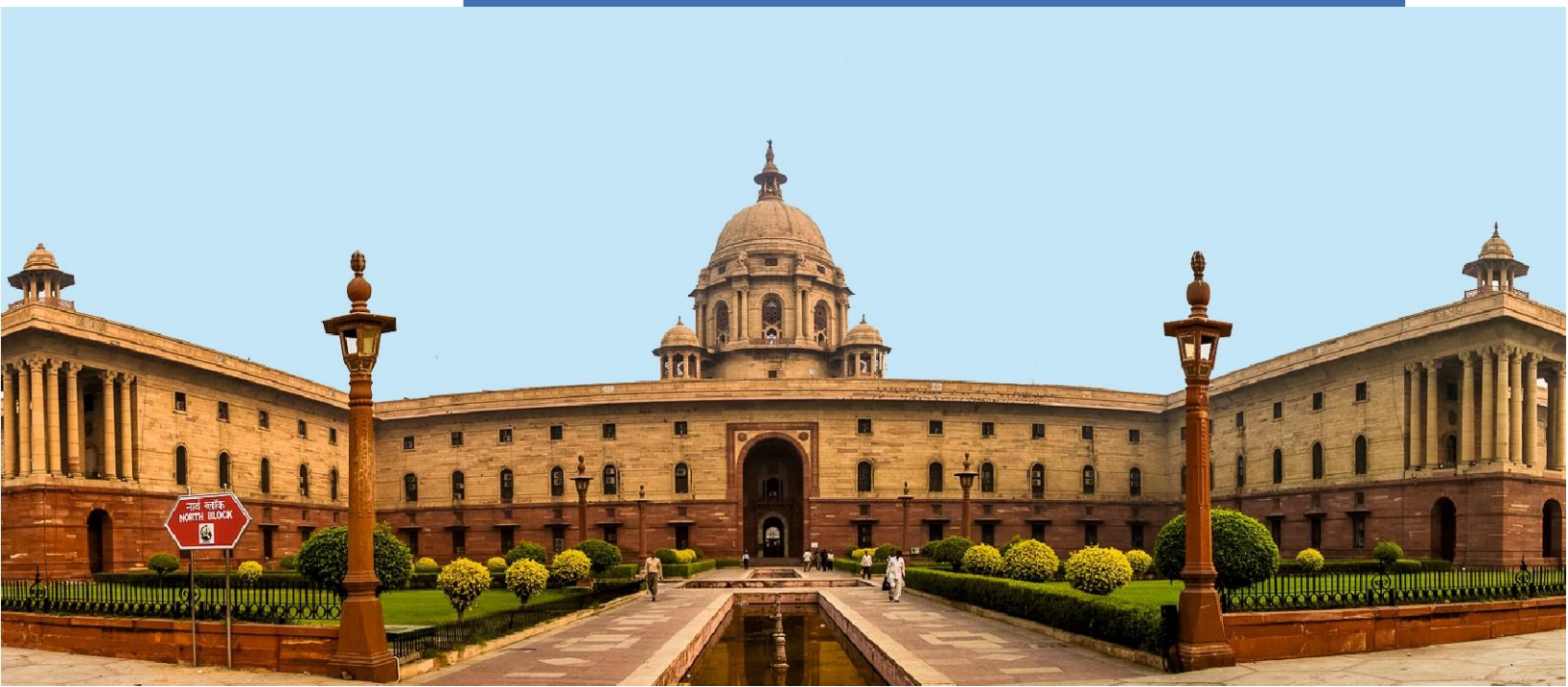


Annual Report  
2015-16



सत्यमेव जयते

Financial Intelligence Unit-India  
Ministry of Finance  
Government of India



# **Financial Intelligence Unit-India**

## **Annual Report 2015-16**

अरुण जेटली  
वित्त, कार्पोरेट कार्य  
एवं रक्षा मंत्री  
भारत



**Arun Jaitley**  
Minister of Finance, Corporate Affairs  
and Defence  
India



### **MESSAGE**

I am happy to learn that FIU-IND is bringing out its 10<sup>th</sup> Annual Report for the year 2015-16. Since its inception, FIU-IND has come a long way in terms of receiving, analyzing and disseminating information. The Prevention of Money Laundering Act has been amended from time to time to provide a robust legal framework for the functioning of FIU-IND.

I am happy to note that the information disseminated by FIU-IND has increasingly been found to be useful by the intelligence and investigating agencies. FIU-IND has also enhanced its usefulness by being an active part of the Egmont Group of FIUs, which now has a membership of more than 150 FIUs.

I wish FIU-IND and its personnel every success in their endeavour to fight money laundering and terrorism financing.

  
[ Arun Jaitley ]

## Director's Report



I am very happy to present this 10<sup>th</sup> Annual Report of FIU-IND. Since the first reporting formats for the reporting entities were prescribed in March 2011, FIU-IND's reporting regime has come a long way. In this decade-long journey, several milestones of success have been achieved.

The year 2015-16 has been quite eventful for FIU-IND. The year saw a record increase in the number of reports received, processed and disseminated by FIU-IND. Compared to the previous year 2014-15, the number of CTRs doubled from 8 million to over 16 million in 2015-16, and the number of STRs nearly doubled from 58,646 to 105,973. Similar growth was registered in CCRs (over 16%) and NTRs (nearly 25%), while there was 850% growth in the number of cross border wire transfer reports, thanks to a proactive outreach by FIU-IND.

The year also saw a record number of 21 sanctions being imposed by FIU-IND under section 13 of the PMLA on 21 reporting entities, in addition to 37 advisories, in our constant endeavor to improve compliance and build a strong AML/CFT regime.

Three important legislative developments in the year have further strengthened the legal framework for AML/CFT implementation. Money taken abroad illegally is now a predicate offence under the PMLA. The Rules have been amended to provide for a Central KYC Records Registry and to enable Director, FIU-IND to issue guidelines to the reporting entities, a power that was available so far only to the regulators.

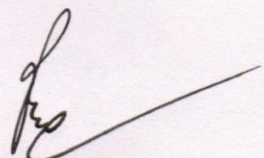
Another notable achievement in 2015-16 has been the pioneer works done by FIU-

IND in collaboration with banking industry to develop red flag indicators (RFIs) for Trade Based Money Laundering (TBML). Statutory guidelines in this regard were issued in November, 2015. FIU-IND has also issued 7 other sector specific statutory guidelines under its newly delegated powers.

The feedback on the FIU information continued to be encouraging. The reports received during the year indicate that based on FIU information, assets/ proceeds of crime detected by the agencies exceeded Rs. 567 crore. The cumulative amount of assets detected, as reported in the last three years, has crossed Rs. 12,000 crore. This is ample testimony to the value of the FIU information.

FIU-IND recognizes that its value lies in its ability to receive and process large volumes of information in an efficient manner. Going forward, FIU-IND has initiated steps to upgrade its information technology system to the next level using the state-of-the art technology.

Through their quiet, dedicated work, the FIU-IND officers have shaped this organization into a professional one. As I write this message, I place on record my deep appreciation of their work, especially the contributions made by our former Directors Shri Sunil Bhargava and Shri Arun Goel, without whose vision FIU-IND would not have been what it is today.



(P K Tiwari)  
Director

**Financial Intelligence Unit-India**

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## Performance at a Glance: 2015-16

### **Receipt of Information:** FIU received

- Over 16.3 million Cash Transaction Reports (CTRs)
- 1,05,973 Suspicious Transaction Reports (STRs)
- 4,10,899 Counterfeit Currency Reports (CCRs)
- 6,13,008 NPO Transaction Report (NTRs)

### **Analysis of information in FIU**

- processed 97,965 STRs
- disseminated 53,200 STRs
- retained 44,765 STRs

### **FIU actively collaborated with domestic agencies**

- Had regular interaction and exchange of information
- Attended to 1245 requests for information from the Agencies
- Provided information in 1127 cases requested by the agencies

### **Results of action on STRs**

- CBDT detected assets of Rs. 154.89 crore
- DRI detected assets worth Rs. 300 crore
- ED detected proceeds of crime of Rs. 107.47 crore

### **International exchange of information**

- FIU-IND received:
  - 100 requests for information from foreign FIUs
  - 120 voluntary disclosures from foreign FIUs
- FIU-IND sent 140 requests to foreign FIUs on behalf of domestic agencies

### **Outreach activities to raise AML/CFT awareness**

- FIU-IND contributed to 38 seminars and workshops covering 1600 participants
- FIU-IND organized “Train the Trainer Programme” for 263 participants from reporting entities

### **Improving compliance**

- FIU-IND held 43 review meetings with Principal Officers
- Passed 21 quasi- judicial orders imposing penalty on 21 reporting entities
- Issued 37 advisories to the reporting entities

## Chapter 1

### Financial Intelligence Unit – India

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

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

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

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

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

FIU-IND is headed by the Director, who is of the rank of Joint Secretary to the Government of India. It is an officer-oriented and technology-intensive multi- disciplinary organization with a sanctioned strength of 75 (**Appendix A**). The chronology of significant events for FIU-IND for the year 2015-16 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.

## Chapter 2

### Legal Framework

#### 2.1 Prevention of Money Laundering Act, 2002

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

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

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

#### 2.2 Amendments to PML Act

The PMLA 2002 has been amended in 2005, 2009, 2013 and 2015. The salient features of 2015 amendments from the perspective of FIU-IND are described below:

##### **A. Definition of Proceeds of Crime**

The definition of Proceeds of Crime has been expanded to include value of property taken or held outside the country which is derived or obtained by any person as a result of criminal activity relating to scheduled offence.

##### **B. Definition of Scheduled Offence**

The value involved in the scheduled offences specified under Part B of the schedule was enhanced from Rs. 30 lakh to Rs. 1 crore.

##### **C. Inclusion of offence in the Schedule**

Offence of false declaration, false documents, etc., under section 132 of the Customs Act,

1962 was included as Part B in the schedule to the Money-laundering Act.

### **2.3 Amendments to PML (Maintenance of Records) Rules 2005**

The PML (Maintenance of Records) Rules, 2005 have also been amended in July, 2015 following amendment of the PMLA in April, 2015, to give effect to changes made in PMLA and the revised recommendations of FATF. The salient features of the amendments are given below:

- a provision of Central Know Your Customer (CKYC) Records Registry has been provided which shall be an agency owned and controlled by the Federal Government and a repository of all customers of all the reporting entities. This provision makes KYC provision easy and forgery of KYC documents difficult. Functions and obligations of CKYC Records Registry were also specified.
- Definition of non profit organisation was clarified.
- Officially valid documents have been specified.
- Maintenance of physical copy of records of identity of client by reporting entity, that have been obtained in accordance with the provision of client due diligence, after filing electronic copy with CKYC Records Registry. These records have to be maintained in the manner specified by the Regulator.

