

## About Financial Intelligence Unit-India

Financial Intelligence Unit-India (FIU-IND) is the central national agency for receiving, processing, analysing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in combating money laundering, associated predicate offences and terrorist financing. It is an independent body reporting to the Economic Intelligence Council (EIC) headed by the Finance Minister.

## Core functions of FIU-IND

### Intelligence Management

- Maintaining national database of Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs), Counterfeit Currency Reports (CCRs), NPO Sector Transaction Report (NTR) and Cross Border Wire Transfer Report (CBTR) received from the reporting entities under the provisions of the Prevention of Money Laundering Act, 2002 (PMLA).
- Conducting operational and strategic analysis of the statutory reports received.
- Screening and processing requests for information from domestic law enforcement & intelligence agencies and from foreign FIUs.
- Disseminating actionable intelligence to domestic law enforcement & intelligence agencies and to foreign FIUs.

### Strategic Management

- Reviewing operational and regulatory issues and suggesting policy changes to counter money-laundering, associated predicate offences and terrorist financing.
- Promoting awareness on issues relating to money laundering and terrorist financing.
- Building capacities in the financial sector for effective identification and reporting of prescribed transactions.

## Prevention of Money Laundering Act

The Prevention of Money Laundering Act, 2002 (PMLA) is the principal legislation by which the legal and institutional framework for combating money laundering and terrorist financing has been created. PMLA and the Rules notified thereunder came into force w.e.f. 1<sup>st</sup> July, 2005.

Under section 3 of the PMLA, attempting or knowingly indulging in any process or activity connected with proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property is chargeable with the offence of money-laundering.

## Obligations of Reporting Entities under PMLA

Under PMLA, every reporting entity (banking company, financial institution, intermediary or person carrying on designated business and profession) is required to appoint a Principal Officer and a Designated Director and communicate their names, designations and addresses to FIU-IND. The reporting entity is also obligated to client due diligence, maintain record of specified transactions for the prescribed period and furnish report of the prescribed transactions to FIU-IND.

### Client Due Diligence

The reporting entity is required to (i) identify its clients, verify their identity, obtain information on the purpose and intended nature of the business relationship (ii) to determine whether a client is acting on behalf of a beneficial owner, and (iii) identify the beneficial owner and take all steps to verify the identity of the beneficial owner.

The client due diligence (CDD) has to be done at the time of opening of an account as well as periodically during the tenure of the business relationship.

## Maintenance of records and furnishing of reports to FIU-IND

The following transactions have been specified under the PML Rules for which records have to be maintained and reports are to be furnished to FIU-IND:

- (a) All cash transactions of the value of more than rupees 10 lakh or its equivalent in foreign currency.
- (b) All series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- (c) All transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;
- (d) 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 facilitating the transactions;
- (e) All suspicious transactions, whether or not made in cash, including attempted transactions.
- (f) All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;
- (g) All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity.

The Suspicious Transaction Report mentioned at para (e) above should be furnished within seven working days on being satisfied that the transaction is suspicious. The information in respect of immovable property transactions referred to in (g) above should be furnished to FIU-IND every quarter by the 15<sup>th</sup> day of the month succeeding the quarter.

All other reports need to be furnished on a monthly basis by the 15<sup>th</sup> day of the succeeding month.

### Suspicious Transaction:

Suspicious Transaction means a transaction (including an attempted 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 the proceeds of crime; or
- b) appears to be made in circumstances of unusual or unjustified complexity; or
- c) appears to have no economic rationale or bona fide purpose; or
- d) gives rise to a reasonable ground of suspicion that it may involve financing of activities relating to terrorism.

