



# MAHARASHTRA REAL ESTATE REGULATORY AUTHORITY

## महाराष्ट्र स्थावर संपदा नियामक प्राधिकरण

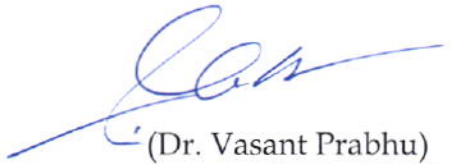
No. MahaRERA/Secy/Notice/ 913 /2023

Date: 08.06.2023

### Notice Attention Real Estate Agents

Directorate General of Audit, Central Board of Indirect Taxes and Customs has requested MahaRERA to publish on its website the Anti Money Laundering, Countering the Financing of Terrorism, and Combating Proliferation Financing Guidelines for Real Estate Agents, 2013 under PMLA, 2002, UAPA, 1967 and WMDA, 2005. The said Guidelines has been brought into effect on 04.05.2023 in supersession of the earlier Guidelines issued on 30.12.2022 and 17.02.2023.

Considering the request, the above-referred Guidelines is put up on MahaRERA Website. Real Estate Agents are advised to get acquainted and informed with the Guidelines so as to enable compliance of the procedures and obligations incorporated in the said Guidelines.

  
(Dr. Vasant Prabhu)  
Secretary/MahaRERA

### MAHARERA HEADQUARTERS

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### महारेरा मुख्यालय

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सत्यमेव जयते

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अमृत महोत्सव

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12.05.2023

To

1. The Chairperson,  
Real Estate Regulatory Authority,  
All States & Union Territories.
2. The Principal Secretary (Housing)  
States & Union Territories.

Madam/ Sir,

Subject: Anti Money-Laundering, Countering the Financing of Terrorism, and Combating Proliferation Financing Guidelines for Real Estate Agents, 2023, **dated 04.05.2023** - reg.


Kind attention is invited to the "Guidelines for Reporting Entities (Real Estate Agents) under the Prevention of Money Laundering Act, 2002" dated **30.12.2022** issued by DG Audit as Regulator on behalf of CBIC, which were updated vide guidelines dated **17.02.2023**.

2. In this regard, please find **enclosed** herewith the Anti Money-Laundering, Countering the Financing of Terrorism, and Combating Proliferation Financing Guidelines for Real Estate Agents, 2023, **dated 04.05.2023**.
3. It is requested to give wide publicity to the Guidelines by publishing the same on your official website.
4. It is also requested that during any inquiry or investigations being carried out by the RERA authority with the real estate agents under Section 35 or any other provisions of the RERA, 2016, the compliance of the AML/CFT requirements as laid down in the guidelines may be ensured. In case any non-compliance is observed, a report in this regard may be sent to the undersigned, immediately.

**These Guidelines have been issued in supersession of the earlier guidelines issued on 30.12.2022 and 17.02.2023 (copies enclosed).**

Yours faithfully,

Encls: as above



(Seema Arora)

Pr. Director General

Copy for information to:

1. Member (Compliance Management), CBIC, North Block, New Delhi.
2. Shri Praveen Vashista, Additional Secretary (CTCR), Ministry of Home Affairs, Room No. 193, A2, 1st Floor, North Block, New Delhi.
3. Shri Smarak Swain, Director (FATF Cell), Department of Revenue, North Block, New Delhi



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Date: 04.05.2023

**ANTI MONEY-LAUNDERING, COUNTERING THE  
FINANCING OF TERRORISM, AND COMBATING  
PROLIFERATION FINANCING GUIDELINES FOR  
REAL ESTATE AGENTS, 2023**

**Subject: Guidelines on Anti-Money Laundering (AML) Standards and Countering the Financing of Terrorism (CFT), and Combating Proliferation Financing (PF) Obligations for Real Estate Agents under the Prevention of Money Laundering Act, 2002 and Rules made thereunder, the Unlawful Activities (Prevention) Act, 1967 and the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005**

1. The Prevention of Money Laundering Act, 2002 ("PMLA") (as amended) was brought into force with effect from 1<sup>st</sup> July 2005. Necessary Notifications/Rules, i.e., Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PMLR) under the said Act have been published in the Gazette of India on July 01, 2005 and from time to time thereafter by the Department of Revenue, Ministry of Finance, Government of India.
2. As per the provisions of the PMLA, all Designated Non-Financial Businesses and Professions (DNFBPs), which includes those Real Estate Agents (REAs) who are the **Reporting Entities (REs)**, shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and the rules notified thereunder.



