of the Act for the purposes of [6][sections 12, 12A and 13] of the Act;

1. Ins. by G.S.R. 538(E), dated 1st June, 2017 (w.e.f. 1-6-2017).
2. Subs. by G.S.R. 576(E), dated 27th August, 2013, for clause (b) (w.e.f. 27-8-2013). Clause (b), before substitution, stood as under:

'(b) "client" means a person that engages in a financial transaction or activity with a banking company, or financial institution or intermediary and includes a person on whose behalf the person that engages in the transaction or activity, is acting;'.

3. Ins. by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013).
4. Subs. by G.S.R. 544(E), dated 7th July, 2015, for "Companies Act, 1956 (1 of 1956)" (w.e.f. 7-7-2015).
5. Ins. by G.S.R. 980(E), dated 16th December, 2010 (w.e.f. 16-12-2010).
6. Subs. by G.S.R. 576(E), dated 27th August, 2013, for "sections 12 and 13" (w.e.f. 27-8-2013).

[1][(ca) "Know Your Client (KYC) Identifier" means the unique number or code assigned to a client by the Central KYC Records Registry;]

[1][(cb) "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;]

[1][(cc) "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;]

[2][[3][(cd)] "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 [4][section 8 of the Companies Act, 2013 (18 of 2013)];]

(d) "officially valid document" means [5][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]:

[6][Provided that where simplified measures are applied for verifying the identity of the clients the following documents shall 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:]

[7][Provided further that where simplified measures are applied for verifying the limited purpose of proof of address of the

1. Ins. by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
2. Ins. by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009).
3. Clause (ca) re-numbered as clause (cd) thereof by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
4. Subs. by G.S.R. 544(E), dated 7th July, 2015, for "section 25 of the Companies Act, 1956 (1 of 1956)" (w.e.f. 7-7-2015).
5. Subs. by G.S.R. 538(E), dated 1st June, 2017, for "the passport, the driving licence, the Permanent Account Number (PAN) Card, 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 Unique Identification Authority of India 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 Regulator". (w.e.f. 1-6-2017). Earlier these words were amended by G.S.R. 980(E), dated 16th December, 2010 (w.e.f. 16-12-2010), by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013) and by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
6. Ins. by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013).
7. Ins. by G.S.R. 288(E), dated 15th April, 2015 (w.e.f. 15-4-2015).

clients, where a prospective customer is unable to produce any proof of address, the following documents shall 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;

(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

[1][(f)***]

[2][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.]

[3][*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.]

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

(f) "Principal Officer" means an officer designated by a [4][reporting entity];

[5][(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

1. Clause (f) omitted by G.S.R. 1318(E), dated 23rd October, 2017 (w.e.f. 23-10-2017). Clause (f), before omission, stood as under:
"(f) documents issued by Government departments of foreign jurisdiction and letter issued by Foreign Embassy or Mission in India.".
2. Ins. by G.S.R. 1318(E), dated 23rd October, 2017 (w.e.f. 23-10-2017).
3. Ins. by G.S.R. 730(E), dated 22nd September, 2015 (w.e.f. 22-9-2015).
4. Subs. by G.S.R. 576(E), dated 27th August, 2013, for "banking company, financial institution or intermediary, as the case may be," (w.e.f. 27-8-2013).
5. Subs. by G.S.R. 347(E), dated 12th April, 2017, for clause (fa) (w.e.f. 12-4-2017). Earlier clause (fa) was inserted by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009) and amended by G.S.R 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013). Clause (fa), before substitution, stood as under:
"(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 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;".

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 (aa) of sub-rule (1) of rule 2;]

[1][(iii) the Directorate General of Goods and Service Tax intelligence with respect to Gems and Jewellery Sector.]

[2][(faa) "Rules" means the Prevention of Money-laundering (Maintenance of Records) Rules, 2005;]

[3][(fb) "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:]

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

[5][(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 *bona fide* purpose; or

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

[6][*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.]

