



MAHESH SAHAKARI BANK LTD., PUNE

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Know Your Customer (KYC) Policy, 2023-24

(As per RBI's Master Direction on KYC last updated up to 04.05.2023 and RBI/2023-24/69 DOR.AML. REC. 44/14.01.001/2023-24 dated 17.10.23)

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 other Laws / regulations, 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 Direction on Know Your Customer (updated up to 04.05.2023) and GOI (MOF) Gazette Notification dated 03.05.2023 & 09.05.2023

OBJECTIVES AND PURPOSE

India, being a member of Financial Action Task Force (FATF) is committed to upholding measures to protect the integrity of international financial system. To prevent Bank from being used as a channel for Money Laundering (ML)/ Terrorist Financing (TF) and to ensure the integrity and stability of the financial system, efforts are continuously being made both internationally and nationally, by way of various rules and regulations. The KYC Policy has been framed to develop a strong mechanism for achieving the following objectives:

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.

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.

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.

Scope and applicability of KYC Policy of the Bank

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). The provisions of KYC Policy guidelines shall apply to all the branches / offices of the Bank. Provided this rule shall not apply to 'small accounts'.

RBI vide MD dated 17.10.23 instructed Bank that where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India. *RBI may advise further necessary action by the Bank including application of additional measures to be taken by the Bank to manage the ML/TF risks.*

Implementation of group-wide policy

In terms of PML Rules, groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the PML Act, 2002. (15 of 2003). Accordingly, every RE which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

Bank's policy framework shall seek to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and should provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks

Preliminary

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, 2023.

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 sub-section (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.

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.
- b. **Explanation- For the purpose of this sub-clause-**
 - (i) "Controlling ownership interest" means ownership of / entitlement to more than 10 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.

- c. 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 10 percent of capital or profits of the partnership or who exercises control through other means.

Explanation - For the purpose of this sub-clause, "control" shall include the right to control the management or policy decision

- d. 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.
- e. 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.
- f. 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 10% 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.
- g. "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 authorized officer of the Branch under his Authorized Number. Branch Official will also attest the duly signed photograph of the customer.
- h. "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.
- i. 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.
- j. "**Group**"- **The term "group"** shall have the same meaning assigned to it in clause (e) of sub section (9) of section 286 of the Income -tax Act,1961 (43 of 1961).
- k. xi. "Know Your Client (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry.

Non-profit organizations" (NPO) means any entity or organization, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-Tax Act, 1961 (43 of 1961), 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 (18 of 2013).

"Officially valid document" (OVD) means the passport, the driving license, 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 or the equivalent e-documents thereof 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 license agreements with such employers allotting official accommodation.

Further, at the time of on-boarding of the customer, an undertaking should be obtained from the customer along with AOF/OVDs stating that Customer shall submit his OVD with updated current address within 3 months failing which operations in his account shall be restricted.

- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above, failing which the operations in the account shall be restricted (Debit-frozen).
- d. 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.

"Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).

"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), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

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

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

"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.

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 as specified in relevant section.

"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.

"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.

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 using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional 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, or any international money transfer operations, shall include:

1. Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;
 2. Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
 3. Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.
- v. "Customer identification" means undertaking the process of CDD.
- vi. "On-going Due Diligence" means regular monitoring of transactions in accounts to ensure that those are consistent with Banks knowledge about the customers, customers' business and risk profile, the source of funds / wealth.
- vii. 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.
- viii. **Shell Bank**" means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.

Wire transfer" related definitions:

- A) Batch transfer: Batch transfer is a transfer comprised of a number of individual wire transfers that are being sent to the same financial institutions but may/may not be ultimately intended for different persons
- B) Beneficiary: Beneficiary refers to a natural or legal person or legal arrangement who / which is identified by the originator as the receiver of the requested wire transfer.
- a. Beneficiary Bank: It refers to a financial institution, regulated by the RBI, which receives the wire transfer from the ordering financial institution directly or through an intermediary Bank and makes the funds available to the beneficiary.
 - b. Cover Payment: Cover Payment refers to a wire transfer that combines a payment message sent directly by the ordering financial institution to the beneficiary financial institution with the routing of the funding instruction (the cover) from the ordering financial institution to the beneficiary financial institution through one or more intermediary financial institutions-
 - c. Cross-border wire transfer: Cross-border wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in different countries. This term also refers to any chain of wire transfer in which at least one of the financial institutions involved is located in a different country.

- d. Domestic wire transfer: Domestic wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in India. This term, therefore, refers to any chain of wire transfer that takes place entirely within the borders of India, even though the system used to transfer the payment message may be located in another country.
- e. Financial Institution: In the context of wire-transfer instructions, the term 'Financial Institution' shall have the same meaning as has been ascribed to it in the FATF Recommendations, as revised from time to time.
- f. Intermediary Bank: Intermediary Bank refers to a financial institution or any other entity, regulated by the RBI which handles an intermediary element of the wire transfer, in a serial or cover payment chain and that receives and transmits a wire transfer on behalf of the ordering financial institution and the beneficiary financial institution, or another intermediary financial institution.
- g. Ordering Bank: Ordering Bank refers to the financial institution, regulated by the RBI, which initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the originator.
- h. Originator: Originator refers to the account holder who allows the wire transfer from that account, or where there is no account, the natural or legal person that places the order with the ordering financial institution to perform the wire transfer.
- i. Serial Payment: Serial Payment refers to a direct sequential chain of payment where the wire transfer and accompanying payment message travel together from the ordering financial institution to the beneficiary financial institution directly or through one or more intermediary financial institutions (e.g., correspondent banks).
- j. Straight-through Processing: Straight-through processing refers to payment transactions that are conducted electronically without the need for manual intervention.
- k. Unique transaction reference number: Unique transaction reference number refers to a combination of letters, numbers or symbols, determined by the payment service provider, in accordance with the protocols of the payment and settlement system or messaging system used for the wire transfer.
- l. Wire transfer: Wire transfer refers to any transaction carried out on behalf of an originator through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary at a beneficiary financial institution, irrespective of whether the originator and the beneficiary are the same person.

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, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

General

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

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.

Objective

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

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.

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.

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

MONITORING OF TRANSACTIONS

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. Bank may consider adopting appropriate innovations including artificial intelligence and machine learning (AI and ML) to support effective monitoring.

Money Laundering and Terrorist Financing Risk Assessment by Bank

'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise to be carried out periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, Bank shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with Bank from time to time.

The risk assessment by the Bank shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Bank. Further, the periodicity of risk assessment exercise shall be determined by the Board of the Bank, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

Bank is applying a Risk Based Approach (RBA) for mitigation and management of the risks identified on their own instead of National risk assessment and have Board approved policies, controls and procedures in this regard. Bank shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, Bank shall monitor the implementation of the controls and enhance them if necessary.

Audit Department shall carry out the above said Risk Assessment review of branches at least on annual basis. The outcome of the exercise shall be put up to the ACB of the Board and should be available to competent authorities. Bank shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have approved controls and procedures in this regard. Further, Bank shall monitor the implementation of the controls and enhance them if necessary.

Designated Director:

A Director on the Board to be nominated 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.

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

In addition to communicating to the FIU-IND Bank shall communicate the name, designation address and contact details of designated director and principal Officer to the Reserve Bank.

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

Principal Officer:

The Board has nominated ABM - Audit Cell 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.

- a. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- b. The Principal Officer will report to Designated Director through AGM/DGM Audit Department who shall be the administrative head of Audit department.
- c. The Principal Officer will maintain close liaison with enforcement agencies, banks and other institutions which are involved in the fight against money laundering and combating financing of terrorism.

Compliance of KYC policy:

- a) Compliance with KYC Policy is to be ensured through:
 - i. All HO Divisions to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.
 - ii. Independent evaluation of the compliance functions of Bank's policies and procedures, including legal and regulatory requirements be done by Compliance Division, HO.