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3. The DNFBPs shall also be required to report the specified transactions, including the suspicious transactions with a view to provide deterrence to the money-laundering and financing of terrorism.
4. The Unlawful Activities (Prevention) Act, 1967 (as amended) was brought into force w.e.f. 30<sup>th</sup> December 1967. Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) requires **all** real estate agents (REAs), irrespective of whether they are reporting entities under PMLA or not, to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007 or any other person engaged in or suspected to be engaged in terrorism and thus prohibits **all** REAs from entering into a transaction with a client whose identity matches with any person in the sanction list or with banned entities and those reported to have links with terrorists or terrorist organizations.
5. The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 was notified w.e.f. 17<sup>th</sup> November, 2006. Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMDA) prohibits **all** real estate agents (REAs), irrespective of whether they are reporting entities under PMLA or not, from financing any activity which is prohibited under the said Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems. It thus prohibits **all** REAs from entering into transactions with designated individuals or entities.
6. In view of the Risk Based Approach (RBA) adopted by the Financial Action Task Force (FATF) for real estate agents and the recommendations made by it, these guidelines in the context of



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- existing anti-money laundering law in the country, have been issued for the reporting entities in respect of PMLA and for all real estate agents under UAPA and the WMDA. The guidelines provide an overview on the background and essential principles that concern Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) under PMLA, UAPA and WMDA as well as a detailed account of the procedures and obligations to be followed by all real estate agents (REAs) in combating risk of Money Laundering (ML), terrorist financing and proliferation financing.
7. **Part 'A'** of the Guidelines is an overview of the Guidelines. **Part 'B'** of the Guidelines prescribe obligations in respect of those real estate agents who are the Reporting Entities under the provisions of PMLA and PMLR. **Part 'C'** of the Guidelines prescribe obligations for all real estate agents under Section 51A of the UAPA and Section 12A of the WMDA, irrespective of whether they are the reporting entities under PMLA or not/ any threshold of annual turnover as prescribed for the REs.
8. These Guidelines are being issued in supersession of earlier Guidelines issued on 30.12.2022 and 17.02.2023.

Yours faithfully,

(Dr. Amandeep Singh)  
Additional Director General



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**Anti-Money Laundering, Countering the Financing of  
Terrorism, and Combating Proliferation Financing  
Guidelines for Real Estate Agents, 2023 under PMLA,  
2002, UAPA, 1967, and WMDA, 2005**

**Date of coming into effect: 04.05.2023**

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**A. OVERVIEW OF THE GUIDELINES:**

**1. Introduction:**

- 1.1 These guidelines shall be called the Anti-Money Laundering, Countering the Financing of Terrorism and Combating Proliferation Financing Guidelines For Real Estate Agents, 2023 under PMLA, 2002, UAPA, 1967, and WMDA, 2005 (hereafter called "**The Guidelines**"). The Guidelines aim to provide a general background and summary of the provisions of the applicable anti-money laundering and anti-terrorism financing legislations in India, viz. the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "**PMLA**"), the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (hereinafter referred to as the "**PMLR**"), the Unlawful Activities (Prevention) Act, 1967 (hereinafter referred to as the "UAPA") and The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (hereinafter referred to as the "WMDA") and their applicability to and implications for the real estate agents in applying certain Anti Money Laundering/ Countering the Financing of Terrorism/ Combating Proliferation Financing (AML/CFT/CPF) obligations.
- 1.2 Rule 2(1)(fa)(iv) of the PMLR defines 'Regulator' as "the Central Board of Indirect Taxes and Customs, constituted under Central Boards of Revenue Act, 1963, with respect to the real estate agents" (inserted vide Notification G.S.R. 800(E) dated 28.12.2020 issued under F.No. P-12011/14/2020-ES Cell-DOR. The Guidelines are being issued by the Directorate General of Audit (DGA), Central Board of Indirect Taxes and Customs (CBIC) which has been