### **2.4 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.**

## **2.5 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**

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

## **STRENGTHENING THE LEGAL FRAMEWORK: AMENDMENTS THROUGH THE DECADE (2005-2015)**

Since July 2005, when it first came into force, PMLA has been amended thrice, in 2009, 2013 and 2015. The PML Rules have been amended five times in 2007, 2009, 2010, 2013 and 2015. These amendments have aimed at bringing the legal framework in sync with FATF recommendations and the changing money laundering scenarios. The amendments have contributed significantly to the strengthening of FIU by providing a robust legal framework for its operations.

The most substantive amendments to the PMLA and the PML Rules were made in February 2013 and September 2013 respectively. In short, the amendments have brought new Reporting Entities within the ambit of the Act (Section 2); require Reporting Entities to maintain records of all transactions and furnish reports to FIU-IND of prescribed transactions, identify and verify the identity of clients as also the beneficial owners (Section 12); empower Director, FIU to call for additional information from reporting entities (Section 12A) and impose a range of sanctions on the Reporting Entities, Designated Directors on the Board or any of its employees for ensuring compliance (Section 13); and provide immunity to Reporting Entities from civil or criminal proceedings in performance of their obligations under PMLA.

Major changes in the Rules pertained to clarifying the concept of integrally connected cash transactions; inclusion of new reports on cross border wire transfers and Immovable property transactions, reliance on third party for CDD, determination of beneficial ownership, risk based approach, sunset clause for closing accounts if the KYC is not completed etc.

**Through an amendment in 2015 in the Finance Act, the PMLA was amended and the definition of “proceeds of crime” was widened to include property taken or held outside the country as a result of criminal activity relating to a “scheduled offence”. 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.**

**The PML Rules were amended in July, 2015 and September, 2015 to provide for a Central KYC Records Registry and empower Director-FIU to issue guidelines in consultation with Regulator.**



## Chapter 3

### Receipt, Analysis and Dissemination of Information

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

**FINnet is one of the pioneer IT systems of its kind that provides end-to-end solution to all the information technology needs of FIU-IND, including receiving, analyzing and disseminating information, and provides a two way electronic communications system between the FIU and the reporting entities on the one hand, and the FIU and the enforcement agencies on the other, through a secure network. Over the last three 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 15<sup>th</sup> day of the succeeding month incorporating all transactions above INR 1 million or a series of integrally connected transactions that add up to more than INR 1 million.

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

**Table 1, which gives the number of CTRs received in the last five years for major categories of banks, shows that the number of CTRs has doubled over the last 5 years from over 8 million to over 16 million per year. The increase has been across the spectrum, except the private foreign banks, where the number has actually come down over the years. There has been a remarkable increase in the CTRs from ‘Others’ category, comprising primarily the cooperative banks, as a result of aggressive outreach undertaken by FIU-IND.**

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

Types of Banking Companies	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Public Sector Banks	54,63,252	69,03,096	55,41,408	49,89,143	48,76,909	1,00,77,939
Indian Private Banks	24,42,286	24,06,855	25,61,548	32,61,219	31,57,826	44,40,307
Private Foreign Banks	1,05,288	83,665	58,640	35,083	39,755	46,962
Others	6,76,281	8,04,646	7,20,622	4,93,637	7,33,747	18,28,081
Total	86,87,107	1,01,98,262	88,82,218	87,79,082	80,08,237	1,63,93,289

**Looking back, it has been a remarkable journey over the last decade, since the reporting formats were prescribed in March 2006. Over this period, the number of CTRs received has increased over 8-fold, from over 2.1 million in 2006-07 to over 16.3 million in 2015-16, testifying to not only the outreach efforts of FIU but the robustness of its IT system to receive this volume of information online.**

### **3.1.2 Suspicious Transaction Reports (STRs)**

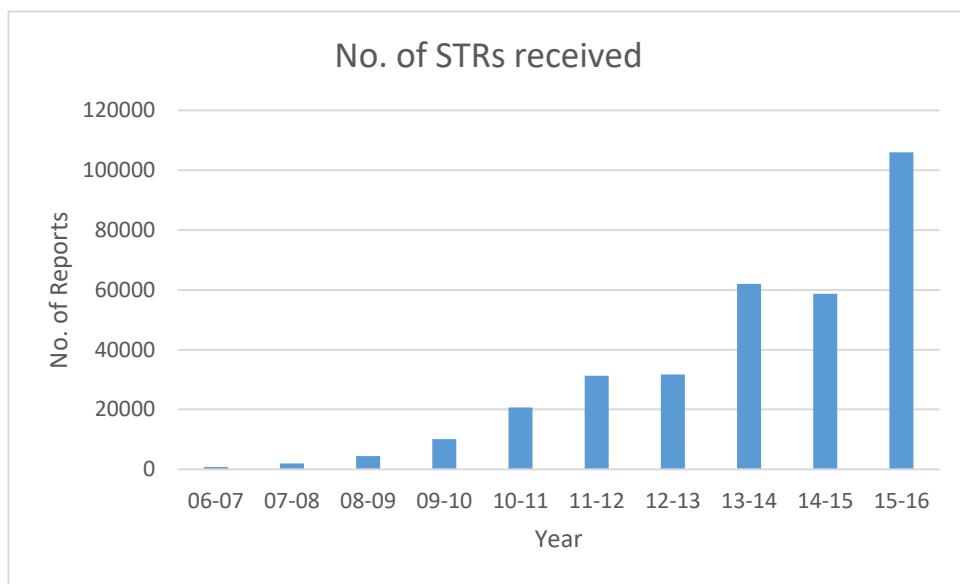
Suspicious Transaction Reports (STRs) are required to be furnished by the principal officer of the reporting entity not later than seven working days on being satisfied that the transaction is suspicious. Rule 2(1)(g) of the PMLA Rules defines a suspicious transaction as a transaction, whether or not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

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

**The number of STRs received in 2015-16 almost doubled, as compared to 2014-15, thanks to a combination of factors including outreach efforts by FIU-IND, sanctions imposed by FIU-IND on a number of reporting entities for non-compliance, and increasing awareness and maturity of the REs in understanding their reporting obligations.**

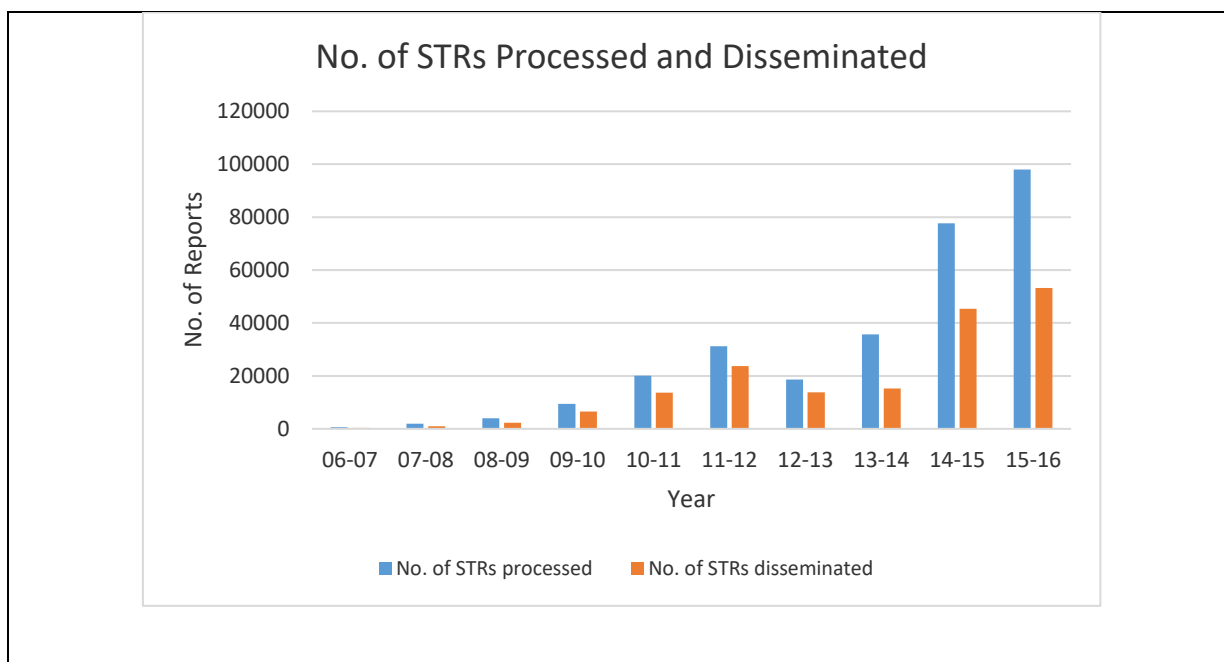
FIU-IND started receiving reports only in the early part of 2006-07 after the formats for reporting transactions were notified in March, 2006. Since then there has been a quantum jump in the receipt and analysis of reports received by FIU-IND. During the last 10 years, the number of STRs received has increased from 817 in 2006-07 to 20,698 in 2010-11 and 105,973 in 2015-16, 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	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
No. of STRs received	817	1,916	4,409	10,067	20,698	31,317	31,731	61,953	58,646	1,05,973



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:

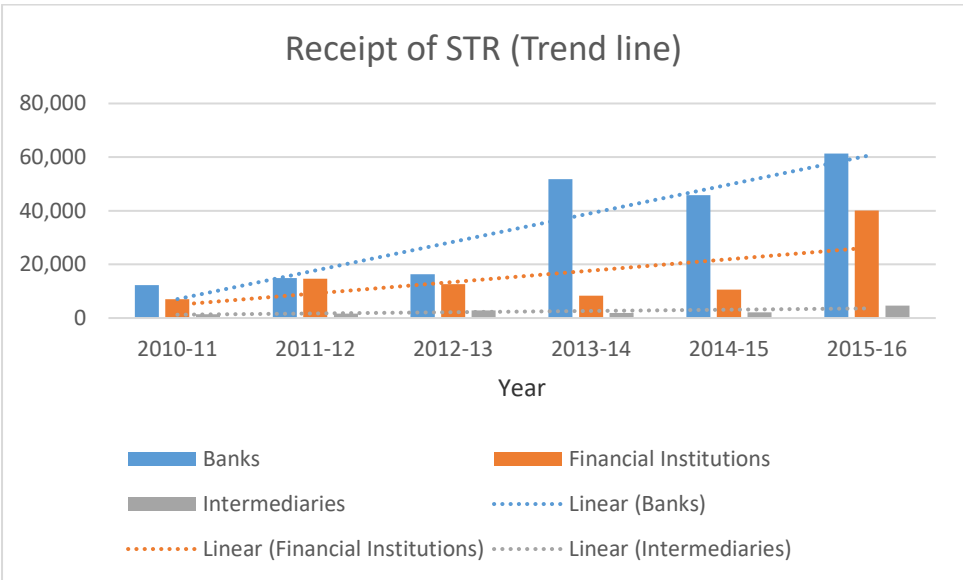
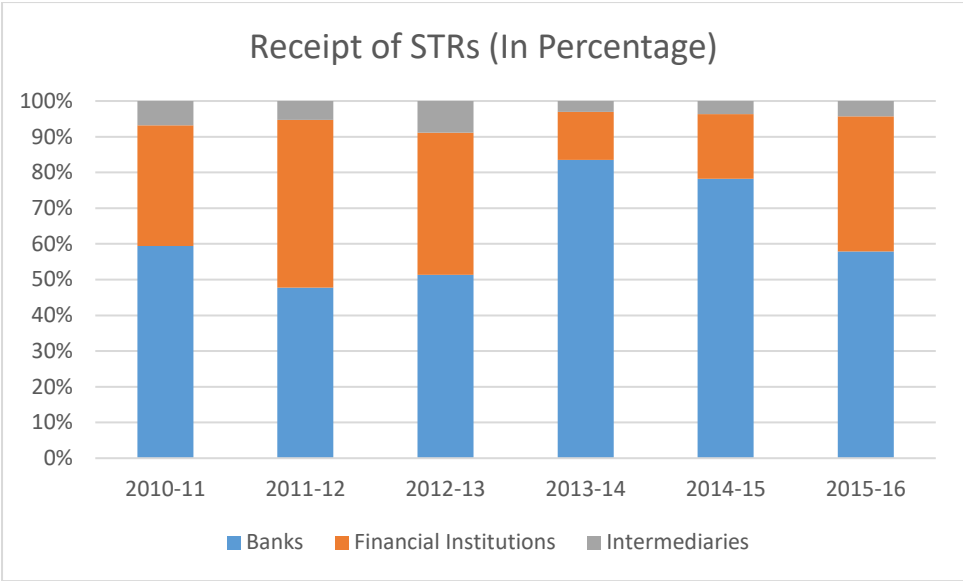
Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
No. of STRs processed	646	2,001	4,019	9,425	20,041	31,279	18,666	35,696	77,624	97,965
No. of STRs disseminated	391	935	2,270	6,571	13,744	23,689	13,854	15,288	45,422	53,200



**Table 2: Break up of STRs received during 2011 to 2016**

<b>Reporting Entity Type</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Banks	14,949	16,284	51,765	45,858	61,361
Financial Institutions	14,712	12,637	8,321	10,649	40,033
Intermediaries	1,656	2,810	1,867	2,139	4,579
<b>Total</b>	<b>31,317</b>	<b>31,731</b>	<b>61,953</b>	<b>58,646</b>	<b>105,973</b>

Table 2 shows that there was a remarkable increase in the number of STRs received in 2015-16, almost 2- times over the previous year. The most notable increase was in the category of financial institutions, which recorded almost a 300% increase over 2014-15. The increase was 100% in the intermediaries.

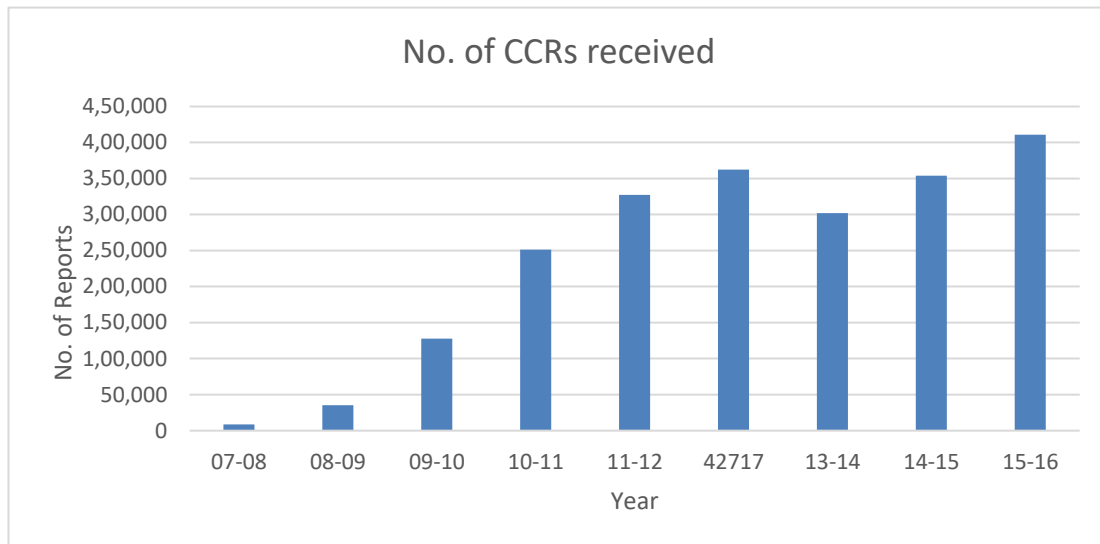


### 3.1.3 Counterfeit Currency Reports

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

FIU-IND started receiving Counterfeit Currency Reports (CCRs) in 2007-08. The no. of reports increased from a mere 8,580 in 2007-08 to 251,448 in 2010-11 and 4,10,899 in 2015-16. The position is reflected in the table and graph below:

Year	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
No. of CCRs received	8,580	35,370	1,27,781	2,51,448	3,27,382	3,62,371	3,01,804	3,53,837	4,10,899



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	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Public Sector Banks	1,896	2,649	5,707	14,186	16,224	29,026
Indian Private Banks	2,34,400	3,10,714	3,43,358	2,78,240	3,17,791	3,64,009
Private Foreign Banks	7,936	9,273	10,489	8,331	16,018	10,934
Others	7,216	4,746	2,817	1,047	3,804	6,930
Total	2,51,448	3,27,382	3,62,371	3,01,804	3,53,837	4,10,899

### 3.1.4 Cross Border Wire Transfer Reports (CBWTR)

Reporting entities are required to furnish monthly reports of all cross border wire transfers (CBWT) of more than INR 500,000 or its equivalent in foreign currency where either the origin or destination of fund is in India. The Reporting Entities started filing the CBWT reports from 14 February 2014. Since then 12 workshops, aimed at familiarizing the banks about their new reporting obligations, have been conducted by FIU-IND in which 138 officials of different REs participated. **During the year, 113 REs have filed more than 11.1 million CBWT reports, as compared to 3.4 million in 2014-15.**

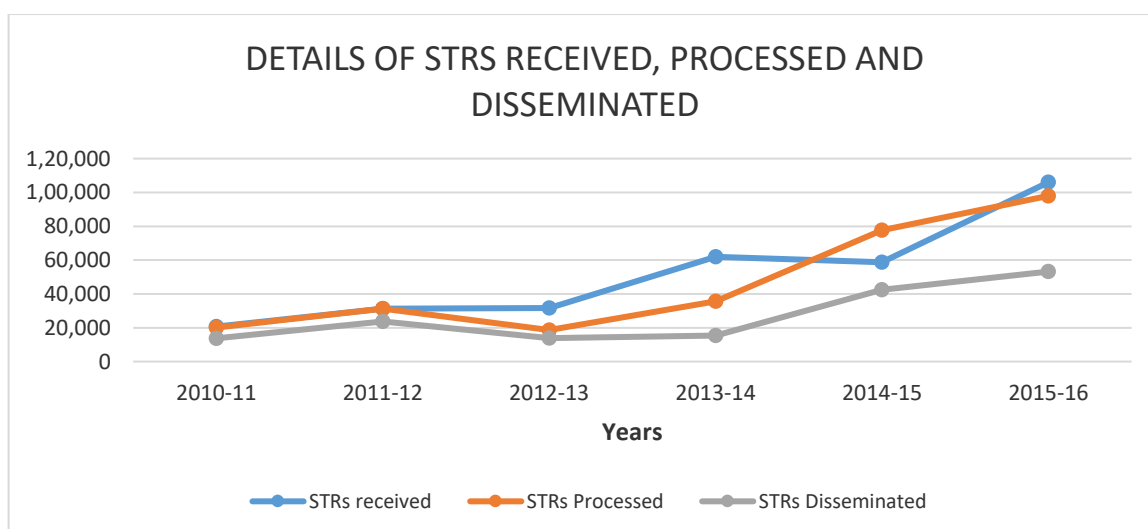
## 3.2 Analysis and Dissemination of Information

### 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 record number of STRs in 2015-16, approximately double the number in 2014-15, and almost five times the number in 2010-11, as shown in Table 4. This, in turn, led to dissemination of over 53,000 STRs, an increase of nearly 17% over 2014-15, and nearly 300% over the 2010-11 figure (Table 4). This is a testimony to the FIU-IND's information processing capabilities.**

**Table 4: Analysis of Suspicious Transaction Reports**

Category	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>STRs received</b>	20,698	31,317	31,729	61,953	58,646	1,05,973
<b>STRs Processed</b>	20,041	31,279	18,666	35,696	77,624	97,965
<b>STRs Disseminated</b>	13,744	23,689	13,854	15,288	42,422	53,200



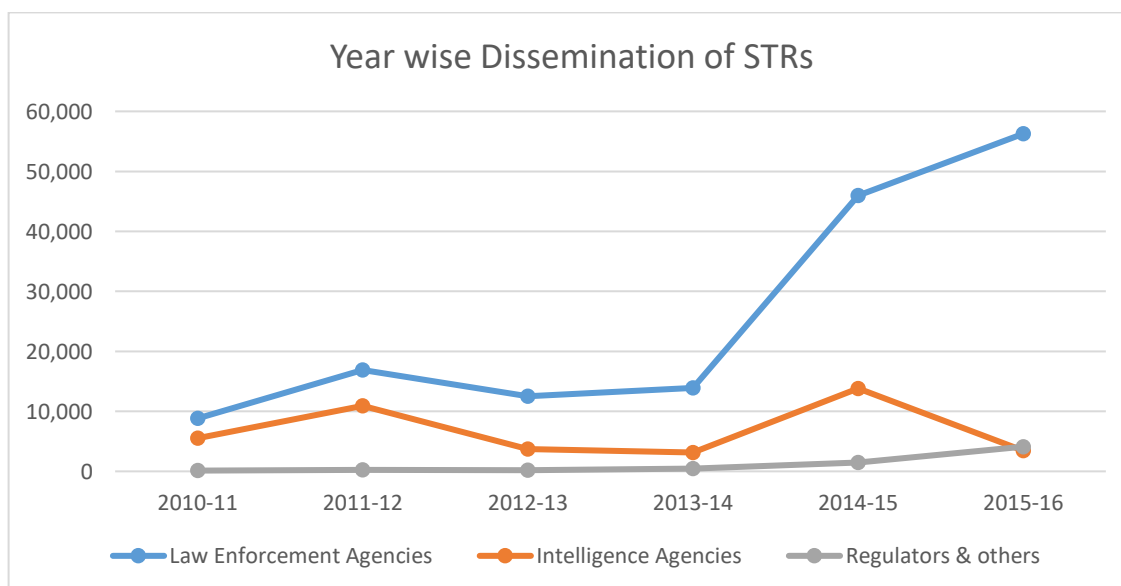
### 3.2.2 Dissemination

Details of STRs disseminated to various LEAs from 2010-11 to 2015-16 are given in Table 5. Over this period, the dissemination has increased more than 325% from 14,476 in 2010-11 to 63,869 in 2015-16. 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	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Law Enforcement Agencies	8,826	16,905	12,497	13,931	45,952	56,321
Intelligence Agencies	5,523	10,905	3,730	3,146	13,819	3,441
Regulators & others	127	225	192	452	1,492	4,107
<b>Total</b>	<b>14,476</b>	<b>28,035</b>	<b>16,419</b>	<b>17,529</b>	<b>61,263</b>	<b>63,869</b>

