

**MINISTRY OF FINANCE**

**(Department Of Revenue)**

**NOTIFICATION**

New Delhi, the 17th October, 2023

**G.S.R. 745(E).**—In exercise of the powers conferred by section 73 of the Prevention of Money-laundering Act, 2002 (15 of 2003), the Central Government hereby makes the following rules further to amend the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, namely: —

1. (1) These rules may be called the Prevention of Money-laundering (Maintenance of Records) Third Amendment Rules, 2023.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (hereinafter referred to as the principal rules), in rule 2, in sub-rule (1), in clause (b), after the word “Act”, the words “using reliable and independent sources of identification” shall be inserted.

3. In the principal rules, for rule 3A, the following rule shall be substituted, namely:-

“3A. Implementation of policies by groups.— (1) Every reporting entity, which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

(2) Groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the Prevention of Money Laundering Act, 2002. (15 of 2003).”.

4. In the principal rule, in rule 8,-

(i) for sub-rule (2), the following sub-rule shall be substituted, namely:-

“(2) The principal officer of a reporting entity shall, on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3.”.

(ii) after sub-rule (5), the following sub-rule shall be inserted, namely:-

“(6) Every reporting entity, its Directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 and furnishing of information to the Director is kept confidential.

Provided that nothing in this rule shall inhibit sharing of information under rule 3A of any analysis of transactions and activities which appear unusual, if any such analysis has been done."

5. In the principal rule, in rule 9,-

(i) for sub-rule (1), the following sub-rule shall be substituted, namely:-

“(1) Every reporting entity shall, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, –

(a) identify its clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;

(b) take reasonable steps to understand the nature of the customer’s business, and its ownership and control;

(c) 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, using reliable and independent sources of identification:

Provided that where the Regulator is of the view that money laundering and terrorist financing risks are effectively managed and where this is essential not to interrupt the normal conduct of business, the Regulator may permit the reporting entity to complete the verification as soon as reasonably practicable following the establishment of the relationship:

Provided further that where a client is subscribing or dealing with depositary receipts or equity shares, issued or listed in jurisdictions notified by the Central Government, of a company incorporated in India, and it is acting on behalf of a beneficial owner who is a resident of such jurisdiction, the determination, identification and verification of such beneficial owner, shall be as per the norms of such jurisdiction and nothing in sub-rule (3) to sub-rule (9) shall be applicable for due-diligence of such beneficial owner.

*Explanation.-* For the purposes of this proviso, the expression “equity shares” means a share in the equity share capital of a company and equity share capital shall have the same meaning as assigned to it in the *Explanation* to section 43 of the Companies Act, 2013 (18 of 2013).”

(ii) in sub-rule (2), for clause (a), the following clause shall be substituted, namely:-

“(a) the reporting entity immediately obtains from the third party or from the Central KYC Records Registry, the record or the information of such client due diligence carried out by the third party;”;

(iii) in sub-rule (8), in clause (v), after the words “settlor”, the words “, protector, if any” shall be inserted;

(iv) in sub-rule 12, in clause (iii), after the word “obtained”, the words “, such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly where there is high risk” shall be inserted;

(v) in sub-rule (14),-

(a) after sub-clause (ia), the following sub-clause shall be inserted, namely:-

“(ib) the guidelines shall include countermeasures to be undertaken when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.”.

(b) in clause (iii), after the word “Programme”, the words “shall have regard to the money laundering and terrorist financing risks and the size of the business and” shall be inserted.

[F. No. P-12011/22/2023-ES Cell-DOR]

MANOJ KUMAR SINGH, Director (Headquarter)

**Note:** The principal rules were published in Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i) *vide* number G.S.R. 444 (E), dated the 1st July, 2005 and were last amended *vide* number G.S.R. 652(E), dated the 04<sup>th</sup> September, 2023