

सत्यमेव जयते

Annual Report 2014-15

A photograph of the Parliament Building in India, featuring a large central dome and classical architectural elements. The building is surrounded by a well-maintained garden with manicured hedges and a central water channel. Two ornate lamp posts stand on either side of the entrance. A sign in the foreground reads 'नORTH ब्लॉक NORTH BLOCK'.

Department of Revenue
Ministry of Finance, Government of India

DIRECTOR'S REPORT



DIRECTOR'S MESSAGE

Financial Intelligence Unit -India (FIU-IND) has completed ten years since its setting up in November 2004. The year 2014-15 saw an increase in the volume of reports filed. Over 55,000 STRs were received, together with over 6 lakh Counterfeit Currency Reports (CCRs), and over 3.67 lakh NPO transaction Reports (NTRs).

The number of reports analyzed and disseminated increased more than two-fold. Nearly 78,000 STRs were processed as compared to over 35,000 STRs in the previous year. Over 48,000 STRs were disseminated as compared to over 15,000 STRs in the previous year.

The feedback received indicates that based on STRs, CBDT detected unaccounted income of Rs. 4,471.65 crore and seized assets of Rs. 65 crore; CBEC detected service tax evasion of Rs. 21.59 crore; and ED detected and seized proceeds of crime of Rs. 25 crore.

During the year, FIU-IND signed a Memorandum of Understanding (MoU) with SEBI and Maharashtra State Sales Tax Department to enhance mutual further cooperation. FIU-IND collaborated with the Insurance sector and IRDA to develop Red Flag Indicators (RFIs) for the Insurance sector. Red flag indicators for Capital Market Intermediaries (Brokers and Mutual Funds) were finalized and forwarded to the regulator for comments.

As part of our outreach programme, FIU-IND participated in 31 workshops/seminars for the reporting entities covering more than 1366 participants. In addition, 29 review meetings were held with the Principal Officers of reporting entities. FIU also undertook an extensive outreach programme in which more than 400 designated directors were addressed in various parts of the country.

To improve compliance, both individual entity and sector-wise review meetings were undertaken. 199 advisories were issued and monetary penalty was imposed on six reporting entities.

FIU-IND also contributed resource persons for the trainings organized by partner agencies. In the FIU's annual Train the Trainers event this year, 170 participants from the reporting entities attended the programme.

On the international front, FIU-IND continued to actively participate and contribute in the activities of various regional and international bodies, including the Egmont Group of FIUs, FATF, EAG and APG. FIU-IND also signed MOUs with four countries for exchange of information. FIU-IND officers represented India in the meetings of the Sub-Group on Combating Financing of Terrorism of the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC). An FIU representative was part of the delegation led by Dy. NSA and Secretary NSCS that participated in the ninth meeting of the Thailand-India JWG on Security Cooperation held in Chiang Mai, Thailand in December 2014. Both FIUs agreed to exchange information regarding money laundering and CFT, increase cooperation and have exchange visits to share their experience of using IT and financial transaction analysis.

FIU-IND also played a key supporting role in the formation of the South Asian Sub-Group (SASG) within the APG, on the sidelines of APG Annual Meeting held in July 2014. SASG consists of Afghanistan, Bangladesh, Bhutan, India, Pakistan, Maldives, Nepal and Sri Lanka and aims at ensuring enhanced cooperation in the Sub-Region in areas of AML/CFT.

With the sheer dedication and hard work of its officers and staff, FIU-IND has been consistently meeting all expectations, despite serious challenges, most notably the shortage of staff. I am happy to report that FIU-IND has once again been in the forefront of contributing to the unearthing of unaccounted income and investigation of money laundering and terror financing.



(P K Tiwari)

Director

Financial Intelligence Unit-India

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Performance at a Glance: 2014-15

Receipt of Information: FIU received

- Over 8.1 million Cash Transaction Reports (CTRs)
- 58,646 Suspicious Transaction Reports (STRs)
- 3,53,837 Counterfeit Currency Reports (CCRs)
- 3,67,585 NPO Transaction Report (NTRs)

Analysis of information in FIU

- processed 77,624 STRs
- disseminated 42,422 STRs
- retained 35,202 STRs

FIU actively collaborated with domestic agencies

- Had regular interaction and exchange of information
- Attended to 455 requests for information from the Agencies
- Provided information in 443 cases requested by the agencies

Results of action on STRs

- CBDT detected unaccounted income of Rs. 4,471.65 crore
- CBDT seized assets of Rs. 65 crore
- CBEC detected service tax evasion of Rs. 21.59 crore
- ED detected and seized proceeds of crime of Rs. 25 crore

International exchange of information

- FIU-IND received:
 - ♦ 112 requests for information from foreign FIUs
 - ♦ 63 voluntary disclosures from foreign FIUs
- FIU-IND sent 55 requests to foreign FIUs on behalf of domestic agencies

Outreach activities to raise AML/CFT awareness

- FIU-IND contributed to 31 seminars and workshops covering 1366 participants
- FIU-IND organized "Train the Trainer Programme" for 170 participants from reporting entities

Improving compliance

- FIU-IND held 29 review meetings with Principal Officers
- Passed 8 quasi-judicial orders imposing penalty on 8 reporting entities
- Issued 199 advisories to the reporting entities

CHAPTER

1

FINANCIAL INTELLIGENCE UNIT INDIA

Financial Intelligence Units (FIUs) are national, central agencies set up 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. The Office Memorandum states that FIU-IND will be 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 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 Rs 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 valuing more than Rs 50 lakh.

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 its financing.

PMLA incorporates two different sets of provisions one relating to maintenance and furnishing of information by the reporting entities to FIU and the second relating to investigation, search, seizure, collection of evidence, prosecution, etc. for money laundering. The Director, FIU-IND is the authority for enforcement of the provisions relating to maintenance of records and furnishing of information by the reporting entities. The Directorate of Enforcement is the relevant authority for investigation, search, seizure, confiscation of property, prosecution, etc. 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 activity of money laundering and Section 4 of PMLA lays down the punishment for the offence of money laundering. A person who commits the offence of money laundering is liable for punishment of rigorous imprisonment for a term of not less than three years, extending up to seven years as well as a 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 and 2013. The salient features of 2013 amendments relevant to FIU are described below:

A. Definition of Money Laundering

The definition of Money laundering has been expanded to include concealment, possession, acquisition and use of the proceeds of crime as criminal activities for money laundering in line with Article 6 of Palermo Convention.