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appointed Regulator on behalf of Central Board of Indirect Taxes & Customs, Ministry of Finance, Govt. of India for this purpose vide O.M. dated 22.11.2021 of the Commissioner (GST-Inv), CBIC **(Annexure-I)**. The Regulator under PMLA/ PMLR has also been assigned the duties of Regulator under Section 51A of the UAPA, and Section 12A of the WMDA, and the Additional Director General, Directorate General of Audit has also been appointed the Nodal Officer in consequence of Order dated 2<sup>nd</sup> February 2021 of CTCR Division, Ministry of Home Affairs, Govt. of India, issued in File No. 14014/01/2019/CFT and Order dated 30<sup>th</sup> January 2023 of Department of Revenue, Ministry of Finance, Govt. of India, issued in File No. P-12011/14/2022-ES Cell-DOR, respectively. The broader context for the Guidelines is provided by the Recommendations made by Financial Action Task force (FATF) on International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation and the Guidance on the Risk-Based Approach adopted in its February 2012 Plenary to Combating Money Laundering and Terrorist Financing, which includes guidance for public authorities and designated non-financial businesses and professions (DNFBPs) including Real Estate Agents (hereinafter also referred to as the "Reporting Entities"), amongst others.

- 1.3 The provisions related to applicability of Section 51A of the UAPA and Section 12A of the WMDA as mentioned in the guidelines are applicable to all real estate agents, irrespective of their annual turnover or whether they are registered or not with respective Real Estate Regulatory Authorities (RERA) of the States and the Union Territories (UTs). However, the provisions related to PMLA and PMLR



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are applicable to those real estate agents who are "Reporting Entities" (REs) as defined in Para 11(k).

- 1.4 The PMLA and the rules made thereunder, viz. the PMLR, on implementing a risk-based approach for the Reporting Entities (REs), lay down the principles to be followed by the Reporting Entities (REs) and highlight risk factors specific to the REs, alongwith suggestions to minimize the risk of Money Laundering/ Terrorist Financing (ML/TF).
- 1.5 These guidelines also set out the steps that a Real Estate Agent shall implement to discourage and to identify any money laundering or terrorist financing activities. These guidelines prescribe procedures and obligations to be followed by the reporting entities to ensure compliance with Anti Money Laundering / Countering the Financing of Terrorism (AML/CFT) guidelines.
- 1.6 The strategies to manage and mitigate the identified money laundering and terrorist financing activities are typically aimed at preventing the activity from occurring through a mixture of deterrence [e.g., appropriate Client Due Diligence ("CDD") measures], detection (e.g., monitoring and suspicious transaction reporting), and record-keeping so as to facilitate investigations by the appropriate authorities, wherever required, which are discussed at length here under.



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**B. OBLIGATIONS FOR THE REPORTING ENTITIES (REs) UNDER PMLA**

**2. Purpose of the guidelines:**

- 2.1 The purpose of these guidelines is to explain the risk-based approach, outline the core principles involved in applying the same, and indicate best practices in the design and implementation of an effective risk-based approach.
- 2.2 The purpose of these guidelines is also to establish a reporting mechanism with the real estate agents, who are the reporting entities (REs), that will help in combating money laundering and terrorist financing.