## Reporting Entities

### Banking Companies

- ❖ Nationalized banks
- ❖ State Bank of India and its Associates

- ❖ Private Indian Banks and Private Foreign Banks
- ❖ Primary, District and State Co-operative Banks
- ❖ Regional Rural Banks

### Financial Institutions

- Financial Institutions as defined in Section 45-1 of the RBI Act
- Insurance Companies
- Hire-Purchase Companies
- Chit Fund Companies
- Housing Finance Companies
- Non-Banking Financial Companies
- Payment System Operators (Credit Cards)
- Authorized persons (Money changers)
- India Post

### Intermediaries

All entities registered under section 12 of the SEBI Act including:

- ★ Stock Brokers and Sub-brokers
- ★ Share Transfer Agents and Registrars to issue
- ★ Bankers to an Issue and Merchant Bankers Underwriters
- ★ Trustees to Trust Deed
- ★ Portfolio Managers and Investment Advisers
- ★ Depositories and Depository Participants Custodians of Securities
- ★ Foreign Institutional Investors
- ★ Credit Rating Agencies
- ★ Venture Capital Funds
- ★ Collective Investment Schemes including Mutual Funds
- ★ Intermediaries regulated by Forward Market Commission (FMC)
- ★ Intermediaries regulated by Pension Fund Regulatory and Development Authority (PFRDA)

## Frequently Asked Questions (FAQs)

### 1. What is Money Laundering?

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with an apparently legal source.

### 2. What is a Money Laundering offence?

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

### 3. What are Proceeds of crime?

"Proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.

### 4. What are Scheduled offences?

Scheduled offences means the offences specified under Part A and Part C of the Schedule to PMLA.

### 5. What does FIU-IND do with the information received by it?

FIU-IND processes and analyses financial information and disseminates actionable intelligence in appropriate cases to relevant law enforcement and intelligence agencies.

### 6. Who is a Principal Officer?

Principal Officer is an officer designated by a reporting entity for the purpose of Section 12 of PMLA. Rule 7 of the PML Rules requires every reporting entity to communicate the name, designation and address of the Principal Officer to the Director, FIU-IND.

### 7. Who is a Designated Director?

"Designated Director" means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under the PML Act and the PML Rules and includes –

- (i) the Managing Director or a whole-time Director if the reporting entity is a company,
- (ii) the managing partner if the reporting entity is a partnership firm,
- (iii) the proprietor if the reporting entity is a proprietorship concern,
- (iv) the managing trustee if the reporting entity is a trust,
- (v) a person or individual who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- (vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.

The terms "Managing Director" and "Whole-time Director" have the same meaning as assigned to them in the Companies Act, 1956.

### 8. In what form the records identity of clients and transactions required to be maintained?

Records have to be maintained both in hard and soft copies in the manner as prescribed from time to time by RBI, SEBI, IRDA or the sector regulator, as the case may be.

### 9. When should the verification of identity of clients be undertaken?

Verification has to be undertaken at the time of starting an account-based relationship as well as while executing any transaction with a client.

### 10. What is the fine for not complying with the obligations under PMLA?

Director, FIU-IND can impose a range of sanctions on the reporting entity for non-compliance including monetary penalty ranging from Rs.10,000/- to Rs.1,00,000/- for each failure.

### 11. What are the powers of Director, FIU-IND under Section 13 of PMLA?

Section 13 empowers Director, FIU-IND to make enquiry and impose fine in required cases. For the purposes of section 13, Director, FIU-IND has the same powers as are vested in a civil court under the Code of Civil Procedure, 1908

### 12. Whether any civil or criminal proceedings can be initiated against the reporting entity for furnishing information to FIU-IND?

As per section 14 of the PMLA, the reporting entity, its directors and employees shall not be liable to any civil or criminal proceedings for furnishing information to FIU-IND.

### 13. What is the manner for furnishing of specified information to FIU-IND?

The specified information is required to be filed online on the FINnet Gateway Portal (<https://finnet.gov.in/>) after registering the reporting entity and the Principal Officer. The pre-requisites and technical help for accessing FINnet Portal are available at the website of FIU-IND and can be accessed by following the link :

[http://fiuindia.gov.in/downloads/FINNET\\_TechnicalHelp.pdf](http://fiuindia.gov.in/downloads/FINNET_TechnicalHelp.pdf)

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FINANCIAL INTELLIGENCE UNIT-INDIA



Obligations of Entities in  
Financial Sector

under

The Prevention of Money  
Laundering Act, 2002

Version 2.0