

Ref: IRDAI/IIID/CIR/MISC/177/10/2023

Date: 10th October, 2023

CIRCULAR

Sub:- Amendment to Master Guidelines on Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) 2022

1. This has reference to Master Guidelines on AML/CFT, 2022 issued by the Authority vide ref: IRDAI/IIID/GDL/MISC/160/8/2022 dated 1st August 2022.
2. In this regard, on review, certain provisions of the Master Guidelines shall stand modified as mentioned below.

A) After para 2.2, the following para shall be inserted, namely –

“2.2A In case there is a variance in Client Due Diligence or AML/CFT standards specified by IRDAI and the standards specified by regulators of the host country, foreign branches/majority-owned subsidiaries of the regulated entities shall adopt the more stringent requirements of the two. If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups shall apply appropriate additional measures to manage the Money Laundering /Terrorist Financing risks, and inform IRDAI.”

B) After para 4.5, the following para shall be inserted, namely –

“4.6 Financial groups shall implement group-wide programmes against ML/TF, which should be applicable, and appropriate to, all branches and majority-owned subsidiaries of the financial group. The same shall include:

(a) policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;

(b) the provision, at group-level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information and analysis of transactions or activities which appear unusual (if such analysis was done). Similarly, branches and subsidiaries should receive such information from these group-level functions when relevant and appropriate to risk management; and

(c) adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.”

C) In the first sub-para of para 8.2.2, the following shall be inserted after the words “previously obtained”.

“such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.”

D) The para 8.2.4.2 shall be substituted with the following.

“8.2.4.2 Necessary client due diligence, if required, should be carried out of the policyholders/beneficiaries/legal heirs/assignees including beneficial owner, if any, before making the pay-outs. Insurers shall take reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary including Enhanced Due Diligence, if required, in case the Insurers determine that a beneficiary presents a higher risk, at the time of payout.

In insurance business, Insurers shall, in addition to the CDD measures required for the client and the beneficial owner, conduct the following CDD measures on the beneficiary of Life insurance policies, as soon as the beneficiary is identified/designated:

(i) Insurer shall, as soon as a beneficiary of a life policy is identified as a specifically named natural person, legal person or legal arrangement, obtain the full name, including any aliases, of such beneficiary;

(ii) For beneficiary that is designated by characteristics or by class or by other means, the Insurer shall obtain sufficient information concerning the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary at the time of the payout

(iii) for both the above cases - the verification of the identity of the beneficiary should occur at the time of the payout.”

E) After para 8.2.5, the following para shall be inserted, namely –

“8.2.6 Where Insurer forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.”

F) The following sub-para shall be deleted from para 13.

“Where Insurer relies upon third party that is part of the same financial group, they should obtain KYC documents or the information of the client due diligence within 15 days.”

G) The para 14.2 shall be substituted with the following para –

“14.2 Insurers are directed to lay down appropriate on-going risk management procedures for identifying and applying enhanced due diligence measures on an on-going basis to PEPs and customers who are family members, close relatives/associates of PEPs. These measures are also to be applied to insurance contracts of which a PEP is the ultimate beneficial owner(s).”

H) After para 14.3, the following para shall be inserted, namely -

“14.4 Insurers shall take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs.”

I) In para 15.1, after the para 15.1.3, the following sub-paragraph shall be inserted

“Insurers shall undertake ML/TF risk assessment prior to the launch or use of such products, practices and technologies and take appropriate measures to manage and mitigate the risks.”

J) The para 17.1 shall be substituted with the following:

“17.1 Specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.”

K) The following sentence shall be inserted in para 18.4 after “customer at any level.”.

“Confidentiality requirement does not inhibit information sharing among entities in the group.”

Sd/-

Nimisha Srivastava
General Manager
Insurance Inclusion and Development Dept.