**Anti-Money Laundering And Know Your Customer**

**RBI Notifications during the period**

**1st July 2020 to 31st Dec 2020**

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/20 DOR.No.BP.BC/7/21.04.048/2020-21

August 6, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to the circular DBR.Leg.BC.25./09.07.005/2015-16 dated July 2, 2015 on the subject. The instructions on opening of current accounts by banks have been reviewed and the revised instructions are as under:

i. No bank shall open current accounts for customers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system and all transactions shall be routed through the CC/OD account.

ii. Where a bank’s exposure1 to a borrower is less than 10 per cent of the exposure of the banking system to that borrower, while credits are freely permitted, debits to the CC/OD account can only be for credit to the CC/OD account of that borrower with a bank that has 10 per cent or more of the exposure of the banking system to that borrower. Funds will be remitted from these accounts to the said transferee CC/OD account at the frequency agreed between the bank and the borrower. Further, the credit balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. In case there is more than one bank having 10 per cent or more of the exposure of the banking system to that borrower, the bank to which the funds are to be remitted may be decided mutually between the borrower and the banks. It may be noted that banks with exposure to the borrower of less than 10 per cent of the exposure of the banking system can offer working capital demand loan (WCDL) / working capital term loan (WCTL) facility to the borrower.

iii. Where a bank has a share of 10 per cent or more in the total exposure of the banking system to the borrower, it can provide CC/OD facility as hitherto.

iv. In case of borrowers covered under guidelines on loan system for delivery of bank credit issued vide circular DBR.BP.BC.No.12/21.04.048/2018-19 dated December 5, 2018, bifurcation of working capital facility into loan component and cash credit component shall henceforth be maintained at individual bank level in all cases, including consortium lending.

v. In case of customers who have not availed CC/OD facility from any bank, banks may open current accounts as under:

In case of borrowers where exposure of the banking system is ₹50 crore or more, banks shall be required to put in place an escrow mechanism. Accordingly, current accounts of such borrowers can only be opened/maintained by the escrow managing bank. However, there is no restriction on opening of ‘collection accounts’ by lending banks subject to the condition that funds will be remitted from these accounts to the said escrow account at the frequency agreed between the bank and the borrower. Further, the balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. While there is no prohibition on amount or number of credits in ‘collection accounts’, debits in these accounts shall be limited to the purpose of remitting the proceeds to the said escrow account. Non-lending banks shall not open any current account for such borrowers.

In case of borrowers where exposure of the banking system is ₹5 crore or more but less than ₹50 crore, there is no restriction on opening of current accounts by the lending banks. However, non-lending banks may open only collection accounts as defined at (v) (a) above.

In case of borrowers where exposure of the banking system is less than ₹5 crore, banks may open current accounts subject to obtaining an undertaking from such customers to the effect that customers shall inform the bank(s), if and when the credit facilities availed by them from the banking system becomes ₹5 crore or more. The current account of such customers, as and when the exposure of the banking system becomes ₹5 crore or more and ₹50 crore or more, will be governed by the provisions of para (v) (b) and (v) (a) respectively.

Banks are free to open current accounts of prospective customers who have not availed any credit facilities from the banking system, subject to necessary due diligence as per their Board approved policies.

2. Banks shall monitor all current accounts and CC/ODs regularly, at least on a quarterly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with these instructions.

3. Banks should not route drawal from term loans through current accounts. Since term loans are meant for specific purposes, the funds should be remitted directly to the supplier of goods and services. Expenses incurred by the borrower for day to day operations should be routed through CC/OD account, if the borrower has a CC/OD account, else through a current account.

4. As regards existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of this circular.

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/62 DOR.No.BP.BC.27/21.04.048/2020-21

November 02, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to our circular DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020 on the captioned subject.

2. In this connection, a reference is invited to Para 4 of the circular referred to above, wherein the banks were advised that in respect of existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of issue of the circular i.e. by November 5, 2020. We have since received several references from banks seeking clarifications on operational issues regarding maintenance of current accounts already opened by the banks. These references are being examined by the Reserve Bank and will be clarified separately by means of a FAQ.

