

**MAHESH SAHAKARI BANK LTD.,
PUNE.**

**KNOW YOUR CUSTOMER (KYC)
ANTI-MONEY LAUNDERING (AML)
POLICY**

2020-21

(Updated upto 25.06.2021)

FOR PRIVATE CIRCULATION

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MAHESH SAHAKARI BANK LTD., PUNE.

KNOW YOUR CUSTOMER (KYC) POLICY

1. PREAMBLE:

- Reserve Bank of India (RBI) issues its Master Circular every year on KYC/ AML/CFT & PMLA. RBI Guidelines are based on the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) Standards and on Combating Financing of Terrorism (CFT).
- Banks have been advised by RBI to ensure that a proper policy framework on 'Know Your Customer' and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Any contravention or non-compliance to the guidelines issued by Reserve Bank of India under Section 35 A of Banking Regulation Act, 1949 will attract penalties under the relevant provisions of the Act. Accordingly the KYC Policy was designed within the framework given by RBI.

2. OBJECTIVES:

- To document the principles under which the entire KYC process would be conducted in the Bank involving customer identification procedure and monitoring of accounts depending on the risk sensitivity.
- To document the procedures followed by the Bank to know/understand the profile of the customers along with the financial dealings, which in turn will help the employees to identify and manage the risks prudently.
- To lay down the principles which the Bank will follow to prevent the Bank from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

3. OWNERSHIP:

The ownership of the KYC Policy is with the Bank.

4. SCOPE OF THE POLICY:

The Policy will cover KYC compliance of all accounts opened across the Bank, and also monitoring of risky transactions/accounts within the framework given by RBI.

5. APPLICABILITY OF THE POLICY:

The Policy is applicable to the depositors, borrowers and third party product customers of the Bank and outlines the principles for identification of all customers across the Bank within the framework specified by RBI as also the processes for the prevention of anti-money laundering activities. It is intended to be read, understood and practiced by all the employees who directly or indirectly service the customers.

6. VALIDITY OF THE POLICY:

The KYC Policy was last approved by the Board on 06.07.2017. The Policy will be reviewed every year, and modifications, if any, will be reported to the Board and will be

incorporated in the Policy before circulating it to the branches. The present Policy is updated till 25.06.2021 & will be valid from 26.06.2021.

7. DEFINITIONS:

i. Customer: For the purpose of the KYC Policy, a 'Customer' will be defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

ii. Designated Director: "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 and includes:

- (i) The Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) The Managing Partner if the reporting entity is a partnership firm,
- (iii) The Proprietor if the reporting entity is a proprietorship concern,
- (iv) The Managing Trustee if the reporting entity is a trust,
- (v) A person or individual, as the case may be, who controls and manages the affairs of the reporting entity, if the reporting entity is an unincorporated association or a body of individuals, and
- (vi) Such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.
- (vii) A person who holds the position of senior management or equivalent. However, in no case, the Principal Officer should be nominated as the 'Designated Director'.

iii. Officially Valid Document (OVD): OVD means the passport, the driving licence, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by National Rural Employment Guarantee Act (NREGA) duly signed by an officer of the State Government, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator and state govt. letter issued by The National population register containing a details of name and address.

iv. Person: In terms of PML Act a 'person' includes:

- (i) an individual, (ii) a Hindu undivided family, (iii) a company, (iv) a firm, (v) an association of persons or a body of individuals, whether incorporated or not, (vi) every artificial juridical person, not falling within any one of the above persons (i to v), and (vii) any agency, office or branch owned or controlled by any of the above persons (i to vi).

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

- (i) Opening of an account;
- (ii) Deposits, 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;
- (iii) The use of a safety deposit box or any other form of safe deposit;
- (iv) Entering into any fiduciary relationship;

- (v) any payment made or received in whole or in part of any contractual or other legal obligation; or
- (vi) Establishing or creating a legal person or legal arrangement.