B. Punishment for Money Laundering

Section 4 has been amended to provide for imposition of fine proportionate to the gravity of the offence which will be determined by the court. An explanation has been inserted in Section 70 that the prosecution or conviction of any legal juridical person shall not be contingent on the prosecution or conviction of any individual.

C. Strengthening of KYC, record keeping and reporting obligations

Section 12 has been amended to specify that a reporting entity shall maintain records of all transactions including transactions reported to FIU-IND, identify the beneficial owner of its clients, maintain records of identity of such beneficial owners and keep the information maintained, furnished or verified confidential.

D. Inclusion of additional financial sector entities

These include Commodity Exchanges, Commodity Brokers, Pension Funds, recognized stock exchanges and India Post.

E. Inclusion of additional non-financial businesses and professions (DNFBPs)

These include:

- a) Registrar or Sub-Registrar appointed under section 6 of the Registration Act, 1908 (16 of 1908),
- b) Real estate agents,
- c) Dealers in precious metals, precious stones and other high value goods and,
- d) Persons engaged in safe keeping and administration of cash and liquid securities on behalf of other persons.

The obligations under PMLA shall apply to the above DNFBPs when notified by the Central Government.

F. Measures for effective compliance

To strengthen the ability of FIU to ensure compliance, following amendments have been made:

- Director, FIU-IND can call for records of transactions or any additional information required.
- Obligation of the reporting entity to maintain confidentiality of the information requests from FIU.
- Appointment of special auditor in complex cases.
- Provision for sanctions on designated director on the Board or any of the employees of the reporting entity.
- Expanding the range of sanctions.

G. Protection from civil or criminal proceedings

Directors and employees of a reporting entity are protected from criminal and civil liability for disclosure of information to FIU-IND.

H. Authorities required to assist in the enforcement of the Act

The list of officers designated under section 54 to assist the authorities in the enforcement of this Act has been broadened.

2.3 Amendments to PML (Maintenance of Records) Rules 2005

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

- Addition/modification in the definitions of Client Due Diligence, Designated Director, Officially Valid Documents, Regulator and Transaction
- Clarification on Cash Transaction Report (series of cash transactions integrally connected)
- Introduction of cross border transaction reports and property transaction reports
- Delay in furnishing reports will be treated as violation under Rule 8(4)
- Provision for Reliance on third party for CDD, determination of Beneficial Ownership, Risk based approach etc.

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 act to include 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 provided for;
- Enlargement of the scope of proceeds of terrorism to include any property intended to be used for terrorism; and
- Conferment of power upon the court 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.

Section 17 of the amended UAPA makes it clear that it is not relevant whether the funds were actually used for the commission of terrorist acts, nor is it necessary that the offence of raising or providing or collection of funds be linked to a particular terrorist act.

Section 40 of UAPA criminalizes raising of funds for terrorist organizations listed in the Schedule to UAPA. Section 51A of UAPA allows the Government to freeze, seize or attach funds held by the individuals or entities engaged in terrorism.

2.5 PMLA and FIU-IND

Section 12 of PMLA requires every reporting entity including banking companies, financial institutions 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 a period of five years. The PML (Maintenance of Records) Rules prescribe the requirements for maintenance of records and reports to be submitted to FIU-IND. The obligations of the reporting entities are summarized at **Appendix D**.

Section 12 A empowers the Director to call for additional information from reporting entity.

Section 13 of PMLA empowers Director, FIU-IND to enquire into cases of suspected failure of compliance with the provisions of PMLA and impose sanctions including monetary penalty on reporting entity or its designated director or any of its employees.

Section 14 of the PMLA provides that the reporting entity, its Directors and employees shall not be liable to any civil or criminal proceedings against them for furnishing information to FIU-IND.

Under Section 50 Director, FIU-IND has powers of a civil Court under the Code of Civil Procedure, including powers to enforce attendance of any person, compel production of records, receive evidence on affidavits and issuing commission for examination of witnesses.

Section 54 empowers and requires various officers and other functionaries to provide necessary assistance to Director, FIU-IND in the enforcement of his statutory functions under the PMLA.

Section 66 provides for the dissemination of information by FIU-IND to any officer,

authority or body performing any function under any law relating to imposition of any tax, duty or cess or to dealing in foreign exchange or to prevention of illegal trafficking in drugs or to any officer, authority or body notified by the Central Government.

Section 69 enables the recovery of fines

imposed by the Director if not paid within six months from the date of imposition of fine and the powers of a Tax Recovery Officer under the Income-tax Act, 1961 can be exercised for this purpose. The fines so imposed are recovered in the same manner as prescribed in Schedule II of the Income-tax Act, 1961 for the recovery of arrears.

Categorization of reporting Entities after PMLA amendment

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

AMENDMENTS STRENGTHEN FIU

Since 2005, 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 been aimed at bringing these in sync with FATF recommendations and the changing money laundering scenarios. They have contributed to strengthening of FIU by providing a robust legal framework.

In short, the amendments in Section 2 have brought new Reporting Entities within the ambit of the Act. Chapter IV of the PMLA, which deals with obligations of Reporting Entities, has undergone major changes. Section 12 now requires Reporting Entities to maintain records of all transactions and verify the identity of clients as also the beneficial owners. A new Section 12A empowers Director-FIU to call for additional information. Section 13 gives more teeth to the Director-FIU for ensuring compliance by including provisions of inquiry, audit and imposition of fine not only on the Reporting Entities but also on Designated Directors on the Board or any of its employees. Amendment in Section 14 extended the immunity of Reporting Entity to cover criminal proceedings also, in addition to civil proceedings.

