

Corpsec Hotline

June 29, 2006

RESERVE BANK OF INDIA RELAXES "KNOW YOUR CUSTOMER" AND MONEY-CHANGING NORMS

The Reserve Bank of India ("RBI") has relaxed the Anti-Money Laundering Guidelines ("Guidelines"), issued on December 2, 2005. The recent amendments pertain to the identification of customers (also known as "Know Your Customer" norms) and the purchase of foreign exchange.

Pursuant to the enactment of the Prevention of Money Laundering Act, 2002, the RBI had issued the Guidelines for banks, financial institutions and Authorized Money Changers ("AMCs"). The Guidelines intended to give the financial intermediaries a framework within which they could formulate their own policies and systems for identification and scrutiny of clients, and to report suspicious money-changing transactions. To ease the operational difficulties in implementation faced by the AMCs, the RBI partly amended the Guidelines through a Circular dated June 26, 2006 ("Circular")

Identification of customers

Existing Norms – Under the existing norms, all transactions were to be undertaken by AMCs only after obtaining the photocopies of proof of identification of the customers and after verifying the documents in the original. If a transaction was being undertaken on behalf of another person, identification evidence of all the persons concerned was required to be obtained and kept on record.

Amended Norms – Under the amended norms for the purchase of foreign exchange of less than US\$ 200 or its equivalent, documents pertaining to proof of identification need not be kept on record. However, full details of the identification document should be maintained.

For purchase of foreign exchange between US\$ 200 and US\$ 2,000 or its equivalent, the photocopies of the identification document should be maintained for one year and till the date of completion of statutory audit.

For purchase of foreign exchange in excess of US\$ 2,000 or its equivalent, photocopies of identification documents should be maintained for a minimum period of five years.

Purchase of foreign exchange

Existing Norms – Under the existing norms, requests for payment of sale proceeds in cash may be acceded to, to the extent of US\$ 1,000 or its equivalent per transaction.

Amended Norms – Under the amended norms, requests for payment in cash to foreign visitors/non-resident Indians may be acceded to, to the extent of US\$ 2,000 or its equivalent.

In addition to the above changes, the Circular now obligates Authorized Dealers in Categories I and II who are engaged in money-changing transactions to comply with the Guidelines.

These amendments will result in swifter processing of small purchases of foreign exchange, particularly by foreign visitors and non-resident Indians. Easing the administrative burden of maintaining the identification documents for small purchases of foreign exchange is also good news for the AMCs and Authorized Dealers.

- Kinnari Bhatia & Suneet Barve

You can direct your queries or comments to the authors

Source:

- A.P. (DIR Series) Circular No – 18(A.P. (FL Series) Circular No – 1
- A.P. (DIR Series) Circular No – 39(A.P. (FL Series) Circular No – 2

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

FAQs on Setting Up of Offices in India

December 13, 2024

FAQs on Downstream Investment

December 13, 2024

Gaming Law 2024

December 12, 2024

Research Articles

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

The Bitcoin Effect

November 14, 2024

Acquirers Beware: Indian Merger Control Regime Revamped!

September 15, 2024

Audio

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI18 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper on Simplification of registration for FPIs

Scope of judicial interference and inquiry in an application for appointment of arbitrator under the (Indian) Arbitration and Conciliation Act, 1996

September 22, 2024