**3. Real Estate Agents as the Reporting Entities (REs):**

For purposes of this part of the guidelines, the term "real estate agents" (REs) has the same meaning as defined in Clause (zm) of Section 2 of The Real Estate (Regulation and Development) Act, 2016 ('**RERA**'), but with a threshold of annual turnover. "Real estate agent" as an RE means 'any person, who negotiates or acts on behalf of one person in a transaction of transfer of his plot, apartment or building, as the case may be, in a real estate project, by way of sale, with another person or transfer of plot, apartment or building, as the case may be, of any other person to him and receives remuneration or fees or any other charges for his services whether as a commission or otherwise and includes a person who introduces, through any medium, prospective buyers and sellers to each other for negotiation for sale or purchase of plot, apartment or



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building, as the case may be, and includes property dealers, brokers, middlemen by whatever name called, and **having annual turnover of Rupees twenty lakhs and above.**'

**4. Policies and Procedures to Combat Money Laundering and Terrorist financing: (AML/ CFT Program):**

- 4.1. Every RE is required to have an AML/ CFT program in place in order to discharge its statutory responsibility to detect possible attempts of money laundering and financing of terrorism.
- 4.2. In view of the requirements of the PMLA and the rules made thereunder, as applicable to the reporting entities in preventing ML and TF, each real estate agent shall consider carefully the specific nature of its business, organisational structure, type of client and transaction, etc to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures as laid down in the PMLA. Each reporting entity shall also satisfy itself that such measures are effectively implemented.
- 4.3 Real Estate offers a convenient way to launder large amounts in a single transaction. Real Estate also offers secondary benefits for the criminals, such as helping them to secure residence, ensuring social respectability, and providing an immediately available good of material benefit. As such, criminals may not make any tangible use of many financial assets, but such is not the case with real estate sector as it offers opportunity to individuals to transfer the value of funds into both commercial and residential property. Real estate is often an appreciating asset that can generate returns and become a good source of personal gains. A real estate agent must



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be able to form a reasonable belief that they know the true identity of each customer. Customer Due Diligence (CDD) measures must be conducted to form these beliefs with the identification and verification of the identity of customers and their beneficial owners.

**5. Obligation to establish policies and procedures under PMLA:**

5.1 In order to combat the menace of money-laundering, terror financing and other related serious crimes, Rule 7(3) of the PMLR casts an obligation on every reporting entity to evolve an internal mechanism in respect of these guidelines to detect transactions as specified under Rule 3(1) and furnishing information about such transactions to Financial Intelligence Unit (FIU-IND). The obligation of reporting entities to effectively serve to prevent and impede money laundering and terrorist financing and to observe such internal controls not only by them but also by their designated Director, officers and employees is a legal requirement under Rule 7(4) of the PMLR. It is without ambiguity that the success of internal policies and procedures will be dependent largely on how effectively these are outlined and implemented.

5.2 To comply with these obligations, every reporting entity shall establish appropriate policies and procedures for the prevention of ML and TF and ensure their effectiveness and compliance with all relevant legal and regulatory requirements. The reporting entities shall:

- (i) issue a statement of policies and procedures for dealing with ML and TF reflecting the current statutory and regulatory requirements;



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- (ii) ensure that spirit of these guidelines and internal policies and procedures are understood by all staff members;
- (iii) regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. To ensure the effectiveness of policies and procedures, the person doing such a review shall, as far as possible, be different from the one who has framed them;
- (iv) adopt client acceptance policies and procedures and undertake Client Due Diligence (CDD) measures to the extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- (v) have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- (vi) develop mechanism/s through training/ workshops, etc to make their staff aware and vigilant to guard against ML and TF.
- (vii) shall pay special attention to carry out risk assessment to identify and assess any money laundering and terrorist financing threats that may emerge from new or developing technologies that might favour anonymity, including Virtual Digital Assets; and take measures, if needed, to prevent their use in money laundering and terrorism financing risks.

**5.3 Implementation of policies by groups:** In line with Rule 3A of the PMLR, groups are required to implement group-wide policies



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for the purpose of discharging obligations under Chapter IV of the PMLA, including undertaking CDD & EDD measures, maintaining records and furnishing of information.