3. Pending the issue of FAQ on these operational issues, it has been decided that banks may ensure compliance with the instructions contained in Para 4 of the circular ibid by December 15, 2020.

4. All other instructions contained in our circular dated August 6, 2020, remain unchanged.

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/79 DOR.No.BP.BC.30/21.04.048/2020-21

December 14, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to the circulars DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020 and DOR.No.BP.BC.27/21.04.048/2020-21 dated November 2, 2020 on the captioned subject. On a review, it has been decided to permit banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/ regulatory departments, without any restrictions placed in terms of the above-mentioned circular dated August 6, 2020. An indicative list of such accounts is as given below:

1. Accounts for real estate projects mandated under Section 4 (2) l (D) of the Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from the home buyers.
2. Nodal or escrow accounts of payment aggregators/prepaid payment instrument issuers for specific activities as permitted by Department of Payments and Settlement Systems (DPSS), Reserve Bank of India under Payment and Settlement Systems Act, 2007.
3. Accounts for settlement of dues related to debit card/ATM card/credit card issuers/acquirers.
4. Accounts permitted under FEMA, 1999.
5. Accounts for the purpose of IPO / NFO /FPO/ share buyback /dividend payment / issuance of commercial papers/allotment of debentures/gratuity, etc. which are mandated by respective statutes or regulators and are meant for specific/limited transactions only.
6. Accounts for payment of taxes, duties, statutory dues, etc. opened with banks authorized to collect the same, for borrowers of such banks which are not authorized to collect such taxes, duties, statutory dues, etc.
7. Accounts of White Label ATM Operators and their agents for sourcing of currency.

2. The above permission is subject to the condition that the banks shall ensure that these accounts are used for permitted/specified transactions only. Further, banks shall flag these accounts in the CBS for easy monitoring. Lenders to such borrowers may also enter into agreements/arrangements with the borrowers for monitoring of cash flows/periodic transfer of funds (if permissible) in these current accounts.

3. Banks shall monitor all current accounts and CC/ODs regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with instructions contained in circular dated August 6, 2020 ibid.

4. A set of frequently asked questions (FAQs) providing clarifications related to implementation of the circulars ibid are provided in the Annex.

5. All other instructions contained in the circulars ibid remain unchanged.

**Amendment to Master Direction (MD) on KYC – Centralized KYC Registry – Roll out of Legal Entity Template & other changes**

RBI/2020-21/80 DOR.AML.BC.No.31/14.01.001/2020-21

December 18, 2020

The Chairpersons/ CEOs of all the Regulated Entities

Regulated Entities (REs) have been uploading the KYC data pertaining to all individual accounts opened on or after January 1, 2017 on to CKYCR in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Changes to the template, as and when required are released by CERSAI after consulting the Reserve Bank.

2. As the CKYCR is now fully operational for individual customers, it has been decided to extend the CKYCR to Legal Entities (LEs). Accordingly, REs shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules. The LE Template and the Annex thereof are attached as Annex “A” and Annex “B” respectively to this circular. The LE Template would be released by CERSAI well in advance so that REs start using it from the notified date. REs shall also ensure that in case of accounts of LEs opened prior to April 1, 2021, the KYC records are uploaded on to CKYCR during the process of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is obtained/received from the customer in certain cases. REs shall ensure that during periodic updation, the customers’ KYC details are migrated to current Customer Due Diligence (CDD) standards.

3. In order to ensure that all existing KYC records of individual customers are incrementally uploaded on to CKYCR, REs shall upload the KYC data pertaining to accounts of individuals opened prior to January 01, 2017, at the time of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is obtained/received from the customer in certain cases. REs shall ensure that during periodic updation, the customers’ KYC details are migrated to current CDD standard.

4. Where a customer, for the purpose of establishing an account based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such RE shall retrieve the KYC records online from CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

1. there is a change in the information of the customer as existing in the records of CKYCR;
2. the current address of the customer is required to be verified;
3. the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

5. Once KYC Identifier is generated by CKYCR, the REs shall ensure that the same is communicated to the individual/legal entity as the case may be.

6. The Master Direction on KYC dated February 25, 2016, is hereby updated to reflect the changes effected by the above amendment and shall come into force with immediate effect.