Major changes in the Rules are: 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, determination of beneficial ownership, risk based approach, sunset clause for closing accounts if the KYC is not completed, Central KYC Records Registry, empowering Director-FIU to issue guidelines in consultation with Regulator etc.

CHAPTER

3

RECEIPT, ANALYSIS AND DISSEMINATION OF INFORMATION

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. The results of analysis of financial information received from the reporting entities have proven to be of considerable value in the investigation of money laundering, terrorist financing and other crimes.

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 available in the database using rules of identity and relationship resolution. 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 gets added to the information received from the reporting entities before the same is disseminated to the partner agencies.

The number of STRs received, analysed and disseminated has shown increasing trend. Focused attention on thrust areas ensured that there was consistent improvement in the quality of reporting.

3.1 Receipt of information

As part of the IT modernization programme the existing formats of the reports have been converted into three reporting formats, namely, accounts based reporting format, transactions based reporting format, and reporting format for the Counterfeit Currency Reports (CCRs).

3.1.1 Cash Transaction Reports (CTRs)

Cash Transaction Reports for the month are to be furnished by the 15th day of the succeeding month.

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. FIU-IND made all out efforts to train the key persons in the banks for filing reports online. The reporting entities were also encouraged to file the reports using digital signature.

The number of CTRs received in the last five years for major categories of banks is given in Table -1

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
Public Sector Banks	54,63,252	69,03,096	55,41,408	49,89,143	48,76,909
Indian Private Banks	24,42,286	24,06,855	25,61,548	32,61,219	31,57,826
Private Foreign Banks	1,05,288	83,665	58,640	35,083	39,755
Others	6,76,281	8,04,646	7,20,622	4,93,637	7,33,747
Total	86,87,107	1,01,98,262	88,82,218	87,79,082	80,08,237

3.1.2 Suspicious Transaction Reports (STRs)

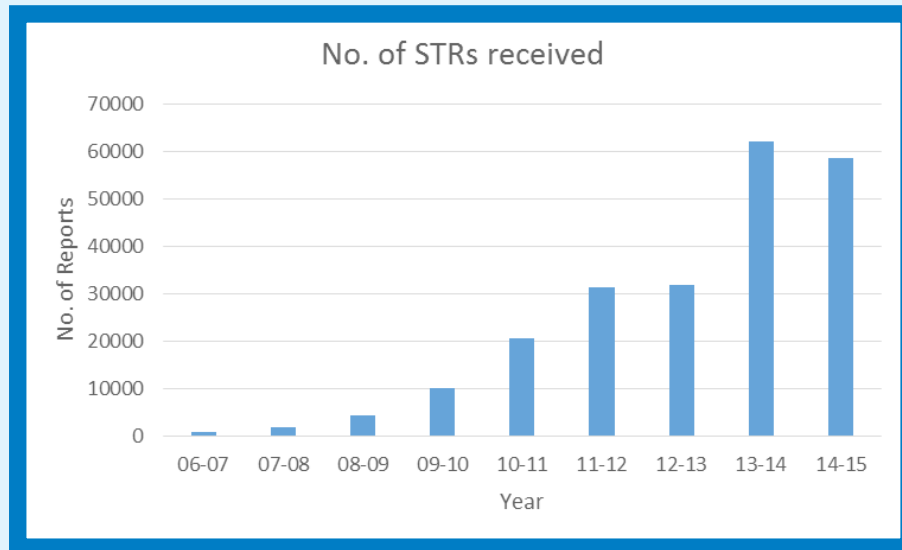
Suspicious Transaction Reports (STRs) are required to be furnished by the principal officer of the reporting entity not later than seven working days on being satisfied that the transaction is suspicious. Rule 2(1)(g) of the PMLA Rules defines a suspicious transaction as a transaction, whether or not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

Majority of the STRs received from the reporting entities fall in the sub-clauses (b) and (c) of the definition of suspicious transaction given above.

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 58,646 in 2014-15, 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
No. of STRs received	817	1,916	4,409	10,067	20,698	31,317	31,731	61,953	58,646



The quantum jump in the number of STRs placed additional responsibility on FIU-IND, which has managed this responsibility despite severe manpower constraints. FIU-IND has used IT to enhance its performance, as is evident from the number of cases processed and disseminated 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
No. of STRs processed	646	2,001	4,019	9,425	20,041	31,279	18,666	35,696	77,624
No. of STRs disseminated	391	935	2,270	6,571	13,744	23,689	13,854	15,288	45,422

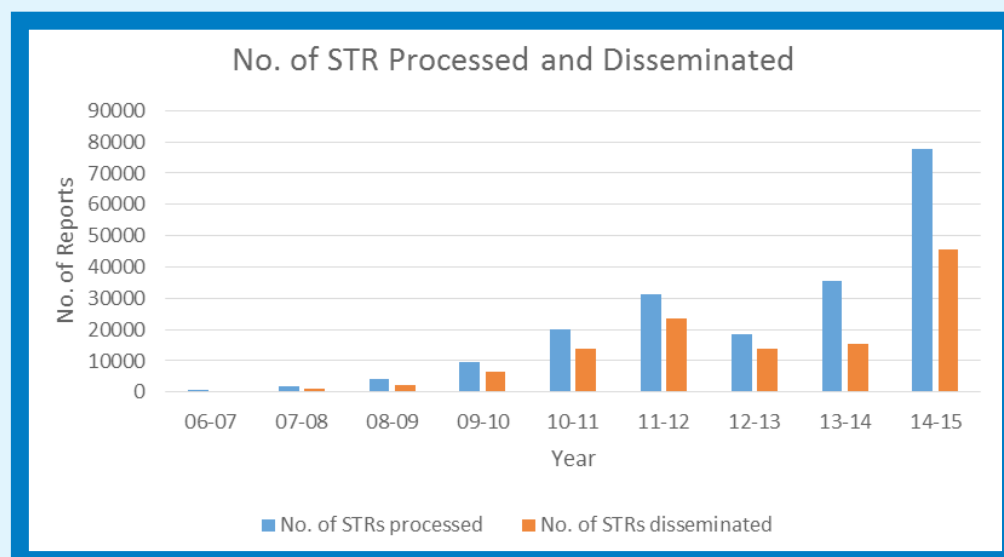
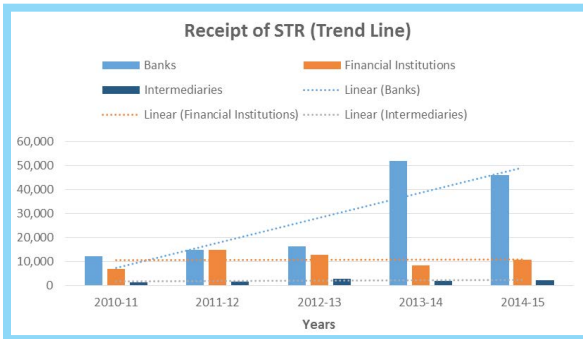
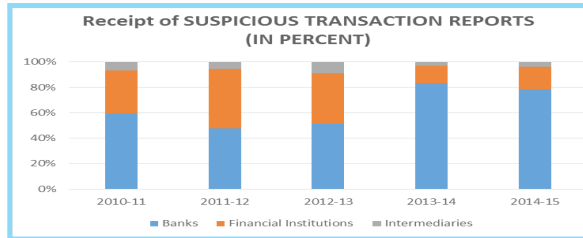