- 5.4 **Maintenance of records:** As per the provisions of Section 12 of the PMLA, every reporting entity shall have to maintain a record of all the transactions; information relating to such transactions, whether attempted or executed, the nature and value of which has been prescribed in Rule 3 of the PMLR and to maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients as detailed in the foregoing part of these guidelines.
- 5.5 **Transactions defined for the purpose of reporting:** As prescribed under Rule 3 of the PMLR, such transactions include:
- (i) All **cash** transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency.
  - (ii) All series of **cash** transactions integrally connected to each other which have been individually valued below Rs. 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of Rs. 10 lakh or its equivalent in foreign currency.
  - (iii) All **cash** transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.
  - (iv) All suspicious transactions, independent of monetary



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threshold, including transactions in VDA and attempted transactions, **whether or not made in cash** and by way of deposits or credits, as provided under sub rule 1(D) of Rule 3 of the said rules.

- (v) All cross-border wire transfers of the value of five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.

**5.6 Know Your Client (KYC) and Client Due Diligence (CDD):** As provided under Section 11A of the PMLA read with Rule 9 of the PMLR, it is incumbent upon every Reporting Entity to follow certain client identification procedures in respect of the buyers and sellers of real estate and monitoring transactions of a suspicious nature for the purpose of reporting it to the appropriate authority. These 'Know Your Client' guidelines have been revisited in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). The reporting entities are advised to ensure that an appropriate policy framework on 'Know Your Client' and Anti Money-Laundering/ combating of financing of terrorism measures is formulated and put in place. These CDD measures are required to be followed by the reporting entities in situations as enumerated under Para 6.2.2 below.

**5.7 Suspicious Transaction Reporting:** In line with FATF Recommendation 20, Rule 8(2) read with Rule 3(1)(D) of the PMLR provides for prompt reporting of a suspicious transaction, which includes an attempted suspicious transaction, to the FIU-IND, if a



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reporting entity suspects or has reasonable grounds to suspect that funds used by a client are the proceeds of a criminal activity, or are related to terrorist financing. A suspicious transaction shall be reported within **seven** working days of its occurrence.

It is clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

**6. Detailed Guidelines on Anti Money-Laundering and combating the financing of terrorism Procedures**

**6.1 Appointment of a Designated Director and a Principal Officer:**

In line with the provisions of Rule 7 of the PMLR, every reporting entity shall appoint:

- (i) a Principal Officer and,
- (ii) a Designated Director

As far as possible, the Principal Officer and the Designated Director should be separate individuals. Names, designation, telephone number and addresses (email addresses) of Principal Officer and the Designated Director including any changes therein shall be intimated to the Office of the Director, FIU-IND, Regulator and the Real Estate Regulatory Authority governing the reporting entity.

6.1.1 The Designated Director and the Principal Officer shall be responsible for the following to combat money laundering/ countering the financing of terrorism:



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- (a) Furnishing of the information under Rule 8 (1) of the PMLR, as prescribed under sub rule (1) of Rule 3 of the said rules on monthly basis, **by 15<sup>th</sup> day of the succeeding month**, in prescribed **Format** to the Director, FIU-IND. However, the information in respect of a suspicious transaction shall be furnished **within seven working days** of its occurrence as per Rule 8(2) of the PMLR, as mentioned at Para 5.7. Such information shall include any attempted transactions, whether or not made in cash;
- (b) Evolving an internal mechanism with regard to any guidelines issued by the Regulator or the Director, FIU-IND and for furnishing information as prescribed under sub rule (1) of Rule 3 of the PMLR;
- (c) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, money and client records, etc. within their organisation;
- (d) Client acceptance policy and client due diligence measures, including requirements for proper identification, such as:
- (i) Maintenance of records;
  - (ii) Compliance with relevant statutory and regulatory requirements;
  - (iii) Cooperation with the relevant law enforcement authorities, including the timely disclosure of information; and
  - (iv) Role of internal audit or compliance function to ensure compliance with the policies, procedures and controls



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relating to the prevention of ML and TF, including detection of suspected money laundering transactions.

