



Annual Report
2017-18

Financial Intelligence Unit-India
Department of Revenue
Ministry of Finance
Government of India

Director's Message

I am pleased to present this 12th Annual Report of FIU-IND. The year 2017-18 has been another significant year for FIU-IND for various reasons.

During the year the reporting entities inter-alia continued to examine the transactions during demonetisation and as a consequence over 14 lakh Suspicious Transaction Reports (STRs) were received by FIU-IND, during this year. This increase is almost 3 times than the STRs received in the last year and 14 times than the STRs received prior to demonetisation.

It was seen that the number of Counterfeit Currency Reports (CCRs) as reported by the Reporting Entities, based on detection of counterfeit currency by the concerned REs, decreased from 7,33,508 in 2016-17 to 3,53,795 in 2017-18. Non-profit organisation reports (NTRs) have also registered an increase from over 7,06,000 in the previous year to over 8,09,000 in this year.

During the year more than 65,000 STRs were disseminated to law enforcement agencies as compared to over 56,000 STRs in the previous year in 2016-17.

Perusal of the feedback received during the year showed that CBDT detected unaccounted income of Rs.11440.38 crores and ED seized assets worth 984.98 crores respectively, based on the STRs disseminated by FIU-IND. During the year FIU-IND received 1087 requests for information from Intelligence agencies and Domestic Law enforcement agencies out of which information was provided in 1043 requests (96%).

FIU-IND participated in 11 workshops/seminars on AML/CFT awareness in association with regulators, professional bodies and reporting entities.

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

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Performance at a Glance: 2017-18

Receipt of Information: FIU received

- Over 13.3 million Cash Transaction Reports (CTRs)
- 14,36,340 Suspicious Transaction Reports (STRs)
- 3,53,795 Counterfeit Currency Reports (CCRs)
- 8,09,179 NPO Transaction Report (NTRs)
- 93,95,342 Cross Border Wire Transfer Reports (CBWTRs)

Analysis of information in FIU

- processed 82,595 STRs
- disseminated 65,022 STRs

FIU actively collaborated with domestic agencies

- Had regular interaction and exchange of information
- Attended to 1087 requests for information from the Agencies
- Provided information in 1043 cases requested by the agencies

Results of action on STRs

- CBDT detected unaccounted income of Rs. 19627.99 crores
- ED seized unaccounted assets of Rs. 984.98 crores

International exchange of information

- FIU-IND received:
 - 108 requests for information from foreign FIUs
 - 129 voluntary disclosures from foreign FIUs
- FIU-IND sent 161 requests to foreign FIUs on behalf of domestic agencies

Outreach activities to raise AML/CFT awareness

- FIU-IND contributed to 11 trainings covering 515 participants
- FIU-IND organized “Train the Trainer Programme” for 220 participants from reporting entities

Improving compliance

- FIU-IND held 13 review meetings with Principal Officers
- Passed 3 quasi- judicial orders imposing penalty on 3 reporting entities

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 (NPR)
- 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.

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 PFRDA • Recognized stock exchanges • Insurance Brokers 	<p>Notified by Central Government</p> <ul style="list-style-type: none"> • Casino • Registrar or Su-registrar

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 shows the number of CTRs received in the last five years for major categories of banks.

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

Types of Banking Companies	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector Banks	49,89,143	48,76,909	1,00,77,939	1,04,06,673	87,74,954
Indian Private Banks	32,61,219	31,57,826	44,40,307	42,42,521	34,96,477
Private Foreign Banks	35,083	39,755	46,962	51,593	22,657
Others	4,93,637	7,33,747	18,28,081	12,28,389	10,70,388
Total	87,79,082	80,08,237	1,63,93,289	1,59,29,176	1,33,64,476

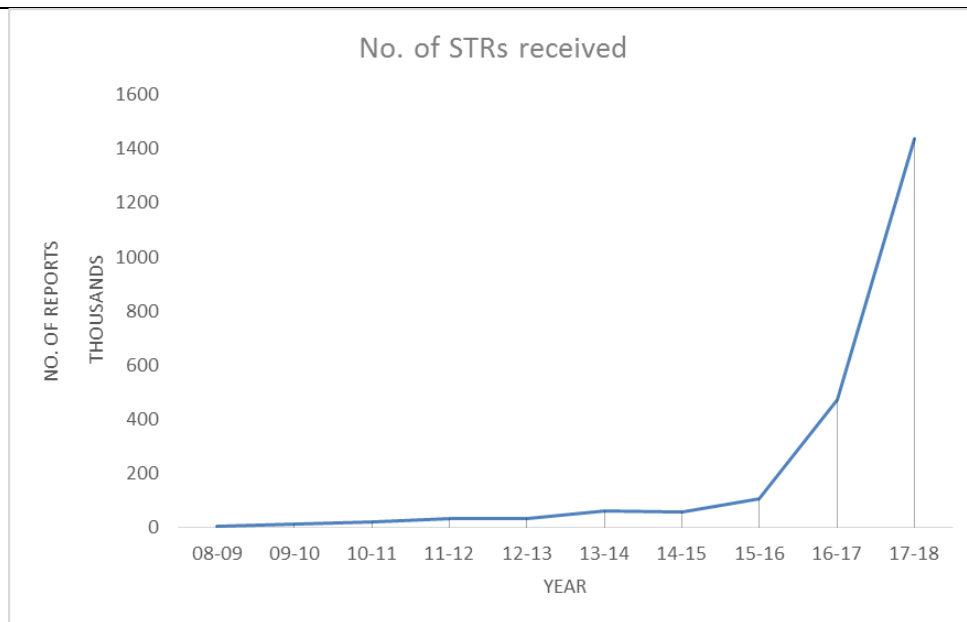
3.1.2 Suspicious Transaction Reports (STRs)

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.

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 4,409 in 2008-09 to 31,731 in 2012-13 and 14,36,340 in 2017-18, 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	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18
No. of STRs received	4,409	10,067	20,698	31,317	31,731	61,953	58,646	1,05,973	4,73,006	14,36,340



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	13-14	14-15	15-16	16-17	17-18
No. of STRs processed	35,696	77,624	97,965	74,945	82,595
No. of STRs disseminated	15,288	45,422	53,200	56,978	65,022