*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
- 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 22<sup>nd</sup> 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.**

### **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 providing guidance on detection and reporting of such transactions. In addition to sharing STRs related to financing of terror, FIU-IND also supports the efforts of domestic agencies against terror financing by providing information requested by them, either from its database or by calling information from the reporting entities. FIU-IND uses the Egmont network to exchange TF related information. In addition, FIU-IND also participates in the Joint Working Groups (JWGs) on Counter Terrorism set up by the Government of India with various countries. FIU-IND is a member, and attends daily meetings, of the Multiple 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 has taken initiative to collaborate with State Police forces, especially those in the disturbed areas. Besides providing information asked for by security agencies on suspected counter financing terrorism cases, Red Flag Indicators are being developed in consultation with reporting entities to screen Terror financing STRs.

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

FIU-IND conducts analysis of STRs received from MTSS and Payment System Operators. The analysis aims to point out potential misuse, professional money senders and receivers, and vulnerable jurisdictions for misuse of MTSS operators. FIU-IND is developing Red flag indicators specific to this sector. Increased use of mobile wallets and other Payment system instruments have been identified for monitoring to reduce the possibility of misuse.

### **3.6. Few Success Stories**

#### **Fake R&D activity by Trusts**

Survey conducted on intelligence received from FIU-IND in three Kolkata-based organizations, masquerading as research & development institutes and a racket of tax evasion through fake donation was busted. These entities were registered as Trusts and availing of tax exemptions under Income Tax Act, 1961. The entities were engaged in taking donation in cheque for R&D of scientific nature and returning the amount in cash after deducting commission of 12 to 18%. No R&D activity was actually carried out. The donees claimed weighted deduction amounting to 175% of the donation under section 35(1)(ii) of the I T Act, 1961 as these institutions obtained eligibility fraudulently. The amount received as donation was siphoned off as expense through paper companies from which cash was withdrawn after two or three layers and returned to the donor. The amount of donation to three trusts in the last three years amounted to nearly Rs. 500 Crores.

#### **Case of Entry Operator**

STR revealed high value cash transactions in an account of a company. Credit in the bank account of Rs.42 crore, was primarily in cash and debits via fund transfer to different parties. The whereabouts of the company not traceable at the address given. The bank account revealed that money was transferred to 2-3 local companies having same address. Spot enquiry revealed that these were paper companies of some operator SJ. From MCA site it was found that the return of the company mentioned in the STR was uploaded from a particular email id. The person whose id was identified was summoned and he revealed that the company was in the control of another entry operator MMD. It was found that the director of the company was also director in many other companies most of which were also uploaded from the id of MMD. Simultaneous survey operation conducted at office premise of MMD and SJ. It was found that MMD was only a cash handler and the main operator was SJ. SJ had given accommodation entry to many beneficiaries from various other paper companies. The total amount of entries found was Rs.557 Crores.

#### **Diamond Trade**

S&S Action on the basis of 27 STRs. The person in STR was involved in diamond business. Credits in the account of an individual transferred from the current account of a Pvt. Ltd. company in the same branch. There were debits in the account by way of 100% cash withdrawals, each withdrawal being of Rs.9.90 lacs. The address mentioned in the STR was found to be a residential address. The individual in STR was found to be an employee of the company. Further examination of ITS details and 26AS statement revealed that he had undertaken work relating to diamonds of two companies. No genuine work undertaken by the individual and these two concerns had paid cheque to him only to inflate their expenses and suppress profit. The search resulted in seizure of cash and jewellery amounting to Rs.79.94 lacs, disclosure of Rs.21.05 Crores and detection of unaccounted income of Rs.837 Crores spread over six and half years. The modus operandi was that the company had made huge payments in the names of its employees by treating it as job work and claiming deduction. The blank signed cheque books, debit cards and ATM cards of these accounts were kept in the control of the company and money was immediately

withdrawn. Expenses debited in the books of so called labour contractor against the labour charges were proved to be bogus.

### **Wrong Claim of Project Cost**

A survey was conducted on STR information, resulting in admission of additional income of Rs.133 crores. The assessee and his family members, mother, were Directors in M Company Ltd along with the promoters of H Pvt Ltd till 2011. During the F.Y. 2011-12, the shares held by the family members of the assessee were transferred to M/s. H Pvt Ltd for a consideration of Rs.110 crores. This amount was invested in a residential project in Hyderabad along with other investments. However, this transaction and resultant gains were not disclosed. Further, the assessee and his mother had received an amount of Rs.23 crores in the F.Y. 2011-12 in connection with an irrigation contract executed by his late father in the year 2000-01, which was not correctly disclosed. The enquiry was extended to a verification of how the payment of Rs.110 crores was accounted for by the M/s H Group. It was seen that the amount, which was essentially a capital expenditure incurred for acquisition of shares of M/s. M Ltd from the assessee Group, was wrongly claimed by M/s. H Pvt Ltd, in its Profit and Loss Account as project cost.

### **Bogus Purchase**

While investigating an STR in the case of a FMCG company, department detected bogus purchases through which taxable profits were being reduced by the group. The search & seizure action led to admission of unaccounted income of Rs.122.88 crore on account of bogus purchases. During the course of Search & Seizure action, survey actions u/s.133A of the IT Act, 1961 were also conducted in the cases of alleged bogus entities and their proprietors and certain other persons engaged in the activity of providing accommodation entries. The above persons admitted in their statements recorded u/s. 131(1A) of the IT Act, 1961 that they were indeed providing accommodation entries of sale/purchase etc. The promoter-director of the assessee group, in his statement, also admitted that the group had been indulging in bogus purchase transactions with some of the bogus entities surveyed, in order to inflate the purchases and thereby, suppress profit by a fixed percentage of the total turnover.

### **Dubious activities of a Trust**

Two STRs investigated in a case of a Trust which had declared its activity as private financier with credit/debit turnover of around Rs.20 Crores. It was also reported that there were multiple bank accounts in the name of Dr.S. During the enquiry, it was found that the assessee was a micro-finance company operating in Madurai. Nothing incriminating was found regarding its operations. But, it came to light that the same family controls another Trust, which runs a famous hospital at Madurai. The Trust has been claiming exemption u/s 11 of the IT Act in respect of its hospital income claiming it to be a charitable institution even though it operates on commercial lines. Further enquiries revealed that money was siphoned out by the Trustees of the hospital by booking bogus/ inflated expenditure through its suppliers. On the basis of the above information, search was conducted on the group of assessees. During the search, it came to light that one Shri T, who was running a proprietary concern had been supplying materials to the hospital at highly inflated values. Further, from the bank account of another Hospital at Tanjavur, run by Dr.G, additional cash deposits of Rs.12.42 crores were found over its regular receipts

indicating the receipt of kickbacks from the suppliers. On confrontation with the evidence, the group admitted additional income of Rs.39.37 Crores.

### **Unaccounted Money Lending Business**

STR in the case of Shri X showed that he had availed a loan of Rs.20.00 lakhs against gold in October 2011 and repaid Rs.21.37 lakhs in cash along with interest in June 2012 for pre-closure of loan. Preliminary enquiries revealed that the individual had pre-closed the loan by borrowing cash of Rs.21.37 lakhs from one Shri J, who is engaged in money lending business. The above loan was availed by him at an interest of Rs.6,336/- per day for two days, which works out to 9% per month. Based on the above information of money lending in cash at exorbitant rate of interest charged by Shri J, the Investigation Wing, conducted reconnaissance at the business and residential premises of Shri J and others. After gathering clear evidence that the group was engaged in unaccounted money lending business, a search and seizure operation was conducted. The search revealed that Shri J and his brother were lending money against properties pledged as collateral by charging 3% to 10% interest per month. During the search, unaccounted cash and unexplained jewellery were seized. The income earned by the assesseees from money lending business was not disclosed to the Department. On questioning Shri J admitted an undisclosed income of Rs.113 Crores.

### **Liquor Business**

Investigation of a STR revealed suspicion regarding investment of Rs. 20 lakh in a Regular Return Fund by one Sh. Y. On analyzing the investment account statement, it was found that there were huge deposits, mostly in cash, in crores of rupees, over the years in his bank accounts. On further analysis, it was found that there were various bank accounts in the names of other persons which were linked with his accounts. On field enquiry, it was found that all these persons were currently or formerly licensees of various liquor shops in the city. The address of all these account holders was mentioned as the same. It was found that this was the address of one of the biggest country and foreign liquor manufacturing groups of Bihar. A search u/s 132 in this case was thus conducted. During post-search enquiry and investigation, the bank account statements of important employees of the Group Concerns were called for and analysed. On the basis of this analysis, it was found that there was unaccounted income of over Rs.20 crore which was deposited in the bank accounts of these employees and used by the promoters of the group.

### **Accommodation Entry Provider**

The STR was regarding concerns involved in financial transactions by way of complex set of inter account transfers without justifiable economic rationale. Discrete enquiries revealed that these proprietorship concerns were used as an instrument of issuing accommodation bills by Sh. A. A survey u/s.133A of the Act was conducted in his case. It was found that Shri A provided accommodation entries using two concerns namely M/s N and M/s S to the dealers of ferrous and non-ferrous metals by charging commission of 0.5% and that the other concerns were used for fund rotations and ultimate cash withdrawals. Though the beneficiaries of accommodation entries provided by these concerns were identified earlier on the basis of sales tax data; on the basis of the survey action, an analysis of the sundry debtors of said entities was done and the same could unearth additional beneficiaries to the tune of Rs.12.74 Crore wherein the amount represented debtors as at the end of relevant financial year as appearing in the respective

entities' books and as such actual value of accommodation entries of purchases in the hands of such beneficiaries is expected to be much higher.