Table 2: Break up of STRs received during 2010 to 2015

Reporting Entity Type	2010-11	2011-12	2012-13	2013-14	2014-15
Banks	12,287	14,949	16,284	51,765	45,858
Financial Institutions	7,006	14,712	12,637	8,321	10,649
Intermediaries	1,405	1,656	2,810	1,867	2,139
Total	20,698	31,317	31,731	61,953	58,646



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.

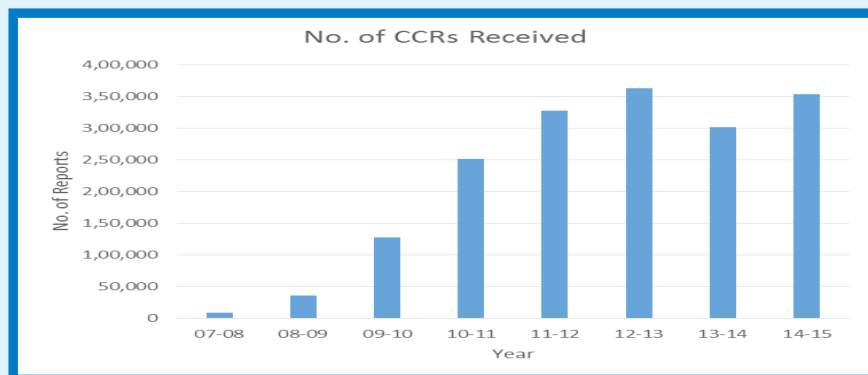
As is evident from Table-3, the private Indian Banks contributed majority of CCRs. The compliance levels of the public sector banks continued to be low despite the matter having been taken up with the RBI. During the review of the public sector banks the best practices of private Indian banks in detection 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
Public Sector Bank	1,896	2,649	5,707	14,186	16,224
Indian Private Bank	2,34,400	3,10,714	3,43,358	2,78,240	3,17,791
Private Foreign Bank	7,936	9,273	10,489	8,331	16,018
Others	7,216	4,746	2,817	1,047	3,804
Total	2,51,448	3,27,382	3,62,371	3,01,804	3,53,837

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 35,730 in 2008-09 and 3,53,837 in 2014-15. The position is reflected in the table and graph below:

Year	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
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



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 five lakh rupees 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. Nine workshops, aimed at familiarizing the banks about their new reporting obligations, were conducted by FIU-IND between December 2014 and February 2015 in which 86 banks participated. During the year, 113 REs filed more than 3.4 million CBWT reports.

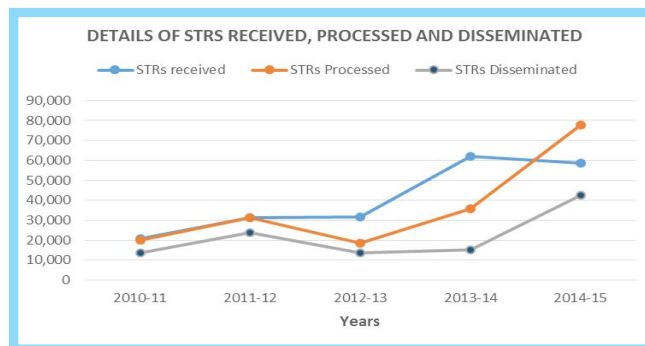
3.2 Analysis and Dissemination of Information

3.2.1 Analysis of STRs

The new capabilities built in FINcore for identity and relationship resolution have added to the quality of analysis function in FIU-IND. The IT system helped FIU process a record number of STRs in 2014-15, more than double the number in 2013-14, as shown in Table 4. This, in turn, led to dissemination of over 42,000 STRs, an increase of nearly 200% over 2013-14 (Table 4).

Table 4: Analysis of Suspicious Transaction Reports

Category	2010-11	2011-12	2012-13	2013-14	2014-15
STRs received	20,698	31,317	31,729	61,953	58,646
STRs Processed	20,041	31,279	18,666	35,696	77,624
STRs Disseminated	13,744	23,689	13,854	15,288	42,422



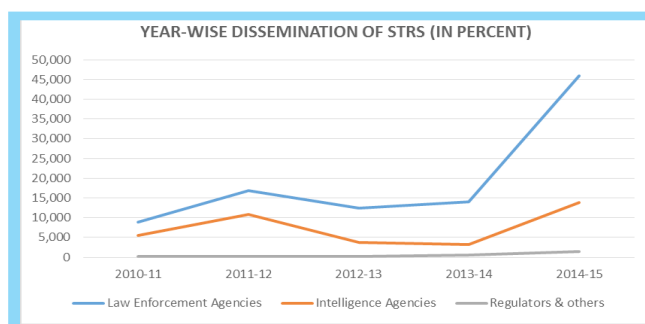
3.2.2 Dissemination

Details of STRs disseminated to various LEAs during the last five years from 2010-11 to 2014-15 are given in Table 5. **2014-15 saw a record number of disseminations, a more than 300% increase over the last 5 years.**