8. KEY ELEMENTS OF THE POLICY:

The Policy will encompass the following five key elements:

1. Customer Acceptance Policy;
2. Customer Identification Procedures;
3. Monitoring of Transactions;
4. Risk Management
5. Maintenance of KYC documents and preservation period

8.1. CUSTOMER ACCEPTANCE POLICY (CAP):

- The Bank will accept as a customer: an individual, partnership firm, a limited company, association of persons or any such legal entity, which is in existence as per the provisions of the law.
- For customers that are individuals, it will be sufficient to obtain identification data to verify the identity of the customer, his address/location, and also his recent photograph.
- No account will be opened in anonymous or fictitious/ benami name(s) or on behalf of other persons whose identity have not been disclosed or cannot be verified.
- Parameters of risk perception are clearly defined in terms of the nature of business activity, need and purpose of opening accounts, the sources of funds for the intended transaction, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.
- Besides risk perception, the nature of information/documents required will also depend on the type of customer (individual, corporate etc.)
- Proposed customer will provide the Bank with all the required information. Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering (PML) Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time.
- Where the Bank is unable to apply appropriate customer due diligence measures i.e. the Bank is unable to verify the identity and /or obtain documents required as per the risk categorization due to noncooperation of the customer or non-reliability of the data/information furnished, the Bank will not open such accounts. The Bank will also file a STR with FIU IND in such cases even though the account is not opened. The Bank will, however, have suitable built in safeguards to avoid harassment of the customer. For example, the decision by the Bank to close an account will be taken at a reasonably high level after giving due notice of 30 days to the customer explaining the reasons for such a decision. Such decisions will be taken at the Head Office after due approval of the Board.
- The Bank will clearly spell out the circumstances, in which a customer is permitted to act on behalf of another person/entity, as there could be occasions when an

account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity.

- The Bank will not open any new account where the identity of the customer matches with banned entities such as individual terrorists or terrorist organizations etc. The list of such suspected entities is available in the AML package.

8.2. CUSTOMER IDENTIFICATION PROCEDURES:

- Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Therefore sufficient information necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship will be obtained. Being satisfied means that we as a Bank will be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk based approach will help in avoiding disproportionate cost to banks and a burdensome regime for the customers.
- The Bank will carry out Customer Identification Procedure at following stages:
 - (i) While establishing a banking relationship;
 - (ii) While carrying out a financial transaction;
 - (iii) When the Bank has a doubt about the authenticity or adequacy of the customer identification data it has obtained;
 - (iv) When the Bank sells third party products as agent;
 - (v) While selling Banks' own products, debit cards and reloading of prepaid/ travel cards and any other product for more than Rs. 50,000/-.
 - (vi) when carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds Rs. 50,000/-, whether conducted as a single transaction or several transactions that appear to be connected.
 - (vii) when the 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 Rs. 50,000/-.
- The Bank will ask for only 'mandatory' information required for KYC purposes which the customer is obliged to give while opening an account / during periodic updation. Other 'optional' customer details/ additional information, if required, will be obtained separately only after the account is opened with the explicit consent of the customer. The customer has a right to know what is the information required for KYC that she/he is obliged to give and what is the additional information sought by the bank that is optional. The information collected from the customer will be treated as confidential and details thereof will not be divulged for cross selling or any other like purposes.

8.2.1. Customer Identification Requirements (Appendix I)-

A. Accounts of Individuals:

- For opening accounts of individuals, the Bank will obtain one certified copy of an 'officially valid document' containing details of identity and address, one recent photograph and such other documents pertaining to

the nature of business and financial status of the customer as may be required by the Bank.

- In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC (Aadhaar based customer identification backed by biometric authentication by the customer in person) service. Accordingly, the Bank will accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process (“which is in an electronic form and accessible so as to be usable for a subsequent reference”) will be treated as an ‘Officially Valid Document’ under PML Rules.
- RE's shall print / download directly, the prospective customer's e- Aadhaar letter from the UIDAI portal if such customer knows only his / her Aadhaar number or if the customer has only a copy of Aadhaar downloaded from a place/source elsewhere, provided the prospective customer is physically present in the branch/office of the RE. Submission of Aadhaar Card is voluntary and be obtain alongwith stipulated declaration form of the Bank. (Ch. Ref.No.RBI Cir.dtd.29.05.2019/HO Cir.661-26.08.2019)
- The Bank will not insist on introduction for opening of bank accounts of customers where KYC is complete.
- If an individual customer does not have any of the OVDs as proof of identity & address, then the Banks will adopt ‘Simplified Measures’ in respect of ‘Low risk’ customers, taking into consideration the type of customer, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved.
- To ease the burden on the prospective customers in complying with KYC requirements for opening new accounts, if the address on the document submitted for identity proof by the prospective customer is the same as that declared by him /her in the account opening form, the document will be accepted as a valid proof of both identity and address.
- If the address indicated on the document submitted for identity proof differs from the current address mentioned in the account opening form, a separate proof of address will be obtained.
- Prospective customer will submit only one documentary proof of address (either current or permanent) while opening a bank account or while undergoing periodic updation. In case the proof of address furnished by the customer is not the local address or address where the customer is currently residing, the Bank will take a declaration of the local address on which all correspondence will be made by the Bank with the customer. This address will be verified by the Bank through positive confirmation’ such as acknowledgment of receipt of letter of thanks or a surprise visit will be paid by the Bank at the communication address.
- The Bank, while opening a new account, will verify the PAN numbers of all the new customers whose accounts are opened with the data with UTITS.