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1. Ins. by G.S.R. 1057(E), dated 23rd August, 2017 (w.e.f. 23-8-2017).
2. Ins. by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013).
3. Ins. by G.S.R. 980(E), dated 16th December, 2010 (w.e.f. 16-12-2010).
4. Ins. by G.S.R. 1038(E), dated 21st August, 2017 (w.e.f. 21-8-2017).
5. Subs. by G.S.R. 816(E), dated 12th November, 2009 for clause (g) (w.e.f. 12-11-2009). Earlier clause (g) was amended by G.S.R. 389(E), dated 24th May, 2007 (w.e.f. 24-5-2007). Clause (g), before substitution by G.S.R. 816(E), stood as under:

"(g) "suspicious transaction" means a 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 the proceeds of crime; or

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

(c) appears to have no economic rationale or *bona fide* purpose; or

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

6. Ins. by G.S.R. 508(E), dated 16th June, 2010 (w.e.f. 16-6-2010).

[1][(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.]

(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) [2][Every reporting entity shall maintain the record of all transactions including, the record of—

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

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

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1. Subs. by G.S.R 576(E), dated 27th August, 2013, for clause (h) (w.e.f. 27-8-2013). Clause (h), before substitution, stood as under:
"(h) "transaction" includes deposit, 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.".

2. Subs. by G.S.R 576(E), dated 27th August, 2013, for Certain words (w.e.f. 27-8-2013). Earlier these words were amended by G.S.R. 76(E), dated 12th February, 2010 (w.e.f. 12-2-2010). The words, before substitution by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"Every banking company or financial institution or intermediary, as the case may be, shall maintain the record of all transactions including the record of,—

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

(B) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;".

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

[2][(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 or a document has taken place 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

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1. Ins. by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009).
2. Subs. by G.S.R. 389(E), dated 24th May, 2007, for clause (C) (w.e.f. 24-5-2007). Clause (C), before substitution, stood as under:

"(C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;".

(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.

[1][(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;]

[1][(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.]

4. Records containing information.—The records referred to in rule 3 [2][shall contain 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.

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

1. Ins. by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013).
2. Subs. by G.S.R. 76(E), dated 12th February, 2010, for "shall contain" (w.e.f. 12-2-2010).
3. Subs. by G.S.R 576(E), dated 27th August, 2013, for rule 5 (w.e.f. 27-8-2013). Earlier rule 5 was amended by G.S.R. 717(E), dated 13th December, 2005 (w.e.f. 13-12-2005), by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009) and by G.S.R. 76(E), dated 12th

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

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

[1][***]

[2][**7. Procedure and manner of furnishing information.**—(1) Every reporting entity shall communicate to the Director the name, designation and address of the Designated Director and the Principal Officer.

(2) The Principal Officer shall furnish the information referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 to the Director on the basis of information available with the reporting entity. A copy of such

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February, 2010 (w.e.f. 12-2-2010). Rule 5, before substitution by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*5. Procedure and manner of maintaining information.*—(1) Every banking company, financial institution and intermediary, as the case may be, shall maintain information in respect of transactions with its client referred to in rule 3 in accordance with the procedure and manner as may be specified by its Regulator, from time to time.

(2) Every banking company, financial institution and intermediary, shall evolve an internal mechanism for maintaining such information in such form and at such intervals as may be specified by its Regulator, from time to time.

(3) It shall be the duty of every banking company, financial institution and intermediary, as the case may be, to observe the procedure and the manner of maintaining information as specified by its Regulator, under sub-rule (1).".

1. Rule 6 omitted by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013). Earlier rule 6 was substituted by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009). Rule 6, before omission by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*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.".

2. Subs. by G.S.R. 576(E), dated 27th August, 2013, for rule 7 (w.e.f. 27-8-2013). Earlier rule 7 was amended by G.S.R. 717(E), dated 13th December, 2005 (w.e.f. 13-12-2005), by G.S.R 76(E), dated 12th February, 2010 (w.e.f. 12-2-2010). Rule 7, before omission by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*7. Procedure and manner of furnishing information.*—(1) Every banking company, financial institution and intermediary, as the case may be, shall communicate the name, designation and address of the Principal Officer to the Director.

(2) The Principal Officer shall furnish the information referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3 to the Director on the basis of information available with the banking company, financial institution and intermediary, as the case may be. A copy of such information shall be retained by the Principal Officer for the purposes of official record.

(3) Every banking company, financial institution and intermediary may evolve an internal mechanism for furnishing information referred to in clauses (A), (B), (BA), (C) and (D) of sub-rule (1) of rule 3 in such form and at such intervals as may be directed by its Regulator.

(4) It shall be the duty of every banking company, financial institution and intermediary to observe the procedure and the manner of furnishing information as specified by its Regulator, under sub-rule (3).".

information shall be retained by the Principal Officer for the purposes of official record.

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

(4) It shall be the duty of every reporting entity, its designated director, officers and employees to observe the procedure and the manner of furnishing information as specified by [1][the Director in consultation with,] its Regulator.]

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

(2) The Principal Officer of a reporting entity shall furnish the information promptly in writing or 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 not later than seven working days on being satisfied that the transaction is suspicious.

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

(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.]

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1. Ins. by G.S.R. 730(E), dated 22nd September, 2015 (w.e.f. 22-9-2015).
2. Subs. by G.S.R. 576(E), dated 27th August, 2013, for rule 8 (w.e.f. 27-8-2013). Earlier rule 8 was amended by G.S.R. 717(E), dated 13th December, 2005 (w.e.f. 13-12-2005), substituted by G.S.R. 389(E), dated 24th May, 2007 (w.e.f. 24-5-2007) and amended by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009). Rule 8, before substitution by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*8. Furnishing of information to the Director.*—(1) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information in respect of transactions referred to in Clause (A), (B) and (BA) of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.

(2) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (C) of sub-rule (1) of rule 3 not later than seven working days from the date of occurrence of such transaction.

(3) The Principal Officer of a banking company, a financial institution and an intermediary, as the case may be, shall furnish the information promptly in writing or 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 not later than seven working days on being satisfied that the transaction is suspicious:

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.".

[1][9. **Client Due Diligence.**—(1) Every reporting entity shall—

(a) at the time of commencement of an account-based relationship—

(i) identify its clients, verify their identity, obtain information on the purpose and intended nature of the business relationship; and

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1. Subs. by G.S.R. 576(E), dated 27th August, 2013, for rule 9 (w.e.f. 27-8-2013). Earlier rule 9 was amended by G.S.R. 389(E), dated 24th May, 2007 (w.e.f. 24-5-2007), G.S.R. 816(E), dated 12th November 2009 (w.e.f. 12-11-2009), G.S.R. 76(E), dated 12th February, 2010 (w.e.f. 12-2-2010), G.S.R. 508(E), dated 16th June, 2010 (w.e.f. 16-6-2010) and G.S.R. 980(E), dated 16th December, 2010 (w.e.f. 16-12-2010). Rule 9, before substitution, by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*9. Verification of the records of the identity of clients.*—(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 determine whether a client is acting on behalf of a beneficial owner, identify the beneficial owner and take all reasonable steps to verify his identity.

Explanation.—For the purposes of this sub-rule "beneficial owner" shall mean the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is being conducted, and includes a person who exercise ultimate effective control over a juridical person.

(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 client, his business and risk profile and where necessary, the source of funds.

(1C) No banking company, financial institution or intermediary, as the case may be, 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.

(1D) 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 customer identification data, every banking company, financial institution and intermediary 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.

(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).

(2A) Notwithstanding anything contained in sub-rule (2), an individual who desires to open a small account in a banking company may be allowed to open such an account on

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(ii) 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:

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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;

(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;

(iv) a 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 through the production of officially valid documents, as referred to in sub-rule (2) of rule 9; and

(v) foreign remittance shall not be allowed to be credited into a small account unless the identity of the client is fully established through the production of officially valid documents, as referred to in sub-rule (2) of rule 9.