Table 5: Dissemination of Suspicious Transaction Reports

Agencies	2010-11	2011-12	2012-13	2013-14	2014-15
Law Enforcement Agencies	8,826	16,905	12,497	13,931	45,952
Intelligence Agencies	5,523	10,905	3,730	3,146	13,819
Regulators & others	127	225	192	452	1,492
Total	14,476	28,035	16,419	17,529	61,263

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 STR
- Processing of request for information from LEAs/IAs and Foreign FIU
- CTR Analysis Reports-Cluster of CTRs related to
 - High Risk Businesses
 - High Risk Geographic locations
 - Threshold Analysis(High Value Transaction)
- Recovery of uncollectible 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 IBA. In addition to the banking sector, RFI have been evolved for insurance and capital

market sectors, Money Transfer Service Businesses, Card System Operators, and Co-operative Banks.

3.4 Trade Based Money Laundering (TBML)

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.

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 PMLA Rules specifically provides for reporting of suspect transactions relating to terrorist financing. 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.

Some Illustrative Cases indicating use of STRs

The following cases identified during the year highlight the use of suspicious transaction reports in combating money laundering.

Case 1 : An individual with declared income of Rs. 1 to 3 lakhs received credits of Rs. 50 lakhs mostly in cash from various places in India. The database of FIU linked 3 more accounts maintained by his proprietorship firm. Investigation led to detection of undeclared income of Rs. 7.7 crore.

- Case 2 :** An education society received credit of Rs. 11.75 crore, majority in cash from various places. The withdrawal was also in cash. On the basis of 2 STRs, investigation was done. The society admitted undisclosed amount of Rs. 24.97 crore.
- Case 3 :** STR stated that 90 per cent of credits received in the account of an individual were through cash and each transaction was less than Rs. 50,000. On investigation undisclosed income of Rs. 48.84 crore was detected.
- Case 4 :** A sole proprietorship firm in export-import received Rs. 60 crore in its account. Debits from the account were to three firms. FIU's CTR database linked six more accounts. On investigation, the firm was found to be involved in fraudulent drawback claim.
- Case 5 :** A sole proprietorship entity received credits through RTGS and Rs. 2.7 crore was withdrawn in cash in five months. On investigation, it was found that the declared profession was trading in metals whereas the entity operating at the given address was engaged in manufacturing of garments. The entity was found remitting money for under-valued imports.
- Case 6 :** Four accounts of a sole proprietorship firm received huge cash which was remitted to Hong Kong, UAE and Malaysia for import of mobiles. The accounts were closed after six months' operation. On investigation, the entities were found involved in illegal import of poppy seeds in the guise of limestone.
- Case 7 :** A sole proprietorship firm declared to be importer of electronic items, received Rs 32 crore, mainly through cash in 5 months. An additional account was linked by FIU. On investigation, the firm was found to be involved in remitting money for undervalued imports.
- Case 8 :** The accounts of two sole proprietorship firm received cash of Rs. 6.65 crore and Rs. 7.6 Crore which was used for payment towards imports. One account was suddenly closed. On investigation, usage of dummy IECs for undeclared imports was found.
- Case 9 :** A Trading Company declared to be in trading of pan masala and gutkha, was receiving high value funds (Rs.31.23 crore in one year) through RTGS, which were immediately transferred in round amounts through RTGS. Enhanced due diligence revealed that the company were not trading in pan masala but in garments. The company requested to close the account without giving reason. On investigation, the company was found to be part of a case involving undue drawback of Rs. 300 crore.

CHAPTER

4

DOMESTIC AND INTERNATIONAL COOPERATION

FIU-IND's information exchange module (FINex), a 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 has held several workshops and demonstration of the functionality of the 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 03.01.2013. 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 based on the STRs disseminated by FIUIND, CBDT detected unaccounted income of Rs. 4471.65 crore and seized unaccounted assets valued at Rs. 65 crore during 2014-15. Similarly, the CBEC detected evasion of service tax and excise duty of over Rs. 21.59 crore. The Enforcement Directorate detected, based on STRs of FIU-IND, proceeds of crime of about Rs.25 crore and seized/ attached assets worth about Rs.25 crore.

4.2 Cooperation with Law enforcement/intelligence agencies

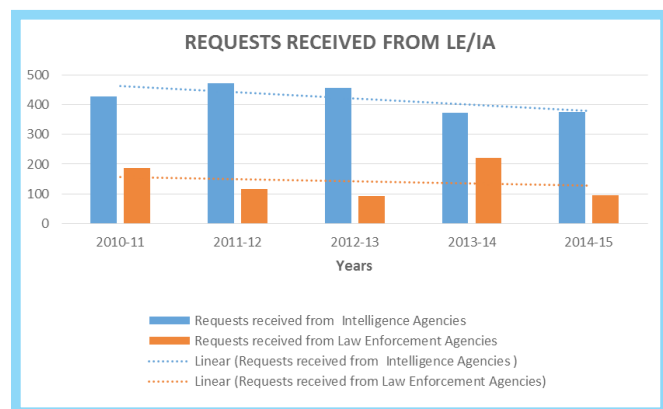
FIU-IND has a nodal officer to deal with all issues relating to the agencies. Bi-monthly meetings were organized with the nodal officers of the agencies for

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.

Table 6: Number of references from domestic law enforcement/ intelligence agencies

Category	2010-11	2011-12	2012-13	2013-14	2014-15
Requests from Intelligence Agencies	428	473	457	373	374
Requests from Law Enforcement Agencies	186	117	92	221	96



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 organisations (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, and IRDA SEBI. **Two new MOUs were signed during 2014-15 with SEBI and Maharashtra Sales Tax Department.**



Signing of MOU with SEBI

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 MultiSectoral Technical and Economic Cooperation (BIMSTEC), an international organisation involving a group of countries in South Asia and South East Asia.