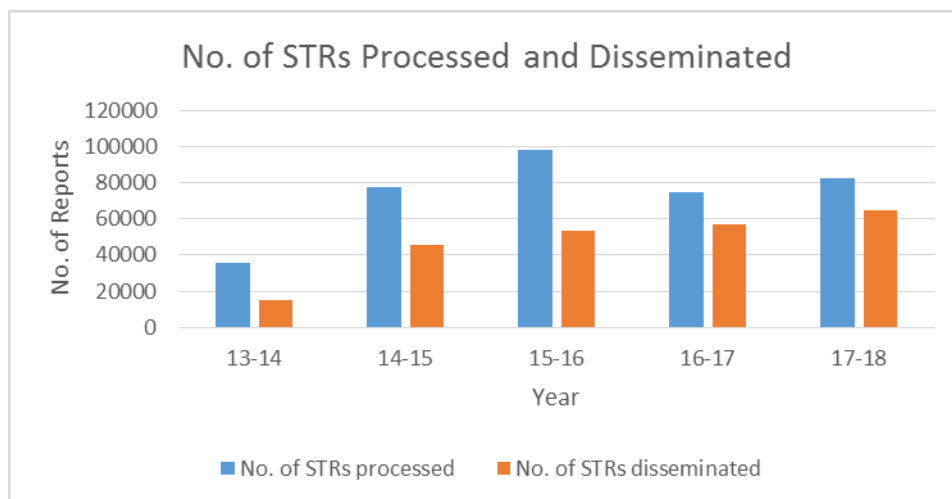
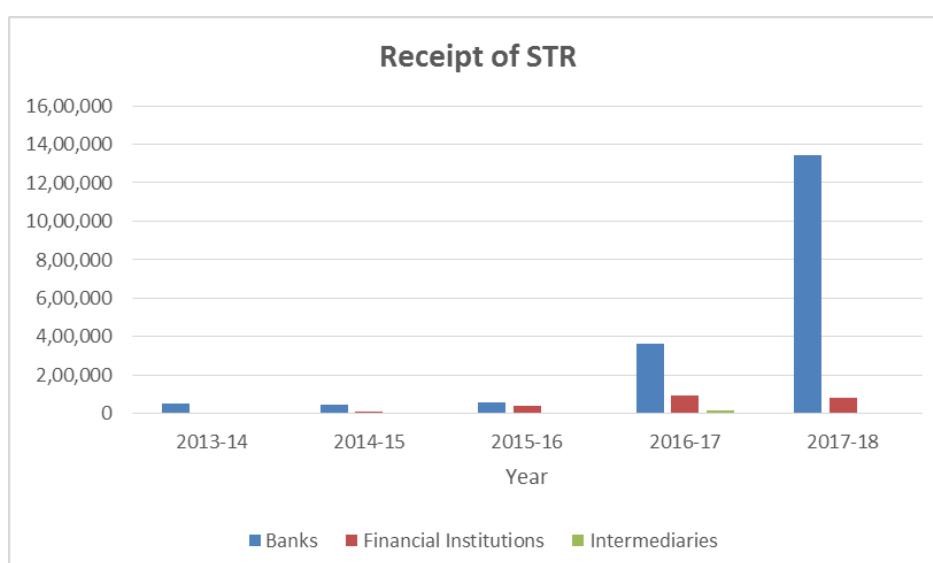
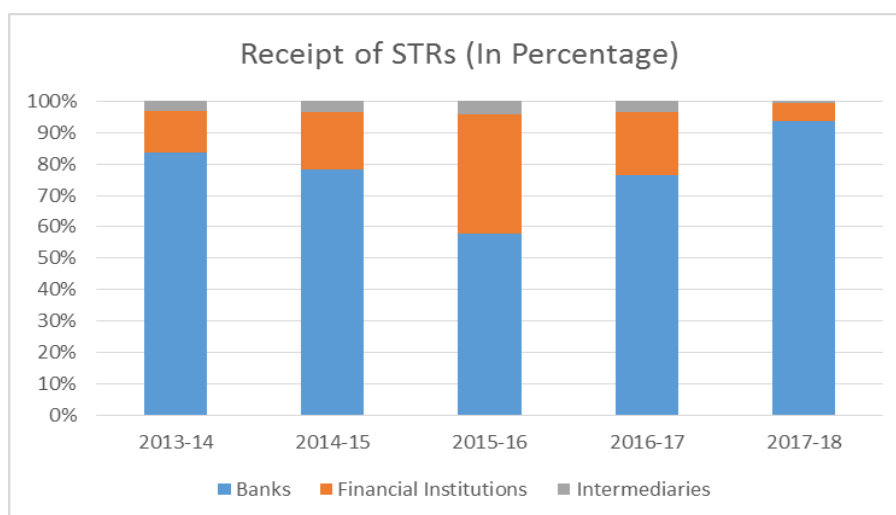


Table 2: Break up of STRs received during 2013 to 2018

Reporting Entity Type	2013-14	2014-15	2015-16	2016-17	2017-18
Banks	51,765	45,858	61,361	3,61,215	13,43,720
Financial Institutions	8,321	10,649	40,033	94,837	84,781
Intermediaries	1,867	2,139	4,579	16,954	7,839
Total	61,953	58,646	105,973	4,73,006	14,36,340

Table 2 shows that there was a remarkable increase in the number of STRs received in 2017-18, more than 3- times over the previous year. The most notable increase was in the category of Banks, which recorded almost a 272% increase over 2016-17.

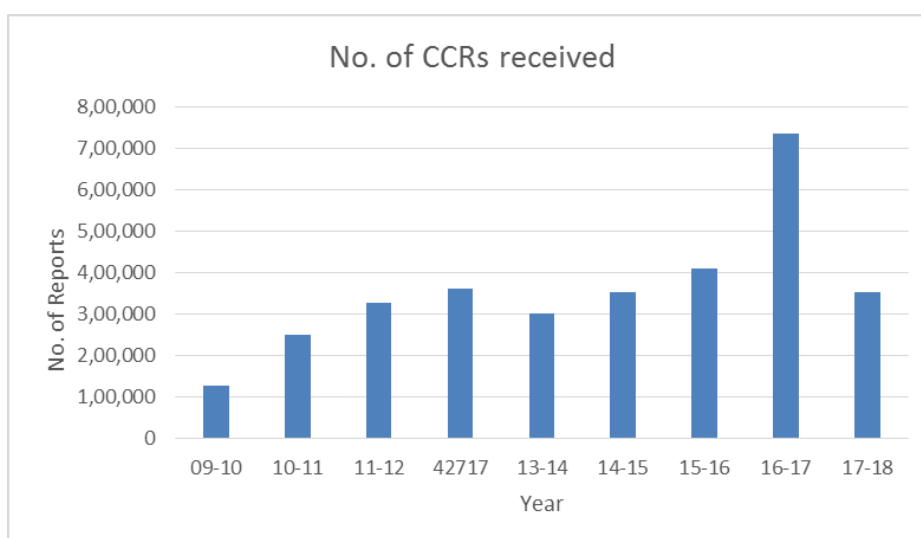


3.1.3 Counterfeit Currency Reports

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 3,53,795 in 2017-18. The position is reflected in the table and graph below:

Year	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18
No. of CCRs received	1,27,781	2,51,448	3,27,382	3,62,371	3,01,804	3,53,837	4,10,899	7,33,508	3,53,795



As is evident from Table-3, the Private Indian Banks contributed majority of CCRs. The compliance levels of the Public Sector banks continued to be low despite the matter having been taken up with the RBI. During the review of the public sector banks the best practices of private Indian banks in detection and reporting of counterfeit currency notes were highlighted.

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

Reporting Entity Types	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector Banks	14,186	16,224	29,026	1,01,167	60,768
Indian Private Banks	2,78,240	3,17,791	3,64,009	5,92,677	2,52,213
Private Foreign Banks	8,331	16,018	10,934	14,361	2,127
Others	1,047	3,804	6,930	25,303	38,687
Total	3,01,804	3,53,837	4,10,899	7,33,508	3,53,795

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. **During the year, 109 REs have filed more than 9.3 million CBWT reports.**

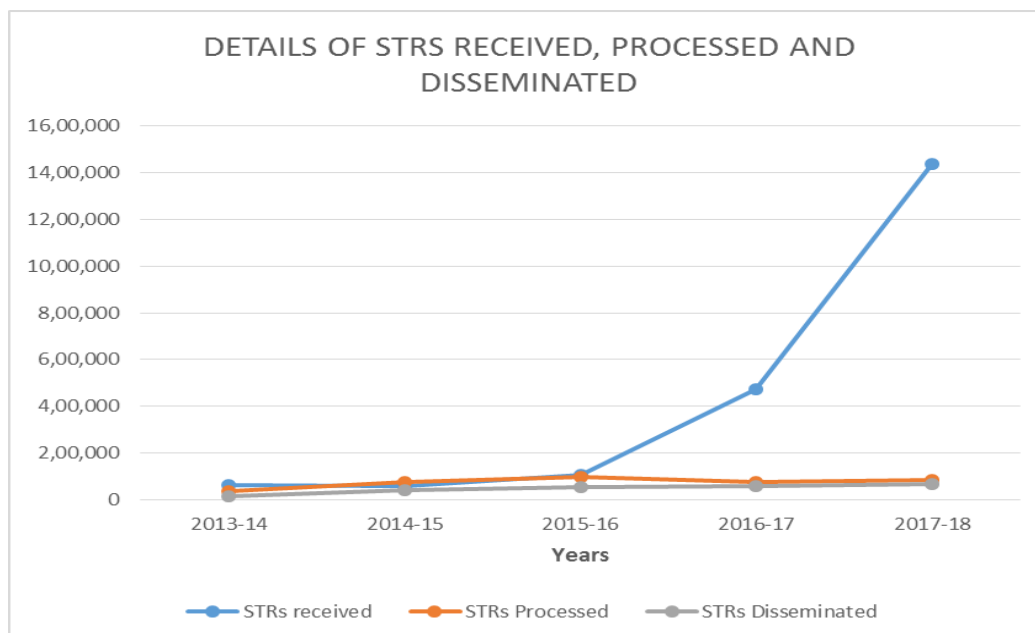
3.2 Analysis and Dissemination of Information