- iii. 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
 - iv. Concurrent / internal audit to also ensure verification of compliance with KYC guidelines.
- b) It is to be ensured that decision-making functions of determining compliance with KYC norms are not outsourced by the bank.
- 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- be documented;
- i. consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
 - ii. be kept up to date; and
 - iii. be available to competent authorities and self-regulating bodies.
- iv. Bank shall treat the risk categorization and reasons for risk categorization of customers as confidential.
- d) The implementation of KYC-AML guidelines by branches in letter and spirit, has to be ensured by Head Office and the same is to be checked during their visit to branches by H.O. Officials.

Customer Acceptance Policy

A Customer Acceptance Policy has been framed by the bank, as under

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, it is to be ensured 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) The CDD procedure is to be applied at the Uniform customer identification 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.
- j. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

- k. Where an equivalent e-document is obtained from the customer, the digital signature has to be verified as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- l. Where Goods & Services Tax (GST) details are available, the GST number shall be verified from the search/ verification facility of the issuing authority.
- m. It is clarified that additional information where such information requirement has not been specified in the internal KYC Policy of the Bank, is obtained with the explicit consent of the customer.

It is to be ensured 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.

Where a suspicion of money laundering or terrorist financing, is formed and reasonably believed that performing the CDD process will tip-off the customer, CDD process shall not be pursued, instead it shall be reported to H . O . f o r onward submission of STR to FIU –IND.

Risk Management

For Risk Management, Bank has adopted risk based approach which includes the following.

- a. Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Bank.
- b. Risk categorization 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.
- c. The risk categorization of a customer and the specific reasons for such categorization shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

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.

Customer Identification Procedure (CIP)

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. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c. Selling third party products as agent, selling its own products and any other product for more than rupees fifty thousand.

- d. 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.
- e. 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.
- f. It is to be ensured that introduction is not to be sought while opening accounts.
- g. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Bank to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements in line with the requirements and obligations under the PML Act. and undertaking enhanced due diligence measures, as applicable, will be with the Bank.

Customer Due Diligence (CDD) Procedure

Part I -CDD Procedure in case of Individuals

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

- a) The Aadhaar number where,
 - i. 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); or
 - ii. he decides to submit his Aadhaar number voluntarily to the bank; or
 - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
 - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or
 - (ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- b) The Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962 and
- c) One recent photograph; and such other documents including in respect of the nature of business and financial status of the customer,

Provided that where the customer has submitted,

- i. Aadhaar number under clause (a) above, authentication of the customer's Aadhaar number to be carried out using OTP on mobile linked to aadhar wherever possible.
- ii. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Bank.
- iii. Proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the Bank shall carry out offline verification.

Provided further that in case OTP on mobile linked 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 it shall be ensured that apart from obtaining the Aadhaar number,

identification to be performed preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the Bank.

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 Customer ID with the Bank. In case the customer has an existing Customer ID, fresh Customer ID shall not be created and the new account shall be opened with the existing Customer 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 / Customer Master Form 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 C D S C d e p a r t m e n t of the Bank shall ensure that a c c o u n t s a r e capturing correct data in CBS system, particularly in respect of Constitution Code, Profession/ Activity, Occupation, Income/ Turnover etc. as risk category of the customer is assigned on the basis of these parameters.

In order to verify the authenticity of the KYC document, the authorized official shall online verify Officially Valid Document (OVD) & PAN card details furnished by the customer from central authentic database, wherever available, in public domain. PAN Card and Voter Identity Card, wherever obtained, be verified on-line through the following websites and a print of on-line verification of the said document be held on record with the relevant AOF:

Name of Documents	Website / Link
PAN Card	On line PAN verification
Voter Identity Card	www.nvsp.in (National Voters Service Portal)

As a matter of policy in our Bank Accounts in non-face to face mode will not to be opened using Aadhaar OTP based e-KYC and Video based Customer Identification Process (V-CIP) till creation of required infrastructure and skill up gradation of staff.

1. Notwithstanding anything contained above and as an alternative thereto, in case an individual who desires to open a bank account, bank 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) A self-attested photograph to be obtained 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) Branches shall monitor and ensure that foreign remittances are not credited to the account.
 - d) It is to be ensured 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.
2. 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

1. For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.
2. In addition to the above, any two of the following documents thereof as a proof of business / activity in the name of the proprietary firm shall also be obtained:
 - (i) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
 - (ii) Certificate / Licence 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 / Licence / 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.

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

Provided it 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

3. **For opening an account of a company**, certified copies of each of the following documents or the equivalent e-document thereof 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;
 - (iv) Documents, as specified in CDD procedure of individuals relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.
 - (v) The names of the relevant persons holding senior management position: and
 - (vi) The registered office and the principal place of its business, if it is different.

4. **For opening an account of a partnership firm**, the certified copies of each of the following documents thereof shall be obtained:
 - (i) Registration certificate;
 - (ii) Partnership deed;
 - (iii) Permanent Account Number of the partnership firm; and Documents, as specified in CDD procedure of individuals relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
 - (iv) The names of all the partners and
 - (v) address of the registered office, and the principal place of its business, if it is different.

5. **For opening an account of a trust**, certified copies of each of the following documents thereof shall be obtained:
 - (i) Registration certificate;
 - (ii) Trust deed;
 - (iii) Permanent Account Number or Form No.60 of the trust; and
 - (i) Documents, as specified in CDD procedure of individuals relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
 - (ii) the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust
 - (iii) the address of the registered office of the trust; and
 - (iv) list of trustees and documents under CDD procedure of individuals relating to beneficial owner, for those discharging role as trustee and authorised to transact on behalf of the trust.

6. **For opening an account of an unincorporated association or a body of individuals**, certified copies of each of the following documents thereof 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 CDD procedure of individuals relating to beneficial owner, the managers, officers or employees, as the case may be, 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.

7. **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 thereof shall be obtained:
- (i) Document showing name of the person authorized to act on behalf of the entity;
 - (ii) Documents, as specified in CDD procedure of individuals 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.
8. **For opening an account of Hindu Undivided Family**, certified copies of each of the following documents shall be obtained :
- (i) Identification information as specified in CDD procedure of individuals of the person 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.
 - (iv) The Permanent Account Number document thereof or Form No. 60 as defined in Income-tax Rules, 1962.

9. **Part IV - Identification of Beneficial Owner**

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 to verify his / her identity shall be undertaken keeping in view the following:

Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdiction notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

- (a) 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.

- (b) Provided that in case of a trust, the Bank shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (b), (e) and (f) of Section 13 of MD of RBI dated 17.10.23.

9. Part V - On-going Due Diligence

On-going due diligence of customers to be undertaken to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

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.
 - e) For ongoing due diligence, Bank may consider adopting appropriate software technology to support effective monitoring.
9. 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 categorization 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 state /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.

10. Periodic Updation

Bank shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk

A risk-based approach is adopted by the Bank for periodic updation of KYC. 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 from the date of opening of the account / last KYC updation.

The detailed 'Standard Operating Procedure for Periodic KYC Updation' has been placed at Annexure.

(a) Individual Customers:

- i. **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the Bank, customer's mobile number registered with the Bank, ATMs, digital channels (such as online banking / internet banking, mobile application of Bank), letter etc.
- ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the Bank, digital channels (such as online banking / internet banking, mobile application of Bank), letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification.
- iii. **Accounts of customers, who were minor at the time of opening account, on their becoming major:** In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the base branch. Wherever required, branch may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major. As the KYC documents are to be maintained at base branch, the customer may contact his/her base branch.

(b) Customers other than individuals:

- i. **No change in KYC information:** In case of no change in the KYC information of the Legal Entity (LE) customer, a self-declaration (letter from an official authorized by the LE in this regard, board resolution etc.) in this regard shall be obtained from the LE customer through its email id registered with the Bank/ by post/ by visiting the base branch. Further, branch shall ensure during this process that Beneficial Ownership (BO)/Authorized Signatories information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ii. **Change in KYC information:** In case of change in KYC information, Bank shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

(c) Additional measures: In addition to the above, it shall be ensured by the concerned offices that,

- i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Bank are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the Bank has expired at the time of periodic updation of KYC, Bank shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.