## 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, DGRI, 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 2015-16, based on the STRs disseminated by FIU-IND, CBDT detected unaccounted income of Rs. 154.89 crore; Enforcement Directorate detected proceeds of crime of Rs.107.47 crore; and DRI detected assets worth Rs. 300 crore.**

The Table below shows that during the last three years (2013-14, 2014-15 and 2015-16), based on the information in STRs, the cumulative value of the unaccounted income detected by CBDT was Rs 11704.54 crore; by DRI Rs. 300 crore; by ED Rs. 152.47 crore; and by CBEC Rs. 771.59 crore. Considering that FIU-IND receives feedback in only about 5% cases, the data show the significance of FIU-IND's contribution to the strengthening of the country's AML/CFT regime. These figures will only go up, as the feedback from the agencies improves.

Agency	2013-14	2014-15	2015-16	Total
CBDT	7078	4471.65	154.89	11704.54
ED	20	25	107.47	152.47
CBEC	750	21.59	-	771.59
DRI	-	-	300	300

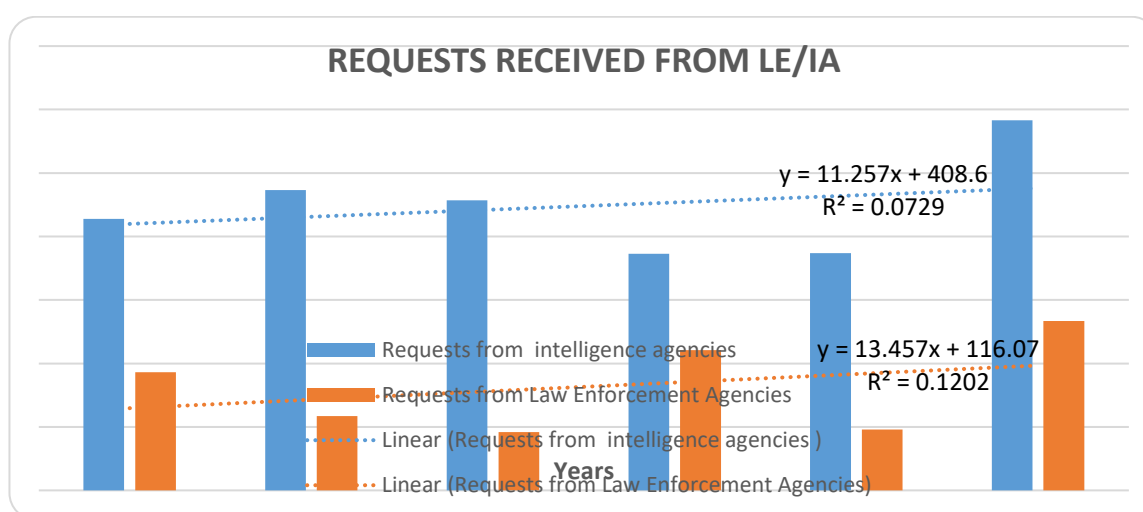
#### 4.2 Cooperation with Law enforcement/intelligence agencies

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 2015-16 registered a new high in the number of references received from the intelligence (583) and law enforcement (267) 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	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Requests from intelligence agencies	428	473	457	373	374	583
Requests from Law Enforcement Agencies	186	117	92	221	96	267



### 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 and IRDA.

#### **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 Formation of South Asia Sub-Group in the APG**

On the sidelines of APG Annual Meeting and Annual Forum held in July 2014, SASG (South Asian Sub-Group) was formed consisting of representatives of Afghanistan, Bangladesh, Bhutan, India, Pakistan, Maldives, Nepal and Sri Lanka to ensure enhanced cooperation in the Sub-Region in areas of Anti-Money Laundering and Combating the Financing of Terrorism.

**India continued to work further for the institutional strengthening of this forum and chaired a meeting of the forum on the sidelines of the APG Annual meeting in New Zealand held in July 2015. In this meeting, India circulated a draft Terms of Reference for the Group and offered to host the Group's secretariat in India. FIU-IND played a major role in this initiative.**

#### 4.5.2 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 participated in the meeting of the FATF-Egmont Joint Typology Project on ML/TF through Trade in Diamonds in February 2013. The contribution made by FIU-IND to the collection plan of the typology, including sanitized STRs on diamond related transactions was much appreciated by the co-leaders of the project (Israel and Belgium).

FIU-IND has actively participated in the activities of the Financial Action Task Force (FATF). Officers from FIU-IND were a part of the Indian delegation to FATF on regular basis. An Additional Director from FIU attended the special plenary of FATF held in December 2015 in the wake of Paris terror attacks.

#### 4.6 FATF Style Regional Bodies (FSRBs)

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

**The 18th Annual Meeting of APG held at Wellington, New Zealand was attended by the Director, FIU-IND, who is also a member of the Mutual Evaluation Working Group (MEWG) of the APG that oversees mutual evaluations conducted by APG of its member countries.**

**Director, FIU-IND, Praveen Tiwari, was also nominated by Government of India as the Legal Expert for the APG sponsored mutual evaluation of Bhutan. He participated in the pre-Mutual Evaluation visit to Bhutan in September 2015 followed by the onsite visit in November 2015.**

#### 4.7 FATF Mutual Evaluation of India and the Follow-up Process

India was admitted as a Member of the FATF in June 2010 and was placed under a follow-up process with regard to the deficiencies pointed out in the MER. FIU-IND took systematic and concrete steps in the areas of deficiency to become compliant with the FATF standards.

**A technical team of the FATF that visited India during 11-18 April 2011 commended FIU-IND on the efforts made to pick up on the points made in the MER, to monitor the trends in STR filing, and to be proactive in its direct engagement with the reporting**

**institutions.** FIU-IND continued to make further progress in the areas of enhanced outreach, extensive compliance monitoring, reporting of terrorist financing related STRs, identification and prescription of more red flag indicators, streamlining of the feedback mechanism, etc, which has been acknowledged by the FATF in various Follow-up Reports.

The FATF on-site team also acknowledged that the FIU-IND is well advanced in the development of its FINnet system, which will provide for real-time filing of STRs by all reporting institutions. The FINnet system has since been implemented by FIU-IND and has significantly enhanced the efficiency and quality of reporting and the analytical capabilities of the FIU.

In response to the comments in the MER, FIU-IND has also undertaken extensive outreach to the financial institutions by way of seminars and training workshops, which have included special programmes on terrorist financing.

**In the year 2015, FIU-IND personnel have provided their expertise in 38 training programmes involving over 1 6 0 0 participants, and have also run a Train-the-Trainer course for 263 key resource persons from various banks and other financial institution.**

The FIU-IND continues to undertake focused reviews of the level of compliance of the reporting entities with the statutory reporting obligations in both the public and private sectors. These efforts have resulted in a significantly improved reporting regime.

#### **4.8 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 151. 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.

**FIU-IND represented the Asia region, along with Qatar, in the Egmont Committee for 2 terms (2011-15) until the Barbados plenary held in June 2015, when new representatives were elected. During the year, FIU-IND participated in the Egmont Committee and Working Group Meetings at Barbados in June, 2015 and Monaco in February 2016. FIU-IND Officials have been actively participating in Legal Working Group (LWG), Training Working Group (TWG) and IT Working Group (ITWG) of the Egmont Group.**

#### 4.8.1 Co-operation and exchange of information with other FIUs

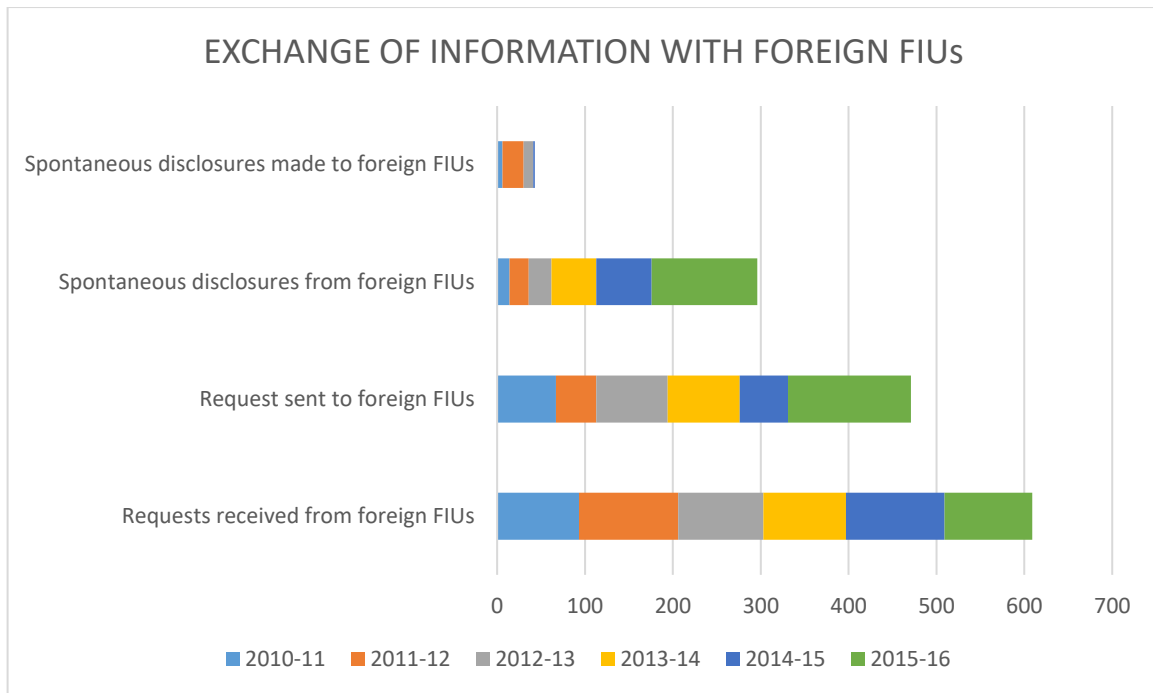
FIU-IND adheres to the Egmont principles on exchange of information. All requests for information are replied to, in time, including cases where no information could be found. The statistical information regarding the number of cases in which requests were made by FIU-IND to other FIUs and the number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

**Table 7: Exchange of information with foreign FIUs**

<b>Status of Action Taken</b>	<b>2010 -11</b>	<b>2011 -12</b>	<b>2012 -13</b>	<b>2013 -14</b>	<b>2014- 15</b>	<b>2015- 16</b>
Requests received from foreign FIUs	93	113	97	94	112	100
Request sent to foreign FIUs	67	46	81	82	55	140
Spontaneous disclosures from foreign FIUs	14	22	26	51	63	120
Spontaneous disclosures made to foreign FIUs	6	24	11	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 continued with its contribution in 2015-16, which registered a new high in the number of information exchanges with other FIUs. During the 10 year period from 2006-07 to 2015-16, this process has led to receipt of 815 foreign requests for information and 304 spontaneous disclosures from foreign FIUs. Similarly, FIU-IND sent, over the same period, 549 requests for information to foreign FIUs and made 62 spontaneous disclosures, cementing its place firmly in the international cooperation framework.**



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 2015-16, an MOU was signed with the FIU of Senegal. MoUs with more than 10 countries are under various stages of negotiation.**

#### **Visit of Mr. Murray Michell, Chairman, Egmont Group of FIUs**

Mr. Murray Michell, Chairman, Egmont Group of FIUs visited India during 30 April -1 May 2015. He addressed a gathering of prominent bankers in Mumbai on 30<sup>th</sup> April 2015 and participated in an open house question and answer session. He was also the guest speaker at the Foundation Day of the Enforcement Directorate on 1<sup>st</sup> May 2015. Mr. Murray Michell also visited FIU-IND premises and interacted with the senior officers.



