

Annual Report 2016-17



Director's Message

I am pleased to present this 11th Annual Report of FIU-IND. The year 2016-17 has been a significant year for FIU-IND for various reasons.

To develop an efficient system to detect suspicious transactions and terror financing effectively, FIU-IND has been making concerted efforts over the years. In this direction, guidance notes and red flag indicators are prepared and issued, outreach activities are conducted and review meetings are held with the reporting entities so as to assist them in their capacity building. These efforts have helped in creating a system where the reporting entities were able to handle an unprecedented increase in transactions during demonetisation and identifying the suspicious ones. Due to the demonetisation exercise, over 4 lakh Suspicious Transaction Reports (STRs) were received by FIU-IND, during this year. This increase is almost 4 times than the STRs received in the last year.

A noteworthy growth was also seen in the number of Counterfeit Currency Reports (CCRs) which increased from 4,10,899 in 2015-16 to 7,33,508 in 2016-17, which may also be attributed to the demonetisation exercise. Non-Profit Organisation reports (NTRs) have also registered an increase from over 6,13,000 in the previous year to over 7,06,000 in this year.

During demonetisation, in addition to the existing reports, more than 30 new different reports were designed for seeking information from banks. This helped the FIU-IND to share information on near real time basis with the concerned Law Enforcement Agencies. Apart from this, FIU-IND developed new RFIs implemented through banks for detecting suspicious transactions during demonetisation period.

During the year more than 56,000 STRs were disseminated to law enforcement agencies as compared to over 53,000 STRs in the previous year in 2015-16.

Perusal of the feedback received during the year showed that CBDT detected unaccounted income of Rs.3561.07 crores and CBEC detected case of duty evasion and hawala transactions of over Rs.7 crore and Rs.20 crores respectively, based on the STRs disseminated by FIU-IND (mostly pertaining to pre-demonetisation period). The results of the STRs pertaining to demonetisation period will be seen in the subsequent years.

During the year, statutory guidelines for detecting suspicious transactions related to Terror Financing (TF) were issued. FIU-IND has also issued separate red flag indicators (RFIs) for TF for MTSS sector.

FIU-IND participated in 13 workshops/seminars on AML/CFT awareness in association with regulators, professional bodies and reporting entities.

Keeping in view the requirements of rapidly changing technological environment, FIU-IND has conceptualized project FINnet 2.0 to increase effectiveness of FIU and the AML/CFT regime.

Despite serious challenges, most notably the shortage of staff, the officers and staff of FIU-IND have continued to work with dedication to serve the nation.

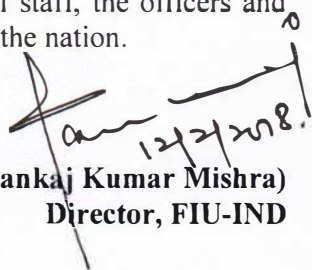

(Pankaj Kumar Mishra)
Director, FIU-IND

Table of Contents

Chapter 1	2
Financial Intelligence Unit – India	2
1.1 Mission, Vision and Strategic Goals of FIU-IND	3
Chapter 2	4
Legal Framework	4
2.1 Prevention of Money Laundering Act, 2002	4
2.2 Unlawful Activities (Prevention) Act, 1967	4
2.3 PMLA and FIU-IND	5
Chapter 3	7
Receipt, Analysis and Dissemination of Information	7
3.1 Receipt of information	7
3.1.1 Cash Transaction Reports (CTRs)	7
3.1.2 Suspicious Transaction Reports (STRs)	9
3.1.3 Counterfeit Currency Reports	12
3.1.4 Cross Border Wire Transfer Reports (CBWTR)	13
3.2 Analysis and Dissemination of Information	13
3.2.1 Analysis of STRs	13
3.2.2 Dissemination	14
3.2.3 Analysis of CTR database	15
Chapter 4	16
Significant Developments During 2016-17	16
4.1 Identification of Red Flag Indicators (RFIs) for Detection Of Suspicious Transactions	16
4.2 Trade Based Money Laundering	16
4.3 Role of FIU-IND in Combating Financing of Terrorism (CFT)	16
A. Detection and reporting of suspected cases of financing of terrorism	16
B. Collaboration with State Police Agencies	17
C. Money Transfer Service Scheme (MTSS) and Payment Systems Operators	17
D. Virtual Currencies and miscellaneous-	17

4.4 Demonetization and FIU-IND	18
4.5 FIU-IND and DNFBP Sector	19
A. Registrar and Sub Registrars	19
B. Casinos	19
Chapter 5	20
Domestic and International Cooperation	20
5.1 Virtual Office: an effective model for exchange of information	20
5.2 Cooperation with Law enforcement/intelligence agencies	20
5.3 Cooperation with Regulators	21
5.4 Memorandum of Understanding (MOUs)	21
5.5 International Cooperation	22
5.5.1 Financial Action Task Force (FATF)	22
5.6 FATF Style Regional Bodies (FSRBs)	22
5.7 Egmont Group of FIUs	23
5.7.1 Co-operation and Exchange of Information with other FIUs	24
5.8 National ML/TF Risk Assessment	25
Chapter 6	26
Raising Awareness and Building Capacities of Reporting Entities	26
6.1 FIU website	26
6.2 Seminars and Workshops	27
6.3 Train the Trainers Programme – 2016-17	27
Chapter 7	30
Ensuring Compliance with reporting obligations under PMLA	30
7.1 Review meetings	30
7.2 Proceedings under section 13 of the PMLA	32
Chapter 8	33
Organizational Capacity Building	33
Chapter 9	34
Strengthening the IT infrastructure	34
9.1 Introduction	34

9.2 Scope of Work of FINNET 2.0	36
9.2.1 DNFBP Sector Study	36
9.2.2 Workload assessment and IT Strategy for Finnet 2.0.....	36
9.2.3 Review of existing IT applications and hardware	37
9.2.4 Estimation of additional IT requirements - hardware sizing and application licenses.....	37
Appendix-A: Staff strength of FIU-IND	39
Appendix-C: Important Rules/Notifications.....	41
Appendix D: Obligations of Reporting Entities under PMLA.....	44
Appendix E: List of MoUs Signed till 31.03.2017.....	46
Glossary:.....	48

Performance at a Glance: 2016-17

Receipt of Information: FIU received

- Over 15.9 million Cash Transaction Reports (CTRs)
- 4,73,006 Suspicious Transaction Reports (STRs)
- 7,33,508 Counterfeit Currency Reports (CCRs)
- 7,06,192 NPO Transaction Reports (NTRs)
- Over 8.27 million Cross Border Wire Transfer Reports (CBWTRs)

Analysis of information in FIU

- processed 74,945 STRs
- disseminated 56,978 STRs
- retained 17,967 STRs

FIU actively collaborated with domestic agencies

- Had regular interaction and exchange of information
- Attended to 1113 requests for information from the Agencies
- Provided information in 1113 cases requested by the agencies

Results of action on STRs

- CBDT detected assets of Rs. 3561.07 crore
- CBEC detected cases of duty evasion and hawala transactions of over Rs.7 crore & Rs.20 crores respectively

International exchange of information

- FIU-IND received:
 - 123 requests for information from foreign FIUs
 - 125 voluntary disclosures from foreign FIUs
- FIU-IND sent 138 requests to foreign FIUs on behalf of domestic agencies

Outreach activities to raise AML/CFT awareness

- FIU-IND contributed to 13 trainings covering 606 participants
- FIU-IND organized “Train the Trainer Programme” for 250 participants from reporting entities

Improving compliance

- FIU-IND held 16 review meetings with Principal Officers
- Passed 3 quasi- judicial orders imposing penalty on 3 reporting entities

Chapter 1

Financial Intelligence Unit – India

Financial Intelligence Units (FIUs) are national, central agencies for receiving, analyzing and disseminating financial intelligence, particularly about suspicious financial transactions pertaining to money- laundering and financing of terrorism. FIUs have to conform to FATF Recommendations, regarded as international standards, reproduced below (Recommendation 29):

"Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of:

(a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis.

The FIU should be able to obtain additional information from reporting entities, and should have access on a timely basis to the financial, administrative and law enforcement information that it requires to undertake its functions properly".

Financial Intelligence Unit-India (FIU-IND) was established by the Government of India vide Office Memorandum dated 18th November, 2004 for coordinating and strengthening collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes. FIU-IND is set up as an independent body reporting to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-IND is under the administrative control of Department of Revenue, Ministry of Finance. FIU-IND is an administrative FIU and does not investigate cases.

FIU-IND is headed by the Director, who is of the rank of Joint Secretary to the Government of India. It is an officer-oriented and technology-intensive multi- disciplinary organization with a sanctioned strength of 75 (**Appendix A**). The chronology of significant events for FIU-IND for the year 2016-17 is at **Appendix B**.

FIU-IND receives reports on cash transactions, suspicious transactions, counterfeit currency transactions, funds received by non-profit organisations and cross-border wire transfers above INR 500,000. FIU-IND analyses the reports received and disseminates actionable intelligence to agencies specified in Section 66 of PMLA or notified thereunder. Two new reports, introduced from 15th February 2013, are relating to cross border transactions and immovable properties transactions valuing more than INR 5 million.

Reports to be filed under PMLA

- Cash Transaction Reports (CTR)
- Suspicious Transaction Reports (STR)
- Counterfeit Currency Report (CCR)
- NPO Report (NTR)
- Cross Border Wire Transfer Report
- Immovable Property Report

FIU-IND performs both operational and strategic analysis and identifies key money laundering

trends, typologies and developments based on the analysis of its database.

1.1 Mission, Vision and Strategic Goals of FIU-IND

FIU-IND has defined its mission statement, vision and strategic objectives in order to provide a framework for an organization- wide performance management and to enhance its effectiveness.

Mission Statement

To provide quality financial intelligence for safeguarding the financial system from the abuses of money laundering, terrorism financing and other economic offences.

Organization Vision

To become a highly agile and trusted organization that is globally recognized as an efficient and effective Financial Intelligence Unit.

FIU-IND has set three strategic objectives in order to achieve its mission:

- Combating Money Laundering, Financing of Terrorism and other economic offences
- Deterring Money Laundering and Financing of Terrorism
- Building and strengthening organizational capacity

These objectives are proposed to be achieved through the following thrust areas:

- Effective collection, analysis and dissemination of information
- Enhanced domestic and international cooperation
- Building capacity of reporting entities
- Ensuring compliance to reporting obligations under PMLA
- Building organizational resources
- Strengthening IT infrastructure in FIU.

Chapter 2

Legal Framework

2.1 Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA) is India's legislation for combating money laundering. It was enacted in 2003 and brought into force on 1st July 2005. It criminalizes money laundering and provides for attachment, seizure and confiscation of property obtained or derived, directly or indirectly, from or involved in money laundering. The Unlawful Activities (Prevention) Act, 1967 (UAPA) is the legislation to combat terrorism and financing of terrorism.

PMLA incorporates two different sets of provisions- one relating to maintenance and furnishing of information by the reporting entities to the FIU and the second relating to investigation, search, seizure, collection of evidence, prosecution, etc. for money laundering. The Director, FIU-IND is the prescribed authority for enforcement of the provisions relating to maintenance of records and furnishing of information by the reporting entities. The Director of Enforcement is the relevant authority for investigation, search, seizure, confiscation of property, and prosecution for the offence of money laundering. The predicate offences are included in the Schedule to the Act. The Schedule includes 156 offences under 28 different laws.

Section 3 of PMLA criminalizes the money laundering and Section 4 lays down the punishment for the offence of money laundering. An offender is liable for rigorous imprisonment for a term of not less than three years, extending up to seven years as well as fine. A list of important rules notified by the Central Government under PMLA is listed at **Appendix C**.

2.2 Unlawful Activities(Prevention) Act, 1967

The legislative measures for combating financing of terrorism in India are contained in the Unlawful Activities (Prevention) Act, 1967 (UAPA). UAPA criminalizes terrorist acts and raising of funds for terrorist acts. The Act was amended from 1st February, 2013 to make it more effective in preventing unlawful activities and meet the standards of the Financial Action Task Force. The salient features of the amendment are listed below:

- Increase in the period of declaration of an association as unlawful from two years to five years;
- Enlarging the ambit of 'terrorist act' by incorporating production or smuggling or circulation of high quality counterfeit Indian paper currency, coin or of any other material, and criminalizing high quality counterfeiting;
- Raising funds for terrorist acts now includes raising of funds, both from legitimate or illegitimate sources, by a terrorist organization or by terrorist gang or by an individual terrorist;
- Offences by companies, societies or trusts brought in the ambit of the Act and punishments prescribed;

- The scope of proceeds of terrorism enlarged to include any property intended to be used for terrorism; and
- Courts empowered for-
 - i) attachment or forfeiture of property equivalent to the counterfeit Indian currency involved in the offence;
 - ii) attachment or forfeiture of property equivalent to or the value of the proceeds of terrorism involved in the offence; and
 - iii) Confiscation of movable or immovable property on the basis of the material evidence where the trial cannot be concluded.

