

All State and Central Co-operative Banks

Dear Sir,

Combating Financing of Terrorism - Unlawful Activities (Prevention) Act, 1967 – Obligation of banks

Please refer to our circular [RPCD.CO.RF.AML.BC.No.51/07.40.00/2007-08](#) dated February 28, 2008 on Know Your Customer (KYC) norms /Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT).

2. In paragraph 5 of the above circular, it has been advised to banks that as and when lists of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), are received from Government of India, the Reserve Bank circulates these to all banks and financial institutions. Banks/Financial Institutions are required to update the consolidated list of individuals/entities as circulated by Reserve Bank and before opening any new account, it should be ensured that the name of the proposed customer does not appear in the list.

Further, banks should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Banks have been advised that full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to RBI and FIU-IND.

3. The Unlawful Activities (Prevention) Act, 1967 (UAPA) has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. Government has since issued an Order dated August 27, 2009 detailing the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities. In terms of Section 51A, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism and prohibit any individual or entity from making

any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

4. Banks are advised to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 ([copy enclosed](#)) and ensure meticulous compliance to the Order issued by the Government.

5. Banks are advised that on receipt of the list of individuals and entities subject to UN sanctions (referred to as designated lists) from RBI, they should ensure expeditious and effective implementation of the procedure prescribed under Section 51A of UAPA in regard to freezing/unfreezing of financial assets of the designated individuals/entities enlisted in the UNSCRs and especially, in regard to funds, financial assets or economic resources or related services held in the form of bank accounts.

6. In terms of Para 4 of the Order, in regard to **funds, financial assets or economic resources or related services held in the form of bank accounts**, the RBI would forward the designated lists to the banks requiring them to:

- (i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of bank accounts with them.
- (ii) In case the particulars of any of their customers match with the particulars of designated individuals/entities, the banks shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, held by such customers on their books, to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on [e-mail](#).
- (iii) Banks shall also send by post a copy of the communication mentioned in (ii) above to the UAPA nodal officer of RBI, Chief General Manager, Department of

Banking Operations and Development, Anti Money Laundering Division, World Trade Centre, Centre-1, 4th Floor, Cuffe Parade, Colaba, Mumbai –400005 and also by fax at No.022-22185792. The particulars apart from being sent by post/fax should necessarily be conveyed on [e-mail](#).

(iv) Banks shall also send a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the state/UT where the account is held as the case may be and to FIU-India.

(v) In case, the match of any of the customers with the particulars of designated individuals/entities is **beyond doubt**, the banks would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on [e-mail](#).

(vi) Banks shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted, as per the prescribed format.

7. Freezing of financial assets

i) On receipt of the particulars as mentioned in paragraph 6(ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the banks are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

ii) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned bank branch under intimation to Reserve Bank of India and FIU-IND.

iii) The order shall take place without prior notice to the designated individuals/entities.

8. Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001.

i) U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

ii) To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

iii) The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officers in RBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv) Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to banks and the procedure as enumerated at paragraphs 5, 6, and 7 shall be followed.

v) The freezing orders shall take place without prior notice to the designated persons involved.

9. Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/ entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by it has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned bank. The banks shall inform and forward a copy of the application together with full details of the asset frozen, given by any individual or entity informing of the funds, financial assets or economic resources or related services frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 6(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned bank. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

10. Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

All Orders under section 51A of Unlawful Activities (Prevention) Act, relating to funds, financial assets or economic resources or related services, would be communicated to all banks through RBI.

11. Banks are advised to bring the provisions of the UAPA to the notice of the staff concerned and ensure strict compliance.

Yours faithfully,

(R.C.Sarang)
Chief General Manager

Encl: As above