

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:697
ANSWERED ON:25.02.2011
RBI ON KYC NORMS
Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has asked banks to apply proper Know Your Customers (KYC) norms to avoid issues of money laundering and terror financing;
- (b) if so, the details thereof; and
- (c) the response received so far?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): In order to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering activities, Reserve Bank of India (RBI) had advised the banks to frame their Know Your Customer (KYC) policies as per guidelines on 'Know Your Customer Guidelines - Anti Money Laundering (AML) Standards' issued by RBI. This circular has been revised from time to time and consolidated in the form of Master Circular. In terms of these circulars of RBI, banks are required to pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Detailed instructions have been issued to banks vide RBI circular dated September 17, 2009 indicating their obligations for implementation of the Unlawful Activities (Prevention) Act, 1967. As reported by RBI, several bank accounts have been frozen by Ministry of Home Affairs under the provisions of Unlawful Activities (Prevention) Act, 1967.

The Master Circular of RBI aims at consolidating all the instructions/ guidelines issued on KYC norms/ AML Standards/ Combating Financing of Terrorism (CFT)/ Obligations of banks under Prevention of Money Laundering (PML) Act, 2002. The Master Circular has been placed on the RBI website (<http://www.rbi.org.in>)