- Particular care will be taken to verify the legal existence of organizations and genuineness of the documents, signature and other particulars in the account opening form.
- **Basic Saving Bank Deposit Accounts:** The Bank will subject Basic Savings Bank deposit account (Suvidha Account) to RBI instructions on Know Your Customer (KYC)/ Anti-Money laundering (AML) for opening of bank accounts issued from time to time. The Bank will also offer minimum common facilities to all the customers of “Basic Savings Bank Deposit”. The Bank will not open any other savings bank deposit account for holders of Basic Savings Bank Deposit Account.
- **Small Accounts:** A large number of persons, especially, those belonging to the low income group both in urban and rural areas are not able to produce such documents to satisfy the Bank about their identity and address. This will lead to their inability to access the banking services and result in their financial exclusion. In such cases, if a person who wants to open an account and is not able to produce any documents mentioned, the Bank will open an account on production of self-attested photograph, affixation of signature/thumb print of the person opening the account and certified by a designated officer of the Bank on the application form subject to the conditions laid down in Rule 9 (2A) of the Prevention of Money laundering Rules 2005. Under the scheme the accounts will be opened with a condition that the balance in the account will not exceed Rs. 50,000/- and the total credits in a year will not be in excess of Rs.100000/-. The small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as maybe notified by the Central Government. (Ref. RBI Cir. Dtd. 01.04.2020)
- **Married woman:** In case of a married woman, all KYC documents in the maiden name or married name accompanied by the marriage Certificate and address proof of husband will be sufficient for opening the account. The Bank will not insist on submitting the gazette copy. Also in cases where the wife submits the address proof of her husband and Marriage Certificate or Pan Card in her married name indicating the name of her husband, the Bank will not demand a declaration from the husband. Such relaxation is available only in case of savings and minor accounts where the woman is the only guardian. For all other accounts this relaxation will not be extended. The Bank will accept the Marriage certificate issued by the Municipal Authority/local Government approved authority as valid proof of marriage.
- **College students (excluding minors):** The latest College Identity card of the student will be obtained as a proof of bonafide student. In case the address of the student is not mentioned on the Identity card then a certificate from the college authority certifying the address of the student will be obtained. The permanent address proof of the student will be obtained. In case the college issues an identity card common for all the

years or the college does not issue an identity card, then in such cases a copy of the latest fee receipt verified from the original will be obtained.

- **Opening account of Borrowers under Housing loan Scheme:** Customers who have availed Home loan from our Bank and want to open a saving account with us will be allowed to do so by submitting the Possession letter or Index II of the Purchase Agreement. But the Bank will insist on the customer submitting a valid address proof at the earliest.
- **Self-operated minor accounts:** In case of self-operated minor accounts, if introduction is given by the Principal/ designated official of the school and also if identity and address of the student is certified by him, there is no need of separate id/address proof of minor as same is confirmed by the Principal/ designated official. However at the time of attaining majority or addition of guardian name in future, KYC documents will be taken from the student/guardian.
- **Minor by guardian accounts:** While accepting minor by guardian accounts, the certificate from the school authorities certifying the address of the student will be accepted as address proof.
- For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Bank will rely on a third party subject to the conditions that-
 - a.i. The Bank immediately will obtain necessary information of such client due diligence carried out by the third party;
 - a.ii. The Bank will take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
 - a.iii. The Bank is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act;
 - a.iv. The third party is not based in a country or jurisdiction assessed as high risk and
 - a.v. The Bank is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.
- Term/ recurring deposit accounts or accounts of similar nature opened before the implementation of KYC norms will be treated as new accounts at the time of renewal and subjected to revised KYC procedures.
- If an existing KYC compliant customer desires to open another account in the Bank, there will be no need for submission of fresh proof of identity and/or proof of address for the purpose. The Bank will however ensure from the records that the existing account is KYC complied.