The Act also gives effect to UNSCR 1267 and 1373, enabling freezing, seizing or attaching funds and other financial assets held by designated individuals or entities. **Offences under UAPA are included as predicate offences under PMLA.**

2.3 PMLA and FIU-IND

Sections 12 of PMLA requires every reporting entity (banking companies, financial institutions, intermediaries and designated non-financial businesses and professions) to maintain records of all transactions, furnish information of prescribed transactions to Director, FIU-IND and to verify the identity of their clients and their beneficial owners in the manner prescribed. The reporting entities are also required to preserve records of transactions and records of identity of clients for five years. The PML (Maintenance of Records) Rules prescribe the requirements for maintenance of records and reports to be furnished to FIU-IND. The obligations of the reporting entities are summarized at **Appendix D**.

Section 12A empowers the Director to call for additional information from reporting entity, which are obligated to maintain the confidentiality.

Section 13 of PMLA empowers Director, FIU-IND to enquire into cases of suspected failure of compliance with the provisions of PMLA and impose sanctions including monetary penalty on reporting entity or its designated director or any of its employees.

Section 14 of the PMLA provides that the reporting entity, its Directors and employees shall not be liable to any civil or criminal proceedings against them for furnishing information to FIU-IND.

Under **Section 50** Director, FIU-IND has powers of a civil Court under the Code of Civil Procedure, including powers to enforce attendance of any person, compel production of records, receive evidence on affidavits and issuing commission for examination of witnesses.

Section 54 empowers and requires various officers and other functionaries to provide necessary assistance to Director, FIU-IND in the enforcement of his statutory functions under the PMLA.

Section 66 provides for the dissemination of information by FIU-IND to any officer, authority or body performing any function under any law relating to imposition of any tax, duty or cess or to dealing in foreign exchange or to prevention of illegal trafficking in drugs or to any officer, authority or body notified by the Central Government.

Section 69 enables the recovery of fines imposed by the Director, if not paid within six months from the date of imposition of fine; and the powers of a Tax Recovery Officer under the Income-tax Act, 1961 can be exercised for this purpose. The fines so imposed are recovered in the same manner as prescribed in Schedule II of the Income-tax Act, 1961 for the recovery of arrears.

Categorization of Reporting Entities after PMLA amendment

Banking Companies	Financial Institutions	Intermediaries	DNFBP
<ul style="list-style-type: none"> • Public sector banks • Private Indian banks • Foreign banks • Co-operative banks • Regional Rural banks 	<ul style="list-style-type: none"> • Insurance companies • Hire purchase companies • Chit fund companies • Housing finance institutions • Non-banking financial companies • Payment system operator • Authorized persons • India Post 	<ul style="list-style-type: none"> • Stock brokers; Sub-brokers • Share transfer agents • Registrars to issue • Merchant bankers • Underwriters • Portfolio managers • Investment advisers • Depositories and DPs • Custodian of securities • Foreign institutional investor • Venture capital funds • Mutual funds • Intermediary regulated by FMC • Intermediary regulated by PFRDA • Recognized stock exchanges 	<ul style="list-style-type: none"> • Casino • Registrar or Sub-registrar • Real Estate Agent • Dealer in precious metals, precious stones and other high value goods • Private Locker Operators • Other activities as notified by the Central Govt. <p>(Upon notification by the Central Govt.)</p> <p>Note: Registrars/Sub-registrars, Casinos and Insurance brokers have been notified so far as DNFBPs.</p>

Chapter 3

Receipt, Analysis and Dissemination of Information

The foundation of FIU-IND's work is receipt of the Suspicious Transaction Reports (STRs) and other prescribed reports from the reporting entities. FIU-IND's information technology system called '**FINnet**', launched in October 2012, enables the reporting entities to furnish reports online using its **FINgate** portal. The **FINcore** portal of the FINnet processes the reports received from the reporting entity and links all relevant reports in the database using rules of identity and relationship resolution (IRR). A case formed around an STR thus contains not only the information received from a particular reporting entity but also all relevant information/ reports furnished by other reporting entities. Thus a lot of value is added to the information received from the reporting entities before the same is disseminated to the agencies for investigation through the **FINex** portal of the FINnet.

FINnet is one of the pioneer IT systems of its kind that provides end-to-end solution to all the information technology needs of FIU-IND, including receiving, analyzing and disseminating information, and provides a two way electronic communications system between the FIU and the reporting entities on the one hand, and the FIU and the enforcement agencies on the other, through a secure network. Over the last four years since its commissioning in February 2013, the operations of FINnet have stabilized and it is able to process more than 50,000 reports per day. However, keeping in view the exponential growth in the information received in FIU over the years, the new types of reports prescribed and the inclusion of new categories of reporting entities, FIU has conceptualized a major upgrade of FINnet, called FINnet II, which will adopt the state-of-the art technology to cater to the growing sophistication of analytical and data processing needs of FIU-IND.

3.1 Receipt of information

As part of the IT modernization programme, FIU-IND has prescribed three reporting formats, namely, accounts based reporting format (for STRs), transactions based reporting format (for CTRs, CBWTRs etc), and reporting format for the Counterfeit Currency Reports (CCRs).

3.1.1 Cash Transaction Reports(CTRs)

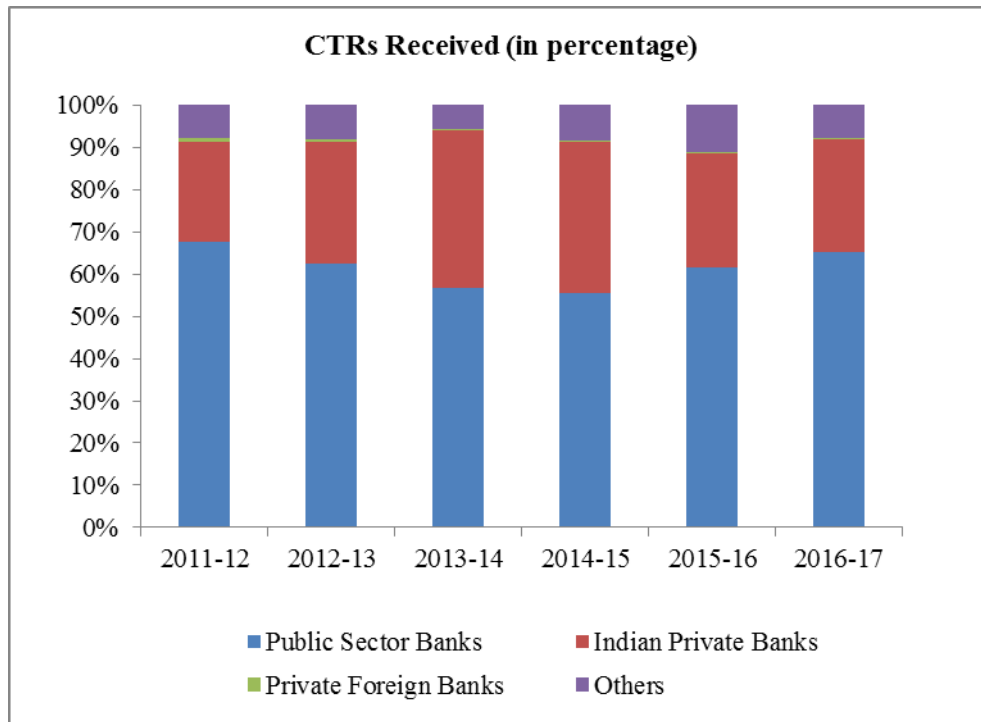
Cash Transaction Reports for the month are to be furnished by the 15th day of the succeeding month incorporating all transactions above INR 1 million or a series of integrally connected transactions that add up to more than INR 1 million.

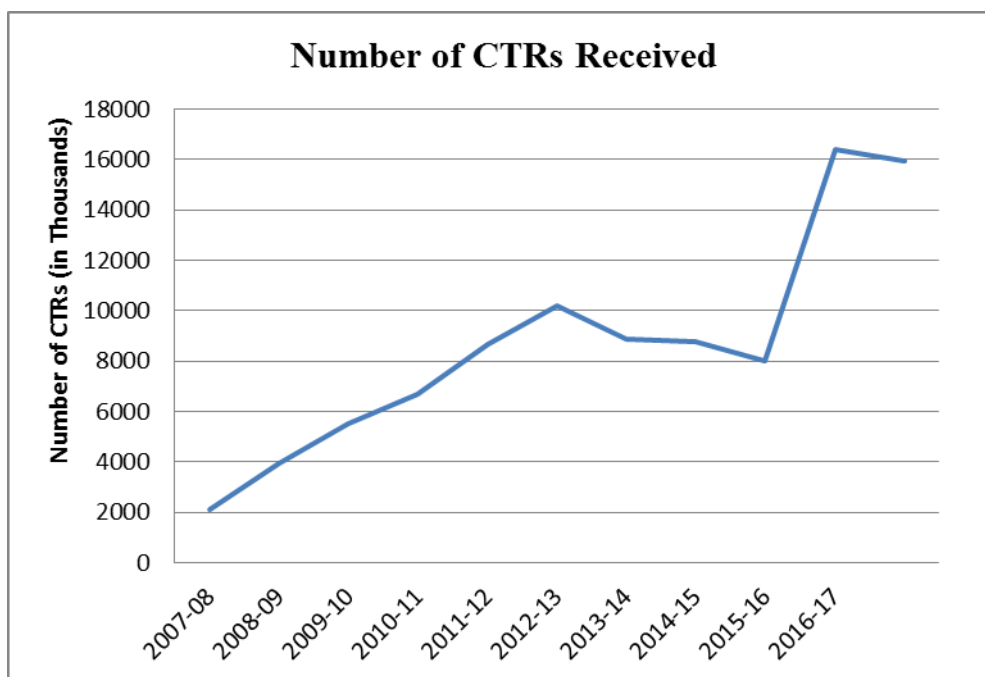
Majority of the CTRs received during the year were from the Public Sector Banks. Continuous efforts were made to ensure that the smaller banks such as district co-operative banks and regional rural banks adopt the new technology for filing reports online, for which FIU-IND made all out efforts to train the key persons in the banks. The reporting entities were also encouraged to file the reports using digital signature.

Table 1, which gives the number of CTRs received in the last five years for major categories of banks, shows that the number of CTRs has doubled over the last 5 years from over 8 million to over 15.9 million per year. The increase has been across the spectrum over the years. There has been significant increase in the CTRs from ‘Others’ category since 2015-16, primarily the Cooperative Banks, as a result of aggressive outreach undertaken by FIU-IND. However, receipt of CTRs from the private foreign banks showed a decline from 2011-12 to 2013-14 and a pickup has been noticed from 2014-15.