- ii. Customer's PAN details, if available with the Bank, is verified from the database of the issuing authority at the time of periodic updation of KYC.
 - iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information/ documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Bank and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
- (d)** In case of existing business relationship which is not KYC compliant, operations in the account to be temporarily ceased. However, before temporarily ceasing operations for an account, it is to be ensured to 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.
- (e)** Bank shall advise the customers that in order to comply with the PML rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary; customers shall submit to the Bank the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at Bank's end.

Freezing and closure of Non- KYC Compliance Accounts

In case of existing customers, the Permanent Account Number thereof or Form No.60 to be obtained, 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 thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, the client is to be given an accessible notice and a reasonable opportunity to be heard.

However, operations in accounts of customers who are unable to provide Permanent Account Number thereof 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 document thereof 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 thereof or Form 60. However, the Branch Manager 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 thereof 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

Enhanced Due Diligence for High Risk Customers

- A. In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. Branches shall take a robust process of due diligence for dealing with requests for change of registered mobile number.
- B. Apart from obtaining the current address proof, concerned official shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.
- C. PAN shall be obtained from the customer and it shall be verified from the verification facility of the issuing authority.
- D. First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.

Accounts of Politically Exposed Persons (PEPs)

Bank shall have the option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:

- (a) Bank have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
- (b) Reasonable measures are taken by the Bank for establishing the source of funds / wealth;
- (c) the approval to open an account for a PEP shall be obtained from the senior management i.e. Chief officer and above.
- (d) all such accounts are subjected to enhanced monitoring on an on-going basis;
- (e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval i.e. Chief Officer and above is obtained to continue the business relationship;
- (f) These instructions shall also be applicable to family members or close associates of PEPs.

As a matter of policy our Bank is not opening accounts of customers by professional intermediaries.

Identification and monitoring of Money Mule Accounts

- a. Accounts of natural persons having very low balance (say a few hundred rupees) and not operated for more than a year
OR
- b. Accounts of natural persons having been opened as small accounts, as defined above in KYC policy.
AND
- c. Receiving multiple credits of small amounts in quick succession in a very short span

of time followed by immediate withdrawals (cash or transfer, single or multiple) would be flagged as suspected money mule accounts.

Any such account, which has been flagged as suspected money mule account, would immediately be subjected to Enhanced Due Diligence (EDD) and enhanced monitoring without any tip off to the customer. The accounts then identified as suspected money mule shall be reported in Suspicious Transaction Report (STR) to FIU-IND

B. Simplified Due Diligence

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) Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.

Record Management

The following steps shall be taken regarding maintenance, preservation and reporting of customer 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.

Explanation-For the purpose of this Section, the expressions “records pertaining to the identification”, “Identification records”, etc., shall include updated records of the identification data, account files, business correspondence if engaged by Bank and results of any analysis undertaken.

Bank shall ensure that in case of customers who are non-profit organizations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, Bank shall register the details on the DARPAN Portal. Bank shall also maintain such registration records for a period of five years after the business relationship between the customer and the Bank has ended or the account has been closed, whichever is later.

Reporting Requirements to Financial Intelligence Unit - India

The BO/Head office 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.

The following reports shall be furnished to Financial Intelligence Unit-India as per guidelines prescribed by RBI / FIU as applicable and within the timelines specified.

- (i) Cash Transaction Report [CTR].
- (ii) Suspicious Transactions Report [STR]
- (iii) Counterfeit Currency Report [CCR]
- (iv) Non Profit Organizations Transaction report [NTR]

The Reporting Formats

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 by upgraded version of Swiftcore 6.0 for extracting CTR / STR from their live transaction data.

The reporting formats to FIU-IND and Report Generation Utility and Report Validation Utility developed by BSG.- IT soft Pvt. Ltd., Mumbai is presently used by the Bank in the preparation of prescribed reports .for extracting CTR / STR from their live transaction data

Furnishing of Information

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 merely on the basis of the STR filed.

Every Bank its directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under Section 4(b) of RBI Master Direction 17.10.23 of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

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.

Requirements/obligations under International Agreements Communications from International Agencies –

Bank shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC) through RBI.

Reports to be furnished to Financial Intelligence Unit – India.

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

Suspicious Transaction Reports (STR)

- (i) While determining suspicious transactions, bank is to 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. All such attempted transactions in STRs to be reported, even if not completed by the customers, irrespective of the amount of the transaction.
- (iii) STR to be submitted 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) Furnishing of STR to be ensured within seven days of arriving at a conclusion by the Principal Officer and committee of General Managers of the Bank that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.
- (v) It shall be ensured 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.

For effective monitoring of transactions of the customers, Bank has implemented an AML system of BSG.-IT soft Pvt.Ltd., Mumbai for generation of AML alerts on the pre-defined scenarios, as advised by Financial Intelligence Unit – India (FIU-IND) from time to time. These scenarios will be periodically reviewed to make them more effective based on the feedback received and experience gained. In case any suspicious transaction is detected, the same be reported to Committee of General Managers by Principal Officer for onward submission of Suspicious Transaction Report (STR) to Financial Intelligence Unit – India (FIU-IND) through FINnet Gateway after getting the approval of GM Committee.

Indicative list of various types of indicators i.e. customer behaviour and risk based transaction monitoring, high & medium risk: customers/ products & services/ geographies/ locations/alerts for branches/ departments, are attached at **Annexure**.

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.

Non Profit Organizations Transaction report [NTR]

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

Cross-border Wire Transfer Report [CWTR]

Cross-Border Wire Transfer Report (CWTR) to be filed to the Director, Financial Intelligence Unit-India by 15th of succeeding month for all cross border wire transfers of the value of more than Rs 5 lakh or its equivalent in foreign currency where either the origin or destination of fund is in India.

Internal Control System

At each Branch Office, Branch Manager be designated as Nodal Officer for compliance of KYC Policy in branch under its jurisdiction. Nodal officer will also monitor and strengthen the internal control system for prevention of money laundering and combating financing of terrorism at branch level. Nodal Officer will ensure that banking

channel / products / services are not misutilized for money laundering to the detriment of national interest.

At Head Office, Principal Officer would be responsible for compliance of KYC Policy in all the branches. He will prepare STRs pertaining to local adverse media reports, Law Enforcement Agency enquiries, public complaints, behavioral scenarios, attempted transactions etc. in all the branches.

Principal Officer to ensure that field functionaries are sensitized on KYC / AML guidelines and ensure that no money laundering activities take place in the branches under his/her jurisdiction. For this purpose he/she should also ensure on-site supervision by visiting the branches under his/her jurisdiction for random checking of compliance of KYC / AML guidelines of the Bank.

Monitoring, analysis & closure of AML alerts, shall be done at audit department regularly. Principal Officer will analyze alerts regularly thorough analysis of the transactions / alerts and ensuring that all the transactions are genuine in nature & match with the business profile of customers .

Post-closure scrutiny of closed alerts (@20%) shall be undertaken by Principle Officer Further, Head of Audit will also review / scrutinize at least 5% of the closed alerts, on sample basis. Designated Director. They will also ensure that necessary corrective steps are initiated for the discrepancies observed during sample checking.

STRs on all suspicious transactions shall be put up by Principal Officer immediately for approval to GM Committee for onward submission to FIU-IND. Similarly, STRs on adverse media reports, Law Enforcement Agency enquiries etc. shall also be prepared and put up to GM Committee.

During analysis of alerts, special attention shall be given to alerts pertaining to High Risk Customers, Politically Exposed Persons & High Value Transactions.

- i. Incumbent In charge of CDSC will be responsible for opening of accounts and ensure that KYC / AML guidelines are being strictly adhered to as per the laid down procedures. Account opened during the quarter are subject to Concurrent Audit by Auditor of H.O. on Quarterly basis. CDSC department ensures rectification of Discrepancies observed by Concurrent Auditor within reasonable time frame.
- ii. For discharging the responsibilities effectively, the Principal Officer and other appropriate staff should have timely access to Customer Identification Data and other Customer Due Diligence information, transaction records and other relevant information.
- iii. Any changes in KYC Policy, on account of amendments made by RBI in its Master Direction on KYC, shall be immediately adopted by the Bank and circular shall be issued. The information regarding such change shall be placed before Board on regular basis for information/ratification. However, ACB / CEO may allow amendment in operational matters related to KYC and AML, within RBI guidelines.