The ninth meeting of the Thailand-India JWG on Security Cooperation was held in Chiang Mai, Thailand on 11-12 December 2014. The Indian delegation was led by Dy. NSA and Secretary NSCS. FIU-IND representative was also part of the delegation. In this meeting, both FIUs agreed to exchange information on money laundering and CFT and increase cooperation between FIU-India and FIU of Thailand (AMLO). Both sides also agreed to have exchange visits to share their experience of using IT and Financial transaction Analysis.

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.

4.5.2 Financial Action Task Force

In February, 2012, FATF issued the revised International Standards on Combating Money Laundering and Financing of Terrorism and Proliferation. The revisions seek to address new and emerging threats, clarify and strengthen many of the existing obligations, while maintaining the necessary stability and rigour in the Recommendations. The new standards also allow countries to apply a "Risk-Based Approach", within the framework of the FATF requirements, thereby permitting adoption of a more flexible set of measures, in order to target their resources more effectively and apply preventive measures that are commensurate to the nature of risks. India is one of the 34 member jurisdictions and 2 regional organizations (European Commission and Gulf Co-operation Council) that are the FATF members.

FIU-IND has actively participated in the activities of the Financial Action Task Force (FATF). Officers from FIU IND were a part of the Indian delegation to FATF XXVI Plenary meeting, held on 22-24 October, 2014 under the Australian Presidency. FIU-India was represented by Director, FIU-IND, Shri P.K.Tiwari. The main issues dealt with by this plenary were: to clarify the risk-based approach in the light of the de-risking, and concerns regarding the financing to the Islamic State of Iraq and the Levant (ISIL).

The FATF evaluation of India took place during the months of November and December 2009. FIU-IND was also actively involved in the preparation of the Indian response to the Mutual Evaluation Questionnaire (MEQ) mutual evaluation of India, as well as in various onsite meetings. Subsequent to the evaluation, India was placed under regular follow up. India was removed from the regular follow-up process in the year 2013.

FIU-IND also 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).

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 17th Annual Meeting of APG held at Shanghai, China 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.

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 put 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 past year, FIU-IND personnel have provided their expertise in 31 training programmes involving over 1366 participants, and have also run a Train-the-**

Trainer course for 170 key resource persons from various training colleges of banks and other financial institutions. 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. The “8th Follow-Up Report of India’s Mutual Evaluation” published by the FATF in June 2013, commented that the FIU had further enhanced its outreach programme to provide guidance to the financial sector on their reporting obligations, and has engaged in extensive compliance monitoring. The result has been a significant increase in the number of STRs filed both with respect to ML and TF.

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 over 150. Member FIUs undertake to subscribe to the Egmont Group principles. The member FIUs 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

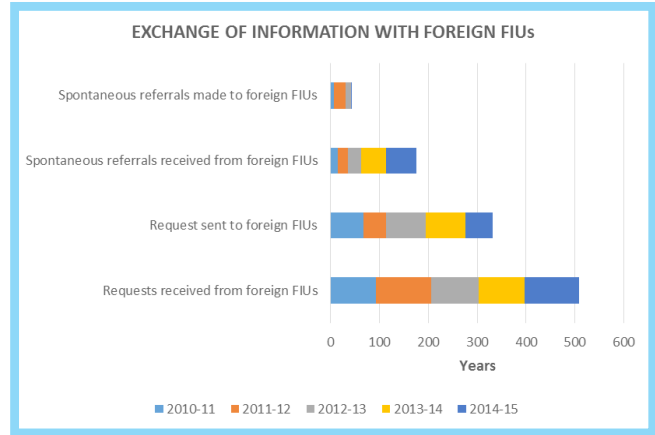
session in May 2007. Officers of FIU-IND have regularly participated in the Egmont Group meetings. FIU-IND continued to be the one of the two regional representatives of the Asia region, along with Qatar, in the Egmont Committee until the Barbados plenary held in June 2015. During the year, FIU-IND participated in the Egmont Committee and Working Group Meetings at Berlin, Germany in January, 2015. 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 of free exchange of information. All requests for information are replied to, in time, including cases where no information could be found. The statistical information regarding the number of cases in which requests were made by FIU-IND to other FIUs and the number of cases where FIU-IND received requests from other FIUs is in Table 7.

Table 7: Exchange of information with foreign FIUs

Status of action Taken	2010-11	2011-12	2012-13	2013-14	2014-15
Requests received from foreign FIUs	93	113	97	94	112
Request sent to foreign FIUs	67	46	81	82	55
Spontaneous disclosures from foreign FIUs	14	22	26	51	63
Spontaneous disclosures made to foreign FIUs	6	24	11	0	2



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 the year. **During 2014-15, four MOUs were signed with the FIUs of Belarus, Uzbekistan, Fiji and Bangladesh. MoUs with more than 10 countries are under various stages of negotiation.**



Signing of MoU with FIU Fiji in Peru, June 2014



MoU with FIU Bangladesh in Peru, June 2014



A group Photo of FIUs at the 22nd EGMONT plenary meeting in Peru

4.8.2 FIU-IND and the Egmont Group of FIUs

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 the significant milestones.

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 FIUs.

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 during the year.
- FIU-IND received 69 requests for information from foreign FIUs and made 17 requests from foreign.

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), India was unanimously elected as co-chair of the Asia group along with Qatar. This gave opportunity for FIU-India to be represented on the Egmont Committee of the Egmont Group.
- 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 (headed by Italy) 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 during the year.
- 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.
- During Berlin meeting (January 2015), FIU-IND provided feedback to the ITWG on Minimum Standards (Manual) on security measures for an FIU.

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, DNFBPS 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.

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)

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. Guidance notes indicating RFIs were finalized for Co-operative Banks and Insurance Companies and circulated through respective Regulators (RBI, NABARD and IRDA) in April, 2014.

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. A 'Train the Trainers' workshop is organized by FIU-IND every year to create master trainers. Training material prepared by FIU is being made available to all reporting entities to conduct their own training seminars. The master trainers in turn conduct AML/CFT focused seminars and workshops in their organisations.