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 82,595 number of STRs in 2017-18, as shown in Table 4. Over 65,000 STRs have been disseminated during the year, an increase of more than 14% over 2016-17, and more than 325% over the 2013-14 figure (Table 4).**

Table 4: Analysis of Suspicious Transaction Reports

Category	2013-14	2014-15	2015-16	2016-17	2017-18
STRs received	61,953	58,646	1,05,973	4,73,006	14,36,340
STRs Processed	35,696	77,624	97,965	74,945	82,595
STRs Disseminated	15,288	42,422	53,200	56,978	65,022



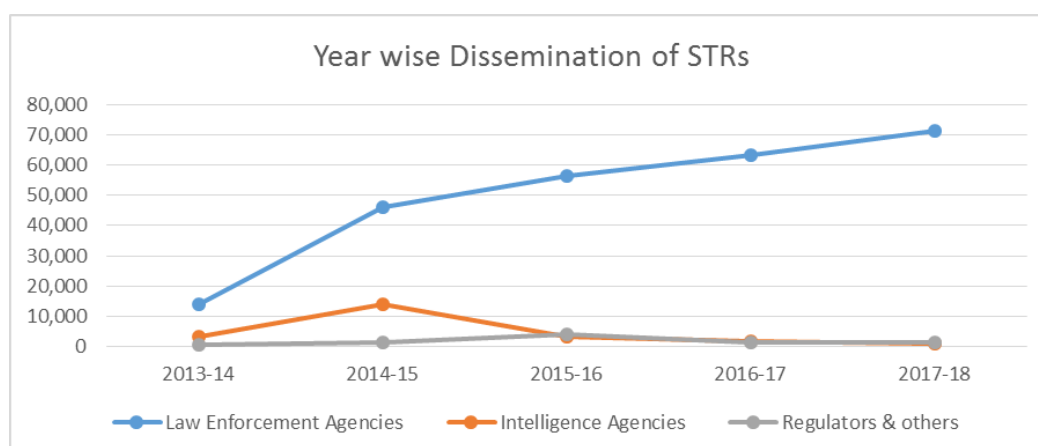
3.2.2 Dissemination

Details of STRs disseminated to various LEAs from 2013-14 to 2016-17 are given in Table 5. **Over this period, the dissemination has increased more than 318% from 17,529 in 2013-14 to 73,397 in 2017-18. Again, this has been a remarkable journey for FIU-IND since 2006-07, when it disseminated a mere 391 STRs.**

Table 5: Dissemination of Suspicious Transaction Reports

Agencies	2013-14	2014-15	2015-16	2016-17	2017-18
Law Enforcement Agencies	13,931	45,952	56,321	63,466	71,313
Intelligence Agencies	3,146	13,819	3,441	1,735	808
Regulators & others	452	1,492	4,107	1,504	1,276
Total	17,529	61,263	63,869	66,705	73,397

Note: One STR can be disseminated to more than one agency



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

- | |
|---|
| <ul style="list-style-type: none">• 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 |
|---|

3.3 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

A notable feature of the year 2015-16 was that vide notification dated 22nd September, 2015, Rule 7(3) was amended empowering 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, guidelines have been issued under Rule 7(3), in consultation with concerned Regulators (RBI, SEBI, IRDA and PFRDA) for detecting suspicious transactions related to TBML, Housing Finance, Insurance Companies, Non-Banking Finance Companies, Stock brokers, Intermediaries, Asset Management Companies and Co-operative Banks. These guidelines are a watershed in not only providing a robust framework for the reporting entities to detect and report suspicious transactions, but also a solid basis for enforcing compliance and sanctions.

A major initiative undertaken by FIU-IND during 2017-18 was the updation and revision of the RFIs issued earlier by IBA in March 2011 on detecting suspicious transactions by banks. For the first time, 15 specific RFIs were issued for identification of shell companies as part of the said guidelines. After detailed deliberations, these guidelines on detecting suspicious transactions were issued to banks in October 2017 under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

After detailed discussions, guidelines on detecting suspicious transactions related to finance components of Afghan drug trade business containing 10 specific RFIs were issued in March 2018 to Scheduled Commercial Banks under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

In order to help commodity brokers identify suspicious transactions, a Working Group was constituted comprising SEBI officials, brokers and FIU-IND officials. After detailed deliberations and meetings with stakeholders, the Guidelines for detecting suspicious transactions under Rule 7(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, for Commodity Brokers were issued on 2nd January, 2018.

3.4 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. During 2014-15, FIU-IND took the initiative of preparing a base paper and conducted a workshop with the REs and LEAs. At a meeting held with the Designated Directors and Principal Officers of 15 major banks on 8th August 2014, a Working Group was formed under the chairmanship of Director, FIU-IND to deliberate on TBML challenges in India and preparing a draft guidance note on control measures to tackle TBML. A sub-committee of the Working Group comprising the Principal Officers / Compliance Officers of the member Banks and FIU was tasked to assist the Working Group in preparing the guidance note. The sub-committee submitted the first draft of the Guidance note in February 2015. The Working Group finally submitted its report in May 2015, which was later presented to the Government. FIU-IND has now issued statutory guidelines on the basis of this report in December, 2015. The TBML Guidelines issued by the FIU-IND are the first of its kind and are a major step forward in combating the phenomenon of TBML, which is the main cause of the Illicit Financial Flows (IFF) afflicting the developing countries.

3.5 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.

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, on case to case basis. 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 terror financing cases, FIU-IND is actively engaged with Central / State Police agencies on case to case basis, in terms of day-to-day queries and replies. The 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 Systems 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 related to jurisdictions of interest and the results were shared with relevant LEAs. 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 / prepaid instruments (PPIs) / MTSS operators.

Guidelines on detecting suspicious transactions related to Terror Financing which were earlier issued in 2016 were reiterated in March 2018 for strict compliance. Indicators given under these were to be treated as additional RFIs for generating STRs.

3.6 Strategic Analysis of Feedback Reports

During 2017-18, the Strategic Analysis Group conducted an analysis of the feedback reports submitted by various Law Enforcement Agencies (LEAs) through offline and online modes since 2006.

FIU-IND receives information on suspicious transactions from various Reporting Entities based on certain criteria. This intelligence on suspicious transactions along with the additional information available in FIU-IND's database is then disseminated to the Law Enforcement Agencies for initiating appropriate action and/or augment the existing investigation against respective individuals/entities.

The aforementioned analysis conducted by Strategic Analysis Group helped identify the usefulness of intelligence provided to LEAs on a regular basis as well as the action taken thereon and the outcomes of various cases.

Chapter 4

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.

4.1 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 2017-18, based on the STRs disseminated by FIU-IND, CBDT detected unaccounted income of Rs. 11440.38 crores; ED seized unaccounted assets of Rs. 984.98 crores.

The Table below shows that during the last four years (2014-15, 2015-16, 2016-17 and 2017-18), based on the information in STRs, the cumulative value of the unaccounted income detected by CBDT was Rs 19627.99 crore; by ED Rs. 1117.45 crore, by CBEC Rs. 48.59 crore and by DRI Rs. 300 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.