- As regards non-compliance of KYC requirements by the customers despite repeated reminders by Bank, the Bank will impose 'partial freezing' in case of such KYC non-compliance in a phased manner. Bank will exercise partial freezing after giving due notice of three months to comply with KYC requirements to be followed by a reminder giving a further period of three months. Bank will thereafter impose partial freezing i.e. allowing all credits and disallowing all debits with the freedom to close the accounts. If the accounts are still KYC non-compliant after six months of imposing initial 'partial freezing' the Bank will disallow all debits and credits from/to the accounts, rendering them inoperative. Further, it will be open to the Bank to close the accounts of such customers after issuing due notice to them.

B. Politically Exposed Persons (PEPs) resident outside India:

- The Bank will gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Bank will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. If any account holder declares himself as a PEP of foreign origin or if the Bank comprehends that the account holder is PEP of foreign origin, the Bank will decide whether to open an account or in case of existing customer, to continue the banking relationship. If an affirmative decision is taken, then the Bank will apply extra diligence measures in such cases. This will also be applicable to the family members or close relatives of PEPs and accounts where PEP is the ultimate beneficial owner.

C. Accounts of companies and firms:

- The Bank will be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with banks. The Bank will examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements will be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders.

D. Accounts of proprietary concerns:

- The Bank will follow the extant guidelines on customer identification procedures as applicable to the proprietor, and the Bank will call for and verify any of the two documents before opening of accounts in the name of a proprietary concern. In cases where the bank is satisfied that it is not possible to furnish two such documents, Bank may, at their discretion, accept only one of those documents as proof of business/activity provided. Bank shall undertake 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. (Ref HO.Cir./415/2019-20 dtd.02.07.2019)

E. Accounts of Foreign Portfolio Investors (FPI):

- An FPI means a person who satisfies the eligibility criteria prescribed under regulation 4 and has been registered under Chapter II of SEBI (Foreign portfolio Investor) Regulations, 2014, which shall be deemed to be an intermediary in terms of the provisions of the Act. In terms of SEBI (Foreign portfolio Investor) Regulations, 2014, the eligibility criteria for foreign portfolio investor will be as follows:
 - (i) The applicant is a person not resident in India;
 - (ii) The applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding or a signatory to bilateral Memorandum of Understanding with the Board;
 - (iii) The applicant being a bank, is a resident of a country whose central bank is a member of Bank for International Settlements;
 - (iv) The applicant is not resident in a country identified in the public statement of Financial Action Task Force as:
 - (a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
 - (v) The applicant is not a non-resident Indian;
 - (vi) The applicant is legally permitted to invest in securities outside the country of its incorporation or establishment or place of business;
 - (vii) The applicant is authorized by its Memorandum of Association and Articles of Association or equivalent document(s) or the agreement to invest on its own behalf or on behalf of its clients;
 - (viii) The applicant has sufficient experience, good track record, is professionally competent, financially sound and has a generally good reputation of fairness and integrity;
 - (ix) The grant of certificate to the applicant is in the interest of the development of the securities market;
 - (x) the applicant is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008; and
 - (xi) Any other criteria specified by the Board from time to time.
- FPIs who have been duly registered in accordance with SEBI guidelines and have undergone the required KYC due diligence/verification prescribed by SEBI through a Custodian/Intermediary* regulated by SEBI will be eligible for opening a bank account for the purpose of investment under Portfolio Investment Scheme (PIS). (* A Custodian or Intermediary means a person who is registered under SEBI (Custodian of Securities) Regulations, 1996 and carries on or proposes to carry the business of

providing custodial services i.e. safekeeping of securities of a client and providing incidental service thereto).

- For this purpose, the Bank will rely on the KYC verification done by the third party (i.e. the Custodian/SEBI Regulated Intermediary) subject to the conditions laid down in Rule 9 (2) [(a) to (e)] of the Prevention of Money Laundering Rules 2005.
- The Bank will for this purpose obtain the set of hard copies of the relevant KYC documents furnished by the FPIs to the Custodian/Regulated Intermediaries. The Custodian/Regulated Intermediaries will certify that the documents have been duly verified with the original or notarized documents, where applicable and the Bank will maintain a proper record of the transfer of documents under the signature of the officials of the transferor and transferee entities.
- However the Bank will be ultimately responsible for the customer due diligence done by the third party (i.e. the Custodian/Regulated Intermediary) and will take enhanced due diligence measures.
- The Bank will obtain undertaking from FPIs except for Category I FPIs or Global Custodian acting on behalf of the FPI to the effect that as and when required, the exempted documents will be submitted.
- In order to facilitate secondary market transactions, the Bank will share the KYC documents received from the FPI or certified copies received from a Custodian/Regulated Intermediary with other banks/regulated market intermediaries based on written authorization from the FPI. The KYC documents prescribed by RBI for opening accounts of FPI are given in the KYC Manual.
- These provisions are applicable only for PIS by FPIs. In case the FPIs intend to use the bank account opened under the above procedure for any other approved activities (i.e. other than PIS), they would have to undergo the KYC drill.

