

August 24, 2009

Ref: 30/IRDA/AML/CIR/AUG-09

To

The CEO's of All Insurance Companies,

**Sub: Anti Money Laundering (AML) guidelines**

A review of the extant guidelines on Anti Money Laundering for Insurers vis-à-vis the 40+9 recommendations of Financial Action Task Force (FATF) was carried out in view of the scheduled Evaluation of AML regimen of India by FATF during November-December 2009.

2. It is observed that though the guidelines are largely in accordance with the said recommendations, some of the extant stipulations need to be further elaborated/specified to be in consonance with the FATF norms.

3. Accordingly items (a) to (e) elaborate the extant guidelines. The items at (f) and (g) are additional requirements now specified:

<b>Sl. No.</b>	<b>FATF Recommendation/Crite ria Reference</b>	<b>Extant Stipulation (Clause Ref: Master Circular on AML dated November 24, 2008 )</b>	<b>Addition/ Elaboration</b>
a	5.1 Financial institutions should not be permitted to keep anonymous accounts or accounts in fictitious names.	Clause 3.1.1 (Know Your Customer (KYC): Life insurance companies are required to carry out KYC norms which includes determination and documentation of the true identity of all customers requesting for its services	While carrying out the KYC norms, special care has to be exercised to ensure that the contracts are not anonymous or under fictitious names.
b	5.7 Financial institutions should be required to conduct ongoing due diligence on the business relationship.	Clause 3.1.1(vii): Besides verification of identity of the customer at the time of initial issuance of contract which includes obtaining a recent photograph, KYC should also be carried out at the claim payout stage and at times when additional top up remittances are	KYC process is initially to be done as per the extant guidelines. Any change in the customers' recorded profile that comes to the notice of the insurer and which is inconsistent with the normal and expected

		inconsistent with the customers' known profile.	activity of the customer should attract the attention of the insurer for further ongoing KYC processes and action as considered necessary.
c	6.2 Financial institutions should be required to obtain senior management approval for establishing business relationships with Politically Exposed Persons (PEPs)	Clause 3.1.3 (ii) for the high risk profiles, like for customers who are non-residents, high net worth individuals.....(PEPs).....who need higher due diligence, KYC and underwriting procedures should ensure higher verification and counter checks.....	Insurers should devise procedure to ensure that proposals for contracts with high risk customers are concluded after approval of senior management officials. It is however, emphasized that proposals of Politically Exposed Persons (PEPs) in particular requires approval of senior management, not below Head (underwriting) /Chief Risk Officer level.
d	11.2 Financial institutions should be required to examine as far as possible the background and purpose of all complex, unusual large transactions, or unusual patterns of transactions, that have no apparent or visible economic or lawful purpose and set forth their findings in writing.	<p>Clause 3.1.5 "...Large single premiums should be backed by documentation, to establish sources of funds".</p> <p>Clause 3.1.6 Defining Suspicious Transactions (including Suspicious Cash Transactions): The AML program envisages submission of Suspicious Transaction Reports (STR)/Cash Transactions Reports (CTR) to a Financial Intelligence Unit-India (FIU-IND) set up by the Government of India to track possible</p>	<p>It is advised that special attention is paid to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose and transactions as indicated at clause 3.1.6.</p> <p>It is further advised that background including all documents /office records /memorandums pertaining to such transactions, as far as possible, be examined by the Principal Compliance</p>

	<p>money laundering attempts and for further investigation and action..... Suspicious activity monitoring programs should be appropriate to the company and the products it sells.</p> <p>Clause 3.1.10 "The insurer/agents/corporate agents are required to maintain the records of types of transactions mentioned under Rule 3 of PMLA Rules 2005 and the copies of the Cash/ Suspicious Transactions Reports submitted to FIU as well as those relating to the verification of identity of clients for a period of 10 years".</p>	<p>officer for recording his findings. These records are required to be preserved for ten years as indicated in clause 3.1.10</p>	
e	<p>15.1.1 Financial institutions should be required to develop appropriate compliance management arrangements e.g., for financial institutions at a minimum the designation of an AML/CFT compliance officer at the management level</p>	<p>Clause 3.2.1 "The companies should designate a Principal Compliance Officer under AML rules. ...."</p> <p>Clause 3.2.2</p> <p>(i) The Principal Compliance Officer should ensure that the Board approved AML program is being implemented effectively, including monitoring compliance by the company's insurance agents with their obligations under the program;</p>	<p>Principal Compliance Officer for AML guidelines should be at senior level and preferably not below the Head (Audit/Compliance) /Chief Risk Officer level and should be able to act independently and report to senior management.</p>

		ii. He should ensure that employees and agents of the insurance company have appropriate resources and are well trained to address questions regarding the application of the program in light of specific facts.	
f	15.1.2 The AML/CFT compliance officer and other appropriate staff should have timely access to customer identification/data and other CDD information, transaction records, and other relevant information.	Not specified in the guidelines	Principal Compliance Officer for AML guidelines and staff assisting him in execution of AML guidelines should have timely access to customer identification data, other KYC information and records.
g	14.2 Financial institutions and their directors, officers and employees (permanent and temporary) should be prohibited by law from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU.	Not specified in the guidelines	Directors, officers and employees (permanent and temporary) shall be prohibited from disclosing the fact that a Suspicious Transactions Report or related information of a policyholder/prospect is being reported or provided to the FIU-IND.

4. The above stipulations are being brought into effect immediately.

5. Insurers are advised to carry out changes as necessary in their existing AML policy and note it for compliance. The revised AML policy, in accordance with the above mentioned stipulations, may be filed with the Authority at the earliest but not later than October 31, 2009 and placed before the Board for information.

Sd/-  
**(C.R. Muralidharan)**  
**Member (F&I)**