Agency	2014-15	2015-16	2016-17	2017-18	Total
CBDT	4471.65	154.89	3561.07	11440.38	19627.99
ED	25	107.47	-	984.98	1117.45
CBEC	21.59	-	27	-	48.59
DRI	-	300	-	-	300

4.2 Cooperation with Law enforcement/intelligence agencies

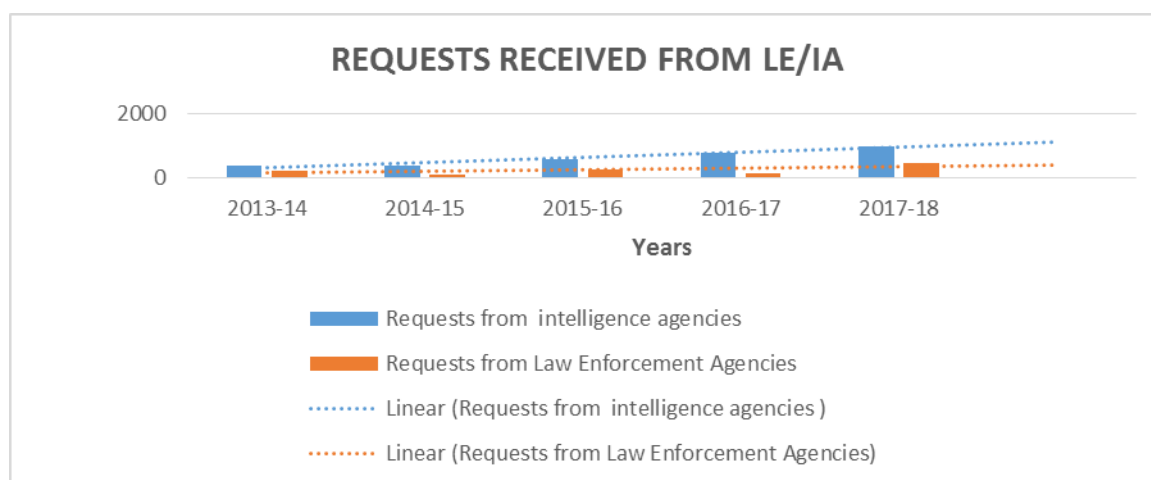
FIU-IND has a nodal officer to deal with all issues relating to the agencies. Bi-monthly meetings were organized with the nodal officers of the agencies for better coordination in information sharing and handling. FIU-IND participated in the meetings of Economic Intelligence Council (EIC) and Regional 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 2017-18 registered a new high in the number of references received from the intelligence (989) and law enforcement (463) 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	2013-14	2014-15	2015-16	2016-17	2017-18
Requests from Intelligence Agencies	373	374	583	754	989
Requests from Law Enforcement Agencies	221	96	267	132	463



4.3 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), National Bank for Agricultural and Rural Development (NABARD), Securities and Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA), National Housing Bank (NHB), Pension Fund Regulatory & Development Authority (PFRDA) and Forward Market Commission (FMC), 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.

FIU-IND continued its regular interaction with the industry associations and self-regulatory organizations (SROs) to develop a common understanding of obligations under PMLA, and improve compliance with reporting obligations under PMLA. FIU-IND also

interacted with the Regulators for developing indicators for industry specific suspicious transactions. Sector- specific issues were identified from trend analysis of STRs and shared with concerned regulators for intervention. FIU-IND assists regulatory authorities in training their staff to improve their understanding of AML/ CFT issues.

4.4 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.

4.5 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. 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.

4.5.1 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 34 member jurisdictions and 2 regional organizations (European Commission and Gulf Co-operation Council) that are the FATF members.

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. **The Director, FIU-IND attended the FATF Plenary working group meeting at Valencia, Spain, in June 2017. Another meeting of the FATF Plenary and working group was attended by the Director, FIU-IND, in February, 2018 at Paris.**

4.6 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 20th Annual Meeting of APG held in Colombo, Sri Lanka in July 2017, was attended by the Additional 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 26th EAG Plenary & Working Group Meeting and 9th Meeting of the Council of FIU's Heads of the Commonwealth of Independent States (CIS CHFIU) was attended by the Director at Kyrgyz Republic in May, 2017.**

The EAG had its 27th Plenary meeting and meetings of Working Groups in Moscow (Russian Federation) in November 2017.

4.7 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 159. 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 Working Group Meetings at Macao, in July, 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.

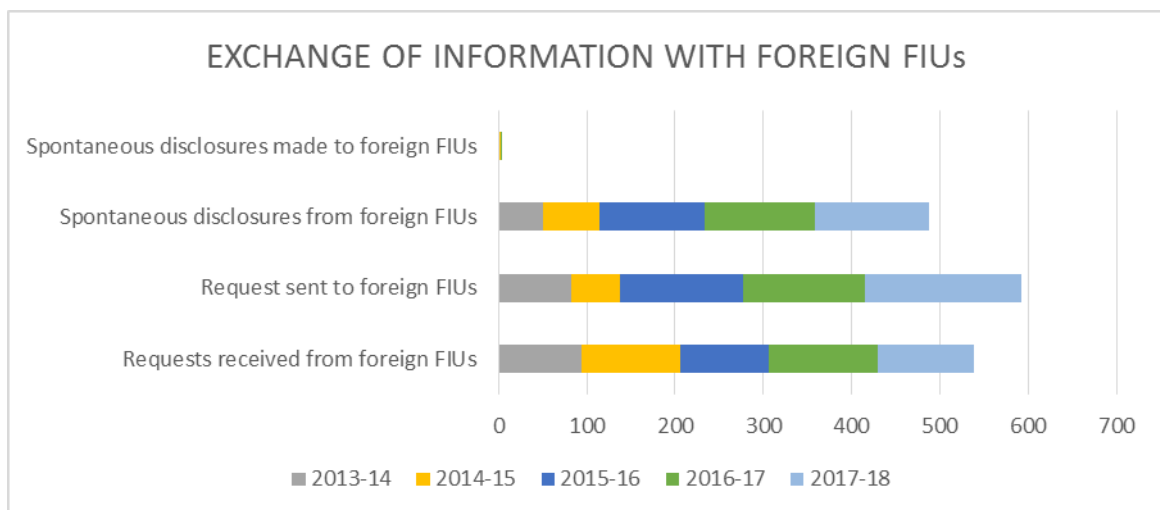
4.7.1 Co-operation and exchange of information with other FIUs

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	2013-14	2014-15	2015-16	2016-17	2017-18
Requests received from foreign FIUs	94	112	100	123	109
Request sent to foreign FIUs	82	55	140	138	177
Spontaneous disclosures from foreign FIUs	51	63	120	125	129
Spontaneous disclosures made to foreign FIUs	0	2	0	2	0

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 2017-18, three MOUs were signed with the FIUs of Macedonia, Myanmar and Kyrgyz Republic.

4.8 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 final stages of finalization.

Chapter 5

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 various sectors have been issued during the current year 2017-18.

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.

5.1 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>.

5.2 Seminars and Workshops

During the year, FIU-IND participated in 11 workshops/seminars on AML/CFT awareness in collaboration with regulators, industry associations, professional bodies and reporting entities, in which around 515 persons participated (**Table 8**).

Table 8: Outreach Activity

Outreach Activity	2013-14	2014-15	2015-16	2016-17	2017-18
Seminars and Training workshops	34	31	38	13	11
Number of Participants	2,447	1,366	1,600	606	515
Review Meetings	25	29	43	16	13
Number of Participants	580	592	557	208	100

During the year, FIU-IND focused on training the reporting entities on online filing of reports on the FINnet portal. Thirteen review meetings were conducted with the Principal Officers of the reporting entities covering 100 officers.

5.3 Train the Trainers Programme – 2017-18

Financial Intelligence Unit-India(FIU-IND) organized one day ‘Train the Trainers’ programme on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) on March 28th, 2018 in Vigyan Bhawan, Maulana Azad Road, New Delhi-110 001. This is a flagship programme of FIU IND and is organized once in a year. This was the 11th consecutive annual workshop organized by FIU-IND for the trainers in the financial sector.

Dr. Hasmukh Adhia, Finance Secretary was the Chief Guest and delivered the Opening address. Around 220 senior management officials from Reporting Entities including those from banks, financial institutions, stock market intermediaries attended the programme. 11 speakers from various LEAs and Financial sector addressed the participants. Topical subjects relating to national and international issues on AML / CFT including KYC/BO, Cross border transfers, FATF, Counter Terror Financing, Filing of STRs etc. were covered in programme.



Director, FIU-IND welcoming Dr. Hasmukh Adhia, Finance Secretary during opening ceremony of 'Train the Trainer' Programme in Vigyan Bhawan on March 28, 2018.



Dr. Hasmukh Adhia, Finance Secretary delivering opening address during 'Train the Trainer' Programme in Vigyan Bhawan on March 28, 2018

Chapter 6

Ensuring compliance under the Prevention of Money Laundering Act, 2002 read with the Prevention of Money Laundering (Maintenance of Records), Rule 2005

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 are in the nature of compliance reviews, where AML/KYC policies and procedures are reviewed and lapses have been communicated to the reporting entities.

6.1 Review meetings

The review meetings are held with principal officers of reporting entities. The representatives of public sector banks, regulators and industry 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 have 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.

In pursuance of the above, onsite inspection of the reporting entities are also undertaken by FIU-IND. During the Financial Year 2017-18, apart from the outreach activities undertaken by FIU-IND, inspection of two public sector banks was initiated by FIU-IND.

The functioning of these public sector banks were analysed and reviewed on the following parameters:

- i. Filing the statutory reports, viz., CTRs, CCR, STR, NTR and CBWTR within the stipulated time frame.
- ii. Adequacy of mechanism for alert examination and closure.
- iii. Status of implementation of RFIs prescribed by RBI/FIU-IND.
- iv. Inclusion of names issued by FIU-IND in the form of advisories / alerts for screening its customer database on a continuous basis for effective surveillance.
- v. Mechanism to monitor and identify suspicious transactions.
- vi. Maintenance of record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients for a period of five years after the business relationship between the client and the reporting entity has ended or the account has been closed, whichever is later.
- vii. Furnishing NTR for eligible transactions in respect of FCRA accounts.
- viii. Filing CBWTR for eligible transactions in the FCRA accounts.
- ix. Evolving an internal mechanism having regard to any guidelines issued by regulator, for detecting the transactions referred to in clauses (A),(B),(BA),(C),(D), (E) and (F) of sub-rule (1) of rule 3 and for furnishing information about such transactions in such form as may be directed by its Regulator.
- x. Monitoring of transactions during the period of demonetization.
- xi. Implementation of an enabling system to record any suspicious pattern where

multiple transactions just below the threshold (of rupees fifty thousand) were attempted by walk in customer in a series of transactions. Filing STRs in such cases.

- xii. Producing the requisite KYC documents for all walk in customers on whose behalf foreign currency transactions were carried out by the bank.
- xiii. Identification and verification of beneficial owners
 - in accounts of some of its customers (legal entities).
 - in accounts closed within a period of five years after the business relationship
 - the client and the reporting entity has ended or the account has been closed, whichever is later.
- xiv. Categorization of customers as Section 8 companies.
- xv. Implementation of certain clauses of its own Board approved KYC / AML Policy (specifically those pertaining to client due diligence)
- xvi. Implementation of the client due diligence (CDD) programme and KYC updation and assignment of risk category.
- xvii. Risk assessment to identify and assess its money laundering and terrorist financing risk for products, services, delivery channels or geographies / locations.
- xviii. Bank's own risk assessment (to identify and mitigate its ML / TF risks).

The inspection report based on the above analysis is under consideration for suitable action under the Act and the Rules.

6.2 Proceedings under the Prevention of Money Laundering Act, 2002 (hereinafter referred to as 'Act') and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (hereinafter also referred to as the 'Rules')

A. Proceedings before the Director, FIU-IND

Section 12 of the PMLA and the PML Rules framed under the Act impose obligations on the reporting entities to *inter alia* verify the identity of the clients, maintain records of specified transactions and report to the Director, Financial Intelligence Unit – India (hereinafter referred to as 'Director, FIU-IND') information relating to such transactions. These reports, *inter-alia*, as enumerated under the PML Rules, include reports on cash transactions, suspicious transactions, cross border wire transfers and counterfeit currency transactions. The Rules also prescribe the procedure, manner and time of maintaining and furnishing information about the transactions. Section 13 of the Act confers on the Director, FIU-IND powers to make inquiry into cases of failure by a reporting entity to comply with the provisions of Section 12 of the Act and the Rules thereunder.

In pursuance of the above, the Compliance Vertical has assisted the Director, FIU-IND, in issuing show cause notices, advisories, passing orders, levying fines during the Financial Year 2017-18. During the previous financial year, the Director FIU-IND has:

- (i) issued 6 show cause notices to various reporting entities;
- (ii) granted opportunities of personal hearing to several reporting entities;
- (iii) issued letters of directions/warning/advisory to 15 co-operative banks for their failure to comply with the provisions of the PMLA and the rules thereunder;
- (iv) imposed penalty aggregating Rs. 9.81 crore on 3 reporting entities vide

three separate orders.

Thus, there is a constant endeavour by the FIU-IND to improve compliance of the PMLA and the rules thereunder by the reporting entities through imposition of penalty, issuance of warning, directions for taking corrective measures or advisories.

B. Proceedings before the Hon'ble Appellate Tribunal for PMLA and various other courts

In addition to assisting the Director, FIU-IND in issuing show cause notices, advisories, passing orders, etc. the Compliance Vertical has also handled several cases before different fora.

During the Financial Year 2017-18, the Hon'ble Appellate Tribunal for PMLA (the PMLAT) has disposed of 17 appeals filed before it. Of these, 16 appeals pertained to the penalty imposed on 16 banks, viz., ICICI Bank, Kotak Mahindra Bank, HDFC Bank, State Bank of India, Allahabad Bank, Dena Bank, Bank of Maharashtra, Corporation Bank, Federal Bank, Bank of India, Indian Bank, Punjab National Bank, Canara Bank, Yes Bank, Axis Bank and IndusInd Bank in the Cobrapost matters, one appeal pertained to National Spot Exchange Limited.

Vide its order dated June 28, 2017, the Appellate Tribunal upheld the ratio in the orders passed by the Director, FIU-IND against 16 Banks for their failure to report attempted suspicious transactions in terms of Section 12(1)(b) of the Act read with Rule 2(g) of the Rules, 2005. The Appellate Tribunal also held that in having not sent the required reports, the banks were liable for action in terms of Section 13 of the Act.

In another far reaching decision, in the matter of National Spot Exchange Limited (NSEL), vide its order dated June 27, 2017 the Appellate Tribunal upheld the ratio in the order of the Director, FIU-IND for imposition of penalty against NSEL in respect of the non-compliances/contraventions of provisions of the PMLA and the rules thereunder.

However, FIU-IND has challenged the aforesaid orders of the PMLAT before the Hon'ble Delhi High Court on the grounds of reduction of penalty only. The outcome of these appeals is still awaited.

Apart from the 16 appeals filed before the Hon'ble Delhi High Court, 8 writ petitions were filed before the Hon'ble Supreme Court and various High Court arraying the Director, FIU-IND as one of the respondents. Suitable steps were taken by the Compliance Vertical to represent the stand of FIU-IND in these matters.

Chapter 7

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 2017	Investigating Economic Crimes in Securities Markets	National Institute of Securities Markets	Mumbai
Apr 2017	Multi Level Marketing & Collective Investment Schemes Frauds	SVP NPA, Hyderabad	Hyderabad
Apr 2017	Economic Offences	SVP NPA, Hyderabad	Hyderabad
Apr 2017	Workshop on "Endpoint Security & Secure IT Infrastructure"	Min of Comn & IT	New Delhi
May 2017	Workshop on "Cyber Threats and Countermeasures	Min of Comn & IT	New Delhi
Jun 2017	Money Laundering	SVP NPA, Hyderabad	Hyderabad
Jun 2017	Banking Operations and Fiscal Laws Enforcement	SVP NPA, Hyderabad	Hyderabad
Jul 2017	Training Programme on GFR 2017, e-Procurement and GeM	ISTM	New Delhi
Sep 2017	Workshop on "Fake Indian Currency Notes Compilation System Software"	NCRB	New Delhi
Oct 2017	Anti Corruption and Preventive Vigilance	SVP NPA, Hyderabad	Hyderabad
Oct 2017	Strategic Analysis Course	Egmont Group	Kuala Lumpur, Malaysia
Nov 2017	Intelligence Gathering from Cyber Space	SVP NPA, Hyderabad	Hyderabad
Nov 2017	Course on Economic Offences	SVP NPA, Hyderabad	Hyderabad
Dec 2017	Conf on Changing Paradigms in Implementation & Compliance of KYC-AML, Regime & Financial Crime Mgt.	CAFRAL, Mumbai	Mumbai
Jan 2018	Seminar on Intelligence Gathering in a Rapidly Changing Scenario	DTRTI, Mumbai	Mumbai

Chapter 8

Strengthening the IT infrastructure

8.1 INTRODUCTION

FIU-IND initiated project - Financial Intelligence Network (FINnet) to support FIU-IND in its functioning by providing a robust technological backbone and set up an efficient system to aid collection, processing and dissemination of financial data. The FINnet 1.0 system, which went live in the year 2012 was developed as a result of this project. The maintenance for the same has been going on ever since. Due to the imminent expiry of the contract for the existing MSP and the regulatory and technological changes, it is incumbent upon FIU-IND to search for new technologies and processes for devising a new system.

The Project FINnet 2.0 has been conceptualised to accommodate these requirements. Project FINnet 2.0 will involve a complete technology refresh of the existing system followed by augmentation with new components and functionalities to increase the efficiency and effectiveness of the FINnet ecosystem. As a part of the exercise to identify the functional requirements for FINnet 2.0, various stakeholder interactions and workshops have been conducted to understand the challenges faced by users while using the existing system and the expectations from FINnet 2.0.

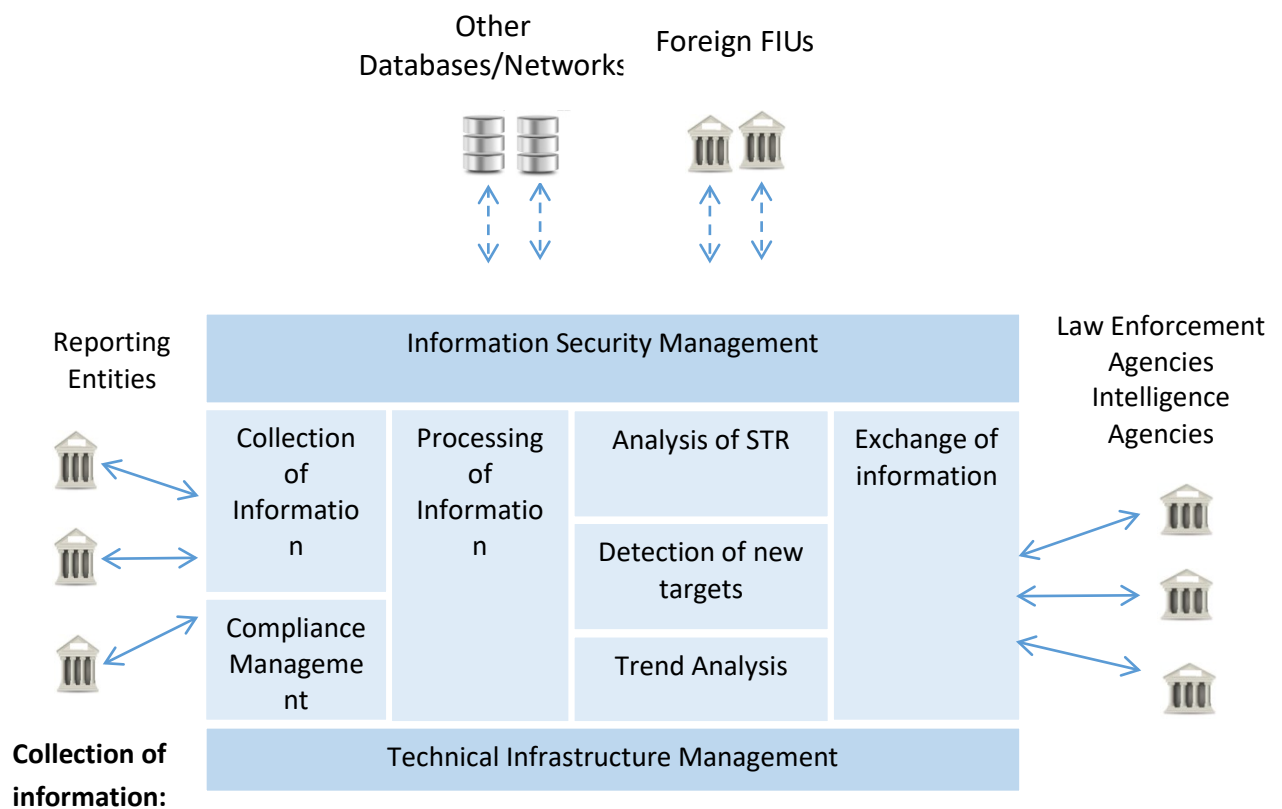
8.2 EXISTING PROJECT OVERVIEW

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:



8.3 PROJECT FINNET

Project FINnet has been aimed at increasing the efficiency and effectiveness of FIU-IND's three core functions, viz. collection of information, analysis of information and dissemination of information.

1. Collection of information

REs 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 after duly signing the same digitally.

2. Analysis of information

This function is realised in the system through processing of the information collected through FINGate from various REs. This includes data validation, link identification,

identity resolution, and trend analysis using rule based engines. 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.

3. Exchange of information

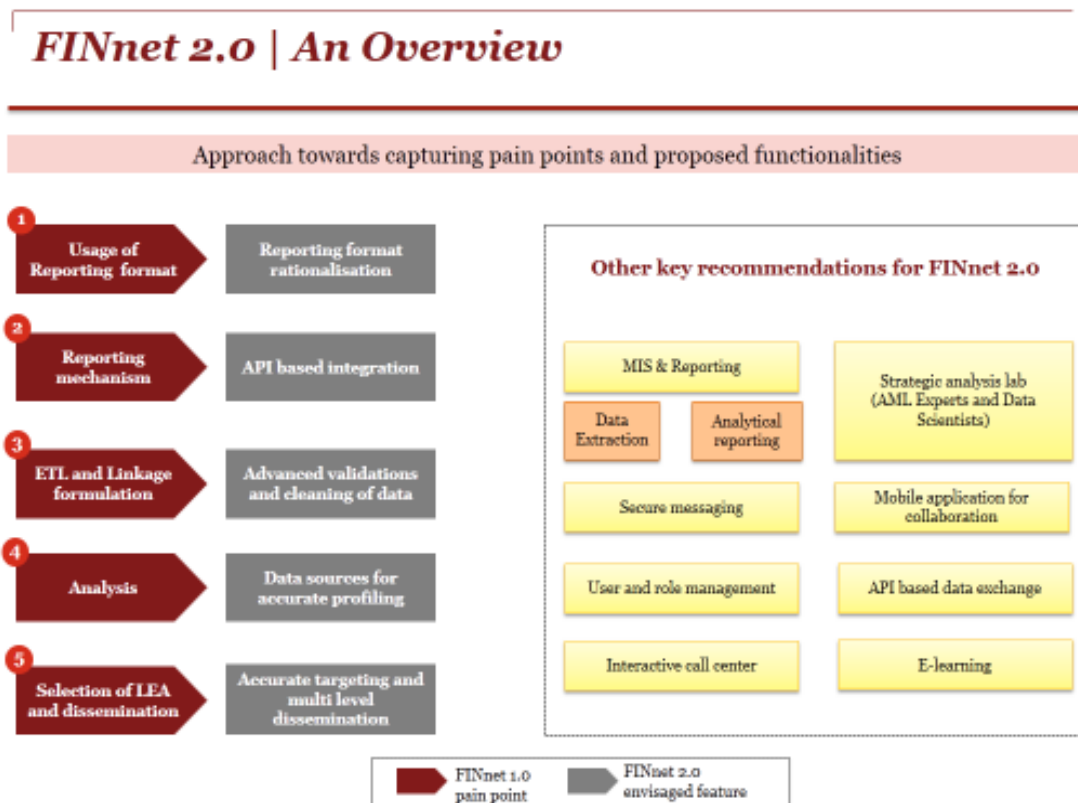
FINnet Exchange (FINex) enables seamless exchange of information with LEAs. The exchange is enabled through a separate portal, to be downloaded in a PDF format.

8.4 CHALLENGES IN FINnet 1.0

1. Most of the components of the system are out of life/support as given in the Annexures.
2. The workload has increased exponentially post FINnet 1.0 went live due to one or more reasons listed below, and the storage is used up completely.
 - a. Improved compliance: Subsequent to the enforcement of the PMLA, 2002, the respective regulators i.e. RBI, SEBI, and IRDA, have followed up with stringent AML regulations and KYC norms. This has led to an increase in compliance to the reporting requirements by the REs and hence an increased volume of CTRs and STRs received by FIU-IND.
 - b. Use of IT systems by REs: With the implementation of robust IT systems by the REs, the identification of suspicious transactions has become easier and therefore the number of CTRs and STRs has increased. Therefore, as the IT infrastructure of REs improves, the number of transactions reported will increase exponentially.
 - c. Introduction of new REs, thereby increasing the number of reports filed.
 - d. Introduction of new reports namely Non Profit Transaction Reports (NTR) and Cross Border Wire Transfer Report (CBWTR)
 - e. Introduction of Prevention of Money Laundering (Amendment) Bill, 2011 and (Amendment) Act, 2012 leading to inclusion of new REs(Real estate and gems and jewellery dealers) and reporting of Electronic Funds Transfers (EFTs).
 - f. With the additions and amendments in the Prevention of Money Laundering (Amendment) Act, 2012, the responsibilities of FIU-IND are expected to grow far beyond its current mandate. The ambit of reporting entities and information collected may further increase. Furthermore, FINnet's operational workload is also expected to increase in the future owing to the increasing number of agencies requiring dissemination of information collected and processed by FIU-IND India. An estimate of the increased workload in terms of collected reports and new reporting entities will be provided as a part of the workload assessment report in the RFP.
3. Technological Debt – The existing solution has been in place since 2011-12 for FINnet 1.0. The approach for collection of data from REs, processing the same and disseminating cases to LEAs remains the same. There have been considerable innovation in information

technology, thereby establishing the need for FINnet 2.0. Additionally, there are software/ hardware deployed as a part of FINnet 1.0 which are already out of life/support or about to become obsolete in the near future. In addition to this, the contract term of existing MSP has expired and there is a need for a complete technology refresh for the FINnet 1.0 system.

Project FINnet 1.0 went live on 20 Oct, 2012 and maintenance phase started with effect from 1st April 2013. Due to the regulatory & technological changes, it is incumbent upon FIU-IND to search for new technologies and processes for the new system. Hence, Project FINnet 2.0 has been conceptualised by FIU-IND to increase the effectiveness of FIU-IND and its operations.



8.5 AIM AND OBJECTIVES

8.5.1 OBJECTIVES OF FINNET 2.0 PROJECT

The key objective of the FINnet 2.0 project is to drive a technology led transformation of the FINnet ecosystem. This will encompass redevelopment and revamp of the FINnet application (FINGate, FINCore and FINex). The project also includes

redesigning of processes to improve compliance and strengthen the strategic and tactical wings of FIU-IND

8.5.2 ROAD AHEAD

The following table describes the transformation of FINnet at a high level as envisaged on the present day

Factor	Envisaged state (FINnet 2.0)
Facilitate ease of reporting through revamp of mode of reporting	<ul style="list-style-type: none"> ➤ Reporting format rationalization ➤ Simplified reporting utilities for REs ➤ Automatic reporting through API based integration with RE's database(s) ➤ E-filing through web forms
Processing speed and improvement in accuracy and consistency of linkages and relationships	<ul style="list-style-type: none"> ➤ Advanced validations through integration with external databases ➤ Machine learning to be implemented to improve the accuracy of linkages
Accurate targeting of cases	<ul style="list-style-type: none"> ➤ Machine learning enabled recipient LEA selection to reduce manual intervention ➤ System learns from the past actions of FIU users
Enhanced case creation, analysis and risk scoring	<ul style="list-style-type: none"> ➤ Case inspector tool for LEAs to configure views and templates for case download ➤ Enable LEAs to select attributes for download ➤ Multiple formats for case dissemination ➤ Enable ad hoc dissemination through dynamic risk scoring of suspected entities and creation of watch lists.
Streamlined communication between the FIU-IND and REs/LEAs	<ul style="list-style-type: none"> ➤ Secure mobile eco-system for FINnet users ➤ Seamless and real time information sharing between entities ➤ Comprehensive notification framework (email, mobile, text messages)
Continuous handholding of user groups	<ul style="list-style-type: none"> ➤ The envisaged system shall monitor the compliance for all REs on a continuous basis and organise trainings and workshops for continuous handholding of REs. ➤ Unified communication cell to address grievances and issues advisories as and when needed (Dedicated call centre for all user groups)
Set up of a dedicated strategic analysis cell	<ul style="list-style-type: none"> ➤ Formulation of Red Flag Indicators (RFIs) ➤ Institutional learning and best practices ➤ Identification of new data sources for integration ➤ Assessment of technological capabilities
Technology	<ul style="list-style-type: none"> ➤ Complete technology refresh is envisioned ➤ Near real time data exchange – API based integration

8.6 TARGET BENEFICIARIES

The success of a project can only be judged by the benefits it confers on the various stakeholders. The following table summarizes the expected benefits of the Project.

8.6.1 STAKEHOLDERS ENVISAGED BENEFITS

Financial Intelligence Unit	Adoption of global best practices and procedures for operational transformation led by technology <ul style="list-style-type: none">➤ Enhanced and improved validations on the input reports➤ Capability to handle increased workload➤ Advanced analysis powered by best in class technology➤ Improved compliance and continuous handholding➤ Better utilization of Government resources in areas of value-added services, on account of outsourcing of non-core activities
User groups (REs and FIU analysts and approvers)	<ul style="list-style-type: none">➤ Uniform and well-defined processes➤ Additional data sources for continuous learning and awareness➤ Trainings for requisite skill enhancement➤ Improved employee skills and domain expertise due to increased focus on core activities
LEAs	<ul style="list-style-type: none">➤ Quick and speedy dissemination of relevant cases➤ Better turnaround time for ad hoc requests➤ Better usability and configurability of LEA facing functionalities➤ Seamless, Omni channel communication framework for all interactions

8.6.2 BENEFITS

The following are the cost benefits envisaged –

1. Early detection, containment and investigation of money laundering cases

The envisaged system shall allow the FIU-IND to conduct faster processing of reports and generation of cases, thereby reducing the lead time between reporting and dissemination of cases.