Table 1: Receipt of Cash Transaction Reports from the Banking Companies:

Types of Banking Companies	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Public Sector Banks	69,03,096	55,41,408	49,89,143	48,76,909	1,00,77,939	1,04,06,673
Indian Private Banks	24,06,855	25,61,548	32,61,219	31,57,826	44,40,307	42,42,521
Private Foreign Banks	83,665	58,640	35,083	39,755	46,962	51,593
Others	8,04,646	7,20,622	4,93,637	7,33,747	18,28,081	12,28,389
Total	1,01,98,262	88,82,218	87,79,082	80,08,237	1,63,93,289	1,59,29,176





3.1.2 Suspicious Transaction Reports (STRs)

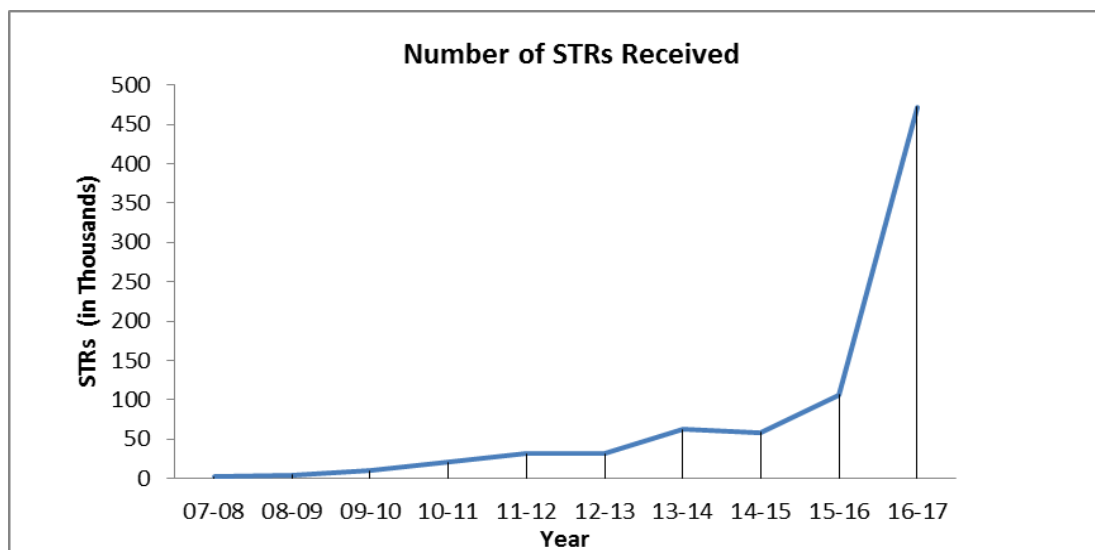
Suspicious Transaction Reports (STRs) are required to be furnished by the principal officer of the reporting entity not later than seven working days on being satisfied that the transaction is suspicious. Rule 2(1)(g) of the PMLA Rules defines a suspicious transaction as a transaction, whether or not made in cash, which to a person acting in good faith-

- a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b) appears to be made in circumstances of unusual or unjustified complexity ;or
- c) appears to have no economic rationale or bonafide purpose; or
- d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

The number of STRs received in 2016-17 is more than four times as compared to 2015-16. This increase is attributed to demonetization and combination of other factors viz outreach efforts by FIU-IND, sanctions imposed by FIU-IND on a number of reporting entities for non-compliance, increasing awareness and maturity of the REs in understanding their reporting obligations etc.

FIU-IND started receiving reports only in the early part of 2006-07 after the formats for reporting transactions were notified in March, 2006. Since then there has been a quantum jump in the receipt and analysis of reports received by FIU-IND. During the last 10 years, the number of STRs received has increased from 817 in 2006-07 to 20,698 in 2010-11 and 473,006 in 2016-17, thanks to the major outreach by FIU-IND and provision of the online electronic platform for Reporting Entities to file reports. The progressive increase is depicted in the following table and graph:

Year	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
No. of STRs received	1,916	4,409	10,067	20,698	31,317	31,731	61,953	58,646	1,05,973	4,73,006



The quantum jump in the number of STRs placed additional responsibility on FIU-IND, which has managed the responsibility of processing STRs despite severe manpower constraints. FIU-IND has used IT to enhance its performance, as is evident from the number of cases processed and disseminated, as given in the following table and graph:

Year	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
No. of STRs processed	2,001	4,019	9,425	20,041	31,279	18,666	35,696	77,624	97,965	74,945
No. of STRs disseminated	935	2,270	6,571	13,744	23,689	13,854	15,288	45,422	53,200	56,978

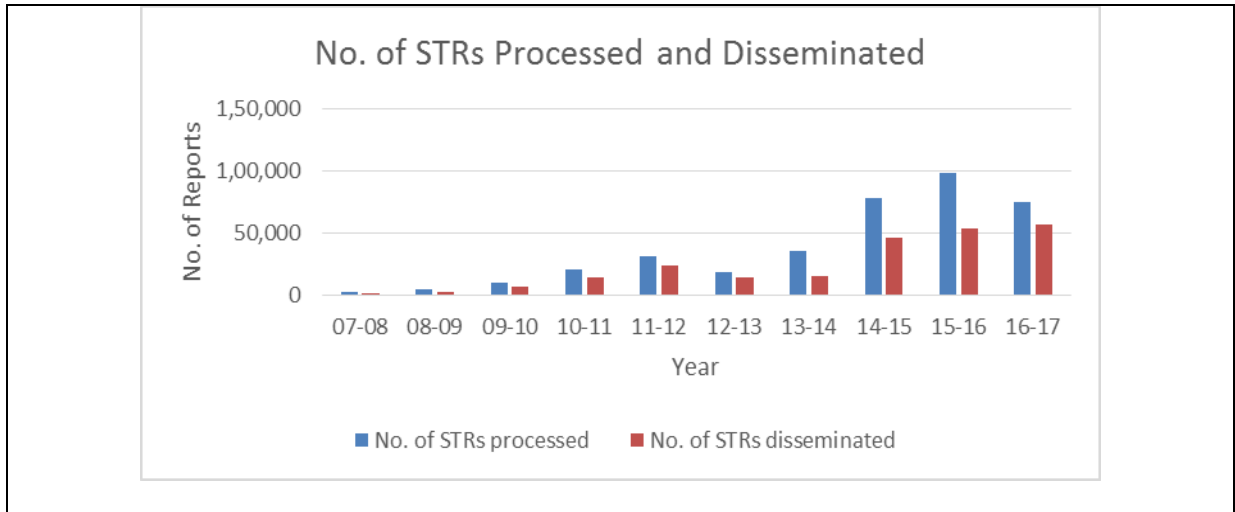
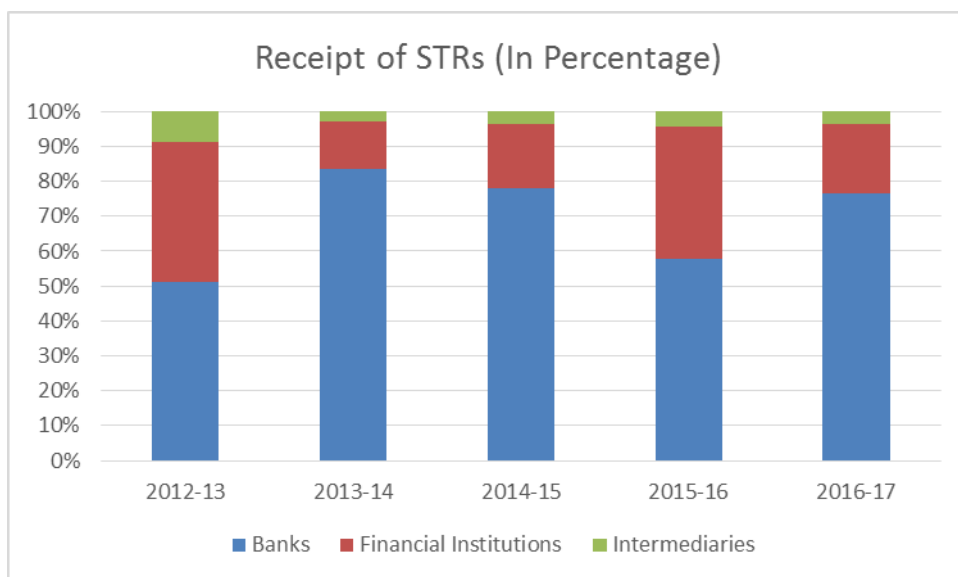
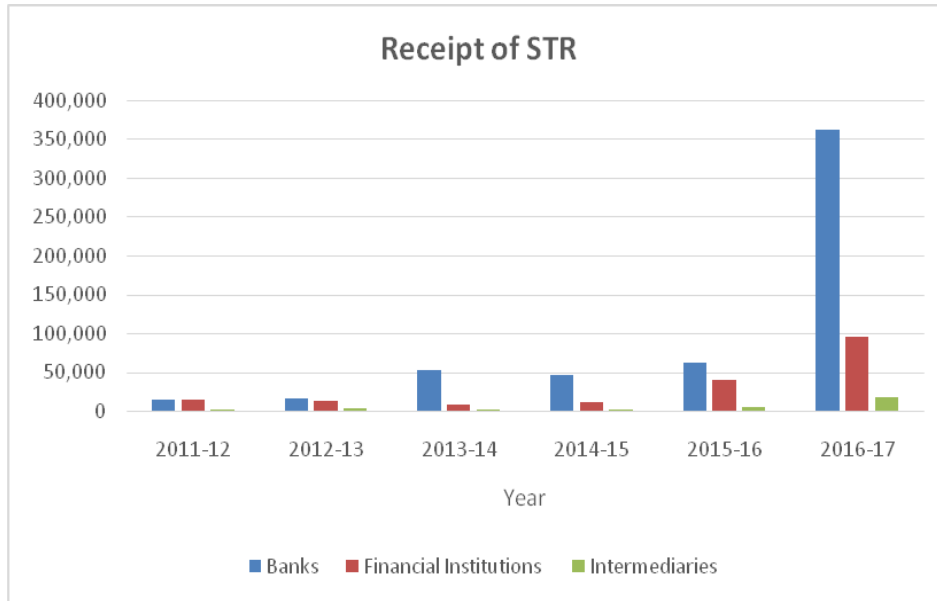


Table 2: Break up of STRs received during 2012-13 to 2016-17

Reporting Entity Type	2012-13	2013-14	2014-15	2015-16	2016-17
Banks	16,284	51,765	45,858	61,361	3,61,215
Financial Institutions	12,637	8,321	10,649	40,033	94,837
Intermediaries	2,810	1,867	2,139	4,579	16,954
Total	31,731	61,953	58,646	105,973	4,73,006

Table 2 shows that there was a remarkable increase in the number of STRs received in 2016-17, more than 4- times over the previous year. The most notable increase was in the category of Banks, which recorded almost a 489% increase over 2015-16. The increase was 270% in the intermediaries.



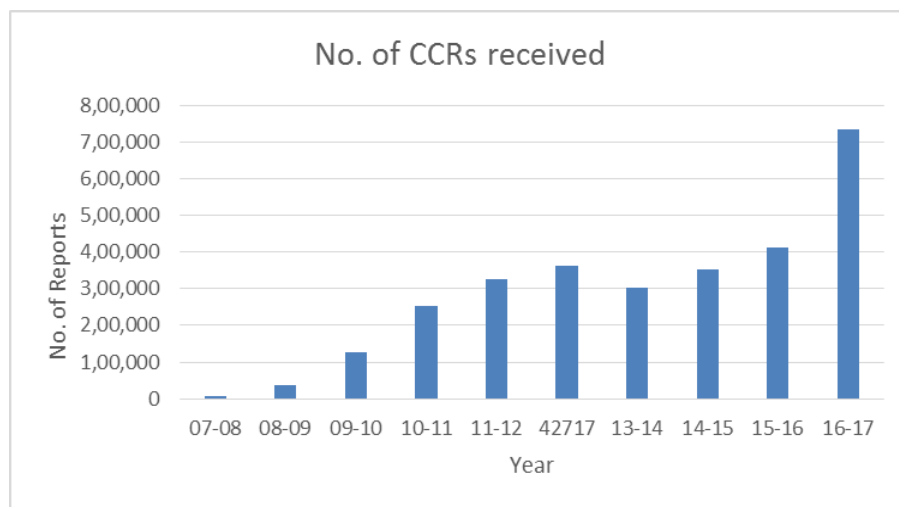


3.1.3 Counterfeit Currency Reports

Reporting entities are required to report all cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place. Details of CCRs received during the past ten years indicate a growing trend.

FIU-IND started receiving Counterfeit Currency Reports (CCRs) in 2007-08. The no. of reports increased from a mere 8,580 in 2007-08 to 251,448 in 2010-11 and 7,33,508 in 2016-17. The position is reflected in the table and graph below:

Year	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
No. of CCRs received	35,370	1,27,781	2,51,448	3,27,382	3,62,371	3,01,804	3,53,837	4,10,899	7,33,508



CCRs are transaction based reports. They are generated only when a fake Indian currency note (FICN) is detected. As can be seen from Table-3 below, the Private Sector Banks contributed majority of CCRs. All banks have been sensitized to the best practices in detection and reporting of FICN.

