



CAIIB PAPER-4 Module-B Unit-1

BANKING REGULATIONS AND BUSINESS LAWS (BRBL)



CAIIB Paper 4 (BRBL) Module B Unit 1: The Prevention of Money Laundering Act, 2002

Offence Of Money Laundering

The Prevention of Money Laundering Act, 2002 was enacted to prevent money laundering and to provide for the confiscation of property derived from, or involved in, money laundering.

A person shall be guilty of offence of money-laundering if such person is found to have directly or indirectly attempted to indulge or knowingly assisted or knowingly is a party or is actually involved in one or more of the **following processes or activities connected with proceeds of crime**:

- Concealment
- Possession
- Acquisition
- Use
- Projecting as untainted property
- Claiming as untainted property

Punishment For Money Laundering

In terms of Section 4 of the Act "Whoever commits the offence of money-laundering shall be punishable with

- Rigorous imprisonment for a term which shall not be less than three years but
- Which may extend to seven years and
- Shall also be liable to fine.

Obligations Of Banking Companies, Financial Institutions And Intermediaries

- Maintenance of Records
- ✓ Furnish to the Director within such time as may be prescribed, information relating to such transactions.
- ✓ Maintain record of documents evidencing identity of its clients and beneficial owners
- Every information maintained, furnished or verified, shall be kept confidential.
- The records referred to in clause (a) of sub-section (1) shall be maintained for a period of five years from the date of transaction between a client and the reporting entity.
- The records referred to in clause (c) of sub-section (1) shall be maintained for a period of **five years after** the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later.
- The Central Government may, by notification, exempt any reporting entity or class of reporting entities from any obligation under this Chapter.

Enhanced Due Diligence

According to Section 12AA “(1) Every reporting entity shall, prior to the commencement of each specified transaction,—

- Verify the identity of the clients undertaking such specified transaction by authentication under the Aadhaar Act, 2016.
 - ✓ Take additional steps to examine the ownership and financial position, including sources of funds of the client
 - ✓ Take additional steps to record the purpose behind conducting the specified transaction and the intended nature of the relationship between the transaction parties.
- Where the client fails to fulfill the conditions laid down under sub-section (1), the reporting entity shall not allow the specified transaction to be carried out.
- Where any specified transaction or series of specified transactions undertaken by a client is considered suspicious or likely to involve proceeds of crime, the reporting entity shall increase the future monitoring of the business relationship with the client, including greater scrutiny or transactions.
- The information obtained while applying the enhanced due diligence measures under sub-section (1) shall be maintained for a period of five years from the date of transaction between a client and the reporting entity.

As per Section 14 of the Act no civil or criminal proceedings can lie against a reporting entity or its directors or officers for furnishing information to the Director under clause (b) of sub-section (1) of Section 12 of the Act.

Records To Be Maintained

The Central Government in consultation with the Reserve Bank of India has framed ‘The Prevention of Money Laundering Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries Rules, 2004’

In terms of Rule 3, Every reporting entity shall maintain the record of all transactions including, the record of-

- **All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency**
- **All series of cash transactions integrally connected to each other which have been individually valued below rupees ten 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 ten lakh rupees or its equivalent in foreign currency.**
- **All transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency.**

- **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.
- **All suspicious transactions whether or not made in cash.**
- **All cross border wire transfers of the value of more than five lakh rupees** or its equivalent in foreign currency where either the origin or destination of fund is in India
- **All purchase and sale by any person of immovable property valued at fifty lakh rupees or more** that is registered by the reporting entity.

Note: As per Rule 4 of the Rules: The records shall contain all necessary information specified by the Regulator to permit reconstruction of individual transaction, including:

- ✓ The nature of the transactions;
- ✓ The amount of the transaction and the currency in which it was denominated;
- ✓ The date on which the transaction was conducted; and
- ✓ The parties to the transaction.

Procedure For Maintaining And Furnishing Information To The Director

As per the requirements of Rule 6 the information as to the transactions should be maintained in hard and soft copies in accordance with the procedure and manner as may be specified by the RBI or SEBI.

S.No.	Report	Nature of Transactions
1	Cash Transactions Report (CTR)	(a) Cash transactions of ₹10 lakh or more or equivalent (b) Series of cash transactions in a month integrally connected to each other (i.e. all deposits or all withdrawals taken separately) aggregating ₹10 lakh or more or equivalent
2	Cross Border Wire Transfer Report (CBWTR)	Cross border wire transfers of more than ₹5 lakh or equivalent where either the origin or destination of fund is in India
3	Non-Profit Organisation Report (NTR)	Receipts by non-profit organisations of more than ₹10 lakh or equivalent
4	Counterfeit Currency Report (CCR)	All counterfeit currency notes received

As per Rule 8

- The Principal Officer of a reporting entity shall furnish the information in respect of transactions referred to in clauses (A), (B),(BA),(C) and (E) of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.
- The Principal Officer of a reporting entity shall furnish the information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 not later than seven working days on being satisfied that the transaction is suspicious.

- The Principal Officer of a reporting entity shall furnish, the information in respect of transactions referred to in clause (F) of sub-rule (1) of rule 3, every quarter to the Director by the 15th day of the month succeeding the quarter.
- For the purpose of this rule, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-reported transaction beyond the time limit as specified in this rule shall constitute a separate violation.

Verification Of Records Of The Identity Of Clients

Individual

One certified copy of an officially valid document containing details of his permanent address, current address including in respect of the nature of business and financial status.

Company

- Certificate of incorporation
- Memorandum and articles of association
- Board resolution or the power of attorney
- Officially valid document in respect of the person, operating the account.

Partnership Firm

- Registration certificate
- Partnership deed
- Officially valid document in respect of the person acting in the transaction.

Trust

- Registration certificate
- Trust deed
- Officially valid document in respect of the person acting in the transaction.

Unincorporated association

- Resolution of the managing body
- Power of attorney granted to the person conducting the transaction
- Information as may be required by the banking company to establish the legal existence of the association or body of individuals.

- **[Join CAIIB Telegram Group](#)**
- **For Mock test and Video Course**
Visit: course.ambitiousbaba.com
- **Join Free Classes: JAIIBCAIIB BABA**
- **[Download APP For Study Material: Click Here](#)**
- **[Download More PDF](#)**

[Click here to get Free Study Materials Just by Fill this form](#)

Maha Combo

CAIB Package

All Subjects Video Course, Mock Test, Capsule PDF

- ✓ 100+ Hours Recorded Classes
- ✓ 3300+ Ques Including Full Length
- ✓ Latest pattern with Updated Content
- ✓ Validity 06 Months

Enroll Now 

~~₹3,999/-~~ **₹1,999/-**

[Buy CAIB MAHACOMBO PKG](#)