F. Client accounts opened by professional intermediaries:

1. When the Bank has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client will be identified.
2. The Bank will hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. The Bank, however, will not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the banks.
3. Where funds held by the intermediaries are not co-mingled at the Bank and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners will be identified. Where such funds are co-mingled at the Bank, the Bank will still look through to the beneficial owners.

4. Where the Bank relies on the 'customer due diligence' (CDD) done by an intermediary, they will satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. The ultimate responsibility for knowing the customer lies with the Bank.
5. If the Bank decides to accept such accounts, the Bank will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied who the beneficial owner(s) is/are.

G. Trust/ Nominee or Fiduciary Accounts:

- The Bank will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Bank will insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.

H. Accounts of Correspondent Banks/Financial Institutions:

- Currently Bank is opening accounts of various Banks and other Financial Institutions for providing them Correspondent Banking services like cash/funds management, wire transfers (RTGS/SWIFT), drawing arrangements for demand drafts, clearing cheques etc.
- As various KYC/AML/CFT guidelines laid out by RBI aim at preventing the Banks from being used either intentionally or otherwise, by criminal elements for money laundering & / or terrorist financing activities, precautions will be taken while opening accounts of these Banks/Financial Institutions to whom we offer various services. The Bank will gather sufficient information to understand the nature of business of the correspondent/respondent Bank, information about its management, major business activities, level of AML/CFT compliance, purpose of opening of the account, identification of any third party entities that would use the correspondent banking services.
- Questionnaire on KYC/AML: In order to understand the level of AML/CFT compliance of these Banks/Financial Institutions, Bank will obtain the duly filled in Questionnaire on KYC/AML from all these Banks/ Financial Institutions on annual basis. For new accounts, Bank will obtain the questionnaire along with the account opening form. The account is to be opened only after ensuring that the Bank /Financial Institution is complying with all the KYC/AML guidelines as per the information provided in the Questionnaire. This duly filled in Questionnaire will be kept along with the account opening form and other documents.
- The transactions in these accounts will be studied in detail as regards to:
 - i. High value credits favouring same customers followed by immediate debits from the same customer.
 - ii. Receiving large remittances from various originators and remitting the consolidated amount to a different account / center on the same from same customer of the sub-member.

- iii. Structuring all the inward/outward RTGS/NEFT below a particular threshold limit.
 - iv. Frequent “many to one remittance” or “one to many remittances” wherein the rationale for the transactions cannot be established.
 - v. Sending or receiving frequent or large volumes of remittances not in line with the profile of the customer
 - vi. Any other ‘Grounds of Suspicion’.
- While monitoring these transactions if the Bank finds any of the transactions as suspicious, Bank will investigate further by calling the required data for analyses from the sub-member bank. And on further analyses if the Bank feels that the transactions are suspicious the same information will be reported to FIU-IND.

8.2.2. Beneficial ownership:

- When the Bank identifies a customer for opening an account, it will identify the beneficial owner(s) and take all reasonable steps in terms of Rule 9(3) of the PML Rules to verify his identity, as per guidelines provided below:
 - i. Where the **client is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercises control through other means. “Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company. “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.
 - ii. Where the **client is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
 - iii. Where no natural person is identified under (i) or (ii) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.
 - iv. Where the **client is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

8.2.3. Introduction of New Technologies - Credit Cards /Debit cards/ /Smart Cards/ Gift Cards/Mobile Wallet/ Internet banking/ Mobile banking /RTGS/ NEFT/ ECS/ IMPS/ ATM/ Travel Cards etc.

- The Bank will take necessary measures and pay special attention to any money laundering threats that may arise from new or developing technologies including internet and mobile banking that might favour anonymity.

- In case of issuance of ATM cards/ Debit Cards/Travel Cards (as applicable) the Bank will ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers.