Table 3: Receipt of Counterfeit Currency Reports from the Banking Companies

Reporting Entity Types	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Public Sector Banks	2,649	5,707	14,186	16,224	29,026	1,01,167
Indian Private Banks	3,10,714	3,43,358	2,78,240	3,17,791	3,64,009	5,92,677
Private Foreign Banks	9,273	10,489	8,331	16,018	10,934	14,361
Others	4,746	2,817	1,047	3,804	6,930	25,303
Total	3,27,382	3,62,371	3,01,804	3,53,837	4,10,899	7,33,508

3.1.4 Cross Border Wire Transfer Reports (CBWTR)

Reporting entities are required to furnish monthly reports of all cross border wire transfers (CBWT) of more than INR 500,000 or its equivalent in foreign currency where either the origin or destination of fund is in India. The Reporting Entities started filing the CBWT reports from 14 February 2014. Since then 12 workshops, aimed at familiarizing the banks about their new reporting obligations, have been conducted by FIU-IND in which 138 officials of different REs participated. **During the year, 122 REs have filed more than 8.27 million CBWT reports, as compared to 11.1 million in 2015-16.**

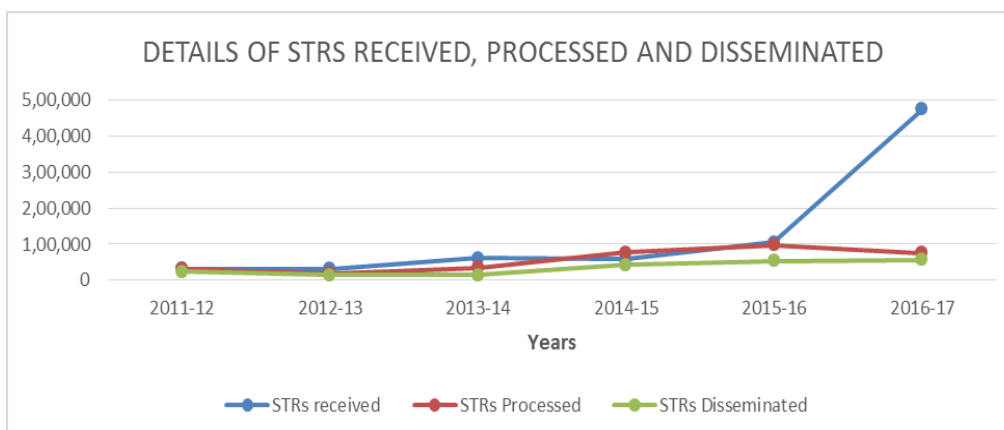
3.2 Analysis and Dissemination of Information

3.2.1 Analysis of STRs

The new capabilities built in FINcore for identity and relationship resolution have added to the quality of analysis function in FIU-IND. **The IT system helped FIU process a 74945 number of STRs in 2016-17, as shown in Table 4. Over 56,000 STRs have been disseminated during the year, an increase of nearly 7% over 2015-16, and nearly 140% over the 2011-12 figure (Table 4).**

Table 4: Analysis of Suspicious Transaction Reports

Category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
STRs Received	31,317	31,729	61,953	58,646	1,05,973	4,73,006
STRs Processed	31,279	18,666	35,696	77,624	97,965	74,945
STRs Disseminated	23,689	13,854	15,288	42,422	53,200	56,978

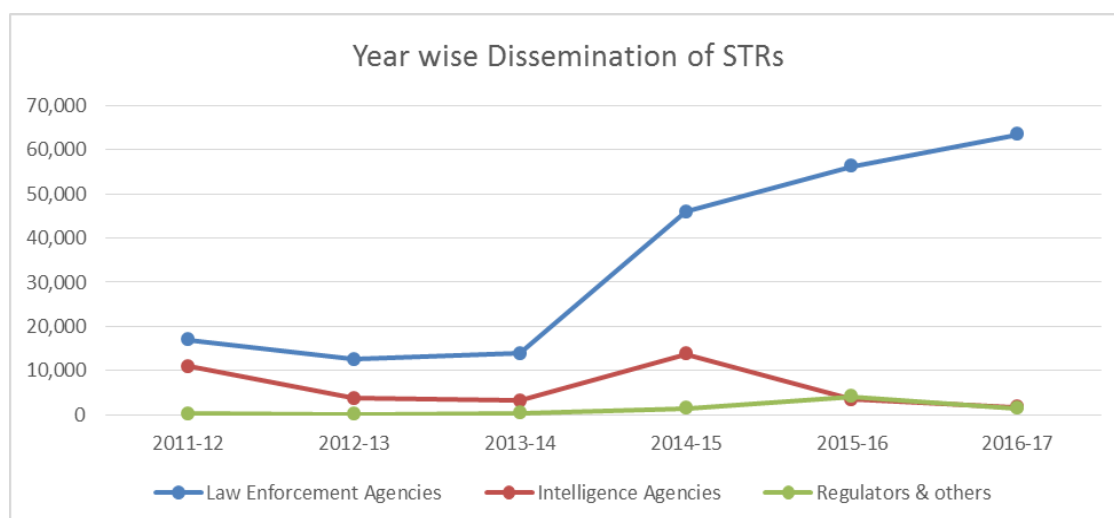


3.2.2 Dissemination

Despite remaining intensely involved in collection and collation of many reports related to demonetization during 9th November to 30th December, 2016, FIU-IND succeeded in disseminating 56,978 STRs in 2016-17, which is the highest in the history of FIU-IND. Details of STRs disseminated to various LEAs, Intelligence Agencies & Regulators from 2011-12 to 2016-17 are given in Table 5. One STR can be disseminated to more than one agency.

Table 5: Dissemination of Suspicious Transaction Reports

Agencies	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Law Enforcement Agencies	16,905	12,497	13,931	45,952	56,321	63,466
Intelligence Agencies	10,905	3,730	3,146	13,819	3,441	1,735
Regulators & others	225	192	452	1,492	4,107	1,504



3.2.3 Analysis of CTR database

Information in the CTR database is used to add value to the STRs and for processing requests for information from the law enforcement and intelligence agencies. As in the earlier years, the CTR database was processed on multiple criteria, using data mining and clustering, and intelligence reports were generated.

The CTR database is used for:

- Processing of STRs
- Processing of request for information from LEAs/ IAs and Foreign FIUs
- CTR Analysis related to
 - High Risk Businesses
 - High Risk Geographic locations
 - Threshold Analysis (High Value Transaction)
- Recovery of uncollected tax demand
- Matching of AIR information with CTR database to find out incidence of cash transaction near the date of property purchase and sale
- Identification of high-risk non-filers and top filers of Income tax and service tax
- Analysis of cases of financial crimes reported in Media

Chapter 4

Significant Developments During 2016-17

4.1 Identification of Red Flag Indicators (RFIs) for Detection Of Suspicious Transactions

FIU-IND has actively engaged the reporting entities and other stakeholders in developing sector specific red flag indicators (RFI) since 2011. The stakeholders include the regulators and REs. In addition to the banking sector, RFI have been evolved for insurance and capital market sectors, Money Transfer Service Businesses, Card System Operators, Co-operative Banks, Housing Finance Companies (HFC), NBFCs, and Trade Based Money Laundering related transactions

Vide notification dated 22nd September, 2015, Rule 7(3) was amended which empowered Director FIU-India to issue guidelines in consultation with the Regulator. Up until that time, this power was vested in the sector specific regulator rendering the sanctions regime of the FIU less effective. In exercise of this authority, during 2016-17, guidelines have been issued under Rule 7(3), in consultation with Reserve Bank of India, for detecting suspicious transactions related to Terror Financing.

4.2 Trade Based Money Laundering

The misuse of commerce to transfer money across the borders known as Trade Based Money Laundering (TBML) has been recognized as a major avenue for moving illicit funds. TBML was also identified by the Financial Action Task Force (FATF) as one of the methods used for the movement of money across countries for various purposes classified under money-laundering or terrorist financing offences. FIU-IND issued statutory guidelines for detection of TBML cases in December, 2015. A Working Group comprising of Designated Directors of 8 prominent banks under the chairmanship of Director FIU-IND finalized the approach for implementation of Red Flag Indicators (RFIs) which was circulated to all banks for compliance.

4.3 Role of FIU-IND in Combating Financing of Terrorism (CFT)

A. Detection and reporting of suspected cases of financing of terrorism

The definition of 'suspicious transaction' in the PML Rules specifically provides for reporting of suspect transactions relating to terrorist financing (TF). FIU-IND has been actively involved in, sensitizing reporting entities about their obligation to report STRs related to suspected cases of terrorist financing and also providing guidance on detection and reporting of such transactions. Specific Red flag Indicators (RFIs) have been issued for detection of Terror Financing STRs. Separate RFIs for TF have been issued for MTSS sector also. As a result, STRs on TF have increased in the year.

In addition to disseminating processed STRs related to financing of terror, FIU-IND also supports the efforts of LEAs against terror financing by providing information requested by them, either from its database or by calling information from the reporting entities. FIU-

IND uses the Egmont network to exchange TF related information. In addition, FIU-IND also participates in the Joint Working Groups (JWGs) on Counter Terrorism set up by the Government of India with various countries. FIU-IND is a member, and attends daily meetings, of the Multi Agency Centre (MAC) set up in the Ministry of Home Affairs specifically for exchange of terror related information.

B. Collaboration with State Police Agencies

In order to combat terrorism financing, FIU-IND has taken initiative to actively collaborate with State Police forces/ Central agencies. Besides providing information asked for by security agencies on suspected counter financing terrorism cases, FIU-IND has started active collaboration with Central/ state police agencies on case to case basis, in terms of day-to-day queries and replies. This mechanism has contributed in countering the financial activities of criminals and anti-nationals.

C. Money Transfer Service Scheme (MTSS) and Payment Systems Operators

FIU-IND conducts analysis of STRs received from MTSS and Payment System Operators and disseminate them to relevant LEAs. The analysis aims to point out potential misuse for TF/ other purposes, professional money senders and receivers, and vulnerable jurisdictions for misuse of MTSS operators. Active engagement with private sector MTSS operators and continued guidance to them has resulted in reduction in response time to LEA queries, and better quality of STRs. Besides, Strategic analysis was conducted relating to jurisdictions of interest and the results were shared with relevant LEAs. FIU-IND has suggested many policy changes for making AML/CFT systems relating to pre-paid instruments (PPIs) more effective. Specific typologies and loopholes in the present system were also flagged to the concerned organizations in order to make PPIs ecosystem safe. Major headway was made in respect of streamlining effective STRs from card operators.

D. Virtual Currencies and miscellaneous-

FIU India is actively involved with Department of Economic Affairs in examining the issue of Virtual currencies like Bitcoin. FIU-IND is actively involved in revamp of Payments and Settlement Systems Act, 2007. FIU-IND has raised various issues relating to CFT information sharing amongst countries at various international forums.

4.4 Demonetization and FIU-IND

In order to tackle the problem of unaccounted money feeding the parallel economy and the menace of counterfeiting of large denomination currency notes, which were leading to the problems of large scale money laundering, tax evasion and terror funding, the Government of India announced the scheme of demonetization of Rs.500 and Rs.1000 currency notes on Nov. 8, 2017. The persons possessing these notes in a legal manner were given an opportunity to deposit these notes in their bank accounts. However, it was apprehended that unscrupulous persons possessing large amount of these notes may misuse the said opportunity.

FIU-IND undertook a proactive role to track such misuse of the said scheme. Following actions were taken by FIU-IND-

- (i) New Red Flag Indicators were devised and shared with banks to enable them to file Suspicious Transaction Reports on a priority basis. These STRs were analyzed on priority at FIU-IND and disseminated to concerned Law Enforcement Agencies to take action in the field.
- (ii) More than 30 different new reports were designed to obtain information from the banks on the basis of identified parameters based on risk of misuse. These reports were obtained from the banks at different intervals, so as to detect abnormal patterns of deposits. These suspected, abnormal transactions were then shared with LEAs for further action.
- (iii) The liberalized scheme of opening banks accounts with minimum KYC requirements so as to reach banking to every strata of society was monitored very closely. Abnormal patterns of deposits made by individuals as well as high risk geographical areas were identified and information disseminated to concerned LEAs for action.
- (iv) FIU initiated a project on tracking of money trail as it was apprehended that people who had deposited cash in various accounts immediately moved these funds to various other accounts through RTGS/NEFT across various banks to obfuscate the money trail. This apprehension was also indicated by LEAs during their investigations. Information was disseminated to concerned LEAs for action.
- (v) On the basis of investigations by LEAs, a large number of cases of money laundering and tax evasion were booked. Transactions having possible links to the terror funding were also identified by the agencies on the basis of intelligence shared.
- (vi) Sharing of information related to various kinds of transactions and risks posed by them, helped the Government in taking action through suitable policy amendments for the purpose of anti money-laundering and countering the financing of terrorism. Suitable legislative amendments were also brought about by LEAs to plug various loopholes identified including that of opening a large number of accounts across various banks by the same person for the purpose of tax evasion/ money laundering.

