

F.No. 9-8/2023/COMPL/FIU-IND
Ministry of Finance
Department of Revenue
Financial Intelligence Unit - India

Room No. 608, 6th floor, Tower 2,
Jeevan Bharti Building, Sansad Marg,
New Delhi – 110001
Date. 17.10.2023

To,

Principal Officers/Designated Directors/Chief Compliance Officers
Virtual Digital Asset Service Providers

Subject: Revision of Circular for Registration of Virtual Digital Asset Service Providers in FIU India as Reporting Entity-reg.

Clause (wa) of sub-section (1) of section 2 of the Prevention of Money-laundering Act, 2002 defines "reporting entity" as banking company, financial institution, intermediary or a person carrying on a designated business or profession.

II The Central Government vide notification F. No. P-12011/12/2022-ES Cell-DOR dated March 07, 2023, has notified the following activities, when carried out for or on behalf of another natural or legal person in the course of business as an activity for the purposes of sub-clause (vi) of clause (sa) of sub-section (1) of section 2 of the Prevention of Money-laundering Act, 2002 (15 of 2003) (hereinafter referred as "PMLA"):

- (i) exchange between virtual digital assets and fiat currencies;
- (ii) exchange between one or more forms of virtual digital assets;
- (iii) transfer of virtual digital assets;
- (iv) safekeeping or administration of virtual digital assets or instruments enabling control over virtual digital assets; and
- (v) participation in and provision of financial services related to an issuer's offer and sale of a virtual digital asset.

Explanation: - For the purposes of these guidelines 'virtual digital asset' shall have the same meaning assigned to it in clause (47A) of section 2 of the Income-tax Act 1961 (43 of 1961).

III Rule 7(3) of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (hereinafter referred as "PML Rules") empowers the Director, FIU-IND to issue guidelines in consultation with the regulator with regard to transactions referred to in



Rule 3(1) and for furnishing information about such transaction in such form as may be directed.

Accordingly, guidelines have been issued to various Virtual Digital Asset Service Providers (VASPs) on 10.03.2023.

IV The Virtual Digital Asset service providers are required to comply with the various provisions of the PMLA, the rules made thereunder, and the guidelines issued by Director, FIU-IND. This *inter alia* includes establishing a process for customer due diligence, record keeping, internal control procedure, training of employees, filing of suspicious transaction reports with FIU-IND etc. Registration with FIU-IND is pre-requisite for a reporting entity for ensuring compliance with the requirements delineated above. Failure to register is in itself a non-compliance with the provisions of PMLA and shall attract action under section 13(2) of PMLA and may result in such other actions being taken as may be considered appropriate.

V In this regard, to streamline and standardise the process of registration of VASPs and ensure availability of complete information about the reporting entity with FIU-IND, the following process is being prescribed.:

1. An in-personal meeting will be called for at the office of FIU-IND. Designated Director and Principal Officer will have to mandatorily attend the same. Following information will have to be furnished at the time of in-person meeting:

1(a) Brief note on nature of service provider along with clear explanation as how the activities of service provider is falling under ambit of activities as per Department of Revenue, Government of India notification dated March 07 2023.

1(b) Brief note on corporate structure of the company along with details of significant Beneficial Ownership of the company.

1(c) Copies of Incorporation Documents, Annual Return, Balance Sheet and Profit and Loss Account of the company/LLP as filed in Ministry of Corporate Affairs for last 3 financial years.

1(d) Copies of GST Returns for Last 3 financial years along with copies of GST registrations in all the states where the company is operating clearly establishing the nature of activities being performed by the entity.

1(e) Copies of Income Tax Returns and copies of Form 26Q/26QF/26QE filed with Income Tax Department for TDS on VDA transactions.

1(f) If the entity is in arrangement of any kind with any entity based in India or outside India exchange with respect to any activities as discussed above, then copies of agreement and nature of relationship.



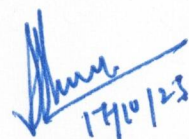
1(g) A self-declaration to the effect that no proceedings have been initiated by/are pending with the Directorate of Enforcement (ED) or any other law enforcement authorities, against the applicant/applicant company/LLP or its directors/partners and no criminal cases are initiated / pending against the applicant/applicant company/LLP or its directors/partners.

1(h) Any other information/document as required and intimated to the reporting entity on timely basis or any other information/document which reporting entity may want to share to ensure completion of registration process.

VI All Designated Directors, Principal Officers and Chief Compliance Officers of the Reporting Entities concerned are required to comply with the same on immediate basis for completion of process of onboarding as reporting entity. Further, Director FIU India reserves the right to deny the registration or cancel the registration in case if reporting entity is found not fulfilling the obligations under Prevention of Money Laundering Act 2002

This issues with the approval of Director FIU India.




17/10/23

(Ashima Batra)
Additional Director, FIU-IND