Sh. Murray Michell, Chairman, Egmont Group, with Sh. P. K. Tiwari, Director, FIU-IND, in a meeting at Mumbai.



Sh. M. Michell with Sh. P. K. Tiwari, Director, FIU-IND, in a meeting at Mumbai.



Sh. M. Michell with Sh. P. K. Tiwari, Director, FIU-IND, interacting with the officers of FIU-IND

### **FIU-IND and the Egmont Group of FIUs: a decade long relationship**

**Ever since its membership of the Egmont Group of FIUs, FIU-IND has played an active role in the activities of the Egmont Group. The following timeline gives a brief account of FIU-IND's participation in Egmont activities.**

#### **2006-07:**

- In April 2006, the operational status verification visit was undertaken by the Outreach Working Group of the Egmont.
- In June 2006, Director, FIU-IND attended the annual Plenary session of the Egmont Group at Cyprus as an observer FIU.
- FIU-IND received 14 references from foreign FIUs out of which information was provided in 12 cases by 31.03.2007. FIU-IND sent two requests for information. Officers of FIU-IND visited FIUs of Australia, Canada, Thailand and USA to learn from the working of established PIUs.

#### **2007-08:**

- **FIU-IND was admitted as a member of the Egmont Group at the Bermuda Plenary session in May 2007.**
- In June 2007, FIU-IND was given access to the Egmont Secure Web (ESW).
- MoUs with the FIUs of Mauritius and Philippines were signed on 11 February 2008 and 11 March 2008 respectively.
- FIU-IND received 39 requests for information from foreign FIUs and sent 13 requests to other FIUs.

- FIU-IND received 3 spontaneous disclosures from foreign FIUs and made 4 spontaneous disclosures other FIUs.

#### **2008-09:**

- MoUs with the FIUs of Brazil, Malaysia and Russia were signed.
- FIU-IND received 69 requests for information from foreign FIUs and made 17 requests to foreign FIUs.

#### **2009-10:**

- MoUs with the FIUs of Australia, Canada, United States of America and Sri Lanka were signed.
- FIU-IND received 84 requests for information and made 46 requests.

#### **2010-11:**

- FIU-IND joined the project on FIU Maturity Model in the IT working group.
- In the Egmont Group Plenary Meeting at Cartagena, Colombia (June 2010), FIU-India was unanimously elected as co-chair of the Asia group along with Qatar. FIU-India represented Asia on the Egmont Committee.
- MoUs with the FIUs of Bermuda, Nigeria, Japan, Georgia, San Marino, and Indonesia were signed.
- FIU-IND received 93 references from foreign FIUs for information and 67 requests were sent by FIU-IND to the various FIUs to seek information.

#### **2011-12:**

- FIU-IND continued to represent the Asia region on the Egmont Committee and played a leading role in the development of FIU Information System Maturity Model (FISMM). During the Egmont Plenary held at Yerevan, Armenia in July , 2011 the Operational Working Group (OpWG) and Training Working Group(TWG) reviewed the FISMM document and provided feedback on the domains, goals, indicators , etc.
- Director , FIU-IND was nominated a member of the Legal stream of the Charter Review Project (CRP) team, set up in July 2011, to review the “Egmont Group Charter of 2007 and Associated Documents” in light of the revised FATF Standards. He was assigned 3 out of 18 issues (Analysis Function, Data Protection & Confidentiality and Channels of Information Exchange).
- MoUs with the FIUs of Israel, Poland, Singapore and Nepal were signed.
- FIU-IND received 113 requests for information and sent 46 requests.
- FIU-IND received 22 spontaneous disclosures from foreign FIUs and sent 24 spontaneous disclosures to other FIUs.

#### **2012-13:**

- FIU-IND continued to represent the Asia region on the Egmont Committee.
- The FISMM project was approved by the Heads of FIUs during the St. Petersburg meeting of the Egmont Group.



- FIU-IND received 97 requests for information and 26 spontaneous disclosures from foreign FIUs; FIU-IND sent 81 requests for information and 11 spontaneous disclosures.

#### **2013-14:**

- FIU-IND continued to represent the Asia region on the Egmont Committee, and took active part in the Charter Review Project, and made some important contributions including amendment to the definition of Consensus, inclusion of a new section on Egmont Secure Web and other governance provisions. MoUs with the FIUs of Thailand, Guernsey, Montenegro, South Africa and Ukraine were signed during the year.
- FIU-IND received 94 requests for information and 51 spontaneous disclosures from foreign FIUs; FIU-IND sent 82 requests for information.

#### **2014-15:**

- FIU-IND continued to represent the Asia region on the Egmont Committee.
- FIU-IND participated in the Legal Working Group and IT Working Group (ITWG).
- FIU-IND was part of the core group to draft the Egmont's Strategic Plan 2014-17.
- During Berlin meeting (January 2015), FIU-IND provided feedback to the ITWG on Minimum Standards (Manual) on security measures for an FIU.

#### **2015-16:**

- FIU-IND completed 2 terms on the Egmont Committee and relinquished the responsibility in favour of Bangladesh.
- FIU-IND participated in the Legal Working Group and IT Working Group (ITWG) meetings.
- The document Minimum Standards (Manual) on Security Measures for an FIU, which was submitted by the FIU-IND to the ITWG for adoption, has been circulated to the members for final comments during the ITWG meeting in Monaco, Feb-2016. The document will be adopted in the upcoming Plenary, June 2016.

## 4.9 Joint Working Groups on Counter Terrorism

In order to enhance the level of cooperation on various operational issues relating to terrorism and other crimes including money laundering and drug trafficking, India participated in the meetings of Working Groups with various countries. FIU-IND participated in the meetings of Joint Working Groups with Thailand and the USA.

## 4.10 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 issue was discussed in the Anti-Money Laundering Steering Committee (AMLSC) set up with the approval of Finance Minister, and it was decided to conduct the NRA following the World Bank methodology. The Methodology requires setting up of a Working Group at the apex level, to be assisted by 8 teams, one each for Threat, Vulnerability, Banking Sector, Insurance Sector, Capital Market Sector, Other Financial Institutions, DNFBS and Financial Inclusion.

The AMLSC, in its meeting in March, 2015, further decided that the Working Group will be constituted by expanding the AMLSC and including the representatives from MHA (JS-IS), IB and NIA as well as other law enforcement agencies such as CBI and NCB. It was also decided that Threat and Vulnerability Assessment for Money Laundering will be headed by DOR and for terrorism financing will be headed by MHA. Accordingly, the teams have been constituted and the preliminary exercise for the National Risk Assessment commenced. **FIU-IND is playing a central role in the NRA and is represented on all the teams.**

### **Ministries, departments and agencies involved in the National Risk Assessment**

1. Department of Revenue (DoR)
2. Department of Economic Affairs (DEA)
3. Enforcement Directorate (ED)
4. Financial Intelligences Unit – India (FIU-IND)
5. Central Board of Direct Taxes
6. Directorate General of Revenue Intelligence (DGRI)
7. Directorate General of Central Excise Intelligence
8. Directorate General of Foreign Trade
9. Serious Frauds Investigation Office
10. Reserve Bank of India (RBI)
11. Securities and Exchange Board of India (SEBI)
12. Insurance Regulatory and Development Authority (IRDA)

## 4.11 International Conferences Organized by FIU-IND

### 4.11.1 Networking the Networks Conference

South Asia region is vulnerable to the illicit financial flows from drugs, human trafficking, tax frauds etc. 'Networking the Networks' (NtN) meeting is an initiative under UNODC's inter regional drug control approach to stem drug trafficking, this initiative (Specially its component on illicit financial flows) targets capacity building to disrupt financial flows and connecting existing networks of LEAs for better and fast cooperation. The earlier two conferences have been held in Istanbul (2013) and Doha (2014). The third conference was organized in India in the month of November 2015 which had participants from national agencies involved in combatting illicit financial flows: FIU, Drug Agencies, Customs etc ; International Networks: Egmont group of FIUs, INTERPOL, FATF, OECD, CARIN etc and Regional Networks: CARICC, SELEC etc.

The Conference was inaugurated by the Union Finance Minister, Shri Arun Jaitely. The Meeting helped to identify the best practices of the existing international organizations and regional platforms for cooperation on illicit financial flows and capacity building.



Hon. Finance Minister Shri Arun Jaitley, Revenue Secretary Dr. Hasmukh Adhia, Additional Secretary Ms Rashmi Verma at the inauguration of the Networking the Networks in November 2015



Hon. Finance Minister Shri Arun Jaitley, Revenue Secretary Dr. Hasmukh Adhia, Lighting the Lamp at the inauguration of the Networking the Networks in November 2015



Director, FIU-IND Shri PK Tiwari addressing the delegates at the Networking the Networks Conference

#### 4.11.2 APG Assessor Training Workshop

The Government of India hosted the APG's 5<sup>th</sup> assessors' training workshop using the 2013 FATF methodology in New Delhi in the month of December, 2015. A total of 49 participants attended the workshop. Macao, China, India, Malaysia and the APG Secretariat provided expert presenters and facilitators for the workshop. **Director, FIU-IND, Shri PK Tiwari, took part as one of the expert presenters in the workshop, along with officials of Macao, Malaysia and the APG Secretariat. 6 officers of FIU-IND participated in the workshop and were handed over certificates of qualified assessors for the APG sponsored mutual evaluations.**

**Presenters at the APG Mutual Evaluation Workshop hosted by India.**



Left to Right: Lim Hsin Ying (Malaysia); Lindsay Chan (APG Secretariat); Jose Carapinha (Macao, Co-chair of APG's Mutual Evaluation Working Group); Praveen Tiwari (Director, FIU-India); and Michelle Harwood (APG Secretariat)

#### 4.11.3. National Risk Assessment (NRA) Begins

The Anti-Money Laundering Steering Committee (AMLSC), set up with the approval of Finance Minister, decided to conduct the NRA following the World Bank Methodology. The Methodology requires setting up of a Working Group at the apex level, to be assisted by 8 teams, one each for Threat, Vulnerability, Banking sector, Insurance Sector, Capital Market Sector, Other Financial Institutions, DNFBPs and Financial Inclusion.