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 31 workshops/seminars on AML/CFT awareness in collaboration with regulators, industry associations, professional bodies and reporting entities, in which over 1300 persons participated (Table 8).

Table 8: Outreach Activity

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

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). Twenty nine review meetings were conducted with the Principal Officers of the reporting entities covering 592 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 - 2014

FIU-IND organized a one-day "Train the Trainers" workshop on AML/CFT at 'Vigyan Bhawan' New Delhi on 28th March, 2015. This was the 8th consecutive annual workshop for the trainers in the financial sector. Justice (Retd.) Shri Arijit Pasayat, Vice Chairman, SIT, was the Chief Guest and Shri Shaktikanta Das, Revenue Secretary, was the Guest of honour. 16 Speakers from CBDT, DRI, NIA, FIU-IND, ICICI Bank, Citi Bank, HSBC Bank, CBI, ED, FATF Cell took the sessions. 170 senior officers of the public and private sector banks, insurance companies, Government Departments and faculty members of staff training colleges and institutes of bank 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 Sanjay Bansal, Addl. Director, FIU-IND welcoming the Chief Guest Justice (retd.) Shri Arijit Pasayat, Vice Chairman, SIT, Shri Shaktikanta Das, Revenue Secretary, Guest of Honor, Shri P.K Tiwari, Director FIU-IND & participants of the “Train the Trainers” workshop at Vigyan Bhawan, New Delhi-28th March 2015.



Participants & FIU-IND Officers at “Train the Trainers” programme at Vigyan Bhawan, New Delhi-28th March 2015.



Director FIU-IND handing over memento to Shri Virendra Singh, DIT (Inv.) CBDT (Left most). “Train the Trainers” programme at Vigyan Bhawan, New Delhi 28th, March 2015.



Director FIU-IND requesting Smt. Rashmi Verma, Addl. Secretary (Revenue) for Valedictory address. “Train the Trainers” programme at Vigyan Bhawan, New Delhi-28th March 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

Month	Review Meeting held with
April, 2014	Designated Directors/Principal Officers and legal advisors of 10 Public Sector Banks (PSBs) & Private Indian Banks (PIBs)
May, 2014	Designated Directors of Private Banks, Non-Banking Financial Companies (NBFCs) & Housing Finance Companies (HFCs)
July, 2014	Prepaid Instrument Operators, Mobile Commerce Solutions Limited (MCSL)
August, 2014	Public Sector Banks, Co-operative Banks & Insurance Companies, Non-Banking Financial Companies (NBFC), etc.
	Principal Officers of all Mutual Funds
	Designated Directors / Principal Offices of 15 leading banks
	MDs of National Stock Exchange (NSE)/Bombay Stock Exchange (BSE)/ National Securities Depository Limited (NSDL) & Central Depository Service Limited (CDSL)
September, 2014	Principal Officers of Public Sector Banks, Life Insurance Companies on Reporting and STR quality
	Card Payment System Operators
	Regulators on Improving STR regime
October, 2014	Designated Directors / Principle Officers of Banks for AML/CFT Compliance
November, 2014	Principal Officers and Alternate Principal Officer on Performance Review Meeting/Discussion of Life Insurance Companies / Non-Life Insurance Performance
	Principal Officer / Representatives of Reserve Bank of India (RBI)/ National Housing Bank (NHB) on National Housing Finance Companies and NBFCs.
December, 2014	PSU Banks on CTR Reporting
	Principal Officers of Reporting Entities on Cross Border Wire Transfer (CBWT)
	Designated Directors & P.O.s of major banks on Trade Based Money Laundering (TBML)
January, 2015	Review Meeting with Card Operators, Banks, LEAs
	Meeting with Jharkhand Police Authorities
	Workshop with the Criminal Investigation Department of Jharkhand Police

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
- a) Identify reporting entities requiring a special attention and conduct individual meetings with these reporting entities

- b) Involve the senior management in the review process and sensitize them about their obligations
- c) 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 Other compliance measures

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.

FIU-INDIA has signed MOU with all the three principal Regulators i.e. RBI, SEBI and IRDA for regular and structured exchange of information and better compliance monitoring.

During the year, fines were imposed by FIU-IND under section 13 of the PMLA in 8 cases, in addition to 199 advisories highlighting problem areas and advising RE to improve their compliance under PMLA (Table 10).

Table 10 – Sector-Wise Statistics of Advisories issued

Sl. No.	Category	Total number of Advisory issued till 31.03.2015
1	Casinos / DNFP	13
2	Public Sector Bank	41
3	Intermediary	110
4	MTSS Cards	5
5	Private Banks	27
6	Co-Operative Banks	1
7	Others	2
	Total	199

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 11 including insurance frauds, data analytics, intelligence tradecraft, capital market frauds, cyber-crimes, etc.

Table 11: Capacity Building Workshops/ Trainings attended by Officers from FIU-IND

Month	Workshop	Organised by	Place
Apr 2014	Programme on IRAC Norms, KYC & AML for Cooperative Banks	RBI	Pune
May 2014	Course on Cyber Crime Investigation	SVP National Police Academy	Hyderabad
Jun 2014	Training on Intelligence Gathering and Intelligence Tradecraft	Military Intelligence Training School & Depot	Pune
Jun 2014	Workshop on Vulnerability Assessment and Penetration Testing	Department of Electronic & IT	New Delhi
Jun 2014	Conference on Fraud Monitoring Mechanism for Deposits and other liabilities of Banks	CAFRAL (RBI)	Mumbai
Jul 2014	Workshop on Mobile Security	Ministry of Communications & IT	New Delhi

Financial Intelligence Unit - India

Month	Workshop	Organised by	Place
Aug 2014	Workshop on “Big Data Analytics and Security”	Ministry of Communications & IT	New Delhi
Sep 2014	Workshop on “Cyber Security : Threats & Mitigation”	Ministry of Communications & IT	New Delhi
Oct 2014	Workshop on “Network Security”	Ministry of Communications & IT	New Delhi
Dec 2014	Workshop on “Cyber Crime”	MDESI	Mumbai
Dec 2014	Workshop on “Cyber Security Threat : Advanced Detection and Prevention Techniques”	Ministry of Communications & IT	New Delhi
Jan 2015	Workshop on “Endpoint Security”	Ministry of Communications & IT	New Delhi
Mar 2015	Training on Basic Course on Cyber Crime	SVP National Police Academy	Hyderabad

