भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2012-13/144

DNBS(PD).CC. No 298 /03.10.42 /2012-13 **July 26, 2012**

All Non Banking Financial Companies /
Residuary Non Banking Companies

Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT)-Risk Categorization and updation of Customer Profiles

Please refer to para 16 on Assessment and Monitoring of Risk of Master Circular DNBS (PD) CC No.285 /03.10.42/ 2012-13 dated July 2, 2012 on KYC/AML/CFT

2. In order to have an effective implementation of KYC/AML/CFT measures, NBFCs were advised to put in place a system of periodic review of risk categorization of customers and updation of customer identification data.

3. In this context, a reference is invited to paragraphs 98 and 99 (extracts enclosed, applicable to NBFCs also) of the Monetary Policy Statement 2012-13 announced on April 17,2012 on Implementation of KYC/AML Guidelines. NBFCs are aware that risk categorization of customers as also compilation and periodic updation of customer profiles and monitoring and closure of alerts in accounts by NBFCs are extremely important for effective implementation of KYC/AML/CFT measures. It is, however, observed that there are laxities in effective implementation of the Reserve Bank's guidelines in this area, leaving NBFCs vulnerable to operational risk. NBFCs should, therefore, ensure compliance with the regulatory guidelines on KYC/AML/CFT both in letter and spirit.

4. Accordingly, NBFCs are advised to complete the process of risk categorization and compiling/updating profiles of all of their existing customers in a time-bound manner, and in any case not later than end-March 2013.

Yours faithfully,

(Chandana Dasgupta)
Deputy General Manager
Encl: as above

Monetary Policy Statement 2012-13

Implementation of KYC/AML Guidelines

98. Risk categorisation of customers as also compilation, periodic updation of customer profiles and monitoring and closure of alerts in accounts by banks are very important for effective implementation of KYC, anti-money laundering (AML) and combating of financing of terrorism (CFT) measures apart from helping their business development. It is, however, observed that there are laxities in effective implementation of the Reserve Bank's guidelines on KYC/AML measures. Any weakness in the KYC/AML process would leave banks vulnerable to operational risk. Banks should, therefore, ensure compliance with the regulatory guidelines on KYC/AML in both letter and spirit. Accordingly, it is proposed:

- to mandate banks to complete the process of risk categorisation and compiling/updating profiles of all of their existing customers in a time-bound manner, and in any case not later than end-March 2013.

99. Detailed guidelines in this regard will be issued separately.