

# Know Your Customer (KYC) Policy, 2019

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## **Know Your Customer (KYC) Policy, 2019**

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India and Aadhaar and other Laws (amendment) Ordinance, 2019 as notified by the Government of India, Bank is required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions.

This KYC Policy is issued as per RBI's Master Directions on Know Your Customer (updated upto 09.08.2019) and incorporates the amendments made to PML Rules 2005 vide gazette notification dated 28.05.19 and amendments made to PML Act 2002 vide gazette notification dated 02.03.19.

All offices of the Bank shall take all necessary steps to implement this KYC policy and provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

### **CHAPTER – I**

#### **Preliminary**

##### **1. Short Title**

Policy guidelines on Know Your Customer (KYC) Norms / Anti Money laundering (AML) Standards / Combating of Financing of terrorism (CFT) Measures / Obligation of the Bank under Prevention of Money Laundering Act (PMLA), 2002 shall be called as Know Your Customer (KYC) Policy, 2019.

##### **2. Applicability**

(a) The provisions of KYC Policy guidelines shall apply to all the branches / offices of the Bank.

(b) The guidelines in this circular apply to the branches and majority owned subsidiaries located abroad, to the extent they are not contradictory to the local laws in the host country, provided that: i. where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India. ii. in case there is a variance in KYC / AML standards prescribed by the Reserve Bank of India and the host country regulators, branches / overseas subsidiaries of Bank are required to adopt the more stringent regulation of the two.

Provided this rule shall not apply to 'small accounts'.

##### **3. Definitions**

In terms of RBI's Master Direction on KYC, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

(A) Terms bearing meaning assigned in terms of Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005:

**i. "Aadhaar number"** as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means an identification number issued to an individual under subsection (3) of section 3 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016), and includes any alternative virtual identity generated under sub-section (4) of that section.

**ii. "Act" and "Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

**iii. "Authentication"**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

**iv. Beneficial Owner (BO)**

**a.** Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has / have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

**(i)** "Controlling ownership interest" means ownership of / entitlement to more than 25 per cent of the shares or capital or profits of the company.

**(ii)** "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

**b.** Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of / entitlement to more than 15 per cent of capital or profits of the partnership.

**c.** Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of/ entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals. Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

**d.** Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**v. “Certified Copy of OVD”** - Obtaining a certified copy by bank shall mean comparing the copy of officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the Branch. Branch Official will also attest the duly signed photograph of the customer.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy of OVD, certified by any one of the following, may be obtained:

- authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

**vi. "Central KYC Records Registry" (CKYCR)** means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

**vii. “Designated Director”** means a person designated by the Bank to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules.

**viii. "Non-profit organisations" (NPO)** means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.

**ix. "Officially valid document" (OVD)** means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

- a.** where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
- b.** where the OVD furnished by the customer does not have updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-
  - i.** utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

- ii. property or Municipal tax receipt;
  - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  - iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;
- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above
- d. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name

x. **"Offline Verification"**, as defined in the Aadhaar and Other Law (Amendment) Ordinance, 2019, means the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the Aadhaar regulations.

xi. **"Person"** has the same meaning assigned in the Act and includes:

- a. an individual,
- b. a Hindu undivided family,
- c. a company,
- d. a firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within any one of the above persons (a to e),
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

xii. **"Principal Officer"** means an officer nominated by the Bank, responsible for furnishing information as per rule 8 of the Rules.

xiii. **"Suspicious transaction"** means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

- (i) 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
- (ii) appears to be made in circumstances of unusual or unjustified complexity; or
- (iii) appears to not have economic rationale or bona-fide purpose; or
- (iv) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

**xiv.** A '**Small Account**' means a savings account which is opened in terms of sub-rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 17.

**xv.** "**Transaction**" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- a. opening of an account;
- b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- c. the use of a safety deposit box or any other form of safe deposit;
- d. entering into any fiduciary relationship;
- e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- f. establishing or creating a legal person or legal arrangement.

**xvi.** "**UCIC**" means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering into new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.

**(B)** Terms bearing meaning assigned in RBI Master Directions on KYC, unless the context otherwise requires, shall bear the meanings assigned to them below:

i. "**Common Reporting Standards**" (**CRS**) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

ii. "**Customer**" means a person who is engaged in a financial transaction or activity with the Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

iii. **"Walk-in Customer"** means a person who does not have an account based relationship with the Bank, but undertakes transactions with the Bank.

iv. **"Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner. v. "Customer identification" means undertaking the process of CDD.

vi. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

vii. **"IGA"** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.

viii. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

ix. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch / offices of the Bank or meeting the officials of Bank.

x. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.

xi. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

xii. **"Politically Exposed Persons" (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States / Governments, senior politicians, senior government / judicial / military officers, senior executives of state-owned corporations, important political party officials, etc.

xiii. **"Shell bank"** means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.

xiv. **"Wire transfer"** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.

xv. **"Domestic and cross-border wire transfer"**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the 'originator bank' or 'beneficiary bank' is located in different countries such a transaction is cross-border wire transfer.

(C) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder and 'Aadhaar and other Laws (amendment) Ordinance, 2019', any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.



## **Chapter - II**

### **General**

4. RBI has advised the Bank that a Know Your Customer (KYC) Policy, duly approved by the Board of Directors of the Bank, be formulated and put in place.

#### **4.1. Purpose**

The purpose of KYC policy is to put in place customer identification procedures for opening of accounts and monitoring transactions in the accounts for detection of transactions of suspicious nature for the purpose of reporting to Financial Intelligence Unit-India [FIU-IND] in terms of the recommendations made by Financial Action Task Force (FATF) and the paper issued on Customer Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision (BCBS) on AML standards and on CFT measures.

For this Policy, the term ‘Money Laundering’ would also cover financial transactions where the end-use of funds is for financing terrorism, irrespective of the source of funds.

#### **4.2. Objective**

The KYC Policy has been framed to develop a strong mechanism for achieving the following objectives:

**4.2.1.** To prevent Bank from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities. KYC procedures also enable the Bank to know/understand their customers and their financial dealings better, which in turn helps it to manage the associated risks prudently.

**4.2.2.** To enable the Bank to comply with all the legal and regulatory obligations in respect of KYC norms / AML standards / CFT measures / Bank’s Obligation under PMLA, 2002 and to cooperate with various government bodies dealing with related issues.

#### **5. The KYC policy includes following four key elements:**

- (a) Customer Acceptance Policy (CAP);
- (b) Risk Management;
- (c) Customer Identification Procedures (CIP); and
- (d) Monitoring of Transactions

#### **6. Designated Director:**

a. Bank to nominate an Executive Director on the Board as “designated Director”, as per provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, to ensure overall compliance with the obligations imposed

under Chapter IV of the PML Act and the Rules. Designated Director shall be nominated by the Board.

**b.** The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

**c.** In no case, the Principal Officer be nominated as the 'Designated Director'.

**7. Principal Officer:**

**a.** The Board has nominated Chief Inspector as Principal Officer of the Bank, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law / regulations.

**b.** The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

**c.** The Principal Officer will act independently and will report directly to top management in respect of duties assigned to PO under PML Act/Rules.

**8. Compliance of KYC policy:**

**(a)** Bank to ensure compliance with KYC Policy through:

**i.** A senior officer in the rank of Chief Manager will constitute as 'Senior Management' for the purpose of KYC compliance.

**ii.** Allocation of responsibility through Office Order for effective implementation of policies and procedures at Regional Office.

**iii.** All Regional offices to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.

**iv.** Independent evaluation of the compliance functions of Bank's policies and procedures, including legal and regulatory requirements be done by Compliance Officer, HO.

**v.** Concurrent / internal audit system to verify the compliance with KYC / AML policies and procedures and submit quarterly audit notes and compliance to the Audit Committee. At the end of every calendar quarter, implementation and compliance of concurrent audit reports on adherence to KYC-AML guidelines at branches would be reviewed for apprising Audit Committee of Board.

**vi.** Concurrent / internal audit to also ensure verification of compliance with KYC guidelines in system through system generated reports.

**(b)** Bank shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

**(c)** PML Rules require all offices of the Bank to carry out Risk Assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, and products, services, transactions or delivery channels. The risk assessment should

- i.** be documented;
  - ii.** consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
  - iii.** be kept up to date; and
  - iv.** be available to competent authorities and self-regulating bodies.
- (d)** The implementation of KYC-AML guidelines by branches in letter and spirit, has to be ensured by Regional Managers and the same is to be checked during their visit to branches.

**Chapter - III**  
**Customer Acceptance Policy**

**9. Bank to frame a Customer Acceptance Policy.**

**10.** Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, Bank shall ensure that:

- (a) No account is opened in anonymous or fictitious / benami name.
- (b) No account is opened where the Bank is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non-reliability of the documents / information furnished by the customer.
- (c) No transaction or account based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (e) 'Optional' / additional information is obtained with the explicit consent of the customer after the account is opened.
- (f) Bank will apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of Bank desires to open another account with the same Bank, there shall be no need for a fresh CDD exercise.
- (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (h) Circumstances in which, a customer is permitted to act on behalf of another person / entity, are clearly spelt out.
- (i) No account is opened where identity of the customer matches with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

**11.** Bank to ensure that the Customer Acceptance Policy shall not result in denial of banking / financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

## **Chapter - IV**

### **Risk Management**

**12.** For Risk Management, Bank shall have a risk based approach which includes the following.

- a. Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank (Annexure 1).
- b. Risk categorisation shall be undertaken based on parameters such as customer's identity, social / financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

It is hereby specified that the various other information collected from different categories of customers relating to the perceived risk, is non-intrusive.

Explanation: FATF Public Statement, the reports and guidance notes on KYC / AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

## **Chapter V**

### **Customer Identification Procedure (CIP)**

**13.** Customer Identification Procedure means undertaking client due diligence measures including identifying and verifying the customer and the beneficial owner.

Bank to undertake identification of customers in the following cases:

- a.** Commencement of an account-based relationship with the customer.
- b.** Carrying out any international money transfer operations for a person who is not an account holder of the Bank.
- c.** When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- d.** Selling third party products as agent, selling its own products, payment of dues of credit cards / sale and reloading of prepaid / travel cards and any other product for more than rupees fifty thousand.
- e.** Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- f.** When Bank has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- g.** Bank shall ensure that introduction is not to be sought while opening accounts.

**14.** For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Bank, will at its option, rely on customer due diligence done by a third party, subject to the following conditions:

- a.** Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- b.** Adequate steps are taken by Bank to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- c.** The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d.** The third party shall not be based in a country or jurisdiction assessed as high risk.
- e.** The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Bank.

## **Chapter VI**

### **Customer Due Diligence (CDD) Procedure**

#### **Part I -CDD Procedure in case of Individuals**

**15.** For undertaking CDD, Bank shall obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- a)** a certified copy of any OVD containing details of his identity and address
- b)** one recent photograph
- c)** the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962, and
- d)** Atleast one document in support of the declared Profession/activity, nature of business or financial status, annual income, turnover (in case of business) such as Registration certificate, Certificate/license issued by the municipal authorities under Shop and Establishment Act, Sales and income tax returns, CST/VAT/GST certificates, Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, License/certificate of practice issued by any professional body incorporated under a statue, Complete Income Tax Returns (Not just the acknowledgement) etc.

Provided that,

- i.** Bank shall obtain the Aadhaar number from an individual who is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016). Banks, at receipt of the Aadhaar number from the customer may carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India upon receipt of the customer's declaration that he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 (18 of 2016) in his account.
- ii.** Bank may carry out Aadhaar authentication/ offline-verification of an individual who voluntarily uses his Aadhaar number for identification purpose.

In cases where successful authentication has been carried out, other OVD and photograph need not be submitted by the customer.

Provided further that in case biometric e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, Bank shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the

certified copy of any other OVD from the customer. CDD done in this manner shall invariably be carried out by an official of the Bank and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. Bank shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Bank and shall be available for supervisory review.

**Explanation 1:** Bank shall, where its customer submits his Aadhaar number, ensure such customer to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act.

**Explanation 2:** Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

**Explanation 3:** The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, the Aadhaar and Other Law (Amendment) Ordinance, 2019 and the regulations made thereunder.

While establishing an account based relationship with individual customer, the branch official to ascertain as to whether the customer is already having a Cust ID with the Bank. In case the customer has an existing Cust ID, fresh Cust ID shall not be created and the new account shall be opened with the existing Cust ID.

The name, father's name, date of birth and address of the customer be filled in the same manner and style as it appears in the KYC document provided by the customer. Branch official will ensure that all the mandatory fields in Account Opening Form (marked as \*) such as Name, Fathers' name , date of birth, address , Identity Proof , address proof, Identification number (Identity proof document number) , Profession / activity (Nature of Business - specific) , total annual income , total annual turnover (in case of business) etc. are completely and correctly filled in by the customer and are also correctly captured in customer's database in CBS. The respective offices of the Bank shall ensure that branches are capturing correct data in CBS system, particularly in respect of Product Code, Profession/ Activity, Occupation, Income/ Turnover etc. as risk category of the customer is assigned on the basis of these parameters.

**16.** Accounts opened using OTP based e-KYC, in non face to face mode are subject to the following conditions:

- (i) There must be a specific consent from the customer for authentication through OTP.
- (ii) the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- (iii) the aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakh.



- (iv) As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- (v) Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 15 is to be carried out
- (vi) If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- (vii) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other Bank. Further, while uploading KYC information to CKYCR, Bank shall clearly indicate that such accounts are opened using OTP based e-KYC and other Banks shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- (viii) Bank shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance / violation, to ensure compliance with the above mentioned conditions.

**17.** In case an individual customer who does not possess any of the OVDs and desires to open a bank account, banks shall open a ‘Small Account’, which entails the following limitations:

- i.** the aggregate of all credits in a financial year does not exceed rupees one lakh;
- ii.** the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
- iii.** the balance at any point of time does not exceed rupees fifty thousand.

Provided, that this limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurements.

Further, small accounts are subject to the following conditions:

- a)** The bank shall obtain a self-attested photograph from the customer.
- b)** The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

Provided that where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

- c)** Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.

**d)** Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.

**e)** The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.

**f)** The entire relaxation provisions shall be reviewed after twenty four months.

**g)** The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established through the production of an OVD and Permanent Account Number or Form No.60, as the case may be.

**h)** Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established through the production of an OVD and Permanent Account Number or Form No.60, as the case may be.

**18.** KYC verification once done by one branch / office of the Bank shall be valid for transfer of the account to any other branch / office of the same Bank, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation.

## **Part II - CDD Measures for Sole Proprietary firms**

**19.** For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

**20.** In addition to the above, any two of the following documents as a proof of business / activity in the name of the proprietary firm shall also be obtained:

**(i)** Registration certificate

**(ii)** Certificate / license issued by the municipal authorities under Shop and Establishment Act.

**(iii)** Sales and income tax returns.

**(iv)** CST / VAT / GST certificate (provisional / final).

**(v)** Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities.

**(vi)** IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / License / certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.

**(vii)** Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated / acknowledged by the Income Tax authorities.

**(viii)** Utility bills such as electricity, water, and landline telephone bills.

**21.** In cases where the Bank is satisfied that it is not possible to furnish two such documents, Bank may, at their discretion, accept only one of those documents as proof of business / activity.

Provided Bank undertakes contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

### **Part III- CDD Measures for Legal Entities**

**22.** For opening an account of a company, certified copies of each of the following documents shall be obtained:

- (i) Certificate of incorporation;
- (ii) Memorandum and Articles of Association;
- (iii) Permanent Account Number of the company;
- (iv) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
- (v) Documents, as specified in Section 15, of the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.

**23.** For opening an account of a partnership firm, the certified copies of each of the following documents shall be obtained:

- (i) Registration certificate;
- (ii) Partnership deed;
- (iii) Permanent Account Number of the partnership firm; and
- (iv) Documents, as specified in Section 15, of the person holding an attorney to transact on its behalf.

**24.** For opening an account of a trust, certified copies of each of the following documents shall be obtained:

- (i) Registration certificate;
- (ii) Trust deed;
- (iii) Permanent Account Number or Form No.60 of the trust; and
- (iv) Documents, as specified in Section 15, of the person holding an attorney to transact on its behalf.

**25.** For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents shall be obtained:

- (i) Resolution of the managing body of such association or body of individuals;
- (ii) Permanent account number or Form No.60 of the unincorporated association or a body of individuals;

- (iii) Power of attorney granted to transact on its behalf;
- (iv) Documents, as specified in Section 15, of the person holding an attorney to transact on its behalf and
- (v) such information as may be required by the Bank to collectively establish the legal existence of such an association or body of individuals.

**Explanation:** Unregistered trusts / partnership firms shall be included under the term 'unincorporated association'.

**Explanation:** Term 'body of individuals' includes societies.

**26.** For opening accounts of juridical persons, not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained:

- (i) Document showing name of the person authorised to act on behalf of the entity;
- (ii) Documents, as specified in Section 15, of the person holding an attorney to transact on its behalf and
- (iii) Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.

**27.** For opening an account of Hindu Undivided Family, certified copies of each of the following documents shall be obtained :

- (i) Identification information as mentioned under Section 15 in respect of the Karta and Major Coparceners,
- (ii) Declaration of HUF and its Karta,
- (iii) Recent Passport photographs duly self-attested by major co-parceners along with their names and addresses.

#### **Part IV - Identification of Beneficial Owner**

**28.** For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the Rules to verify his / her identity shall be undertaken keeping in view the following :

- (a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- (b) In cases of trust / nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee / nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## **Part V - On-going Due Diligence**

**29.** Bank shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

**30.** Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c) High account turnover inconsistent with the size of the balance maintained.
- d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

**31.** The extent of monitoring shall be aligned with the risk category of the customer.

Explanation: High risk accounts have to be subjected to more intensified monitoring.

- (a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
- (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

**Explanation:** Cases where a large number of cheque books are sought by the company and/ or multiple small deposits (generally in cash) across the country in one bank account and / or where a large number of cheques are issued bearing similar amounts / dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

### **32. Periodic Updation**

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

- (a) Bank shall carry out
  - i. CDD, as specified in Section 16, at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
  - ii. In case of Legal entities, Bank shall review the documents sought at the time of opening of account and obtain fresh certified copies.

- (b) Bank may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.
- (c) Bank shall ensure to provide acknowledgment with date of having performed KYC updation.
- (d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- (e) In case of existing business relationship which is not KYC compliant or KYC has not been updated as per prescribed periodicity, Bank shall temporarily cease operations in the account. However, before temporarily ceasing operations for an account, the Bank shall give the client two notices of 10 days each and within 30 days period the account should be made KYC compliant otherwise operations in the account shall be frozen. The account holders shall have the option, to revive their accounts by submitting the KYC documents.

**33.** In case of existing customers, Bank shall obtain the Permanent Account Number or Form No.60, by such date as may be notified by the Central Government, failing which Bank shall temporarily cease operations in the account till the time the Permanent Account Number or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, the Bank shall give the client an accessible notice and a reasonable opportunity to be heard. However, operations in accounts of customers who are unable to provide Permanent Account Number or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes, may allowed to be continued. The Branch Head shall allow such relaxation for continuation of operations in such accounts till the time PAN or Form 60 is obtained from the customer for which an officer from the branch will be deputed to personally visit the customer for obtaining the PAN or Form 60. However, the Branch Head shall ensure that such accounts are subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with a Bank gives in writing to the Bank that he does not want to submit his Permanent Account Number or Form No.60, Bank shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

**Explanation** – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the Bank till such time the customer complies

with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

## **Part VI - Enhanced and Simplified Due Diligence Procedure**

### **A. Enhanced Due Diligence**

**34.** Accounts of non-face-to-face customers: Bank shall ensure that the first payment is to be effected through the customer's KYC-complied account with another Bank, for enhanced due diligence of non-face to face customers.

**35.** Accounts of Politically Exposed Persons (PEPs)

**a.** Bank shall have the option of establishing a relationship with PEPs provided that:

- (i) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (ii) the identity of the person shall have been verified before accepting the PEP as a customer;
- (iii) the decision to open an account for a PEP is taken at a senior level in accordance with the Bank' Customer Acceptance Policy;
- (iv) all such accounts are subjected to enhanced monitoring on an on-going basis;
- (v) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- (vi) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

**b.** These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

**36.** Client accounts opened by professional intermediaries: Bank shall ensure while opening client accounts through professional intermediaries, that:

**(a)** Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.

**(b)** Bank shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.

**(c)** Bank shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Bank.

**(d)** All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of Bank, and there are 'subaccounts',

each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Bank, the Bank shall look for the beneficial owners.

(e) Bank shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.

(f) The ultimate responsibility for knowing the customer lies with the Bank.

## **B. Simplified Due Diligence**

### **37. Simplified norms for Self Help Groups (SHGs)**

(a) CDD of all the members of SHG shall not be required while opening savings bank account of SHG.

(b) CDD all the office bearers shall suffice.

(c) No separate CDD as per the CDD procedure mentioned in Section 15 of the members or office bearers shall be necessary at the time of credit linking of SHGs.

### **38. Procedure to be followed by banks while opening accounts of foreign students**

(a) Banks shall, at their option, open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his / her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India.

i. Provided that a declaration about the local address shall be obtained within a period of 30 days of opening the account and the said local address is verified.

ii. Provided further that pending the verification of address, the account shall be operated with a condition of allowing foreign remittances not exceeding USD 1,000 or equivalent into the account and a cap of rupees fifty thousand on aggregate in the same, during the 30-day period.

(b) The account shall be treated as a normal NRO account, and shall be operated in terms of Reserve Bank of India's instructions on Non-Resident Ordinary Rupee (NRO) Account, and the provisions of FEMA. 1999.

(c) Students with Pakistani nationality shall require prior approval of the Reserve Bank for opening the account.



## **Chapter VII**

### **Record Management**

**39.** The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. Bank shall,

- a)** maintain all necessary records of transactions between the Bank and the customer, both domestic and international, for at least five years from the date of transaction;
- b)** preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- c)** make available the identification records and transaction data to the competent authorities upon request;
- d)** introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- e)** maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following :
  - i.** the nature of the transactions;
  - ii.** the amount of the transaction and the currency in which it was denominated;
  - iii.** the date on which the transaction was conducted; and
  - iv.** the parties to the transaction.
- f)** evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- g)** maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

## Chapter VIII

### Reporting Requirements to Financial Intelligence Unit - India

40. Bank shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

**Explanation:** In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the Bank for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

41. The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist Bank in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by Bank which are yet to install/adopt suitable technological tools for extracting CTR / STR from their live transaction data.

42. While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. Bank shall not put any restriction on operations in the accounts where an STR has been filed. Bank shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

43. Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

#### 44. Reports to be furnished to Financial Intelligence Unit – India.

##### (1) Cash Transaction Report (CTR).

(i) Report of all cash transactions of the value of more than rupee ten lakhs or its equivalent in foreign currency and all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transaction exceeds Rupees ten lakh. However, individual entries below Rs. 50,000/- will not be reported in the Cash Transaction Report.

(ii) The CTR for each month will be submitted to FIU-IND by 15th of the succeeding month.

(iii) A copy of monthly CTR submitted on its behalf to FIU-IND is available at the concerned branch (through MIS Report: Misc Reports Module under SENSRPT – 5/7 & 5/7a) for production to auditors/Inspectors, when asked for.

## **(2) Suspicious Transaction Reports (STR)**

**(i)** While determining suspicious transactions, bank will be guided by the definition of “suspicious transaction” as contained in PMLA Rules as amended from time to time.

"Suspicious transaction" means a "transaction" as defined below, including an attempted 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 not have economic rationale or bona-fide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

**Explanation:** Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

**(ii)** It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. Bank will report all such attempted transactions in STRs, even if not completed by the customers, irrespective of the amount of the transaction.

**(iii)** Bank to submit STRs if it has reasonable ground to believe that the transaction involves proceeds of crime irrespective of the amount of the transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

**(iv)** Bank will ensure furnishing of STR within seven days of arriving at a conclusion by the Principal Officer of the Bank that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.

**(v)** Bank will ensure not to put any restrictions on operations in the accounts where an STR has been filed. The submission of STR will be kept strictly confidential, as required under PML Rules and it will be ensured that there is no tipping off to the customer at any level.

**(vi)** The primary responsibility for monitoring and reporting of suspicious transaction shall be of the branch. The monitoring of the transactions will also be done by Controlling offices, who will also interact with the branches to facilitate monitoring and reporting of suspicious transactions. Controlling offices shall monitor transactions in customer accounts, in general, and high risk accounts/ high value transactions, in particular.

## **(3) Counterfeit Currency Report (CCR)**

Cash transactions were forged or counterfeit currency notes have been used as genuine or where any forgery of a valuable security or document has taken place facilitating the

transactions will be reported to Financial Intelligence Unit-India in the specified format by 15th of the succeeding month.

**(4) Non Profit Organisations Transaction report [NTR]**

Bank will report all transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency to the Director, Financial Intelligence Unit-India by the 15th of the succeeding month.

## **Chapter IX**

### **Other Instructions**

#### **45. Secrecy Obligations and Sharing of Information:**

- (a) Bank shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
- (b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer
- (c) While considering the requests for data / information from Government and other agencies, bank shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- (d) The exceptions to the said rule shall be as under:
  - I. Where disclosure is under compulsion of law,
  - II. Where there is a duty to the public to disclose,
  - III. the interest of bank requires disclosure and
  - IV. Where the disclosure is made with the express or implied consent of the customer.

#### **46. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**

Bank shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The KYC data / documents pertaining to all new individual accounts opened on or after January 1, 2017 have to be invariably uploaded with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 within ten days of opening the accounts.

#### **47. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)**

Under FATCA and CRS, Bank shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution,
- b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

**Explanation:** Bank shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H.

- c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.
- d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
- f) Ensure compliance with updated instructions / rules / guidance notes / Press releases / issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the web site <http://www.incometaxindia.gov.in/Pages/default.aspx>. Bank may take note of the following:
  - i) updated Guidance Note on FATCA and CRS
  - ii) a press release on 'Closure of Financial Accounts' under Rule 114H (8).

#### **48. Period for presenting payment instruments**

Payment of cheques / drafts / pay orders / banker's cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made.

#### **49. Operation of Bank Accounts & Money Mules**

The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimize the operations of "Money Mules" which are used to launder the proceeds of fraud schemes (e.g., phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties which act as "money mules." If it is established that an account opened and operated is that of a Money Mule, it shall be deemed that the bank has not complied with these directions.

#### **50. Collection of Account Payee Cheques**

Account payee cheques for any person other than the payee constituent shall not be collected. Bank shall, at their option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are

co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies.

**51. a)** A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by bank.

**b)** The bank shall not issue UCIC to all walk-in / occasional customers such as buyers of pre-paid instruments / purchasers of third party products. However, UCIC shall be allotted to such walk-in customers who have frequent transactions.

**52. Introduction of New Technologies - Credit Cards / Debit Cards / Smart Cards / Gift Cards / Mobile Wallet / Net Banking / Mobile Banking / RTGS / NEFT / ECS / IMPS etc.**

Adequate attention shall be paid by Bank to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products / services / technologies. Agents used for marketing of credit cards shall also be subjected to due diligence and KYC measures.

**53. Wire transfer**

Bank shall ensure the following while effecting wire transfer:

- a)** Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- b)** Customer Identification shall be made if a customer is intentionally structuring wire transfer below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish his identity and STR shall be made to FIU-IND.
- c)** Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.
- d)** A bank processing as an intermediary element of a chain of wire transfers shall ensure that all originator information accompanying a wire transfer is retained with the transfer.
- e)** The receiving intermediary bank shall transfer full originator information accompanying a cross-border wire transfer and preserve the same for at least five years if the same cannot be sent with a related domestic wire transfer, due to technical limitations.
- f)** All the information on the originator of wire transfers shall be immediately made available to appropriate law enforcement and / or prosecutorial authorities on receiving such requests.
- g)** Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.

- h) Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.
- i) The beneficiary bank shall seek detailed information of the fund remitter with the ordering bank and if the ordering bank fails to furnish information on the remitter, the beneficiary shall consider restricting or terminating its business relationship with the ordering bank.

#### **54. Issue and Payment of Demand Drafts, etc.**

Any remittance of funds by way of demand draft, mail / telegraphic transfer / NEFT / IMPS or any other mode and issue of travelers' cheques for value of rupees fifty thousand and above shall be effected by debit to the customer's account or against cheques and not against cash payment. Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank. These instructions shall take effect for such instruments issued on or after September 15, 2018.

#### **55. Quoting of PAN**

Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN.

#### **56. Selling Third party products**

Bank acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- a) the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 13(e) of this Directions.
- b) transaction details of sale of third party products and related records shall be maintained as prescribed in Chapter VII Section 39.
- c) AML software capable of capturing, generating and analyzing alerts for the purpose of filing CTR / STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- d) transactions involving rupees fifty thousand and above shall be undertaken only by:
  - i) debit to customers' account or against cheques; and
  - ii) obtaining and verifying the PAN given by the account based as well as walk-in customers.
- e) Instruction at 'd' above shall also apply to sale of Bank's own products, payment of dues of credit cards / sale and reloading of prepaid / travel cards and any other product for rupees fifty thousand and above.

#### **57. At-par cheque facility availed by co-operative banks**



- a) The 'at par' cheque facility offered by Bank to co-operative banks shall be monitored and such arrangements be reviewed to assess the risks including credit risk and reputational risk arising therefrom.
- b) The right to verify the records maintained by the customer cooperative banks / societies for compliance with the extant instructions on KYC and AML under such arrangements shall be retained by Bank.

**58. Issuance of Prepaid Payment Instruments (PPIs):**

Bank shall ensure that the instructions issued by Department of Payment and Settlement System of Reserve Bank of India through their Master Direction are strictly adhered to.

**59. Hiring of Employees and Employee training**

- a) Adequate screening mechanism as an integral part of their personnel recruitment/ hiring process shall be put in place.
- b) On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML / CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML / CFT policies of the Bank, regulation and related issues shall be ensured.

## Annexure I

### 60. RISK CATEGORISATION

For proper risk assessment of business relationship with customers and evolving suitable monitoring mechanism, all customers are to be categorized as High risk, Medium risk and Low risk. It is to be specifically noted that risk categorisation is meant for proper monitoring of accounts and does not reflect in any way on the account holders. Risk Categorisation done by the Branch should not be disclosed to the customers.

The risk categorization of customers as also compilation and periodic updation of customer profiles and monitoring and closure of alerts in accounts by banks are extremely important for effective implementation of KYC/AML/CFT measures. Any laxity in effective implementation of these guidelines will leave the bank vulnerable to operational risk. Compliance with the regulatory guidelines on KYC/AML/CFT should, therefore, be ensured both in letter and spirit.

While the extent of knowledge / information available on customers to prove their identity sufficiently will determine the risk perception and concomitantly risk categorisation, we give below an illustrative list of customers / groups who may be assigned different risk categories:

#### **A) High Risk Category.**

1. Politically Exposed person of foreign origin
2. Bullion Dealers/jewellers
3. Non Resident Customers (NRIs)
4. Trust Charities, NGOs & Organisations receiving donations from India & abroad
5. Non face- to-face Customers
6. Customers domiciled in/having transactions with High Risk Countries as per Financial Action Task Force (FATF) statement
7. Firms with Sleeping partners
8. Companies having close family shareholding
9. Multi-Level Marketing Companies
10. Accounts of Mules
11. Customers of dubious reputation
12. High Net worth Individuals - Individuals with total deposits of Rs.1.50 Crores or more
13. Pooled Accounts
14. Individual/entities involved in any fraud/forgery/antination activity/ terrorism/tax-evasion/insider trading may be classified as High Risk
15. Account opened/operated by Power of Attorney Holders

16. Customer accounts where STR has already been filed with FIU

### **B) Medium Risk Category**

1. New accounts opened under Low Risk while on boarding, during first 180 days of opening the account, except those pertaining to Central/State Governments, PSUs and JVs with Govt., Regulators, FIs, Statutory Bodies, salaried persons/pensioners of these organizations, Small Accounts and any product(s) that is/are specifically mandated to be opened under Low Risk.
2. Non-Bank Financial Institution
3. Stock Brokers
4. Import/Export customers
5. Telemarketers
6. Pawn Shops
7. Auctioneers
8. Venture Capital Companies
9. All In-operative accounts

### **C) Low Risk Category**

1. Salaried Employees (whose salaries are well defined)
2. Customer belonging to lower economic strata, accounts opened under financial inclusion
3. NGOs/NPOs promoted by UN or its agencies.
4. Government owned Companies/ Departments and (State/Central), PSUs, JVs with Govt., Regulators, FIs, Statutory bodies etc.
5. All customers not classified either as High/Medium Risk Categories

Risk categorization will be assigned by branches at the time of opening the account or whenever there is a change in the profile of the customer as per the criteria/classification mentioned in Para 60. It is important to recognise that the KYC process does not start and end with opening of accounts. Transactions should be monitored depending on the risk sensitivity of the account. Branches should pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the branch functionaries. High risk accounts should be subjected to intensive monitoring. High value transactions by non-account holding customers also to be monitored carefully.