Requirements / Obligations under International Agreements- Communications from International Agencies

Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967:

All offices shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals / entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs (MHA) as required under UAPA notification dated February 2, 2021 (**Annexure-II of Master Direction of RBI on KYC last updated upto 04.05.2023**).

Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967

The procedure laid down in the UAPA Order dated February 2, 2021 (**Annexure-II of Master Direction of RBI on KYC last updated upto 04.05.2023**) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

All offices shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time. The aforementioned lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by all the offices for meticulous compliance.

Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005):

- (a) All offices shall ensure meticulous compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated January 30, 2023, by the Ministry of Finance, Government of India (Annexure III of Master Direction of RBI last updated upto 04.05.2023).
- (b) In accordance with paragraph 3 of the aforementioned Order, all offices shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- (c) Further, all offices shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.
- (d) Banks are encouraged to leverage latest technological innovations and tools for effective implementation of name screening to meet the sanction requirements.
- (e) Bank shall undertake countermeasures when called upon to do so by any international or intergovernmental organization of which India is a member and accepted by the Central Government.

Other Instructions

Secrecy Obligations and Sharing of Information:

- (a) All offices shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
- (b) While considering the requests for data / information from Government and other agencies, all offices 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.
- (c) 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.
- (d) 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

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

- a. 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.
- b. In terms of provision of Rule 9(1A) of PML Rules, the Bank has to capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer. Operational Guidelines for uploading the KYC data have been released by CERSAI.
- c. KYC records pertaining to accounts of LEs opened on or after April 1, 2021 have to be uploaded, with CKYCR in terms of the provisions of the Rules *ibid.*.
- d. Once KYC Identifier is generated by CKYCR, it is to be ensured that the same is communicated to the individual/LE as the case may be.**
- e. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, the concerned office shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates respectively at the time of periodic updation as specified KYC Policy, or earlier, when the updated KYC information is obtained/received from the customer.
- f. It is to be ensured that during periodic updation, the customers are migrated to the current CDD standard.

Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the Bank, with an explicit consent to download records from CKYCR, then concerned office shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

- (i) there is a change in the information of the customer as existing in the records of CKYCR;
- (ii) the current address of the customer is required to be verified;
- (iii) The Bank considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- (iv) The validity period of documents downloaded from CKYCR has lapsed

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

Under FATCA and CRS, all offices 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

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.

Operation of Bank Accounts & Money Mules

The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimise 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." Banks shall undertake diligence measures and meticulous monitoring to identify accounts which are operated as Money Mules and take appropriate action, including reporting of suspicious transactions to FIU-IND. Further, if it is established that an account opened and operated is that of a Money Mule, but no STR was filed by the concerned bank, it shall then be deemed that the bank has not complied with these directions

Collection of Account Payee Cheques

Account payee cheques for any person other than the payee constituent shall not be collected.

Unique Customer Identification Code (UCIC)

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

Introduction of New Technologies - Debit Cards / Net Banking / Mobile Banking / RTGS / NEFT / ECS / IMPS etc.

Identification and assessment of ML/FT risk shall be done by the Bank that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products

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.

Adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD (Enhanced due diligence) measures and transaction monitoring, etc.

Correspondent Banks

Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). These services include cash/funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable-through-accounts, cheques clearing etc.

Banks shall use the publicly available information which, inter alia, should include (a) information relating to the reputation of the respondent institution (b) the quality of supervision in the concerned jurisdiction (c) whether the respondent institution has been subjected to any investigation or regulatory action relating to Money Laundering / Terrorist Financing.

Banks shall have a policy approved by their Boards, or by a committee headed by the Chairman/CEO/MD to lay down parameters for approving cross-border correspondent banking and other similar relationships. In addition to performing normal CDD measures, such relationships shall be subject to the following conditions:

- (a) Banks shall gather sufficient information about a respondent bank to understand fully the nature of the respondent bank’s business and to determine from publicly available information the reputation of the respondent bank and the quality of supervision, including whether it has been subjected to a ML/TF investigation or regulatory action. Banks shall assess the respondent bank’s AML/CFT controls.
- (b) The information gathered in relation to the nature of business of the respondent bank shall include information on management, major business activities, purpose of opening the account, identity of any third-party entities that will use the correspondent banking services, regulatory/supervisory framework in the respondent bank’s home country among other relevant information.
- (c) Prior approval from senior management shall be obtained for establishing new correspondent banking relationships. However, post facto approval of the Board or the Committee empowered for this purpose shall also be taken.
- (d) Banks shall clearly document and understand the respective AML/CFT responsibilities of institutions involved.
- (e) In the case of payable-through-accounts, the correspondent bank shall be satisfied that the respondent bank has conducted CDD on the customers having direct access to the accounts of the correspondent bank and is undertaking on-going 'due diligence' on them.
- (f) The correspondent bank shall ensure that the respondent bank is able to provide the relevant CDD information immediately on request.

- (g) Correspondent relationship shall not be entered into with a shell bank (i.e. a bank which is incorporated in a country where it has no physical presence and is not affiliated to any regulated financial group).
- (h) It shall be ensured that the respondent banks do not permit their accounts to be used by shell banks.
- (i) Banks shall be cautious of correspondent banking relationships with institutions located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations.
- (j) Banks shall ensure that respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

Wire transfer

All offices shall ensure the following while effecting wire transfer:

- a) All cross-border wire transfers including transactions using debit card shall be accompanied by accurate and meaningful originator information such as name, address and account number or a unique reference number of account-
 - a) Name of the originator;
 - b) the originator account number where such an account is used to process the transaction;
 - c) the originator's address, or national identity number, or customer identification number, or date and place of birth;
 - d) name of the beneficiary; and
 - e) the beneficiary account number where such an account is used to process the transaction.

In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction

- (i) In case of batch transfer, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they (i.e., individual transfers) are exempted from the requirements of clause (i) above in respect of originator information, provided that they include the originator's account number or unique transaction reference number, as mentioned above, and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.
- (ii) Domestic wire transfer, where the originator is an account holder of the ordering Bank, shall be accompanied by originator and beneficiary information, as indicated for cross-border wire transfers in (i) and (ii) above.
- (iii) Domestic wire transfers of rupees fifty thousand and above, where the originator is not an account holder of the ordering Bank, shall also be accompanied by originator and beneficiary information as indicated for cross-border wire transfers.

(iv) In case of domestic wire transfers below rupees fifty thousand where the originator is not an account holder of the ordering Bank and where the information accompanying the wire transfer can be made available to the beneficiary Bank and appropriate authorities by other means, it is sufficient for the ordering Bank to include a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary. Further, it is also instructed that the ordering Bank shall make the information available within three working/business days of receiving the request from the intermediary Bank, beneficiary Bank, or from appropriate competent authorities.

(i) All offices shall ensure that all the information on the wire transfers shall be immediately made available to appropriate law enforcement and/or prosecutorial authorities as well as FIU-IND on receiving such requests with appropriate legal provisions.

(ii) The wire transfer instructions are not intended to cover the following types of payments:

- a. Any transfer that flows from a transaction carried out using a credit card / debit card / Prepaid Payment Instrument (PPI), including through a token or any other similar reference string associated with the card / PPI, for the purchase of goods or services, so long as the credit or debit card number or PPI id or reference number accompanies all transfers flowing from the transaction. However, when a credit or debit card or PPI is used as a payment system to effect a person-to-person wire transfer, the wire transfer instructions shall apply to such transactions and the necessary information should be included in the message.
- b. Financial institution-to-financial institution transfers and settlements, where both the originator person and the beneficiary person are regulated financial institutions acting on their own behalf.

It is, however, clarified that nothing within these instructions will impact the obligation of an office to comply with applicable reporting requirements under PML Act, 2002, and the Rules made thereunder, or any other statutory requirement in force.

Responsibilities of ordering Bank, intermediary Bank and beneficiary Bank, effecting wire transfer, are as under:

(i) Ordering Bank:

- a. The ordering Bank shall ensure that all cross-border and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, contain required and accurate originator information and required beneficiary information, as indicated above.
- b. Customer Identification shall be made if a customer, who is not an account holder of the ordering Bank, is intentionally structuring domestic wire transfers below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish identity and if the same

transaction is found to be suspicious, STR may be filed with FIU-IND in accordance with the PML Rules.

- c. Ordering Bank shall not execute the wire transfer if it is not able to comply with the requirements stipulated in this section.

(ii) Intermediary Bank:

- a. Bank processing an intermediary element of a chain of wire transfers shall ensure that all originator and beneficiary information accompanying a wire transfer is retained with the transfer.
- b. Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary Bank shall keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary Bank.
- c. Intermediary Bank shall take reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information. Such measures should be consistent with straight-through processing.
- d. Intermediary Bank shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

(iii) Beneficiary Bank:

Beneficiary Bank shall take reasonable measures, including post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, that lack required originator information or required beneficiary information.

- a. Beneficiary Bank shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.
- b. Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- c. 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.
- d. Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.
- e. 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.
- f. 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.
- g. 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.
 - h. Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.
 - i. Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.
 - j. 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.

Issue and Payment of Demand Drafts, etc.

Any remittance of funds by way of demand draft / NEFT /IMPS or any other mode 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.

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 or equivalent e- document thereof.

Selling Third party products if any by the Bank

Bank acting as agents while selling third party products as per regulations in force from time to time has to 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 the Directions of KYC/AML guidelines.
- b. Transaction details of sale of third party products and related records shall be maintained as prescribed AML/KYC guidelines..
- 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.

At-par cheque facility availed by co-operative Societies

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

Issuance of Prepaid Payment Instruments (PPIs):

It is to be ensured that the instructions issued by Department of Payment and Settlement System of Reserve Bank of India through their Master Direction are strictly adhered to.

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) Bank shall endeavor to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. Bank shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.
- c) 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.

STANDARD OPERATING PROCEDURE FOR PERIODIC KYC UPDATION

1. CHANNELS FOR PERIODIC UPDATION OF INDIVIDUALS

1.1. Email-Id registered with the Bank/ By Post/ By Letter/ By visiting Branch

1.1.1. No change in Customer Information:

- i. For such cases, a customer can submit a self-declaration stating that there is no change in his/her KYC information to the Base Branch through email-id registered with the Bank/ by post/ by letter/ by visiting base branch.
- ii. Branch on obtaining the request from the Customer shall ascertain that KYC documents as per the current CDD standards are available with them and shall update the KYC status and KYC updation date through CCBM. The Branch shall also upload the documents/details at CKYCR portal in terms of extant guidelines; where CKYC not yet done.
- iii. If the available documents, are not as per extant KYC policy or the OVD submitted by Customer has expired, the Branch shall inform the Customer to submit the requisite documents as per current CDD

standards for KYC Updation.

- iv. The KYC documents/self-declaration obtained from customer shall be maintained alongwith Account Opening Form/Customer Master Form at the Base branch.
- v. An acknowledgement of successful KYC updation shall be sent to Customer on his/her registered mobile no. through SMS.

1.1.2. Change in Address:

i. For cases where Customer is submitting KYC documents as per current CDD standards

- a) For such cases, the Customer shall submit KYC documents as per the current CDD standards to the Base Branch through email-id registered with the Bank/ by post/ by letter/ by visiting base branch.
- b) Branch on obtaining the request from the Customer shall update the KYC details and KYC Updation date through CCBM. Further, branch shall also scan the KYC documents for CKYCR and upload the KYC documents/details at CKYCR portal in terms of extant guidelines.
- c) The KYC documents/self-declaration obtained from customer shall be maintained alongwith Account Opening Form/Customer Master Form at the Base branch.
- d) An acknowledgement of successful KYC updation shall be sent to Customer on his/her registered mobile no. through SMS.

ii. For cases where Customer is submitting a self-declaration of the new address

If a customer submits a self-declaration of the new address to the base branch, the same may be obtained from the customer through email-id registered with the Bank/ by post/ by letter/ by visiting base branch.

- a) The base branch on obtaining the request shall ascertain that KYC documents as per the current CDD standards are available with them. If the available documents, are not as per extant KYC policy or the OVD submitted by Customer has expired, the Branch shall inform the Customer to submit the requisite documents as per current CDD standards for KYC Updation.
- b) On submission/verification by branch officials, the address shall be updated in CBS.
- c) The branch shall verify the address by a positive confirmation within 30 days, by means such as address verification letter, contact point verification (CPV) by branch official. The confirmation process needs to be completed within 30 days from the updation date in CBS.
- d) Upon successful confirmation, the Branch shall update the date of visit/letter in the record. Further, branch shall also scan the KYC documents for CKYCR and upload the KYC documents/details at CKYCR portal in terms of extant guidelines.
- e) If any verification fails through CPV/letter returns, the Branch shall update the same in the record (updating the status as confirmation failed).. In such cases, the branch shall inform the Customer about failure in address verification requesting

- him/her to contact the branch for updation or use other channels for KYC updation. Further, system generated SMS shall also be sent to Customer on his registered mobile no. informing that Contact Point Verification of the declared address has failed and customer shall be requested to contact his/her base branch or use other channels for KYC updation.
- f) The KYC documents/self-declaration and visit report/copy of address verification letter shall be maintained along with Account Opening Form/Customer Master Form at the Base branch.

An acknowledgement of successful KYC updation shall be sent to Customer on his/her registered mobile no. through SMS.

2. ACCOUNTS OF CUSTOMER, WHO WERE MINOR AT THE TIME OF OPENING ACCOUNT, ON BECOMING MAJOR

In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the base branch. Wherever required, branch may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major. As the KYC documents are to be maintained at base branch, the customer may contact his/her base branch.

CHANNELS FOR PERIODIC UPDATION OF CUSTOMERS OTHER THAN INDIVIDUALS

2.1. No change in KYC Information:

In case of no change in the KYC information of the Legal Entity (LE) customer, a self-declaration (letter from an official authorized by the LE in this regard, board resolution etc.) in this regard shall be obtained from the LE customer through its email id registered with the Bank/ by post/ by visiting the base branch. Further, branch shall ensure during this process that Beneficial Ownership (BO)/Authorised Signatories information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

2.2. Change in KYC information

In case of change in KYC information, the concerned office shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

- 3. Customer's PAN details, if available with the Bank, is required to be verified from the database of the issuing authority at the time of periodic updation of KYC.**

In order to ensure customer convenience, periodic updation of KYC can be carried out by visiting any branch. Customers who express difficulty in approaching the Base branch due to age related or other issues, such customers may approach the Branch Head or Section In charge of Non-Base branch i.e. any branch, who shall obtain the KYC documents as per Current CDD standards, attest the same, update in CBS and send scanned copy of all the documents to Base branch for record and CKYCR purpose in both the cases.

INDICATIVE LIST OF VARIOUS TYPES OF INDICATORS I.E. CUSTOMER BEHAVIOUR AND RISK BASED TRANSACTION MONITORING, HIGH & MEDIUM RISK: CUSTOMERS/ PRODUCTS & SERVICES/ GEOGRAPHIES/ LOCATIONS/ ALERTS FOR BRANCHES/ OFFICES

1. INDICATIVE LIST OF CUSTOMER BEHAVIOUR & RISK BASED TRANSACTION MONITORING

- i. Customers who are reluctant in providing normal information while opening an account, providing minimal or fictitious information or when applying to open an account, providing information that is difficult or expensive for the institution to verify.
- ii. Customer expressing unusual curiosity about secrecy of information involved in the transaction.
- iii. Customers who decline to provide information that in normal circumstances would make the customer eligible for banking services.
- iv. Customer giving confusing details about a transaction.
- v. Customer reluctant or refuses to state a purpose of a particular large / complex transaction/ source of funds involved or provides a questionable purpose and / or source.
- vi. Customers who use separate tellers to conduct cash transaction.
- vii. Customers who deposit cash / withdrawals by means of numerous deposit slips / cheques leaves so that the total of each deposits is unremarkable, but the total of all credits / debits is significant.
- viii. Customer's representatives avoiding contact with the branch.
- ix. Customers who repay the problem loans unexpectedly.
- x. Customers who appear to have accounts with several institutions within the same locality without any apparent logical reason.
- xi. Customers seeks to change or cancel a transaction after the customer is informed of currency transaction reporting / information verification or record keeping requirements relevant to the transaction.
- xii. Customer regularly issues large value cheques without balance and then deposits cash.
- xiii. Sudden transfer of funds from unrelated accounts through internet (or such other electronic channels) and subsequent quick withdrawal through ATM.

A. Transactions Involving Large Amounts of Cash

- i. Exchanging an unusually large amount of small denomination notes for those of higher denomination;
- ii. Frequent withdrawal of large amounts by means of cheques.
- iii. Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity;
- iv. Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad;
- v. Company transactions, both deposits and withdrawals, that are denominated by unusually large amounts of cash, rather than by way of debits and credits normally associated with the normal commercial operations of the company, e.g. cheques, letters of credit, bills of exchange etc.;
- vi. Depositing cash by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial.

B. Transactions that do not make Economic Sense

- i. A customer having a large number of accounts with the same bank, with frequent transfers between different accounts;
- ii. Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal.

C. Activities not consistent with the Customer's Business

- i. Corporate accounts where deposits or withdrawals are primarily in cash rather than cheques.
- ii. Corporate accounts where deposits & withdrawals by cheque/telegraphic transfers/ foreign inward remittances/any other means are received from/made to sources apparently unconnected with the corporate business activity/dealings.
- iii. Unusual applications for DD/TT/PO against cash.
- iv. Accounts with large volume of credits through DD/TT/PO whereas the nature of business does not justify such credits.
- v. Retail deposit of many cheques but rare withdrawals for daily operations.

D. Attempts to avoid Reporting/Record-keeping Requirements

- i. A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- ii. Any individual or group that coerces/induces or attempts to coerce/induce a bank employee not to file any reports or any other forms.
- iii. An account where there are several cash deposits/withdrawals below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

E. Unusual Activities

- i. An account of a customer who does not reside/have office near the branch even though there are bank branches near his residence/office.
- ii. A customer who often visits the safe deposit area immediately before making cash deposits, especially deposits just under the threshold level.
- iii. Funds coming from the list of countries/centers, which are known for money laundering.

F. Customer who provides Insufficient or Suspicious Information

- i. A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior banking relationships, officers or directors, or its locations.
- ii. A customer/company who is reluctant to reveal details about its activities or to provide financial statements.
- iii. A customer who has no record of past or present employment but makes frequent large transactions.

G. Certain Suspicious Funds Transfer Activities

- i. Sending or receiving frequent or large volumes of remittances to/from countries outside India.
- ii. Receiving large TT/DD remittances from various centers and remitting the consolidated amount to a different account/center on the same day leaving minimum balance in the account.
- iii. Maintaining multiple accounts, transferring money among the accounts and using one account as a master account for wire/funds transfer.

H. Certain Bank Employees arousing Suspicion

- i. An employee whose lavish lifestyle cannot be supported by his or her salary.
- ii. Negligence of employees/willful blindness is reported repeatedly.

I. Bank no longer knows the true identity

When a bank believes that it would no longer be satisfied that it knows the true identity of the account holder.

J. Some examples of suspicious activities/transactions to be monitored by the operating staff-

- i. Large Cash Transactions
- ii. Multiple accounts under the same name
- iii. Frequently converting large amounts of currency from small to large denomination notes
- iv. Placing funds in term Deposits and using them as security for more loans.
- v. Large deposits immediately followed by wire transfers.
- vi. Sudden surge in activity level.
- vii. Same funds being moved repeatedly among several accounts.
- viii. Multiple deposits of money orders, Banker's cheques, drafts of third Parties
- ix. Multiple deposits of Banker's cheques, demand drafts, cross/ bearer.
- x. Cheques of third parties into the account followed by immediate cash withdrawals.
- xi. Transactions inconsistent with the purpose of the account.
- xii. Maintaining a low or overdrawn balance with high activity

Check list for preventing money-laundering activities:

- i. A customer maintains multiple accounts, transfer money among the accounts and uses one account as a master account from which wire/funds transfer originates or into which wire/funds transfer are received (a customer deposits funds in several accounts, usually in amounts below a specified threshold and the funds are then consolidated into one master account and wired outside the country).
- ii. A customer regularly depositing or withdrawing large amounts by a wire transfer to, from, or through countries that are known sources of narcotics or where Bank secrecy laws facilitate laundering money.
- iii. A customer sends and receives wire transfers (from financial haven countries) particularly if there is no apparent business reason for such transfers and is not consistent with the customer's business or history.
- iv. A customer receiving many small incoming wire transfer of funds or deposits of cheques and money orders, then orders large outgoing wire transfers to another city or country.

- v. A customer experiences increased wire activity when previously there has been no regular wire activity.
- vi. Loan proceeds unexpectedly are wired or mailed to an offshore Bank or third party.
- vii. A business customer uses or evidences or sudden increase in wire transfer to send and receive large amounts of money, internationally and/ or domestically and such transfers are not consistent with the customer's history.
- viii. Deposits of currency or monetary instruments into the account of a domestic trade or business, which in turn are quickly wire transferred abroad or moved among other accounts for no particular business purpose.
- ix. Sending or receiving frequent or large volumes of wire transfers to and from offshore institutions.
- x. Instructing the Bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.
- xi. Wiring cash or proceeds of a cash deposit to another country without changing the form of the currency
- xii. Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.
- xiii. Periodic wire transfers from a person's account/s to Bank haven countries.
- xiv. A customer pays for a large (international or domestic) wire transfers using multiple monetary instruments drawn on several financial institutions.
- xv. A customer or a non-customer receives incoming or makes outgoing wire transfers involving currency amounts just below a specified threshold, or that involve numerous Bank or travelers cheques
- xvi. A customer or a non-customer receives incoming wire transfers from the Bank to 'Pay upon proper identification' or to convert the funds to bankers' cheques and mail them to the customer or non-customer, when the amount is very large (say over Rs.10 lakhs), the amount is just under a specified threshold, the funds come from a foreign country or such transactions occur repeatedly.
- xvii. A customer or a non-customer arranges large wire transfers out of the country which are paid for by multiple Bankers' cheques (just under a specified threshold)
- xviii. A Non-customer sends numerous wire transfers using currency amounts just below a specified threshold limit.

1. INDICATIVE LIST OF HIGH RISK CUSTOMERS

- a. Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UNSC 1267 & 1988 [2011] linked to Al Qaida & Taliban*
- b. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities*
- c. Individuals and entities in watch lists issued by Interpol and other similar international organizations
- d. Customers with dubious reputation as per public information locally available or commercially available.
- e. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk
- f. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, frequent and unexplained

- movement of funds between institutions in various geographic locations etc.
- g. Customers based in high risk countries/jurisdictions or locations as identified by FATF from time to time.
 - h. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner;
 - i. Non-resident customers and foreign nationals
 - j. Accounts of Embassies / Consulates;
 - k. Off-shore (foreign) corporation/business
 - l. Non face-to-face customers
 - m. High net worth individuals [HNIs]
 - n. Firms with 'sleeping partners'
- b) Companies having close family shareholding or beneficial ownership
 - c) Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale
 - d) Shell companies which have no physical presence in the country in which it is incorporated. The existence simply of a local agent or low level staff does not constitute physical presence
 - e) Investment Management / Money Management Company/Personal Investment Company
 - f) Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to the financial institution.
 - g) Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc
 - h) Trusts, charities, NGOs/NPOs (especially those operating on a "cross- border" basis) unregulated clubs and organizations receiving donations (excluding NPOs/NGOs promoted by United Nations or its agencies)
 - i) Money Service Business: including seller of: Money Orders / Travelers" Checks / Money Transmission /Check Cashing / Currency Dealing or Exchange
 - j) Business accepting third party checks (except supermarkets or retail stores that accept payroll checks/cash payroll checks)
 - k) Gambling/gaming including "Junket Operators" arranging gambling tours
 - l) Dealers in high value or precious goods (e.g. jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers).
 - m) Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries.
 - n) Customers engaged in industries that might relate to nuclear proliferation activities or explosives.
 - o) Customers that may appear to be Multi-level marketing companies etc.

**No fresh account to be opened if name appears in the list. However, if any existing account is placed in the list subsequently, the same shall be freezed and placed in high risk till its final closure.*

2. INDICATIVE LIST OF MEDIUM RISK CUSTOMERS

- 1) Non-Banking Financial Institution
- 2) Stock brokerage
- 3) Import / Export
- 4) Gas Station
- 5) Car / Boat / Plane Dealership
- 6) Electronics (wholesale)

- 7) Travel agency
- 8) Used car sales
- 9) Telemarketers
 - I. Providers of telecommunications service, internet café, IDD call service, phone cards, phone center
 - II. Dot-com company or internet business
 - III. Pawnshops
 - iv. Auctioneers
- 10) Cash-Intensive Businesses such as restaurants, retail shops, parking garages, fast food stores, movie theaters, etc.
- 11) Sole Practitioners or Law Firms (small, little known)
- 12) Notaries (small, little known)
- 13) Secretarial Firms (small, little known)
- 14) Accountants (small, little known firms)
- 15) Venture capital companies

3) LIST OF HIGH / MEDIUM RISK PRODUCTS & SERVICES

- a. Electronic funds payment services such as Electronic cash (e.g., stored value and payroll cards), funds transfers (domestic and international), etc
- b. Electronic banking
- c. Private banking (domestic and international)
- d. Trust and asset management services
- e. Monetary instruments such as Travelers' Cheque
- f. Foreign correspondent accounts
- g. Trade finance (such as letters of credit)
- h. Special use or concentration accounts
- i. Lending activities, particularly loans secured by cash collateral and marketable securities
- j. Non-deposit account services such as Non-deposit investment products and Insurance
- k. Transactions under taken for non-accountholders (occasional customers)
- l. Provision of safe custody and safety deposit boxes
- m. Currency exchange transactions
- n. Project financing of sensitive industries in high-risk jurisdictions
- o. Trade finance services and transactions involving high-risk jurisdictions
- p. Services offering anonymity or involving third parties
- q. Services involving banknote and precious metal trading and delivery
- r. Services offering cash, monetary or bearer instruments; cross-border transactions, etc.

INDICATIVE LIST OF HIGH / MEDIUM RISK GEOGRAPHIES/ LOCATIONS/ COUNTRIES

Countries/Jurisdictions

- i. Countries subject to sanctions, embargoes or similar measures in the United Nations Security Council Resolutions ("UNSCR").
- ii. Jurisdictions identified in FATF public statement as having substantial money laundering and terrorist financing (ML/FT) risks (www.fatf-gafi.org)
- iii. Jurisdictions identified in FATF public statement with strategic AML/CFT deficiencies (www.fatf-gafi.org)
- iv. Tax havens or countries that are known for highly secretive banking and corporate law practices

- v. Countries identified by credible sources as lacking appropriate AML/CFT laws, regulations and other measures.
- vi. Countries identified by credible sources as providing funding or support for terrorist activities that have designated terrorist organizations operating within them.
- vii. Countries identified by credible sources as having significant levels of criminal activity.
- viii. Countries identified by the bank as high-risk because of its prior experiences, transaction history, or other factors (e.g. legal considerations, or allegations of official corruption).
- ix. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account” with “Banks shall apply enhanced due diligence, which are effective and 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.”

Locations

- i. Locations within the country known as high risk for terrorist incidents or terrorist financing activities (e.g. sensitive locations in Jammu and Kashmir, North east, Naxal affected districts)
- ii. Locations identified by credible sources as having significant levels of criminal, terrorist, terrorist financing activity.
- iii. Locations identified by the bank as high-risk because of its prior experiences, transaction history, or other factors.

INDICATIVE LIST OF HIGH RISK COUNTRIES:

The countries identified by Financial Action Task Force [FATF] as high risk countries which continue to show deficiencies in their Anti Money Laundering and Combating of Financing of Terrorism framework will be circulated from time to time by RBI/ govt.

FREQUENTLY ASKED QUESTIONS (FAQs)

Q 1. What is KYC?

Response: KYC is an acronym for “Know your Customer” a term used for Customer identification process. It is a process by which banks obtain information about the identity and address of the customers while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity.

It involves making reasonable efforts to determine, the true identity and beneficial ownership of accounts, source of funds, financial status & nature of customer’s business, reasonableness of operations in the account in relation to the customer’s overall profile, etc. which in turn helps the banks to manage their risks prudently.

Q 2. What is the objective of KYC?

Response: The objective of the KYC guidelines is 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 and 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.

Q 3. What is Money Laundering and Terrorist financing?

Response: Money laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs /arms trafficking, terrorism and extortion. Terrorist financing means financial support to, in any form of terrorism or to those who encourage, plan or engage in terrorism. Money launderers send illicit funds through legal channels in order to conceal their criminal origin while those who finance terrorism transfer funds that may be legal or illicit in original in such a way as to conceal their source and ultimate use, which is to support Terrorist financing.

Money laundering has become a pertinent problem worldwide threatening the stability of various regions by actively supporting and strengthening terrorist networks and criminal organizations. The links between money laundering, organized crime, drug trafficking and terrorism pose a risk to financial institutions globally. Government of India has promulgated Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, and RBI Master Direction on KYC, enforces legal/statutory/regulatory obligations on both bank and customers to provide KYC information/documents.

Q. 4 Whether KYC is mandatory?

Response: Yes. It's a regulatory and legal requirement.

Regulatory: - In terms of the guidelines issued by the Reserve Bank of India (RBI) on 29 November, 2004 on Know Your Customer (KYC) Standards - Anti Money Laundering (AML) measures, all banks are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures.

Legal:- The Prevention of Money Laundering Act, 2002 (PMLA) which came into force from 1st July, 2005 (after "rules" under the Act were formulated and published in the Official Gazette) also requires Banks, Financial Institutions and Intermediaries to ensure that they follow certain minimum standard of KYC and AML as laid down in the ACT and the "rules" framed thereunder.

Q 5. Is KYC information obtained from customer kept confidential?

Response: Yes, the customer profile/information collected by the Bank at the time, of account opening or otherwise, are kept confidential and are not disclosed to any person, except when required under the provisions of applicable laws and regulations or where there is a duty to the public to disclose or the interest of bank requires disclosure.

Q 6. What are the documents to be obtained from customers as 'proof of identity' and 'proof of address'?

Response: The Government of India has notified six documents or its equivalent e- documents as 'Officially Valid Documents (OVDs) for the purpose of producing proof of identity of individual customers. These six documents are the passport, the driving license, 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.

You need to submit any one of these documents as proof of identity. If these documents also contain your current address details, then it would be accepted as 'proof of address'. Provided that if customer is desirous of receiving any benefit or subsidy under any scheme notified under Aadhaar Act, 2016, customer shall be required to undertake Aadhaar authentication using e-KYC facility of UIDAI. Keeping in view availability of resources and cost involve in e-KYC biometric authentication from UIDAI our Bank has decided not to implement till further approval from the board.

KYC documents to be obtained from non-individual customers have been specified in the KYC policy.

Q 7. If customer do not have any of the OVDs listed above with current updated address, can customer provide other OVD?

Response: Yes, customer can provide the following documents or the equivalent e- documents for the limited purpose of proof of address, with an undertaking along with AOF/OVDs stating that he/she shall submit his OVD with updated current address within 3 months failing which operations in his/her account shall be restricted.

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- Property or Municipal tax receipt;
- Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- 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 license agreements with such employers allotting official accommodation.

However, if customer undertakes Aadhaar authentication using e-KYC facility of UIDAI and wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect.

Q 8. Are there any additional documents to be obtained from customer apart from 'proof of identity' and 'proof of address'?

Response: Yes, at least one document or the equivalent e-document thereof in support of *nature of business and financial status of the customer* such as

- Salary slip/Form-16,
- Registration certificate,
- CST or VAT or GST certificates,
- Income tax returns or Sales tax or GST returns,
- License / certificate of practice issued by any professional body incorporated under a statute,
- Certificate / license issued by the municipal authorities under Shop and Establishment Act,
- Further, in respect of customers who don't have any business / financial activity or don't have any such proof such as housewife, student, minor, labour working in un-organized sector, farmers etc. may submit self-declaration to this effect.
- Similarly, in case of Customers drawing pension from our Branches and maintaining Pension/Term Deposit Accounts, the Branches may self-assess their income from Bank Account Statement/Interest Certificate, as the case maybe, and obtain self-declaration/documents in support of other income, if required, from such Customers.

- Since the above list of documents is only indicative, the branch may obtain any other document in support of nature of business and financial status of the customer, as they deem fit.

Q 9. What if the customer doesn't have any document in support of nature of business, financial status, annual income?

Response: Customers who don't have any business / financial activity or don't have any such proof such as housewife, student, minor, labour working in un-organized sector, farmers etc. may submit self-declaration to this effect.

Q 10. If customer does not have any of the documents listed above to show his/her 'proof of identity', can he/she still open a bank account?

Response: Yes, customer can still open a bank account known as 'Small Account', which entails certain limitations, by submitting his/her recent photograph and putting signature or thumb impression in the presence of a bank official.

Q 11. Is there any difference between such 'small accounts' and other accounts?

Response: Yes. The 'Small Accounts' have certain limitations such as:

- balance in such accounts at any point of time should not exceed ₹50,000
- total credits in one financial year should not exceed ₹1,00,000
- total withdrawal and transfers should not exceed ₹10,000 in a month.
- Foreign remittances cannot be credited to such accounts.

Such accounts remain operational initially for a period of twelve months and thereafter, for a further period of twelve months, if the holder of such an account provides evidence to the bank of having applied for any of the officially valid documents within twelve months of the opening of such account. The bank will review such account after twenty four months to see if it requires such relaxation.

Q 12. If customer refuses to provide requested documents for KYC to the bank for opening an account, what may be the result?

Response: If customer does not provide the required documents for KYC, the bank shall not open the account.

Q 13. Can a customer open bank account with only an Aadhaar card? Response: As per RBI directions, Aadhaar card is now accepted as a proof of both, identity and address. However, PAN/Form 60 along with one document or the equivalent e-document thereof in support of the declared Profession / activity, nature of business or financial status is also required.

Q 14. Is Aadhaar mandatory for opening of an account?

Response: No, Aadhaar is not mandatory for opening of an account. As per RBI directions, only 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) is mandatorily required to provide Aadhaar and is required to undertake Aadhaar authentication using e-KYC facility of UIDAI.

Q 15. What is e-KYC? How does e-KYC work?

Response: e-KYC refers to electronic KYC. e-KYC is possible only for those who have Aadhaar number or proof of possession of Aadhaar. While using e-KYC service, customer has to authorise the Unique Identification Authority of India (UIDAI), by explicit consent,

to release his/her identity/address through biometric authentication to the bank branches/business correspondent (BC). The UIDAI then transfers his/her data comprising name, age, gender, and photograph of the individual, electronically to the bank/BC. Information thus provided through e-KYC process is permitted to be treated as an 'Officially Valid Document' under PML Rules and is a valid process for KYC verification.

Q 16. Is introduction necessary while opening a bank account? Response: No, introduction is not required.

Can a customer transfer his existing bank account from one branch to another?

Response: 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.

Q 18. Is a customer required to furnish KYC documents for each account he/she opens in the Bank?

Response: As per RBI guidelines, an individual customer can maintain only a single Unique Customer ID Code (UCIC)/Customer-ID in a Bank and all the accounts of the customer have to be opened/ linked under this Customer-ID. Therefore, if a customer has opened an account with the Bank, which is KYC compliant, then for opening another account, furnishing of documents is not necessary.

Q 19. Customer's KYC was completed when he/she opened the account. Why does Bank ask for doing KYC again?

Response: In terms of RBI guidelines, Bank is required to periodically update KYC records. This is a part of ongoing due diligence on bank accounts. The periodicity of such updation varies from account to account or categories of accounts depending on the Bank's perception of risk. Further, the Bank may insist for KYC updation, whenever there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

Q 20. Do the customer need to submit KYC documents to the bank while purchasing third party products (like insurance or other products) from banks?

Response: Yes, all customers who do not have accounts with the Bank (known as walk-in customers) have to produce proof of identity and address while purchasing third party products from Bank if the transaction is for ₹50,000 and above. KYC exercise may not be necessary for bank's own customers for purchasing third party products. However, instructions to make payment by debit to customers' accounts or against cheques for remittance of funds/issue of travellers' cheques, sale of gold/silver/platinum and the requirement of quoting PAN number for transactions of ₹50,000 and above would be applicable to purchase of third party products from Bank by Bank's customers as also to walk-in customers.

Q 21. What does obtaining a certified copy by the Bank mean?

Response: 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 under his PA/PF no. 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.

Q 22. What documents are required for opening an account of partnership (registered) firm?

Response: For opening an account of a partnership (registered) firm, the certified copies of each of the following documents or the equivalent e-document thereof shall be obtained:

- (i) Registration certificate;
- (ii) Partnership deed;
- (iii) Permanent Account Number of the partnership firm; and
- (iv) Documents, as specified in KYC Policy (CDD Procedure in case of Individuals), relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- (v) the names of all the partners and
- (vi) address of the registered office, and the principal place of its business, if it is different.

Q 23. What documents are required for opening an account of trust (registered)?

Response: For opening an account of a trust (registered), certified copies of each of the following documents or the equivalent e-document thereof shall be obtained:

- (i) Registration certificate;
- (ii) Trust deed;
- (iii) Permanent Account Number or Form No.60 of the trust; and
 - i. Documents, as specified in KYC Policy (CDD Procedure in case of Individuals), relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
 - ii. the names of the beneficiaries, trustees, settlor and authors of the trust
 - iii. the address of the registered office of the trust; and
 - iv. list of trustees and documents, as are required for individuals under Section 2 for those discharging role as trustee and authorised to transact on behalf of the trust.

Q 24. What do you mean by equivalent e document?

Response: Equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016. Further, at present, as per Information Technology Act, 2000, Digital Signature means authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of section 3 of the Information Technology Act, 2000.

Q 25. Does our bank has facility to open accounts of an individual customer using OTP based e-KYC, in non-face to face mode?

Response: No, our bank has not implemented facility to open accounts of an individual customer using OTP based e-KYC, in non-face to face mode.

Q 26. Does our bank has facility to open accounts of an individual customer using Video based Customer Identification Process?

Response: NO, our bank has not implemented facility to open accounts of an individual customer using Video based Customer Identification Process.

Q 27. What is the meaning of proof of possession of AADHAAR number? **Response:** The Aadhaar number holder can use any of the following documents to prove possession of Aadhaar number subject to the concerned entity's right to verify the genuineness of the below mentioned documents. For details 'The Unique Identification Authority of India Notification No. 13012/184/2019/Legal/UIDAI (No. 2 of 2019) dated 04th April 2019' may please be referred (Annexure-VII).

- (a) **Aadhaar letter:** Issued by the Authority carries name, address, gender, photo and date of birth details of the Aadhaar number holder.
- (b) **Downloaded Aadhaar (e-Aadhaar):** Carries name, address, gender, photo and date of birth details of the Aadhaar number holder in similar form as in printed Aadhaar letter. This is digitally signed by the Authority as per Information Technology Act (Act No. 21 of 2000), which provides for legal recognition of electronic records with digital signature.
- (c) **Aadhaar Secure QR Code:** A quick response code generated by the Authority containing name, address, gender, photo and date of birth details of the Aadhaar number holder. This is digitally signed by the Authority as per Information Technology Act (Act No. 21 of 2000), which provides for legal recognition of electronic records with digital signature.
- (d) **Aadhaar Paperless Offline e-KYC:** An XML document generated by the Authority containing name, address, gender, photo and date of birth details of the Aadhaar number holder. This is digitally signed by the Authority as per Information Technology Act (Act No. 21 of 2000), which provides for legal recognition of electronic records with digital signature.

Changes in above policy recommended by Audit & Vigilance committee held on dt.18/10/2023 and read & confirmed in BOD meeting held on 26/10/2023 vide Resoltion No.8(5)