**6.2 Client Due Diligence (CDD) Measures and Know Your Client (KYC) norms:**

6.2.1. In consonance with the basic principles of the KYC norms as prescribed in the PMLA or the rules made there under, all reporting entities shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

6.2.2. In accordance with Rule 9 of the PMLR, each reporting entity shall adopt written procedures to implement the anti-money laundering provisions as envisaged under the PMLA, related to the '**Client Due Diligence Process**'. The requirement is stated hereunder:

1. Every reporting entity shall-
  - (a) at the time of commencement of an account-based relationship-
    - (i) identify its clients, verify their identity, obtain information on the purpose and intended nature of the business relationship; and
    - (ii) 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:



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(b) in all other cases, verify identity while carrying out-

- (i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (ii) any international money transfer operations.

2. Every reporting entity shall be responsible for obtaining KYC records of its clients and file the same with the Central KYC Records Registry. The third-party KYC records may also be used for this purpose. Where there are suspicions of ML/TF or where there are doubts about the adequacy or veracity of previously obtained client identification data, the reporting entity shall review the CDD measures including verifying again the identity and obtaining information on the purpose and intended nature of the business relationship.

3. Every reporting entity shall exercise ongoing due diligence with respect to business relationships with its clients and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary the source of funds. They shall also apply CDD measures to existing clients on the basis of materiality and risk and conduct due diligence on such existing relationships at appropriate times taking into account whether and when client due diligence measures have



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previously been undertaken and the adequacy of data obtained.

6.2.3. Considering the potential threat of transactions in real estate by a money launderer / terrorism financier, the reporting entities should make reasonable efforts to determine the true identity of all clients engaging in sale and purchase of such real estate, especially the person who funds/pays for a transaction, either as beneficial owner or otherwise. Where a client purports to act on behalf of juridical person or individual or trust, verification of identity is required to be carried out on persons purporting to act and are authorised to act on behalf of a client. Effective procedures should be put in place to obtain requisite details for proper identification of new clients. Special care has to be exercised to ensure that the transactions are not under anonymous or fictitious names.

6.2.4. In view of high vulnerability arising from development of new practices, new delivery mechanisms and use of new technologies, the reporting entities shall ensure that appropriate KYC procedures are applied before undertaking a transaction with a customer through the use of new and developing technologies, including virtual digital assets.

6.3. **Beneficial owners:** The reporting entities should also make reasonable efforts to obtain sufficient information in order to identify persons who are the beneficial owners. Whenever it is apparent that the transactions made through an account are



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beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. The client's identity should be verified using reliable, independent source documents, data or information.

**6.4. Enhanced Due Diligence:**

6.4.1. In tune with the FATF Recommendation 19, Section 12AA of the PMLA prescribes for the reporting entities to perform enhanced due diligence for higher-risk clients, business relationships and transactions or class of transactions where there is a high-risk or where there is ML or TF or where the transaction or attempted transaction is suspicious. Recommendation 12, which prescribes measures to be taken for Politically Exposed Persons (PEPs), provides for additional measures for specific clients and activities, which are considered to be a higher risk scenario requiring enhanced CDD. Politically Exposed Persons (PEPs) are individuals who have been entrusted with prominent public functions by a foreign country, including the heads of States or Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.



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6.4.2. Reporting entities should examine, as far as reasonably possible, the background and purpose of all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or lawful purpose. Where the risks of money laundering or terrorist financing are higher, reporting entities should be required to conduct enhanced due diligence measures, consistent with the risks identified. In particular, they should increase the degree and nature of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious.

6.4.3 Conducting enhanced due diligence should not be limited to merely documenting income proofs. They should be more rigorous and robust measures than normal KYC. These measures should be commensurate with the risk. While it is not intended to be exhaustive, the following are some of the reasonable measures in carrying out enhanced due diligence:

- (i) More frequent review of the clients' profile/transactions,
- (ii) Application of additional measures like gathering information from publicly available sources or otherwise,
- (iii) Review of the clients' information at senior level of the reporting entity,
- (iv) Reasonable measures to know the client's source of funds commensurate with the assessed risk of client and product profile which may include: