



राष्ट्रीय कृषि और ग्रामीण विकास बैंक  
**NATIONAL BANK FOR AGRICULTURE  
AND RURAL DEVELOPMENT**

पर्यवेक्षण विभाग  
**Department of Supervision**

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The Chairman  
All Regional Rural Banks

The Managing Director,  
All State Cooperative Banks

The Managing Director/ General Manager/  
Chief Executive Officer  
All District Central Cooperative Banks

Dear Sir,

**Workshop-cum-Review Meets on implementation of Know Your Customer (KYC) / Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) - Action Points**

The Prevention of Money Laundering Act, 2002, which came into effect from 01 July 2005 has cast certain important obligations on the banks. Under the guidelines issued by the RBI, banks are required to implement Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) guidelines. NABARD as a supervisor of SCBs, CCBs and RRBs has been involved in monitoring, sensitising and imparting training to the client banks on KYC / AML guidelines. However, during the course of statutory inspections conducted by NABARD, it was observed that even after lapse of more than 6 years and despite various initiatives by NABARD to sensitise the banks on KYC / AML /CFT, many cooperative banks and RRBs in the country had not effectively implemented the guidelines under KYC / AML/ CFT. With a view to undertaking a review of the status of implementation and to discuss the problems being faced by these banks to

expeditiously / effectively implement the KYC / AML / CFT guidelines, two '*one day workshop-cum-review meets*' on implementation of KYC / AML / CFT were organised by NABARD in collaboration with FIU-IND, during September / October 2011 at Bhubaneswar and Lucknow for the 'Principal Officer' (PO) / Officers responsible for implementation of KYC/ AML/ CFT of select SCBs, CCBs and RRBs. Shri Sanjay Kumar IAS, Additional Director, FIU-IND, Shri G.C. Panigrahi, CGM, DoS, HO, NABARD besides Senior Officers from Reserve Bank of India, Bhubaneswar and Lucknow and NABARD, HO participated.

2. During these workshops important provisions of the Prevention of Money Laundering Act, 2002, the status of implementation of KYC / AML/ CFT guidelines issued by the RBI / NABARD, appointment of Principal Officers in SCBs, CCBs and RRBs, status of submission of Cash Transaction Reports (CTR), Suspicious Transaction Reports (STR), Counterfeit Currency Reports (CCR) and Non-Profit Organisations (NPOs) were discussed. Various operational problems faced by the banks in implementation of KYC/AML/ CFT guidelines were also discussed and clarifications provided. At the end of each workshop, a panel consisting of officials from FIU-IND, RBI and NABARD, HO, gave clarifications and offered solutions to various issues raised by the participants with regard to implementation of KYC/AML/ CFT guidelines. Some of the important issues raised and clarifications provided are indicated for your information.

<b>Sr No</b>	<b>Issue</b>	<b>Clarification</b>
1	Whether cash transactions exceeding ₹ 10.00 lakh per month by Government Departments and PACS with the bank should be reported in CTR ?	While transactions by government departments need not be reported, cash transactions by PACS should form part of CTR reporting.
2	Whether inter-bank deposits / withdrawals exceeding threshold limit of ₹ 10.00 lakh per month should be reported in CTRs ?	Inter-bank deposits are not covered under the CTR reporting obligations
3	Format for reporting transactions by Non-Profit	It was clarified that the format meant for reporting CTR may be used for the purpose

	Organisations is not available in soft form	
4	Whether KYC procedures may be waived for opening small deposit accounts?	Instructions contained in para 7.4 of the model KYC / AML policy circulated by NABARD vide NB.DoS.HO.POL/1777/P-165/2010-11 dated 10 August 2010 may be followed
5	Whether cheques received through clearing in respect of accounts which are not KYC compliant may be returned ?	Banks are required to make all efforts to complete KYC/AML formalities of all existing accounts. In spite of all efforts, if the customer is found to be not responding, and in the meantime, cheque if any, received through clearing, the same may be returned with suitable remarks.

3. Based on the feed back received from the representatives of participating banks and further deliberations in these workshops following action points emerged for urgent action.

- i. Banks which have not already prepared the KYC / AML policy should get the same prepared and get the same approved by the Board. A copy of the same may be furnished to the RO of NABARD for information within a period of one month from the date of receipt of this circular.
- ii. Based on such approved KYC / AML policy, operational guidelines should be issued to branches clearly indicating the documents acceptable to the bank for customer identification, address proof, submission of CTRs/STRs/CCRs etc,so as to effectively implement the same.
- iii. Banks should appoint a sufficiently senior officer as 'Principal Officer' (PO), if not already done, who will be responsible for implementation of KYC/ AML/ CFT in the bank and sending returns to FIU-IND, under the relevant instructions. The name, address, telephone No., e-mail ID etc., of the PO should be furnished to FIU-IND as well to the Regional Office of NABARD immediately.

- iv. Banks may follow the instructions of revalidating the KYC periodically, by obtaining new / latest set of documents / photograph/ other vital information of the customer as per the KYC / AML policy.
  - v. Banks should categorise the customers into Low Risk, Medium and High Risk based on the risk perception
  - vi. Banks should facilitate the interaction of the officers, who participated in these workshop, to share the concern expressed by the FIU-IND, RBI and NABARD during the deliberations, with the CEO / top management of their banks as also with the other officers and staff in the respective banks. These officers are also expected to act as trainer for educating the staff and customers on the obligations under KYC / AML guidelines.
  - vii. NABARD would critically evaluate the status of implementation of KYC/AML in the supervised banks and in case of any deficiency/short-coming observed, would take a decision to recommend to the RBI for imposition of penalty on the banks concerned for violation of Section 35A of the Banking Regulation Act, 1949 / Banking Regulation Act, 1949 (AACS).
4. You may, therefore, initiate necessary action to implement KYC/AML guidelines as envisaged in various circulars issued by RBI and NABARD from time to time so as to avoid any penal action, that may be initiated for failing to implement the instructions. You may also keep our Regional Office, informed on the action initiated by you in the matter.

Yours faithfully

Sd/-

(G C Panigrahi)  
Chief General Manager