(3) Where the client is a company, it shall for the purposes of sub-rule (1) submit to the banking company or financial institution or intermediary, as the case may be, one certified copy of the following documents:—

(i) Certificate of incorporation;

(ii) Memorandum and Articles of Association;

(iii) a resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and

(iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

(4) Where the client is a partnership firm, it shall for the purposes of sub-rule (1) submit to the banking company, or the financial institution, or the intermediary one certified copy of the following documents:—

(i) registration certificate;

(ii) partnership deed; and

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.

(5) Where the client is a trust, it shall, "for the purposes of sub-rule (1) submit to the banking company," or the financial institution, or the intermediary one certified copy of the following documents:—

(i) registration certificate;

(ii) trust deed; and

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.

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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; 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.

[1][(1A) Subject to the provisions of sub-rule (1), every reporting entity shall within three 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;]

[1][(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;]

[1][(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—

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(6) Where the client is an unincorporated association or a body of individuals, it shall submit to the banking company, or the financial institution or the intermediary one certified copy of the following documents:—

(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;

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf; and

(iv) such information as may be required by the banking company or the financial institution or the intermediary to collectively establish the legal existence of such an association or body of individuals.

(6A) 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.

(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.".

1. Ins. by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).

(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.]

[1][(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 updatation of KYC record of the said client.]

[1][(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.]

[1][(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;]

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

(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—

[2][(a) the reporting entity, within two days, obtains from the third party or from the Central KYC Records Registry records or the information of the 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;

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1. Ins. by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
2. Subs. by G.S.R. 544(E), dated 7th July, 2015, for clause (a) (w.e.f. 7-7-2015). Clause (a), before substitution, stood as under:

"(a) the reporting entity immediately obtains necessary information of such client due diligence carried out by the third party;".

(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 twenty-five per cent. 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 fifteen per cent. of capital or profits of the partnership;

(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 per cent. 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 fifteen per cent. 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 a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

[1][(4) Where the client is an individual, who is eligible to be enrolled for an Aadhaar number, he shall for the purpose of sub-rule (1) submit to the reporting entity,—

(a) the Aadhaar number issued by the Unique Identification Authority of India; and

(b) the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962,

and such other documents including in respect of the nature of business and financial status of the client as may be required by the reporting entity:

Provided that where an Aadhaar number has not been assigned to a client, the client shall furnish proof of application of enrolment for Aadhaar and in case the Permanent Account Number is not submitted, one certified copy of an 'officially valid document' shall be submitted.

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1. Subs. by G.S.R. 538(E), dated 1st June, 2017, for sub-rule 4 to sub-rule (9) (w.e.f. 1-6-2017). Sub-rule (4) to sub-rule (9), before substitution, stood as under:

"(4) Where the client is an individual, he shall for the purpose of sub-rule (1), submit to the reporting entity, 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 reporting entity:

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

(5) Notwithstanding anything contained in sub-rule (4), 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 thump print, as the case may be, in his presence;

(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;

(iv) a 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 through the production of officially valid documents, as referred to in sub-rule (4) of rule 9; and

(v) foreign remittance shall not be allowed to be credited into a small account unless the identity of the client is fully established through the production of officially valid documents, as referred to in sub-rule (4) of rule 9.

(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:—

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

[1][*Explanation*.—Obtaining a certified copy by reporting entity shall mea comparing the copy of officially valid document so produced by the client wit the original and recording the same on the copy by the authorised officer of th reporting entity in a manner prescribed by the regulator.]

(4A) Where the client is an individual, who is not eligible to be enrolle for an Aadhaar number, he shall for the purpose of sub-rule (1), submit to th reporting entity, the Permanent Account Number or Form No. 60 as defined i the Income-tax Rules, 1962:

Provided that if the client does not submit the Permanent Account Numbe he shall submit one certified copy of an 'officially valid document' containin details of his identity and address, one recent photograph and such othe documents including in respect of the nature or business and financial statu of the client as may be required by the reporting entity.