CHAPTER

8

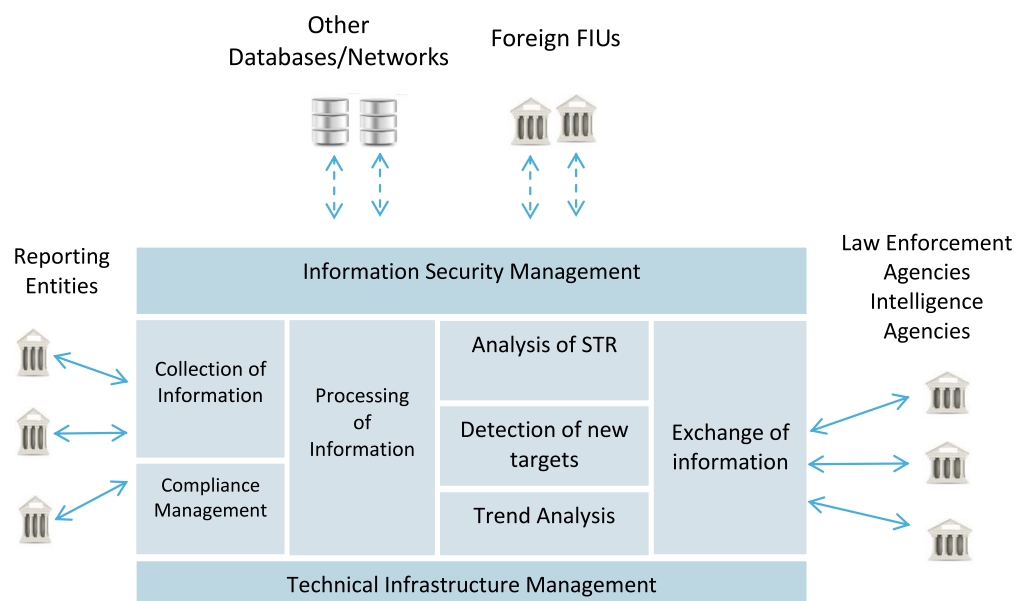
STRENGTHENING IT INFRASTRUCTURE

8.1 Introduction

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 more than 25-30 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 alongside the Anti-Money Laundering (AML) guidelines have also been adopted. 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 ambit of reporting entities and information collected 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 redesign 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 becomes operational in October 2012. It 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 25 million unique persons with average relationship of nearly 8.5 per person and 13 transactions for each account. The key outcomes post FINnet are summarized in the following Table:

FINnet: Key Outcomes

Function	2005-2012	Under FINnet
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, 2015
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
Total	75	30*

* In addition 34 persons were working on contract basis.

FIU-IND Team: List of Officers

Director
Praveen Kumar Tiwari
Additional Directors
Renu Amitabh
Sanjay Bansal
Deepika Mittal
Satyendra Narayan Pandey
Ashok Kumar
Sanjay Kumar
Monika Verma
Manoj Kaushik
Joint Director
Chaitanya Shukla
Technical Director (NIC)
Shahbuddin Khan

Deputy Directors
S. D. Sharma
Ajay Sachdev
Dinesh Kumar
Ajay Sharma
Bidyarani Konthoujam
Paramjit Singh Walia
Assistant Directors
Tassine Sultan
Sheema Chakrabarty
Mahavir Singh
Consultants
Pawanjeet Kaur Rishi
Manoj Kumar
Warren K. Francis

Appendix-B: Chronology of important events (2014-15)

10 – 11 Apr, 2014	Egmont Committee Intersessional Meeting
19 – 23 May, 2014	Egmont Strategic Analysis Course
02 – 05 Jun, 2014	AUSTRAC Regional Workshop
01 – 06 Jun, 2014	22nd Egmont Group Plenary
15 – 18 Jul, 2014	Annual Meeting of APG on Money Laundering and Terrorist Financing
19 – 21 Aug, 2014	Joint Workshop on Crime in Cyberspace and Money Laundering
20 – 28 Oct, 2014	FATF Plenary and its Working Group Meeting and Egmont Committee Meeting
11 – 12 Dec, 2014	Joint Working Group Meeting on Security Cooperation.
25 – 30 Jan, 2015	Egmont Committee (EC), Working Group (WG) Meetings and Egmont Regional Meetings/ Heads of FIU & Observers Intersessional Meetings

Appendix-C: Important Rules/Notifications

Date	Notice	Description
01.07.2005	1/2005	Appointed 1 st July 2005 as the date on which all the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) shall come into force.
01.07.2005	2/2005	Appointed an Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under the PMLA. The Adjudicating Authority shall consist of a Chairperson and two members and shall function within the Department of Revenue, Ministry of Finance of the Central Government with Headquarters at Delhi.
01.07.2005	3/2005	Specified that the New Delhi Bench of the Adjudicating Authority shall exercise jurisdiction, powers and authority conferred by or under the PMLA over the whole of India.
01.07.2005	4/2005	Established an Appellate Tribunal at New Delhi to hear appeals against the orders of the Adjudicating Authority and the authorities under the PMLA.
01.07.2005	5/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director, Financial Intelligence Unit, India.
01.07.2005	6/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director of Enforcement.
01.07.2005	7/2005	Specified Rules relating to the manner of forwarding a copy of the order of provisional attachment of property along with the material, and the copy of the reasons along with the material in respect of survey, to the Adjudicating Authority and its period of retention by the Adjudicating Authority.
01.07.2005	8/2005	Specified Rules for receipt and management of confiscated properties.
01.07.2005	9/2005	Specified Rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market.

Date	Notice	Description
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.

Date	Notice	Description
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	DL 33004/1999	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.

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

Obligation	When
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

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