2. Increased focus on strategic analysis

FIU-IND is built on three pillars namely – Strategic, operational and tactical analysis. The operations tasks can be taken care of by technology to a great extent. This would provide bandwidth to focus on strategic and tactical initiatives if FIU-IND. New typologies can be devised, frequent review of red flags can be done and new sectors can be identified to combat money laundering and terrorist financing in the nation.

Appendix-A: Staff strength of FIU-IND

Post	Sanctioned strength	Working as on March 31, 2018
Director	1	1
Additional Director / Joint Director	10	7
Technical Director	1	1
Joint Director Systems	1	0
Deputy Director Systems	2	0
Deputy / Assistant Directors	21	12
Assistant Director Systems	6	0
Group B, C & D	33	14
Total	75	35*

* 25 persons were working on contract basis, to make up the shortfall in regular appointments.

FIU-IND Team: List of Officers

Director		Assistant Directors
Pankaj Kumar Mishra		
Additional Directors		
Priya Sahu		Consultants
Shravan Kumar Gotru		Parag Kumar Sinha
Manoj Kaushik		Abhay Verma
Sanjay Kumar		Kavita Gangwal
Ashok Kumar		B.K. Sharma
Chaitanya Shukla		Pankaj Kumar Rajbanshi
Shailesh Thakur		LK Narang
		RK Goyal
		AN Jha
Joint Director		
Technical Director (NIC)		
Shahbuddin Khan		
Deputy Directors		
Paramjit Singh Walia		
Jasvinder Singh		
Narendra Choubey		
Jagmohan Kathait		
DS Misra		
Ambica Anand		
Rohit Kumar		
Pooja		
SP Uniyal		
Rajan Kannoja		
S. D. Sharma		
Ajay Sachdev		

Appendix-B: Chronology of important events (2017-18)

19 Apr, 2017	Workshop on Digital Financial Services & Financial Inclusion
23-26 Apr, 2017	3 rd ECOFEL Setup Project Team Meeting
22-26 May, 2017	EAG Plenary & Working Group Meeting and 9 th Meeting of the Council of FIU's Heads of the Commonwealth of Independent States (CIS CHFIU)
18-23 Jun, 2017	FATF Plenary / Working Group Meeting
28-30 Jun, 2017	JWG Meeting on Security Cooperation
02-07 Jul, 2017	Egmont Group Plenary Meeting
13-14 Jul, 2017	UNODC Experts Meeting
17-21 Jul, 2017	20 th Asian Pacific Group Annual Meeting
08-10 Aug, 2017	Training and Capacity Building of FIU Maldives
23-27 Oct, 2017	Egmont Group's Strategic Analysis Course
21-24 Nov, 2017	10 th Meeting of the Council of FIU's Heads of the Commonwealth of Independent States (CIS CHFIU)
18-23 Feb, 2018	FATF Plenary / Working Group Meeting

Appendix-C: Important Rules/Notifications

Date	Notice No.	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).
11.09.2015	GSR 693(E)	The period for setting up of Central KYC Records Registry for the purpose of receiving, storing, safeguarding and retrieving the copies of KYC obtained by the reporting entities from their client was enhanced from 30 days to 90 days
22.09.2015	GSR 730(E)	In Rule 2(1)(d) of the Prevention of Money laundering (Maintenance of Records) Rules, 2005 explanation in respect of Officially valid document was provided
18.11.2015	GSR 882(E)	The period for setting up of Central KYC Records Registry for the purpose of receiving, storing, safeguarding and retrieving the copies of KYC obtained by the reporting entities from their client was enhanced from 90 days to 180 days
17.02.2016	GSR 136(E)	Defence Intelligence Agency was added under section 66 of the Prevention of Money Laundering Act, to whom information can be disseminated.
12.04.2017	GSR 347(E)	<p>Amendment were made in Rule 2(1)(fa) of the Prevention of Money laundering (Maintenance of Records) Rules, 2005 vide which the definition of Regulator was inserted.</p> <p>Another rule viz. 9B relating to Inspection by RBI was inserted in the abovementioned rules.</p>

01.06.2017	GSR 538(E)	<p>It provided for submission of Aadhar and Permanent Account Number within stipulated time period, at the time of commencement of an account based relationship with a reporting entity by the clients and also for those clients already having an account based relationship with reporting entities prior to date of this notification</p> <p>It also provided for cessation of operation of account in case of failure of compliance of the rules by the clients.</p>
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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 and after commencement of the 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 and after commencement of the 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 31.03.2018

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
37	Mecedonia	07-04-2017
38	Myanmar	15-07-2017
39	Kyrgyz Republic	24-11-2017

Glossary:

AMFI	Association of Mutual Funds in India	IRDA	Insurance Regulatory and Development Authority Act, 1967
AML	Anti -Money Laundering	ISPP	Information Security Policies and Procedures
ANMI	Association of NSE Members of India	JWG	Joint Working Group
APG	Asia Pacific Group on Money Laundering	KMS	Knowledge Management System
BCP-DR	Business Continuity Plan-Disaster Recovery	KYC	Know Your Customer
CBDT	Central Board of Direct Taxes	LEA	Law Enforcement Agency
CBEC	Central Board of Excise & Customs	MAC	Multi Agency Centre
CBI	Central Bureau of Investigation	MEQ	Mutual Evaluation Questionnaire
CBWTR	Cross Border Wire Transfer Reports	MER	Mutual Evaluation Report
CCR	Counterfeit Currency Report	MCA	Ministry of Corporate Affairs
CDD	Client Due Diligence	MHA	Ministry of Home Affairs
CFT	Combating Financing of Terrorism	MoU	Memorandum of Understanding
CTEO	Counter Terrorism Executive Directorate	MSP	Managed Service Provider
CTR	Cash Transaction Report	MTSS	Money Transfer Service Scheme
DGCEI	Directorate General of Central Excise Intelligence	NABARD	National Bank for Agriculture and Rural Development
DRI	Directorate of Revenue Intelligence	NBFC	Non-banking Financial Company
EAG	Eurasian Group	NCB	Narcotics Control Bureau
EO	Enforcement Directorate	NHB	National Housing Bank
EMS	Enterprise Management System	NIA	National Investigation Agency
EOI	Expression of Interest	NSCS	National Security Council Secretariat
ESW	Egmont Secure Web	NTR	Non- Profit Organisation Transaction Report
FATF	Financial Action Task Force	OpWG	Operational Working Group (of the Egmont Group)
FCRA	Foreign Contribution (Regulation) Act	PDC	Primary Data Centre
FEMA	The Foreign Exchange Management Act, 1999	PFRDA	Pension Funds Regulatory and Development Authority
FICN	Fake Indian Currency Notes	PMLA	The Prevention of Money Laundering Act, 2002
FINex	FINnet Exchange	PPI	Prepaid Instruments
FINnet	Financial Intelligence Network	R&AW	Research & Analysis Wing
FIU-IND	Financial Intelligence Unit, India	RBI	Reserve Bank of India
IA	Intelligence Agency	RBSC	Reserve Bank Staff College
IB	Intelligence Bureau	REIC	Regional Economic Intelligence Committee
IBA	Indian Banks' Association	RFI	Red Flag Indicators
ICAI	Institute of Chartered Accountants of India	RFP	Request For Proposal
IFF	Illicit Financial Flows		
IMF	International Monetary Fund		

RGU	Report Generation Utility	TBML	Trade Based Money Laundering
RPU	Report Preparation Utility	TF	Terror Financing
RRB	Regional Rural Bank	UAPA	The Unlawful Activities (Prevention)
RVU	Report Validation Utility	UCB	Urban Co-operative Bank
SEBI	Securities and Exchange Board of India	UNSCR	United Nations Security Council Resolution
SFIO	Serious Fraud Investigation Office	XML	Extensible Markup Language
SI	System Integrator		
STR	Suspicious Transaction Report		