(5) Notwithstanding anything contained in sub-rules (4) and (4A), a individual who desires to open a small account in a banking company may b allowed to open such an account on production of a self-attested photograp and affixation of signature or thumb print, as the case may be, on the form fc opening the account:

Provided that—

(i) the designated officer of the banking company, while opening th small account, certifies under this signature that the person openin the account has affixed his signature or thump print, as the case ma be, in his presence:

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(i) Certificate of incorporation;
(ii) Memorandum and Articles of Association;
(iii) A resolution from the Board of Directors and power of attorney granted to i managers, officers or employees to transact on its behalf; and
(iv) an officially valid document in respect of managers, officers or employees holdir an attorney to transact on its behalf.

(7) Where the client is a partnership firm, it shall for the purposes of sul rule (1) submit to the reporting entity one certified copy of the following documents:—
(i) registration certificate;
(ii) partnership deed; and
(iii) an officially valid document in respect of the person holding an attorney to transa on its behalf.

(8) Where the client is a trust, it shall, for the purposes of sub-rule (1) submit to th reporting entity one certified copy of the following documents:—
(i) registration certificate;
(ii) trust deed; and
(iii) an officially valid document in respect of the person holding an attorney to transa on its behalf.

(9) Where the client is an unincorporated association or a body of individuals, it sha submit to the reporting entity one certified copy of the following documents:—
(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;
(iii) an officially valid document in respect of the person, holding an attorney to transact c its behalf; and
(iv) such information as may be required by the reporting entity to collectively establish th legal existence of such an association or body of individuals.".

1. Ins. by G.S.R. 1300(E), dated 16th October, 2017 (w.e.f. 16-10-2017).

(ii) the 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) the 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.

(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 through the production of officially valid documents, as referred to in sub-rule (4) and the Aadhaar number of the client or where an Aadhaar number has not been assigned to the client, through the production of proof of application towards enrolment for Aadhaar along with an officially valid document;

Provided further that if the client is not eligible to be enrolled for an Aadhaar number, the identity of client shall be established through the production of an officially valid document;

(v) the foreign remittance shall not be allowed to be credited into the small account unless the identity of the client is fully established through the production of officially valid documents, as referred to in sub-rule (4) and the Aadhaar number of the client or where an Aadhaar number has not been assigned to the client, through the production of proof of application towards enrolment for Aadhaar along with an officially valid document:

Provided that if the client is not eligible to be enrolled for the Aadhaar number, the identity of client shall be established through the production of an officially valid document.

(6) Where the client is a company, it shall for the purposes of sub-rule (1), submit to the reporting entity the certified copies of the following documents:—

(i) Certificate of incorporation;

(ii) Memorandum and Articles of Association;

(iii) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf:

(iv) (a) Aadhaar number; and

(b) Permanent Account Number or Form 60 as defined in the Income-tax Rules, 1962.

issued to managers, officers or employees holding an attorney to transact on the company's behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar and in case Permanent Account Number is not submitted an officially valid document shall be submitted:

Provided that for the purpose of this clause if the managers, officers or employees holding an attorney to transact on the company's behalf are not eligible to be enrolled for Aadhaar number and do not submit the Permanent Account Number, certified copy of an officially valid document shall be submitted.

(7) Where the client is a partnership firm, it shall, for the purposes of sub-rule (1), submit to the reporting entity the certified copies of the following documents:—

(i) registration certificate;
(ii) partnership deed; and
(iii) (a) Aadhaar number; and
(b) Permanent Account Number or Form 60 as defined in the Income-tax Rules, 1962,

issued to the person holding an attorney to transact on its behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar and in case Permanent Account Number is not submitted an officially valid document shall be submitted:

Provided that for the purpose of this clause, if the person holding an attorney to transact on the company's behalf is not eligible to be enrolled for Aadhaar number and does not submit the Permanent Account Number, certified copy of an officially valid document shall be submitted.

(8) Where the client is a trust, it shall, for the purposes of sub-rule (1) submit to the reporting entity the certified copies of the following documents:—

(i) registration certificate:
(ii) trust deed; and
(iii) (a) Aadhaar number; and
(b) Permanent Account Number or Form 60 as defined in the Income-tax Rules, 1962,

issued to the person holding an attorney to transact on its behalf or where Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar and in case Permanent Account Number is not submitted an officially valid document shall be submitted:

Provided that for the purpose of this clause if the person holding an attorney to transact on the company's behalf is not eligible to be enrolled for Aadhaar number and does not submit the Permanent Account Number, certified copy of an officially valid document shall be submitted.

(9) Where the client is an unincorporated association or a body of individuals, it shall submit to the reporting entity the certified copies of the following documents:—

(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;
(iii) (a) the Aadhaar number; and
(b) Permanent Account Number or Form 60 as defined in the Income-tax Rules, 1962,

issued to the person holding, an attorney to transact on its behalf or where Aadhaar number has not been assigned proof of application towards enrolment for Aadhaar and in case the Permanent Account Number is not submitted an officially valid document shall be submitted; and

(iv) such information as may be required by the reporting entity to collectively establish the legal existence of such an association or body of individuals;

Provided that for the purpose of this clause if the person holding an attorney to transact on the company's behalf is not eligible to be enrolled for Aadhaar number and does not submit the Permanent Account Number, certified copy of an officially valid document shall be submitted.]

(10) Where the client is a juridical person, 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.

(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.

(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) above 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.

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

(iii) the Client Due Diligence Programme 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.

[1][(15) Any reporting entity, at the time of receipt of the Aadhaar number under provisions of this rule, shall carry out authentication using either e-KYC authentication facility or Yes/No authentication facility provided by Unique Identification Authority of India.]

[1][(16) In case the client referred to in sub-rules (4) to (9) of rule 9 is not a resident or is a resident in the States of Jammu and Kashmir, Assam or Meghalaya and does not submit the Permanent Account Number, the client shall submit to the reporting entity one certified copy of officially valid document containing details of his identity and address, one recent photograph and such other document including in respect of the nature of business and financial status of the client as may be required by the reporting entity.]

[1][(17) (a) In case the client, eligible to be enrolled for Aadhaar and obtain a Permanent Account Number, referred to in sub-rules (4) to (9) of rule 9 does not submit the Aadhaar number or the Permanent Account Number at the time of commencement of an account based relationship with a reporting entity, the client shall submit the same within a period of six months from the date of the commencement of the account based relationship:

Provided that the clients, eligible to be enrolled for Aadhaar and obtain the Permanent Account Number, already having an account based relationship with reporting entities prior to date of this notification, the client shall [2][submit the Aadhaar number and Permanenet Account Number or Form No. 60, by such date* as may be notified by the Central Government].

(b) As per regulation 12 of the Aadhaar (Enrolment and Update) Regulations, 2016, the local authorities in the State Governments or Union-territory Administrations have become or are in the process of becoming UIDAI Registrars for Aadhaar enrolment and are organising special Aadhaar enrolment camps at convenient locations for providing enrolment facilities in consultation with UIDAI and any individual desirous of commencing an account based relationship as provided in this rule, who does not possess the Aadhaar number or has not yet enrolled for Aadhaar, may also visit such special Aadhaar enrolment camps for Aadhaar enrolment or any of the Aadhaar enrolment centres in the vicinity with existing registrars of UIDAI.

(c) In case the client fails to submit the Aadhaar number and Permanent Account Number within the aforesaid six months period, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number is submitted by the client:

[3][Provided that in case the client already having an account based relationship with reporting entities prior to the date of publication of this notification in the

1. Ins. by G.S.R. 538(E), dated 1st June, 2017 (w.e.f. 1-6-2017).
2. Subs. by G.S.R. 1506(E), dated 12th December, 2017, for "submit the Aadhaar number and Permanent Account Number by 31st December, 2017" (w.e.f. 12-12-2017).

* The Central Government hereby notifies the 31st March, 2018 or six months from the date of commencement of account based relationship by the client, whichever is later, as the date of submission of the Aadhaar Number, and Permanent Account Number or Form 60 by the clients to the reporting entity. [*Vide* G.S.R. 1509(E), dated 13th December, 2017.]