The AMLSC, in its meeting in March, 2015 further decided that the Working Group will be expanded by including the representatives from the MHA (JS-IS), IB, NIA as well as

other law enforcement agencies such as CBI and NCB. It was also decided that Threat and Vulnerability Assessment for Money Laundering will be headed by DOR and for terrorism financing will be headed by MHA. Accordingly, the teams have been constituted and preliminary exercise for the National Risk Assessment has commenced.

**The first workshop in this regard was conducted by the World Bank in January, 2016. The workshop was facilitated by FIU-IND, which is represented in all the teams of the NRA. The workshop was inaugurated by Shri Najib Shah, Chairman of the Central Board of Excise and Customs.**



Participants of the NRA Workshop conducted by the World Bank

## 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, 8 statutory Guidance notes incorporating the RFIs for various sectors have been issued during the current year 2015-16.**

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 34 workshops/seminars on AML/CFT awareness in collaboration with regulators, industry associations, professional bodies and reporting entities, in which over 1,700 persons participated (**Table 8**).

**Table 8: Outreach Activity**

Outreach Activity	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Seminars and Training workshops</b>	50	42	38	34	31	38
<b>Number of Participants</b>	2,264	2,509	2,862	2,447	1,366	1,600
<b>Review Meetings</b>	31	39	28	25	29	43
<b>Number of Participants</b>	435	977	1,471	580	592	557

During the year, FIU-IND focused on training the reporting entities on online filing of reports on the FINnet portal. Special attention was given to cooperative banks and Regional Rural Banks (RRBs). Forty three review meetings were conducted with the Principal Officers of the reporting entities covering 557 officers. A number of meetings were also held with the Designated Directors of the banks and financial institutions to create awareness at the top management level.

## 5.3 Train the Trainers Programme - 2015

FIU-IND organized its annual one-day “Train the Trainers” workshop on AML/CFT at ‘Vigyan Bhawan’ New Delhi on 21<sup>st</sup> December, 2015. This was the 9th consecutive annual workshop for the trainers in the financial sector. Dr. Hasmukh Adhia, Revenue Secretary, was the Chief Guest. 12 Speakers from CBDT, DRI, NIA, FIU-IND, ICICI Bank, Citi Bank, HDFC Mutual Fund, CBI, ED, MHA and CERSAI took the sessions. A record number of 263 senior officers of the public and private sector banks, insurance companies, Government Departments and faculty members of staff training colleges and institutes of banks attended the workshop.

The focus of the workshop was to make the resource persons aware of the latest developments in the field of AML / CFT such as the recent amendments to PMLA, revised FATF guidelines, risk-based approach for effective detection of suspicious transaction and technical issues relating filing of statutory reports. Law Enforcement Agencies and Intelligence Agencies shared their experience of working with STRs provided by REs with a view to increase the effectiveness of STR regime.

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





Sh. K.V. Chowdhary, Central Vigilance Commissioner, giving the valedictory address at the “Train the Trainers” programme at Vigyan Bhawan, New Delhi-21<sup>st</sup> December, 2015.

The “Train the Trainers” programme has produced the desired chain effect in spreading AML/CFT awareness across the reporting entities. The resource persons trained by FIU-IND in turn impart training to a large number of employees in their respective organisations. The AML/CFT programs of the larger entities were closely monitored through regular interactions with their AML teams during which the shortcomings/deficiencies in their reports were discussed. Feedback on the quality of STRs reported and suggestions for improvement of the same were also provided.

## Chapter 6

### Ensuring Compliance With Reporting Obligations Under PMLA

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

#### 6.1 Review meetings

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

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

<b>Month</b>	<b>Review Meeting held with</b>
April 2015	Designated Directors/Principal Officers/AML team of Public Sector Banks (PSBs)
May 2015	Designated Director of Corporation Bank
June 2015	Designated Directors/Principal Officers/AML Team of Bombay Stock Exchange, National Stock Exchange, Prepaid Instrument Operators, Mutual Funds, Public Sector Banks, Private Sector Banks and HFCs
July 2015	Designated Directors/Principal Officers/AML Team of Public Sector Banks, Depository Participants, National Stock Exchange, Bombay Stock Exchange
August 2015	Designated Directors/Principal Officers/AML Team/Merchant Bankers Representatives/Credit Card Division/AMFI Members/CDSL team of Mutual Funds, Foreign Bank, Merchant Bankers, Private Sector Banks, Bombay Stock Exchange Credit Card Operations, CDSL
September 2015	Principal Officer/AML Team of Private Sector Banks

October 2015	Representatives of Investment Bankers, National Stock Exchange
January 2016	Designated Directors/Principal Officers/AML Team of Life and Non-Life Insurance Companies, Insurance Brokers, Private Sector Bank, National Housing Bank
February 2016	Designated Directors/Principal Officers/GM/DGM/Sr. Managers of Private & Public Sector Banks, Compliance, Casino Sector, Life & Non-Life Insurance Companies
March 2016	Principal Officers/Technical Persons of Cooperative Banks

During the sector review meetings, the number and quality of reports submitted by individual reporting entities were analyzed to assess gaps and identify focus areas for individual entities that were not performing against the benchmarks. Examples of sanitized cases and feedback received by FIU-IND from law enforcement and intelligence agencies were also shared during these meetings.

#### **FIU-IND's Strategy for ensuring compliance with PMLA**

1. **Increase voluntary compliance through increasing awareness**
  - a) Raise awareness through outreach programs organized by Regulators, Industry Associations as well as individual reporting entities
  - b) Encourage professional institutes to offer courses and training programs on AML/CFT, and provide resource persons for such courses
  - c) Organize training programs for in-house training faculty of large reporting entities and regulators, so that their training institutes can supplement FIU-IND's efforts of increasing awareness
  - d) Encourage reporting entities to organize regular refresher training courses for their employees
  - e) Increase awareness about high risk scenarios and patterns that have been detected by law enforcement agencies and intelligence agencies
2. **Ensure adherence to reporting obligations by regular review meetings**
  - a) Conduct regular sector-specific meetings in coordination with sector regulator
  - b) Identify reporting entities requiring a special attention and conduct individual meetings with these reporting entities
  - c) Involve the senior management in the review process and sensitize them about their obligations
  - d) Provide regular feedback to reporting entities about the quality of their reporting and problem areas requiring attention
3. **Detect instances of contravention of reporting obligations**
  - a) Collect information on suspect instances of contravention of PMLA identified in investigations conducted by law enforcement agencies
  - b) Where transactions involve a number of financial sector entities, and

transactions are reported by one reporting entity, examine if the other reporting entities involved in the transactions have detected, examined and reported the transactions

- c) Through a risk-based approach, and through comparison with peer performance, identify the reporting entities requiring a detailed review or an onsite inspection

4. **Adopt a graded system of imposing sanctions in case of contraventions**

- a) Advise the reporting entities about the possible gaps identified, and the possible contravention suspected, and provide them an opportunity to rectify the mistakes. Provide guidance on the measures required to be implemented to plug the gaps identified
- b) Warn the reporting entity of the detected instance of non-compliance and advise on measures required to ensure compliance
- c) In cases of continued or serious contraventions, issue show cause notice for imposition of fine under Section 13 of PMLA, and impose fine on the reporting entity.
- d) Continue to monitor the performance of the reporting entity for six months to one year to ensure demonstrated adherence to compliance

## 6.2 Proceedings under section 13 of the PMLA

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

**During the year, fines were imposed by FIU-IND under section 13 of the PMLA in 21 cases, in addition to 37 advisories highlighting problem areas and advising RE to improve their compliance under PMLA.**

## 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**

<b>MONTH</b>	<b>WORKSHOP</b>	<b>ORGANISED BY</b>	<b>PLACE</b>
Apr 2015	Workshop on "Advanced Persistent Threats"	Ministry of Communications & IT	New Delhi
Apr 2015	Training – Cyber Crime	SVP National Police Academy	Hyderabad
May 2015	Workshop on Advance Web Application Security	Ministry of Communications & IT	New Delhi
Jun 2015	Workshop on "Ponzi Schemes"	MDESI	Mumbai
Aug 2015	Workshop on "Advance Threats Prevention"	Ministry of Communications & IT	New Delhi
Sep 2015	Training - Banking Operations & Fiscal Laws Enforcement	SBI Staff College	Hyderabad
Oct 2015	Workshop on Auditing & Testing of Active Directory & Domain Controller Environment	Ministry of Communications & IT	New Delhi

Oct 2015	Workshop on Cyber Crisis Management Plan, Compliance and Auditing	Ministry of Communications & IT	New Delhi
Jan, 2015	AEO Basic Course	ED	Delhi
Feb 2016	Workshop on "Encrypted Traffic & Hidden Threats"	Ministry of Communications & IT	New Delhi