4.5 FIU-IND and DNFBP Sector

A. Registrar and Sub Registrars

Under Section 2(1)(Sa)(ii) of the Prevention of Money Laundering Act, 2002 (PMLA), Registrar or Sub-Registrars appointed under section 6 of the Registration Act, 1908 (16 of 1908) are categorized as person carrying on “Designated Business or Profession” from the date notified by Central Government. Registrars and Sub-Registrars are now reporting entities under the PMLA and are required to report transaction pertaining to all purchase and sale by any person of immovable property valued at Rs.50 Lakhs (Rupees Fifty Lakhs) or more which is registered by them in accordance with the provision of rule 3(1)(F) or Prevention of Money Laundering (Maintenance of Records) Rules 2005. Land and transfer of land are state subjects and hence this sector is regulated by the State Government. FIU-IND has initiated onboarding of Registrar/Sub-Registrar as Reporting Entities of different States in India. In order to streamline the process of reporting, FIU-IND, during the year took up the issue with all Inspectors General of Registration (IGR) to register with FIU-IND for filing statutory reports. Concerned IG of Registrations are made Designated Director for the purpose. The nodal officers appointed by the IG of Registrations under the state would act as Principal Officer for the purpose. Teams of FIU-IND visited various States for facilitating onboarding of Registrar/Sub-registrar on FINgate. So far, IGRs of 18 States have nominated/appointed Principal Officers (PO) and have got registered with FINgate. FIU-India held workshop with the newly appointed PO along with their technical officers from 10 States. Format for filing reports have been finalized.

B. Casinos

Under the provisions of section 2(1)(Sa)(i) of the Prevention of Money Laundering Act, 2002 (PMLA), a person carrying on activities for playing games of chance for cash or kind, and includes such activities associated with casino are covered under the definition of person carrying on “Designated Business or Profession”. Regulators for Casino are State Government. At present only two states have recognized Casinos namely, Goa and Sikkim. Team from FIU-IND visited State of Goa and had meetings with authorities of Home Department of State for registering Casinos as Reporting Entities. As on date there are 12 casinos from Goa registered with FIU-IND. FIU-IND has written to Government of Sikkim, being the regulator, for on boarding of Casinos as Reporting Entity under PML Act.

Chapter 5

Domestic and International Cooperation

FIU-IND's module for information exchange with domestic agencies (FINex), an important part of the FINnet, is the primary platform for exchange of information with the domestic agencies. The module has functionality for uploading bulk requests by the domestic agencies. FIU holds regular workshops and demonstration of the functionalities of FINex, including its bulk request utility, to explain this information exchange framework.

5.1 Virtual Office: an effective model for exchange of information

Pursuant to the directions of the Finance Minister, a Virtual Office was constituted by the Department of Revenue on 3 January 2013. The Virtual Office comprised representative from CBDT, DGCEI, DRI, CEIB and FIU-IND. The Virtual Office has proved to be an effective forum for exchange of information among the tax agencies. Virtual Office was also used by agencies for sharing information about usefulness of STRs.

Feedback received through the Virtual Office revealed that during 2016-17, based on the STRs disseminated by FIU-IND, CBDT detected unaccounted income/assets of Rs. 3561.07 crore; CBEC detected cases of duty evasion and hawala transactions of over Rs.7 crore & Rs. 20 crores respectively.

The Table below shows that during the last four years (2013-14, 2014-15, 2015-16 and 2016-17), based on the information in STRs, the cumulative value of the unaccounted income detected by CBDT was Rs 15265.61 crore; by DRI Rs. 300 crore; by ED Rs. 152.47 crore; and by CBEC Rs. 798.59 crore. Considering that FIU-IND receives feedback in only about 5% cases, the data show the significance of FIU-IND's contribution to the strengthening of the country's AML/CFT regime. These figures will only go up, as the feedback from the agencies improves.

(value in Crores)

Agency	2013-14	2014-15	2015-16	2016-17	Total
CBDT	7078	4471.65	154.89	3561.07	15265.61
ED	20	25	107.47	-	152.47
CBEC	750	21.59	-	27	798.59
DRI	-	-	300	-	300

5.2 Cooperation with Law enforcement/intelligence agencies

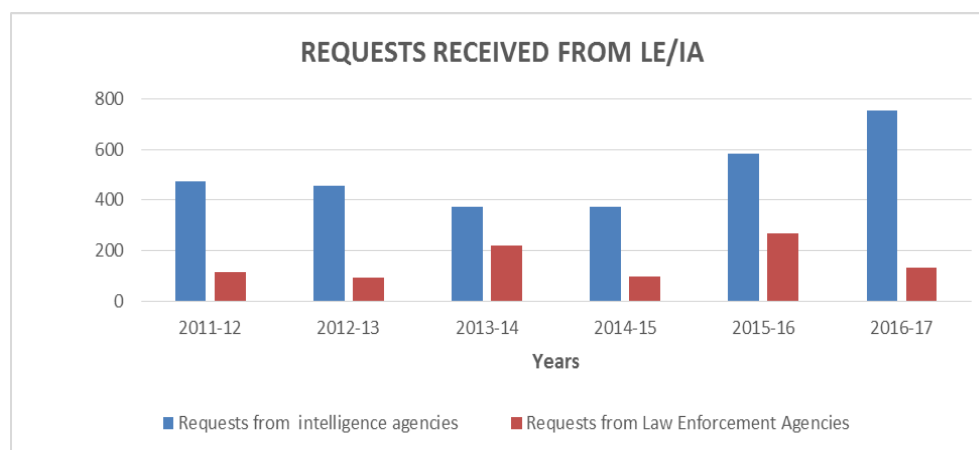
FIU-IND has a nodal officer to deal with all issues relating to the agencies. Bi-monthly meetings were organized with the nodal officers of the agencies for better coordination in information sharing and handling. FIU-IND participated in the meetings of Economic Intelligence Council (EIC) and Regional Economic Intelligence Councils (REICs), convened by the CEIB, and interacted with the agencies of the State governments and Union Territories on regular basis.

FIU-IND's database on cash and suspicious transactions are found very useful by domestic law enforcement and intelligence agencies. The agencies rely on information contained in FIU-IND databases not only for developing intelligence but also for strengthening ongoing investigations. During the year, FIU-IND provided information in response to references on money laundering, terrorist financing,

corporate frauds, organized crimes, fake Indian currency, tax evasion etc. as detailed in Table 6. The table shows that FIU-IND has now a very robust system of information exchange with the intelligence and law enforcement agencies. **FINex, our 2-way electronic communication platform, offers the agencies a secure search facility for individual as well as bulk queries. The year 2016-17 registered a new high in the number of references received from the intelligence (754) and law enforcement (132) agencies. FIU-IND now insists that it would entertain only online requests in order to make the exchange process more efficient and effective, as well as accountable.**

Table 6: Number of References From Domestic Law Enforcement/ Intelligence Agencies

Category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Requests from Intelligence Agencies	473	457	373	374	583	754
Requests from Law Enforcement Agencies	117	92	221	96	267	132



5.3 Cooperation with Regulators

FIU-IND has also developed close relationship with financial sector regulators for strengthening AML and CFT regulations. FIU-IND holds regular meetings with the regulators to discuss matters of common interest. FIU-IND also ensures that the guidelines issued by the regulators, namely, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and Insurance Regulatory Development Authority (IRDA), for adherence to KYC, AML and CFT norms, address FIU's concerns. These circulars are also uploaded on the website of FIU-IND for quick reference.

5.4 Memorandum of Understanding (MOUs)

FIU-IND has entered into Memorandums of Understanding (MoUs) with partner agencies in order to provide a structural framework for enhanced cooperation and understanding. The MOU provides for protection of the information disseminated by FIU-IND from unauthorized use and proliferation. In pursuance of these objectives, MoUs have been signed with RBI, MCA, SFIO, CBI, NCB, CBDT, CBEC, NIA, SEBI, IRDA etc.

5.5 International Cooperation

FIU-IND continued with its strategy to foster strong relationship with the FIUs of other countries. During the year, the level of exchange of information with foreign FIUs continued to be high. With a view to formalizing the nature and scope of mutual co-operation, FIU-IND initiated MoUs with several countries. During 2016-17, 7 MoUs were signed. FIU-IND also continued to actively participate and contribute in the activities of various regional and international bodies dealing with AML/ CFT issues.

FIU-IND has been regularly participating in the meetings of the Financial Action Task Force (FATF) and its working groups. FIU-IND officers have also been representing India in the meetings of the Sub-Group on Combating Financing of Terrorism of the Bay of Bengal Initiative for Multi Sector Technical and Economic Cooperation (BIMSTEC), an international organization involving a group of countries in South Asia and South East Asia.

5.5.1 Financial Action Task Force (FATF)

In February, 2012, FATF issued the revised International Standards on Combating Money Laundering and Financing of Terrorism and Proliferation. The revisions seek to address new and emerging threats, clarify and strengthen many of the existing obligations, while maintaining the necessary stability and rigour in the Recommendations. The new standards also allow countries to apply a "Risk-Based Approach", within the framework of the FATF requirements, thereby permitting adoption of a more flexible set of measures, in order to target their resources more effectively and apply preventive measures that are commensurate to the nature of risks. India is one of the 35 member jurisdictions and 2 regional organizations (European Commission and Gulf Co-operation Council) that are the FATF members.

FIU-IND participated in the meeting of the FATF-Egmont Joint Typology in May, 2016 at Austria.

FIU-IND has actively participated in the activities of the Financial Action Task Force (FATF). Officers from FIU- IND were a part of the Indian delegation to FATF on regular basis. An Additional Director from FIU-IND attended the FATF Plenary working group meeting at South Korea in June 2016. Another meeting of the FATF Plenary and working group was attended by the Director, FIU-IND, in February, 2017 at Paris.

5.6 FATF Style Regional Bodies (FSRBs)

Out of 8 FSRBs, India is a member of 2 viz., the Asia Pacific Group (APG) and the Eurasian Group (EAG). FIU- IND has been an active participant in the activities of APG and EAG.

The APG facilitates the adoption, implementation and enforcement of internationally accepted anti-money laundering and anti-terrorist financing standards set out in the recommendations of the Financial Action Task Force (FATF). **The 19th Annual Meeting of APG held at California, USA, in September, 2016, was attended by the Director, FIU-IND.**

The EAG plays an important role in ensuring effective interaction and cooperation at the regional level and integration of EAG member states into the international system of anti-money laundering and combating financing of terrorism in accordance with the Recommendations of the FATF and the anti-money laundering and combating financing of terrorism standards of other international organizations, to which EAG member-states are party. The 24th EAG Plenary /Working Group Meeting was attended by an Additional Director at Kazakhstan in June, 2016.

The EAG had its 25th Plenary meeting and meetings of Working Groups in New Delhi from 07th to 11th November, 2016. FIU-IND participated in Plenary and Working Group meetings.

5.7 Egmont Group of FIUs

The Egmont Group of FIUs promotes international cooperation and free exchange of information among all FIUs. The Egmont Group aims to provide a forum for FIUs to improve understanding and awareness of issues and an opportunity for enhancement of their capacities to develop intelligence to combat money laundering and terrorist financing.

The membership of Egmont Group has increased to 158. The member FIUs undertake to subscribe to the Egmont Group principles and work for co-operation and exchange of information on the basis of reciprocity or mutual agreement. They follow the basic tenets laid in the Egmont Charter.

FIU-IND was admitted as a member of the Egmont Group at the Bermuda Plenary session in May 2007. Officers of FIU-IND have regularly participated in the Egmont Group meetings.

During the year, FIU-IND participated in the Egmont Committee and Working Group Meetings at Doha, Qatar in January - February, 2017. FIU-IND Officials have been actively participating in Membership Support & Compliance working group (MSCWG), Information Exchange Working Group (IEWG) and Policy & Procedure Working Group (PPWG) of the Egmont Group.

Ever since its membership of the Egmont Group of FIUs, FIU-IND has played an active role in the activities of the Egmont Group. The document ‘Securing an FIU (SEC-FIU) Operational Guidance-Vol. 2: Information Security’, which was submitted by the FIU-IND to the Information Exchange Working Group-IEWG (Earlier ITWG) for adoption has been adopted in the Egmont Group after the approval from the Heads of FIU during the Egmont Working Groups meeting at Doha, Qatar held from Monday 30th January to Thursday 2nd February 2017.

Bilateral discussions were held with the representative(s)/HoFIU of the FIUs of Hong Kong, Mauritius, Panama, Singapore, South Korea, Switzerland and UAE to discuss the various issues concerning information exchange and other related matters.

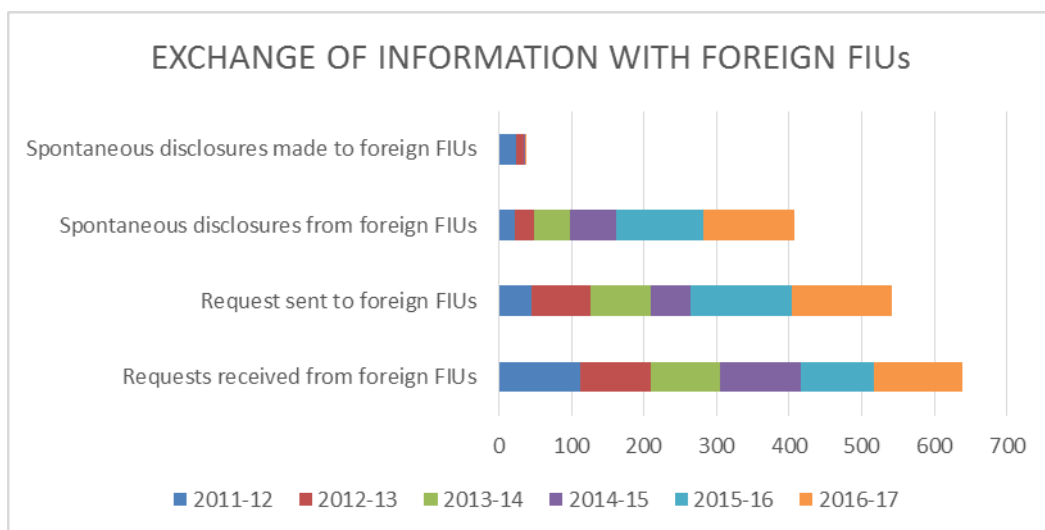
5.7.1 Co-operation and Exchange of Information with other FIUs

FIU-IND adheres to the Egmont principles on exchange of information. All requests for information are replied to, in time, including cases where no information could be found. The statistical information regarding the number of cases in which requests were made by FIU-IND to other FIUs and the number of cases where FIU-IND received requests from other FIUs is in **Table 7**.

Table 7: Exchange of information with foreign FIUs

Status of action Taken	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Requests received from foreign FIUs	113	97	94	112	100	123
Request sent to foreign FIUs	46	81	82	55	140	138
Spontaneous disclosures from foreign FIUs	22	26	51	63	120	125
Spontaneous disclosures made to foreign FIUs	24	11	0	2	0	2

Table 7 shows that FIU-IND has been proactively participating in the international information exchange process in order to combat money laundering and financing of terrorism.



FIU-IND does not require MoU with foreign FIUs for exchange of information, and can exchange information on the basis of reciprocity. However, in order to enhance the level of co-operation and to provide a structured framework for better understanding, FIU-IND continued negotiating MoUs with various FIUs.

During 2016-17, seven MOUs were signed with the FIUs of Saudi Arabia, TOGO, Qatar, Kazakhstan, Tajikistan, Bahrain and Vatican City State. MoUs with many countries are under various stages of negotiation.

5.8 National ML/TF Risk Assessment

As per the revised FATF recommendations, every country has to conduct a National Risk Assessment (NRA) of the threats and vulnerabilities in its AML/CFT regime that would inform the design of a policy framework and its implementation strategy including the resource prioritization.

The Government of India has undertaken National Risk Assessment (NRA) in collaboration with the World Bank. 8 subgroups have been formed and the officials of FIU-IND are members in each subgroup. The NRA report is in advance stage of finalization.

Chapter 6

Raising Awareness and Building Capacities of Reporting Entities

The success of an FIU depends largely on the ability of reporting entities in effectively identifying and reporting transactions. FIU-IND continued its focus on increasing awareness of the reporting entities about their reporting obligations under PMLA and building capacities to ensure better compliance.

FIU-IND has focused on developing Red Flag Indicators for different sectors in order to facilitate the process of STR reporting. The Red Flag Indicators-

- Create a common and shared understanding about the STR detection and reporting systems.
- Provide indicative lists of high risk customers, products, services and geographies.
- Provide commonly used alerts for detection of suspicious transactions.
- Provide guidance for alert management and preparation of STRs.

After the development of Red Flag Indicators (RFIs) for the banking sector in July, 2011, RFIs were developed for payment system operators and money transfer providers in October, 2012. Recognizing the need for a sound system of detecting the STRs in the Insurance Sector and Co-op Banks, FIU-IND collaborated with the Insurance sector, IRDA, to develop RFIs for Insurance Sector.

After the conferment of powers on Director, FIU-IND to issue guidelines, 3 statutory Guidance notes incorporating the RFIs for Banks and MTSS Operators have been issued during the current year 2016-17 viz. detection of suspicious transactions related to terror financing for Banks, detection of suspicious transactions related to terror financing for MTSS operators and detection of suspicious transactions and reporting for the demonetization period in respect of Banking sector including Cooperative Banks.

As in earlier years, FIU-IND adopted a multi-pronged strategy to enhance awareness through the FIU's website, seminars and workshops. FIU-IND supported the regulators, industry associations, professional bodies and reporting entities by providing resource persons for seminars and workshops organized by them.

The training material prepared by FIU is made available to all reporting entities to conduct their own training seminars.

6.1 FIU website

The FIU-IND websites (<http://fiuindia.gov.in> and <http://finnet.gov.in>) are user-friendly sites containing information on AML/CFT issues including PMLA and its amendments, rules and regulations, relevant circulars and instructions issued by Regulators and the reporting formats. FIU-IND has also developed software utilities for e-filing of reports on the FINnet portal for use by the smaller reporting entities that have limited IT infrastructure. These utilities are available for free download on the FIU-IND website <http://finnet.gov.in>.

6.2 Seminars and Workshops

During the year, FIU-IND participated in 13 workshops/seminars on AML/CFT awareness in collaboration with regulators, industry associations, professional bodies and reporting entities, in which over 606 persons participated (**Table 8**).

Table 8: Outreach Activity

Outreach Activity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Seminars and Training workshops	42	38	34	31	38	13
Number of Participants	2,509	2,862	2,447	1,366	1,600	606
Review Meetings	39	28	25	29	43	16
Number of Participants	977	1,471	580	592	557	208

During the year, FIU-IND focused on training the reporting entities on online filing of reports on the FINnet portal. Special attention was given to cooperative banks and Regional Rural Banks (RRBs). Sixteen review meetings were conducted with the Principal Officers of the reporting entities covering 208 officers.

6.3 Train the Trainers Programme – 2016-17

FIU-IND organized a one-day “Train the Trainers” workshop on AML/CFT at ‘Vigyan Bhawan’ New Delhi on 23rd March, 2017. This was the 10th consecutive annual workshop organized by FIU-IND for the trainers in the financial sector. Dr. Hasmukh Adhia, Revenue Secretary, was the Chief Guest and there were 7 Speakers from CBDT, ED, MHA, CBI, DRI, SBI Card & FIU-IND who took the sessions. 250 senior officers of the public and private sector banks, insurance companies, intermediaries, NBCs, HFCs, DNFBPs & Government Departments attended the programme. They are expected to act as resource persons for training other officers and staff of their respective organizations on the AML/CFT/KYC issues.

The focus of the workshop was to make the resource persons aware of the latest developments in the field of AML / CFT such as the FATF guidelines, risk-based approach for effective detection of suspicious transaction and technical issues related to filing of statutory reports.

Shri KV Chowdhary, Central Vigilance Commissioner, gave the valedictory address on the occasion.



Dr. Hasmukh Adhia, Revenue Secretary, Chief Guest addressing the participants of “Train the Trainers” Programme at Vigyan Bhawan, New Delhi-23rd March 2017.



Valedictory address by Shri K V Chowdary, CVC at “Train the Trainers” programme at Vigyan Bhawan, New Delhi-23rd March, 2017.

The “Train the Trainers” programme has produced the desired chain effect in spreading AML/CFT awareness across the reporting entities. The resource persons trained by FIU-IND in turn impart training to a large number of employees in their respective organisations. The AML/CFT programs of the larger entities were closely monitored through regular interactions with their AML teams during which the

shortcomings/deficiencies in their reports were discussed. Feedback on the quality of STRs reported and suggestions for improvement of the same were also provided.

Chapter 7

Ensuring Compliance with reporting obligations under PMLA

FIU- IND's strategy to ensure compliance by reporting entities is multi-pronged, focusing on raising awareness through workshops and seminars, and conducting review meetings with Principal Officers and Designated Directors. Some meetings were in the nature of compliance reviews, where AML/KYC policies and procedures were reviewed and lapses were communicated to the reporting entities.

7.1 Review meetings

The review meetings are held with principal officers of reporting entities. The representatives of regulators and industry associations such as Indian Banks Association, Life Insurance Council and AMFI are invited to participate so that industry-specific issues could be discussed in detail, and a common understanding of issues could be developed across a sector. Sector-specific meetings helped FIU-IND to evaluate the AML performance of individual reporting entities as compared with their peers, and to enable individual reporting entities to benchmark their performance. Common queries/issues of various sectors are also addressed. Details of these meetings are given in **Table 9**.

Table 9 - Details of the important Review Meetings with the Reporting Entities

Month	Review Meetings held with
April 2016	Representatives of Master Card International / PO of HDFC, PNB, Punjab & Sind Bank, OBC, Deutsche Bank
May 2016	Principal Officers / Compliance Officers of MTSS REs / Principal Officers and Compliance Officers of 14 REs, 1 from RBI / Principal Officers and AML Officers of Private & Foreign Banks / Representatives from NBFCs / Representatives from NBFCs / Representative of Department of Post
June 2016	Sr. Executives from Visa International / Principal Officer, SBI / POs and their representatives
July 2016	Representatives from Scheduled Urban Coop. Banks
March 2017	Principal Officers & Other Officials of Life Insurance Companies

During the sector review meetings, the number and quality of reports submitted by individual reporting entities were analyzed to assess gaps and identify focus areas for

individual entities that were not performing against the benchmarks. Examples of sanitized cases and feedback received by FIU-IND from law enforcement and intelligence agencies were also shared during these meetings.

FIU-IND's Strategy for ensuring compliance with PMLA

1. **Increase voluntary compliance through increasing awareness**
 - a) Raise awareness through outreach programs organized by Regulators, Industry Associations as well as individual reporting entities
 - b) Encourage professional institutes to offer courses and training programs on AML/CFT, and provide resource persons for such courses
 - c) Organize training programs for in-house training faculty of large reporting entities and regulators, so that their training institutes can supplement FIU-IND's efforts of increasing awareness
 - d) Encourage reporting entities to organize regular refresher training courses for their employees
 - e) Increase awareness about high risk scenarios and patterns that have been detected by law enforcement agencies and intelligence agencies
2. **Ensure adherence to reporting obligations by regular review meetings**
 - a) Conduct regular sector-specific meetings in coordination with sector regulator
 - b) Identify reporting entities requiring a special attention and conduct individual meetings with these reporting entities
 - c) Involve the senior management in the review process and sensitize them about their obligations
 - d) Provide regular feedback to reporting entities about the quality of their reporting and problem areas requiring attention
3. **Detect instances of contravention of reporting obligations**
 - a) Collect information on suspect instances of contravention of PMLA identified in investigations conducted by law enforcement agencies
 - b) Where transactions involve a number of financial sector entities, and transactions are reported by one reporting entity, examine if the other reporting entities involved in the transactions have detected, examined and reported the transactions
 - c) Through a risk-based approach, and through comparison with peer performance, identify the reporting entities requiring a detailed review or an onsite inspection
4. **Adopt a graded system of imposing sanctions in case of contraventions**
 - a) Advise the reporting entities about the possible gaps identified, and the possible contravention suspected, and provide them an opportunity to rectify the mistakes. Provide guidance on the measures required to be implemented to plug the gaps identified
 - b) Warn the reporting entity of the detected instance of non-compliance and advise on measures required to ensure compliance
 - c) In cases of continued or serious contraventions, issue show cause notice for imposition of fine under Section 13 of PMLA, and impose fine on the reporting entity.
 - d) Continue to monitor the performance of the reporting entity for six months to one year to ensure demonstrated adherence to compliance

7.2 Proceedings under section 13 of the PMLA

FIU-IND has a Compliance Vertical headed by an Additional Director. This Vertical monitored submission of reports, data quality in reports as well as infrastructure issues such as strength of AML team, status of computerization and installation of AML software, etc. Information emerging from investigations conducted by law enforcement agencies was also used to identify suspected cases of non-compliance with reporting obligations. Information culled out from STRs was used to examine if other reporting entities had also examined and reported these transactions. Advisories were issued to reporting entities on problem areas suggesting corrective action. Reporting entities suspected of lagging behind were selected for review on the basis of comparison of their performance with peers. The performance of these entities was monitored during the year, to assess if their performance showed improvement or whether further interventions were required.

During the year, fines were imposed by FIU-IND under section 13 of the PMLA in 3 cases.

Chapter 8

Organizational Capacity Building

FIU-IND believes in building strong organizational capacity to enhance its ability to identify and meet new challenges posed by money launderers and criminals in the dynamic and ever-changing world of crime.

With a view to enhance the capacity of its officers and to impart to them the knowledge of various sectors of the financial system in India, FIU-IND continues to collaborate with premier training institutes for targeted training relating to various financial sectors, financial instruments, sector-specific laws and regulations, financial crimes, regulatory framework, etc.

FIU-IND has made proactive efforts to regularly upgrade the skills of its employees by providing them opportunities for training on AML/CFT and related economic issues.

During the year, FIU- IND officials attended training in different areas as detailed in the Table 10 including insurance frauds, data analytics, intelligence tradecraft, capital market frauds, cyber-crimes, etc.

Table 10: Capacity Building Workshops/Trainings attended by Officers from FIU-IND

Month	Workshop	Organised By	Place
Apr 2016	Workshop on Cyber Threats & Counter measures	Min of Comn & IT	New Delhi
Jul 2016	Workshop on Advanced Targeted Attacks	Min of Comn & IT	New Delhi
Oct 2016	Workshop on "Endpoint Security & Secure IT Infrastructure"	Min of Comn & IT	New Delhi
Oct 2016	Workshop on "Endpoint Security & Secure IT Infrastructure"	Min of Comn & IT	New Delhi
Nov 2016	Intelligence Gathering and Intelligence Tradecraft	National Intelligence Academy	New Delhi
Nov 2016	Capsule Course on Legal Aspects/Course Matters	National Law University	New Delhi
Nov 2016	Capsule Course on Legal Aspects/Course Matters	National Law University	New Delhi
Dec 2016	Workshop on "Identity and Access Management"	Min of Comn & IT	New Delhi
Dec 2016	Course on "Network Forensics"	SVP National Police Academy	Hyderabad

Chapter 9

Strengthening the IT infrastructure

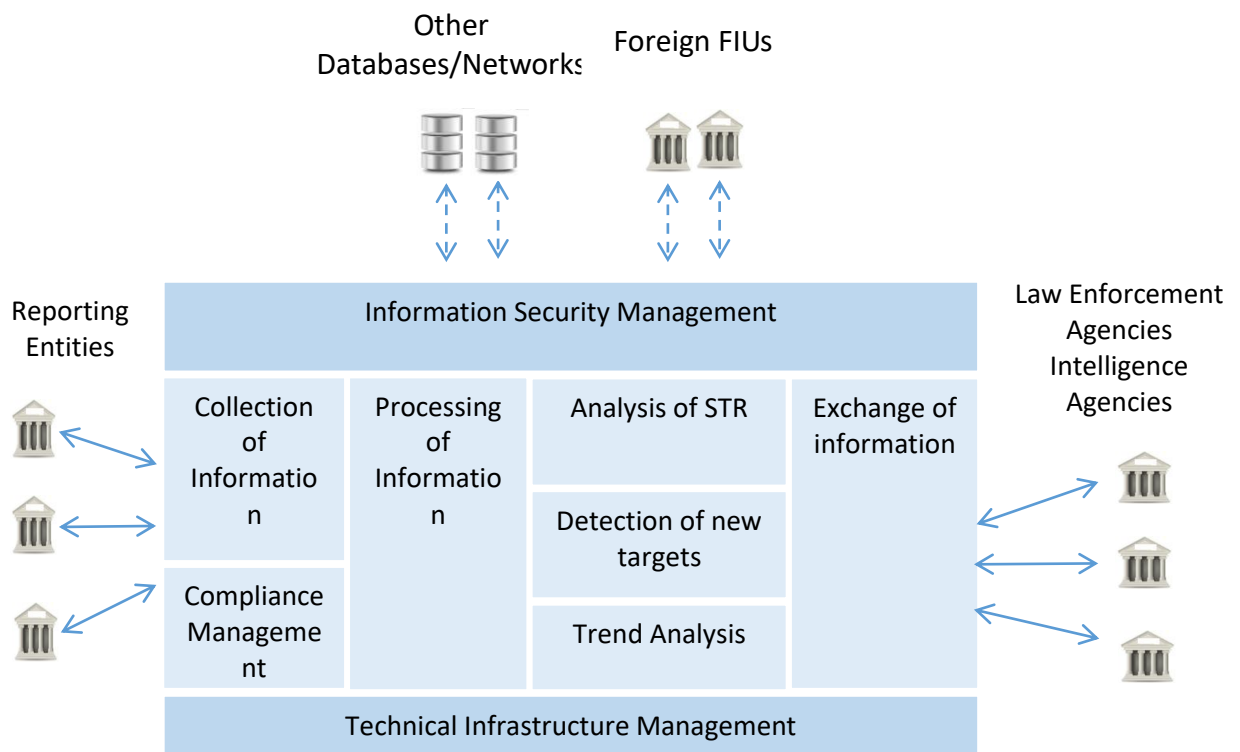
9.1 Introduction

FIU-IND initiated the Project FINnet in 2007 with the objective to “Adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes”.

Objectives of the Project FINnet:

- i) Build efficient system for collection of data from Reporting Entities to reduce the lead time in processing the data.
- ii) Build capacity to effectively analyze large number of reports and produce quality intelligence.
- iii) Build efficient system for dissemination and exchange of information with other Agencies.
- iv) Build adequate internal capacity in terms of administrative support and knowledge base that will make FIU-IND an agile organization to meet its changing needs.
- v) Adopt an array of security measures and internal controls.

The figure below provides a high level overview of the functioning of the FINnet project under these three functional areas:



Several Reporting Entities (REs) have been identified to provide periodic information to FIU-IND about related accounts, transactions, individuals, legal entities, and addresses, along with their relationships in a structured manner. The information collection from REs has been enabled through the FINnet Gateway Portal (FINgate). The project provides the REs with a Report Generation Utility (RGU) to assist them in generation of the prescribed XML reports from various data sources. There is also a Report Validation Utility (RVU) which enables REs to validate an XML report before submission to FIU-IND online duly signed digitally.

Analysis of information:

This function is realised in the system through processing of the information collected through Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and Counterfeit Currency Reports (CCRs) from various REs. This includes data validation, link identification, identity resolution and trend analysis using rule based engines. Information and trend analysis is integrated with digital maps to present geographical distribution of values or percentage changes with drill down to the state, district and pincode level. The information analysis and processing is integrated into a case management system which allows each case to be managed separately, and decisions to be made on dissemination of information to various agencies.

Exchange of information:

FINnet Exchange (FINex) enables seamless exchange of information with domestic agencies. The exchange is enabled through the FIU-IND portal, and can be made in various formats such as downloadable pdf or XML.

Project FINnet went live on 20 Oct, 2012 and maintenance phase started w.e.f. 1 April 2013.

The project has been implemented and is running successfully since the past five years. FINnet has substantially enhanced the efficiency and effectiveness of FIU-IND's core function of collection, analysis and dissemination of financial information. IT enablement of key processes ensures higher productivity, faster turnaround time and effective monitoring in all areas of FIU-IND's work. However, due to environmental and fast technological changes in the world, it is incumbent upon the Government and its agencies to search for new technology and methods to face the new challenges. Hence, FINnet 2 has been conceptualised by FIU to increase the effectiveness of FIU as well as the AML/CFT regimes. The scope of work has been updated visualising the present scenario of environment.

The new system (FINnet 2.0) will be based on a detailed study of the changing technological environment, phasing out the existing hardware and software which have outlived their life, the new legal / compliance requirements, expected change in processes

/ data / workload, etc. Accordingly in year 2016-17 *FIU invited consultancy services from reputed organizations to assess the future work load due to changes described above, review the working of the FINnet 1.0, recommend appropriate IT strategy, and finalise the project scope and approach, assist FIU-IND in identification of a Managed Services Provider (MSP)/ Systems Integrator (SI) through a competitive bidding process.*

9.2 Scope of Work of FINNET 2.0

9.2.1 DNFBP Sector Study

Focus will be on detailing the assessment and regulatory framework for three types of DNFBPs viz. real estate agents, dealers of precious gems and dealers of precious metals. It will provide latest estimates of the size of sectors and categorize types of products and services offered. Provide updated information of ownership structure, type of products and services, payment systems, corporate governance arrangements, licensing/supervisory/regulatory regime, existing requirements for customer identification, reporting and recordkeeping. It will lead to preparation of updated DNFBP assessment report along with guidelines and framework for these DNFBPs

9.2.2 Workload assessment and IT Strategy for Finnet 2.0

Scope of work for the FINNET 2.0 needs to be revisited in line with the current scenario. Changes in the legal and operational framework have necessitated the re-assessment of processes and technology. These changes also need to be integrated in the scope of work of Project FINnet 2.0 . It requires to conduct/prepare/design the following aspects:

1. Estimation of growth in work load for next five years on Project FINnet

2. Review and design of Processes

- I. Compare the existing processes based on the new role and increased responsibilities for FIU-IND. Identify the best practices followed internationally and to find out best fit practices for FIU-IND.
- II. Identify changes required in the processes in line with the changes in reporting entities / report types / workload/change in technology.
- III. Conduct workshop of FIU stakeholders to discuss and finalize process changes. Interaction with the stake holders and to identify the requirements and expectation in terms of integration, IT interoperability, process challenges so that seamless data sharing is possible with relevant stake holders. Based on that following is expected:
 - a) Design and implementation of secure mobile ecosystem for information access.
 - b) Design of new process for data exchange mechanism for seamless data exchange with partners.

- c) Design and implementation of a streamlined and robust risk based system within FIU and mechanism for sharing risk assessment results with other stakeholders (including financial sector).

IV. Design of revised processes, along with process maps and documentation, if required

3. Preparation of Process Design report.

4. Compliance and training

- I. Development of training courses (with virtual certificate) and LMS for capacity building of reporting entity users.
- II. Update the Reporting Entity Compliance Assessment and Monitoring (RECAM) Model of FIU-IND with the development of verification toolkit for conducting systems based audit of reporting entities

9.2.3 Review of existing IT applications and hardware

- i. Review of existing application, hardware, storage, network and DC/DR architecture of FIU-IND
- ii. Assessment of the current performance and load of hardware / storage/ network / application
- iii. Identification of key constraints / performance issues / inefficiencies in IT hardware / storage/ network / application

9.2.4 Estimation of additional IT requirements - hardware sizing and application licenses

- I. Assessment of need for additional hardware (servers/ network devices), additional network requirements (bandwidth, switches, etc.), and storage requirements (database licenses, storage devices, etc.)
- II. Assessment of need for new applications / additional modules to be developed to handle new data based on new reporting formats
- III. Assessment of need for integration of new applications/ modules, with the current applications in FINnet system
 - a) Design and implementation of a strategic analysis module for risk assessment and trend analysis. Integration of international and domestic exchange of information for effective risk management.
 - b) Design and implementation of a research module for conducting research/statistical analysis and providing inputs for policy making.
 - c) Application for effective analysis and linkages that need to be integrated with FINnet:

- i. Design of data mining capability for proactive detection of new targets.
 - ii. Design of semantic web and network analytics to detect implicit relationship between entities.
 - iii. Design of text analytics for effective processing of ground of suspicion in STRs.
 - iv. Design of machine learning to learning from working of analysts and feedback.
- IV. Assessment of requirements for integration with external databases like NATGRID, Banks etc
- V. Assessment of additional security measures to ensure the new / additional data is exchanged and stored in secured manner
- VI. Design of the new IT architecture, taking into account the revised IT requirements
- VII. Preparation of Technology Assessment and Enhancement Report

It is strived to upgrade the FINnet system in time so as to maintain technological edge of FIU enabling it to process, analyse and disseminate the financial information received from various stakeholders in an efficient, effective and secure manner.

Appendix-A: Staff strength of FIU-IND

Post	Sanctioned strength	Working as on March 31, 2017
Director	1	1
Additional Director / Joint Director	10	8
Technical Director	1	1
Joint Director Systems	1	0
Deputy Director Systems	2	0
Deputy / Assistant Directors	21	13
Assistant Director Systems	6	0
Group B, C & D	33	13
Total	75	36

FIU-IND Team: List of Officers

Director		Assistant Directors
Pankaj Kumar Mishra		Tassine Sultan
Additional Directors		Ms. Seema Chakrabarty
Renu Amitabh		Financial Sector Experts
Sanjay Bansal		Pawanjeet Kaur Rishi
Satyendra Narayan Pandey		Warren Francis
Ashok Kumar		B.K. Sharma
Sanjay Kumar		Kavita Gangwal
Monika Verma		Abhay Verma
Manoj Kaushik		
R.P.Singh		
S.M. Mani		
Joint Director		
Chaitanya Shukla		
Technical Director (NIC)		
Shahbuddin Khan		
Deputy Directors		
S. D. Sharma		
Ajay Sachdev		
Dinesh Kumar		
Ajay Sharma		
Paramjit Singh Walia		
Narendra Choubey		
Pooja		
Jagmohan Kathait		
Jasvinder Singh		
D.S. Misra		
S.P.Uniyal		

Appendix-B: Chronology of important events (2016-17)

09 -11 May, 2016	FATF / UNODC / EAG Joint Experts' Meeting on Typologies
06 -10 Jun, 2016	24 th EAG Plenary / Working Group Meeting
13-17 Jun, 2016	CORFIN & Train the Trainer Course
20-24 Jun, 2016	FATF Plenary / Working Group Meeting
08-11 Aug, 2016	Counter Terrorism Financing Summit - 2016
05-08 Sep, 2016	19th APG Annual Meeting
24-26 Oct, 2016	Information Exchange Working Group Inter-sessional Meeting
01-03 Nov, 2016	Conference on Threats and Risks to Global Economy
17-18 Nov, 2016	ECOFEL Setup Project Team Members Meeting
06-08 Dec, 2016	7 th Meeting of ITU-T Focus Group Digital Financial Services and Workshop on Digital Financial Services and Financial Inclusion
30 Jan-02 Feb, 2017	Egmont Group of Financial Intelligence Unit's Meeting
19-24 Feb, 2017	FATF Plenary and Working Group Meeting

Appendix-C: Important Rules/Notifications

Date	Notice	Description
01.07.2005	1/2005	Appointed 1 st July 2005 as the date on which all the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) shall come into force.
01.07.2005	2/2005	Appointed an Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under the PMLA. The Adjudicating Authority shall consist of a Chairperson and two members and shall function within the Department of Revenue, Ministry of Finance of the Central Government with Headquarters at Delhi.
01.07.2005	3/2005	Specified that the New Delhi Bench of the Adjudicating Authority shall exercise jurisdiction, powers and authority conferred by or under the PMLA over the whole of India.
01.07.2005	4/2005	Established an Appellate Tribunal at New Delhi to hear appeals against the orders of the Adjudicating Authority and the authorities under the PMLA.
01.07.2005	5/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director, Financial Intelligence Unit, India.
01.07.2005	6/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director of Enforcement.
01.07.2005	7/2005	Specified Rules relating to the manner of forwarding a copy of the order of provisional attachment of property along with the material, and the copy of the reasons along with the material in respect of survey, to the Adjudicating Authority and its period of retention by the Adjudicating Authority.
01.07.2005	8/2005	Specified Rules for receipt and management of confiscated properties.
01.07.2005	9/2005	Specified Rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market.
01.07.2005	10/2005	Specified Rules relating to the Forms, search and seizure and the manner of forwarding a copy of the reasons and the material relating to search and seizure and search of person to the Adjudicating Authority, impounding and custody of records and the period of retention thereof.
01.07.2005	11/2005	Specified Rules relating to the Forms, the manner of forwarding a copy of the order of arrest of a person along with the material to the Adjudicating Authority and the period of retention thereof by the Adjudicating Authority.

01.07.2005	12/2005	Specified Rules relating to the manner of forwarding a copy of the order of retention of seized property along with the material to the Adjudicating Authority and its period of retention by the Adjudicating Authority.
01.07.2005	13/2005	Specified Rules for the manner of receiving the records authenticated outside India.
01.07.2005	14/2005	Specified Rules for the purpose of appeals under PMLA.
13.12.2005	15/2005	Amended Rules 5, 7, 8 and 10 of the Rules notified by Notification No. 9/2005
27.06.2006	6/2006	Specified the authorities to whom Director, FIU-IND can furnish information under Section 66 of the PMLA.
24.05.2007	4/2007	Amended definition of suspicious transaction (Rule 2), counterfeit currency transaction [Rule 3(1)(c)], due dates for furnishing reports (Rule 8) and requirement of verification of the records of the identity of clients (Rule 9)
12.11.2009	13/2009	Amended Rule 2, 3, 5, 6,7, 8, 9 and 10 of the Rules notified by Notification No. 9/2005.
12.02.2010	67/2010	Amended requirements of maintenance of accounts and definition of beneficial owner.
16.06.2010	10/2010	Amended Rule 2, 9, & 10 to include explanation to the definition of 'Suspicious Transaction' as transaction involving financing of activities related to terrorism, obligation to determine beneficial owner, ongoing due diligence, prohibition of keeping or opening anonymous or fictitious accounts, etc.
16.12.2010	14/2010	Amended Rule 2 & 9 to expand the list of 'officially valid documents' (Rule 2) by including letter issued by NREGA and Aadhar Number issued by UIDAI and inserted provisions to enable opening of 'small account'.
24.06.2011	6/2011	Amended the name of PML rule as notified vide Notification No 9/2005 to 'The Prevention of Money Laundering (Maintenance of Records) Rules, 2005'.
27.8.2013	12/2013	Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2013 notified.
24.09.2014	DL33004/1999	It was notified that any person carrying on the business, either on its own behalf or on behalf of the reporting entities, of storing, safeguarding and retrieving the records of the documents shall be deemed to be a person carrying on designated business or profession.

01.04.2015	Finance Act, 2015 (20 of 2015)	<ul style="list-style-type: none"> • The definition of “proceeds of crime” was widened to include property taken or held outside the country as a result of criminal activity. • In case of offences specified under Part B of the Act, value involved in such offence was increased from Rs.30 Lakhs to Rs.1 Crore. • Amendments were made in sections 5, 8, 20, 21 & 60 of the Act. • In the Schedule to the Act after Part A, Part B was added which includes Section 132 – false declaration, false documents etc. of the Customs Act, 1962.
07.07.2015	GSR, 544(E) & 730(E)	<ul style="list-style-type: none"> • The definition of “Central KYC Records Registry” was incorporated in rule 2(1)(aa) and related changes were made in rules 2(1)(ca), 9(1), 9(2), 9A, 10(1) & 10(2). Other changes included explanation of the term Managing Director and Whole time Director in accordance with the Companies Act, 2013; inclusion of National Population Register in the list of “officially valid document”; validity of documents like utility bill (electricity bill, telephone bill, postpaid mobile phone bill, piped gas bill, water bill etc.) in case of simplified measures. • Vide another amendment in Rule 7(3), Director FIU was empowered to issue guidelines in consultation with regulators for detecting transactions referred to in Rule 3(1).
17.02.2016	GSR 136(E)	<ul style="list-style-type: none"> • Defence Intelligence Agency was added under section 66 of the Prevention of Money Laundering Act, to whom information can be disseminated.

Appendix D: Obligations of Reporting Entities under PMLA

Obligation	When
Communicate the name, designation and address of the Designated Director and Principal Officer to FIU-IND	At the time of appointment/ change of Designated Director and Principal Officer
Formulate and implement a Client Due Diligence (CDD) Programme to determine true identity of clients	Initially and in pursuance of any change being prescribed by the Regulator
Identify the client, verify their identity and obtain information on the purpose and intended nature of the relationship	At the time of commencement of account-based relationship
Verify identity of the client	At the time of carrying out a transaction for an amount equal to or exceeding Rupees fifty thousand or any international money transfer operation
Determine whether a client is acting on behalf of a beneficial owner and identify the beneficial owner and take all steps to verify the identity of the beneficial owner	At the time of commencement of the relationship and at the time of any change in beneficiary/ authorized person
Obtain a certified copy of documents in evidence of identity and address and a recent photograph and other documents in respect of the nature of business and financial status of the client (as may be prescribed by the Regulator)	At the time of commencement of account-based relationship
Evolve internal mechanism for maintaining and furnishing information	Ongoing
Maintain record of all transactions that allows reconstruction of individual transactions including the nature of transaction, the amount and currency of transaction, the date of the transaction and the parties of the transaction	Ongoing

Examine transactions and to ensure that they are consistent with the business and risk profile of the customer	As an ongoing due diligence
Furnish Cash Transaction Report (CTR) to FIU-IND containing specified cash transactions	Within 15th day of succeeding month (Monthly Reporting)
Furnish Counterfeit Currency Report (CCR) to FIU-IND Furnish report in respect of Non-Profit-Organizations (NPOs)	Within 15th day of succeeding month (Monthly Reporting)
Furnish Suspicious Transaction Report (STR) to FIU-IND containing details of all suspicious transactions whether or not made in cash, including attempted suspicious transactions	Within 7 working days on being satisfied that the transaction is suspicious.
Furnish Cross Border Wire Transfer Report to FIU-IND containing specified cross border transactions	Within 15th day of succeeding month (Monthly Reporting)
Furnish Report on Registration of Properties to FIU-IND (by Registrar and Sub-Registrar of Properties)	Every Quarter by 15th day of the month succeeding the quarter
Maintain records of identity of clients	For a period of 5 years after the business relationship between a client and the reporting entity has ended or the account has been closed whichever is later.
Maintain records of all transactions	For a period of 5 years from the date of transaction between a client and the reporting entity
Keep the information maintained, furnished or verified confidential	Ongoing

Appendix E: List of MoUs Signed till 31.03.2017

Sl.No.	Name of Foreign FIU	Date of signing of the MOU
1	Mauritius	11-02-2008
2	Philippines	11-03-2008
3	Brazil	27-05-2008
4	Malaysia	21-10-2008
5	Russia	05-12-2008
6	Australia	26-05-2009
7	Canada	21-10-2009
8	USA	03-03-2010
9	Sri Lanka	26-03-2010
10	Georgia	26-04-2010
11	San Marino	30-06-2010
12	Bermuda	12-10-2010
13	Nigeria	12-10-2010
14	Japan	08-11-2010
15	Indonesia	25-01-2011
16	Israel	12-07-2011
17	Poland	12-07-2011
18	Singapore	24-10-2011
19	Nepal	17-11-2011
20	Thailand	30-05-2013
21	Guernsey	04-07-2013
22	Montenegro	04-07-2013
23	South Africa	04-07-2013
24	Ukraine	18-02-2014
25	Bangladesh	03-06-2014
26	Fiji	03-06-2014
27	Belarus	20-06-2014
28	Uzbekistan	20-06-2014
29	Senegal	10-06-2015
30	Saudi Arabia	03-04-2016
31	TOGO	02-06-2016
32	Qatar	05-06-2016

Sl.No.	Name of Foreign FIU	Date of signing of the MOU
33	Kazakhstan	11-11-2016
34	Tazikistan	17-12-2016
35	Bahrain	01-02-2017
36	Vatican City State	01-02-2017

Glossary:

AMFI	Association of Mutual Funds in India	LEA	Law Enforcement Agency
AML	Anti -Money Laundering	MEQ	Mutual Evaluation Questionnaire
ANMI	Association of NSE Members of India	MER	Mutual Evaluation Report
APG	Asia Pacific Group on Money Laundering	MHA	Ministry of Home Affairs
BCP-DR	Business Continuity Plan-Disaster Recovery	MoU	Memorandum of Understanding
CBDT	Central Board of Direct Taxes	NABARD	National Bank for Agriculture and Rural Development
CBEC	Central Board of Excise & Customs	NBFC	Non-banking Financial Company
CBI	Central Bureau of Investigation	NCB	Narcotics Control Bureau
CCR	Counterfeit Currency Report	NHB	National Housing Bank
CFT	Combating Financing of Terrorism	NSCS	National Security Council Secretariat
CTEO	Counter Terrorism Executive Directorate	NTR	Non- Profit Organisation Transaction Report
CTR	Cash Transaction Report	OpWG	Operational Working Group (of the Egmont Group)
EO	Enforcement Directorate	PDC	Primary Data Centre
EMS	Enterprise Management System	PFRDA	Pension Funds Regulatory and Development Authority
EOI	Expression of Interest	PMLA	The Prevention of Money Laundering Act, 2002
ESW	Egmont Secure Web	R&AW	Research & Analysis Wing
FATF	Financial Action Task Force	RBI	Reserve Bank of India
FEMA	The Foreign Exchange Management Act, 1999	RBSC	Reserve Bank Staff College
FICN	Fake Indian Currency Notes	REIC	Regional Economic Intelligence Committee
FINex	FINnet Exchange	RFP	Request For Proposal
FINnet	Financial Intelligence Network	RGU	Report Generation Utility
FIU-IND	Financial Intelligence Unit, India	RPU	Report Preparation Utility
IA	Intelligence Agency	RRB	Regional Rural Bank
IB	Intelligence Bureau	RVU	Report Validation Utility
IBA	Indian Banks' Association	SEBI	Securities and Exchange Board of India
ICAI	Institute of Chartered Accountants of India	SI	System Integrator
IMF	International Monetary Fund	STR	Suspicious Transaction Report
IRDA	Insurance Regulatory and Development Authority Act,1967	UAPA	The Unlawful Activities (Prevention)
ISPP	Information Security Policies and Procedures	UCB	Urban Co-operative Bank
JWG	Joint Working Group	UNSCR	United Nations Security Council Resolution
KMS	Knowledge Management System	XML	Extensible Markup Language
KYC	Know Your Customer		