3. Subs. by G.S.R. 1506(E), dated 12th December, 2017, for proviso (w.e.f. 12-12-2017). Proviso, before substitution, stood as under:

"Provided that in case client already having an account based relationship with reporting entities prior to date of this notification fails to submit the Aadhaar number and Permanent Account Number by 31st December, 2017, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number is submitted by the client.".

official Gazette fails to submit the Aadhaar number and Permanent Account Number by such date as may be notified by the Central Government, the said account shall cease to be operational till the time the Aadhaar Number and Permanent Account Number is submitted by the client.]]

[1][(18) In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the client referred to in sub-rule (4) to (9) of rule 9 does not have current address of the client, the client shall submit an officially valid document to the reporting entity:]

[2][Provided that in case of officially valid document furnished by the client does not contain updated address, the following documents 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 further that the client shall submit updated officially valid document with current address within a period of three months of submitting the above documents.]

[3][**9A. Functions and obligations of the Central KYC Records Registry.**—(1) The Central Government shall within a period of [4][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.

(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;

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1. Ins. by G.S.R. 538(E), dated 1st June, 2017 (w.e.f. 1-6-2017).
2. Ins. by G.S.R. 1300(E), dated 16th October, 2017 (w.e.f. 16-10-2017)
3. Ins. by G.S.R. 544(E), dated 7th July, 2015 (w.e.f. 7-7-2015).
4. Subs. by G.S.R. 882(E), dated 18th November, 2015, for "ninety days" (w.e.f. 18-11-2015). Earlier the words "ninety days" were substituted by G.S.R. 693(E), dated 11th September, 2015 (w.e.f. 11-9-2015).

(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 non-compliance 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.]

[1][**9B. Inspection by Reserve Bank of India.**—(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.]

[2][**10. Maintenance of the records of the identity of clients.**—[3][(1) Every reporting entity shall maintain the physical copy of records of the identity of

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1. Ins. by G.S.R. 347(E), dated 12th April, 2017 (w.e.f. 12-4-2017).
2. Subs. by G.S.R. 576(E), dated 27th August, 2013, for rule 10 (w.e.f. 27-8-2013). Earlier rule 10 was amended G.S.R. 717(E), dated 13th December, 2005 (w.e.f. 13-12-2005), by G.S.R. 816(E), dated 12th November, 2009 (w.e.f. 12-11-2009) and by G.S.R. 508(E), dated 16th June, 2010 (w.e.f. 16-6-2010). Rule 10, before substitution by G.S.R. 576(E), dated 27th August, 2013, stood as under:

"*10. Maintenance of the records of the identity of clients.*—(1) Every banking company or financial institution or intermediary, as the case may be, shall maintain the records of the identity of its clients.

(2) The records of the identity of clients shall be maintained in hard and soft copies in a manner as may be specified by its Regulator, from time to time.

(3) The records of the identity of clients shall be maintained for a period of ten years from the date of cessation of the transactions between the client and the banking company or financial institution or intermediary, as the case may be.

Explanation.—For the purposes of this rule,—

(i) the expression 'records of the identity of clients' shall include records of the identification data, account files and business correspondence.

(ii) the expression 'cessation of the transactions' means termination of an account or business relationship.".

3. Subs. by G.S.R. 544(E), dated 7th July, 2015, sub-rule (1) (w.e.f. 7-7-2015). Sub-rule (1), before substitution, stood as under:

"(1) Every reporting entity shall maintain the records of the identity of its clients obtained in accordance with rule 9.".

its clients obtained in accordance with rule 9, after filing the electronic copy of such records with the Central KYC Records Registry.]

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

(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 date, account files and business correspondence.]

[2][**10A. Furnishing of Report to Director.**—(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.]

[2][**10B. Expenses for audit.**—(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.

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1. Subs. by G.S.R. 544(E), dated 7th July, 2015, for sub-rule (2) (w.e.f. 7-7-2015). Sub-rule (2), before substitution, stood as under:

   "(2) The records of the identity of clients shall be maintained in a manner as may be specified by its regulators from time to time.".

2. Ins. by G.S.R. 576(E), dated 27th August, 2013 (w.e.f. 27-8-2013).