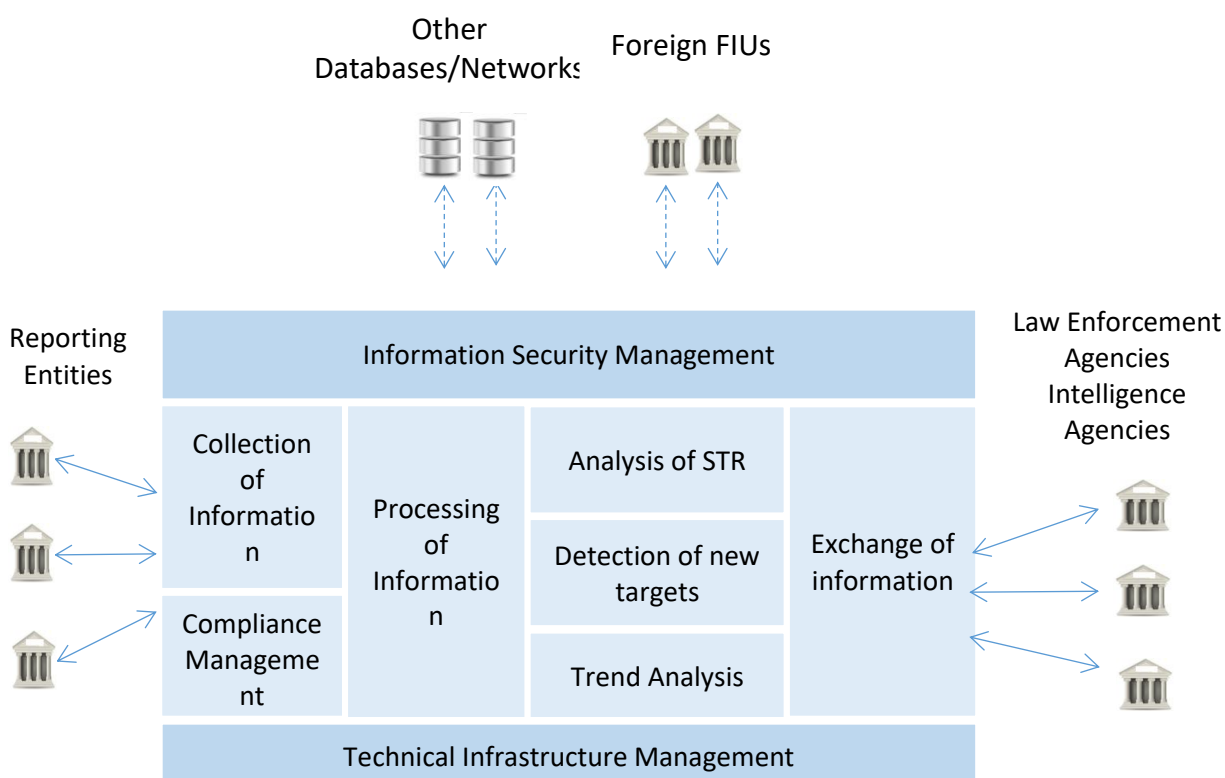
## Chapter 8

### Strengthening the IT infrastructure

#### 8.1 Introduction

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

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



The project has been implemented and is running successfully since the past three years. FINnet has substantially enhanced the efficiency and effectiveness of FIU-IND's core function of collection, analysis and dissemination of financial information. IT enablement of key processes ensures higher productivity, faster turnaround time and effective monitoring in all areas of FIU-IND's work. The current focus is to improve the data quality

and to strengthen the validation process of the reports.

## 8.2 Implementation of new Reports- Cross Border wire Transfer Report (CBWTR)

Cross Wire Transfer Reports were integrated successfully in the FINnet and REs started filing CBWT reports on FINGate from February 2014. FIU has conducted series of training sessions with REs to ensure the correct filing of CBWT reports. Processing of these reports has already been enabled in FINcore and same has been integrated with case module.

Intensive outreach activity was done to educate the FINGate users who had filed incorrect reports. Focus during the year was to educate the users about the importance of data quality as the product of data analysis is dependent on the input data we received from Reporting entities. FIU-IND conducted nearly 30 quality training sessions for users including compliance heads, AGM, DGM and CFO's for ensuring correct filing of various reports.

## 8.3 Future Challenges

Due to the changes in the legal and operational framework, FIU-IND needs to review and enhance the scope of Project FINnet. During the last five years, the financial sector has witnessed a significant growth, and along with a substantial change in the Anti-Money Laundering (AML) regime. Some of the changes in the legal and operational framework that may require re-assessing the scope of work of Project FINnet are enumerated below:

### A. Increase in reporting by Reporting Entities (REs)

- i. 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.
- ii. 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.
- iii. Actual Vs Estimated growth: The actual growth has been more than the estimated growth in CTRs and STRs.

### B. Introduction of new Reporting Entities

With the amendment of PMLA in June 2009, three new Reporting Entities (REs) types were added viz. Payment System Operators, Authorized Persons and Casinos. The amendments in PML Rules in 2013 added registrars and sub-registrars of property as new RE type. The list is expected to grow with inclusion of more DNFBPs.

### C. Introduction of new Reports

With the amendment in November 2009, a new NPO Transaction Report (NTRs) (all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency) was introduced.

The number of reporting entities and information received from them will 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 India.



Further improvement of FINnet requires an assessment of the following aspects:

1. Estimation of growth in work load for next five years.
2. Review and redesigning of existing processes-
  - i. Identify changes required in the processes in line with the changes in reporting entities / report types / workload
  - ii. Design of revised processes, along with process maps and documentation, if required
3. Review of existing IT applications and hardware
  - i. Review of existing application, hardware, storage, network and DC/DR architecture of FIU
  - ii. Assessment of the current performance and load of hardware / storage/ network / application
  - iii. Identification of key constraints / performance issues / inefficiencies in IT hardware / storage/ network / application
4. Estimation of additional IT requirements - hardware sizing and application licenses
  - I. Assessment of need for additional hardware (servers / network devices), additional network requirements (bandwidth, switches, etc), and storage requirements (database licenses, storage devices, etc)
  - II. Assessment of need for new applications / additional modules to be developed to handle new data based on new reporting formats
  - III. Assessment of need for integration of new applications, if any, with the current applications in FINnet system
  - IV. Assessment of requirements for integration with external databases
  - V. Assessment of additional security measures to ensure the new / additional data is exchanged and stored in secured manner
  - VI. Design of the new IT architecture, taking into account the revised IT requirements

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

#### **8.4 The Key Outcomes of FINnet**

FINnet became operational in October 2012 with the opening of the FINgate portal. The project was commissioned in February 2013. Since its commissioning, FINnet has provided an integrated platform linking FIU with the reporting entities on one side and the law enforcement agencies on the other in a two-way online information exchange system. It has significantly enhanced the analytical ability of FIU-IND by assisting in linking of information through entity and relationship resolution.

**At present FIU-IND is having information about nearly 38.5 million unique persons with average relationship of nearly 6 per person and 13 transactions for each account.**

The key outcomes post FINnet are summarized in the following Table:

#### **FINnet: Key Outcomes**

<b>Function</b>	<b>2005-2012</b>	<b>Under FINnet</b>
Receipt of Reports	Data files	XML format and advanced utilities
	Submission of data files on CD	Online Gateway
	Offline data quality validation	Near Real time data validation Compliance management
Analysis	Analysis of STRs using search and link analysis system	Automated identity and relationship resolution
	Basic CTR analysis	Alert Generation (BI tools) Risk Management System
	Basic Trend Analysis	OLAP tool, Data standardization
Exchange of Information	Dissemination through letters	Secure role based access
	Request based exchange through letters	Secure information exchange protocol

## Appendix-A: Staff strength of FIU-IND

Post	Sanctioned strength	Working as on March 31, 2016
Director	1	1
Additional Director / Joint Director	10	9
Technical Director	1	1
Joint Director Systems	1	0
Deputy Director Systems	2	0
Deputy / Assistant Directors	21	9
Assistant Director Systems	6	0
Group B, C & D	33	10
<b>Total</b>	<b>75</b>	<b>30*</b>

\* 33 persons were working on contract basis, to make up the shortfall in regular appointments.

### FIU-IND Team: List of Officers

Praveen Kumar Tiwari	Director
<b>Additional Directors</b>	
Renu Amitabh	
Sanjay Bansal	
Satyendra Narayan Pandey	
Ashok Kumar	
Sanjay Kumar	
Monika Verma	
Manoj Kaushik	
R.P.Singh	
<b>Joint Director</b>	
Chaitanya Shukla	
<b>Technical Director (NIC)</b>	
Shahbuddin Khan	
<b>Deputy Directors</b>	
S. D. Sharma	
Ajay Sachdev	
Dinesh Kumar	
Ajay Sharma	
Paramjit Singh Walia	
Narendra Choubey	
Pooja	
<b>Assistant Directors</b>	
Tassine Sultan	
Ms. Seema Chakrabarty	
<b>Consultants</b>	
Ms. Pawanjeet Kaur Rishi	
Manoj Kumar	
Warren Francis	
Priyadarshi	
B.K. Sharma	

## Appendix-B: Chronology of important events (2015-16)

08 - 11 Apr, 2015	Cooperation with Government of Sri Lanka in setting up of a Financial Intelligence Unit
27 - 28 May, 2015	7th Meeting of the BIMSTEC Sub Group on Combating the Financing of Terrorism.
07 - 12 Jun, 2015	23rd Egmont Group Plenary
23 - 23 Jul, 2015	Regional Conference on Countering the Financing of Proliferation of Weapons of Mass Destruction (WMD)
11 - 17 Jul, 2015	Annual Meeting of Asia Pacific Group on Money Laundering/Terror Funding
17 - 21 Aug, 2015	EAG/KYRGYZ FIU/ITMCFM joint assessors training.
02 - 09 Sep, 2015	Egmont Group - FIU Information System Maturity Model (FISMM) and Securing an FIU (FIU-SEC) Pilot Course.
02 - 04 Sep, 2015	Joint EAG/UNODC/ITMCFM Inter-Regional Workshop.
07 - 10 Sep, 2015	APG Pre-Mutual Evaluation of Bhutan.
04 - 08 Oct, 2015	6 <sup>th</sup> MENAFATF Workshop on Assessors Training
26 - 28 Oct, 2015	Train the Trainer Course on Strategic Analysis. Participant from FIU-India, Dr. S.N.Pandey was selected by the Egmont Secretariat as a Trainer for future Strategic Analysis Courses.
09 - 13 Nov, 2015	EAG Working Groups & Plenary Meetings.
16 - 18 Nov, 2015	Counter - Terrorism Financing Summit
16 - 20 Nov, 2015	APG Typologies and Capacity Building Workshop.
16 - 27 Nov, 2015	APG Mutual Evaluation On-site visit to Bhutan.
12 - 14 Dec, 2015	Special Plenary of FATF & Joint FATF / EGMONT Operational Experts Meeting
14 - 16 Dec, 2015	ITU Workshop on Digital Financial Services and Financial Inclusion.
01 - 05 Feb, 2016	Egmont Group of Financial Intelligence Units' Meeting

## Appendix-C: Important Rules/Notifications

<b>Date</b>	<b>Notice No.</b>	<b>Description</b>
01.07.2005	1/2005	Appointed 1 <sup>st</sup> 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"> <li>• The definition of “proceeds of crime” was widened to include property taken or held outside the country as a result of criminal activity.</li> <li>• 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.</li> <li>• Amendments were made in sections 5, 8, 20, 21 &amp; 60 of the Act.</li> <li>• 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.</li> </ul>
07.07.2015	GSR, 544(E) & 730(E)	<ul style="list-style-type: none"> <li>• 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) &amp; 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.</li> <li>• 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).</li> </ul>

## Appendix D: Obligations of Reporting Entities under PMLA

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



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

## Appendix E: List of MoUs Signed till 31.03.2016

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

## Glossary:

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