

**CHIEF GENERAL MANAGER**

**INTEGRATED SURVEILLANCE DEPARTMENT**

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ISD/CIR/RR/AML/2/06

March 20, 2006

**To all Intermediaries registered with SEBI under Section 12 of the SEBI Act.**

**(Through the stock exchanges for stock brokers, sub brokers and depositories for depository participants)**

Dear Sir / Madam,

**Sub: - Prevention of Money Laundering Act, 2002, Obligations of intermediaries in terms of Rules notified thereunder**

1. Please refer to our circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 laying down broad guidelines on Anti Money Laundering Standards. As per the circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures is put into place within one month from the date of the circular. The intermediaries were also advised to designate an officer as 'Principal Officer' and intimate their details to the Financial Intelligence Unit, India on an immediate basis.
2. It is brought to the attention of all the intermediaries that the Government of India, Ministry of Finance, Department of Revenue has issued notifications dated July 1, 2005 and December 13, 2005 in the Gazette of India, notifying the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the intermediaries in regard to preservation and reporting of certain transactions. Intermediaries are therefore, advised to go through the provisions of PMLA, 2002 and the Rules notified there under and take all steps considered necessary to ensure compliance with the requirements of section 12 of the Act *ibid*.

### 3. **Maintenance of records of transactions**

All the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- (i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

### 4. **Information to be maintained**

Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3:

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

### 5. **Maintenance and Preservation of records**

Intermediaries should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

Intermediaries should formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

## 6. Reporting to Financial Intelligence Unit-India

In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.**

Intermediaries should carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents ([Cash Transaction Report- version 1.0](#) and [Suspicious Transactions Report version 1.0](#)) which are also enclosed with this circular. These documents contain detailed guidelines on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries should adhere to the following:

- (a) The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15<sup>th</sup> of the succeeding month.
- (b) The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

- (c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
  - (d) Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
7. Intermediaries should not put any restrictions on operations in the accounts where an STR has been made. Further, it should be ensured that there is no tipping off to the client at any level.

**8. Reporting of 'Principal Officer' details to FIU -India**

It has been brought to the notice of SEBI by FIU-IND that a large number of entities have not submitted details of their 'Principal Officer' to FIU-IND as required by the SEBI circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006. All the Intermediaries, which have yet not reported these details to FIU-IND are directed to do so forthwith.

9. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, and Rule 7 of Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**R RAVICHANDRAN**

*Encl: a/a*