8.2.4. Periodic Updation of KYC

- The Bank will follow a system of periodical updating of customer identification data (including photograph/s) after the account is opened. The periodicity of such updation will be done at least every ten years for low risk, at least every eight years for medium risk and atleast two years for high risk individuals and entities. However Bank will not seek fresh proofs of identity and address, from those customers who are categorised as 'low risk', in case of no change in status with respect to their identities and addresses. A self-certification by the customer to that effect will suffice in such cases. In case of change of address, Bank will obtain a certified self attested copy of the document (proof of address) by registered mail/post etc. Bank will not insist on the physical presence of such low risk customers at the time of periodic updation. However in case of such mails, Bank will ensure that the documents are certified, self attested and received through the registered email id of the customer.

8.2.5. General

(i). At par cheque facility:

- Bank will utilize the 'At par' cheque facility only for the following purposes:
 - i) for their own use.
 - ii) for their account holders who are KYC compliant provided that all transactions of Rs.50,000.00 or more are strictly by debit to the customer's account.
- Bank issuing cheque under the 'At par' cheque drawing arrangements will:
 - i) maintain records pertaining to issuance of 'At par' cheques covering, inter alia, applicant's name and account number, beneficiary's details and date of issuance of the 'At par' cheque.
 - ii) ensure that all 'At par' cheques issued are crossed 'account payee' irrespective of the amount involved.

(ii). Operation of bank accounts & money mules:

- "Money Mules" can be 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 to act as "money mules." In some cases these third parties may be innocent while in others they may be having complicity with the criminals. In order to minimize the operations of such mule accounts, the Bank will strictly adhere to the guidelines on KYC/AML/CFT issued from time to time and to those relating to periodical updation of customer identification data not less than six months after the account is opened. The Bank will also monitor transactions in order to protect themselves and their customers from misuse by such fraudsters.

“Where the individual/customer is a prisoner in a jail, the signature or thumb print shall be affixed in the 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 the proof of address issued by the officer in-charge of the jail” (Ref.RBI Circular dtd.09.08.2019/ HO Cir. 672- 29.08.2019)

- In view of the above, the Bank will issue necessary guidelines on precautions to be taken to prevent the account being operated by ‘Money Mule’ which are given in the AML Manual.

(iii). Walk-in customer:

- In case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds Rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address will be verified. However, if the Bank has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rupees fifty thousand the Bank will verify identity and address of the customer and also consider filing a suspicious transaction report (STR) to FIU-IND.

(iv). Remittance of funds by way of demand draft, mail/telegraphic transfer

- The Bank will issue demand drafts, mail transfers, telegraphic transfers and traveler’s cheques for Rs. fifty thousand and above only by debit to the customer’s account 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.
- In case of transactions of Rs. fifty thousand and above undertaken by non-account based customers (e.g.: transactions like issuance of demand draft/pay order etc. to a person who is not our customer), the Bank will obtain, verify & certify the self-attested copy of the address proof and photo identity of the non-account based customer and keep it on record. However the Bank will discourage issuance of Demand Draft/Pay orders, etc to non-account customer and especially if it is a high value demand draft/pay order.
- The Bank will not make payment of cheques/drafts/pay orders/banker’s cheques if they are presented beyond the period of three months from the date of such instrument.

(v). Unique Customer Identification Code

- All the customers will be allotted Unique Customer Identification Code (UCIC) (customer ID) while entering into new account relationship. Similarly, existing individual customers will be allotted unique customer identification code. The UCIC will help to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable the Bank to have a better approach to risk profiling of customers. It will also smoothen banking operations for the customers as the facilities which will be availed by the customers in future will be linked to that customer ID.

8.2.6. Public Awareness:

- The Reserve Bank of India, in the recent times, has been taking several measures to simplify KYC requirements to help the common man open bank accounts. RBI has observed that despite such measures the general public is still facing problems in opening a bank account as these measures have not been given adequate publicity and the common man still lacks awareness on the basics of opening a bank account.
- In order to address these issues, RBI has issued a circular vide ref no. UBD.BPD (PCB).Cir No.16/14.01.062/2014-15 dated 16th September 2014 advising banks to create public awareness and give wide publicity to these KYC simplification measures. Reserve Bank has issued a Press Release together with a poster and a booklet comprising a few common questions relating to Know Your Customer (KYC) norms for opening bank accounts. Bank will circulate the poster and booklet amongst all our branches.

8.3. MONITORING OF TRANSACTIONS:

- Ongoing monitoring of transactions is an essential element of effective KYC procedures. The Bank will have an understanding of the normal and reasonable activity of the customer so as to identify transactions that fall outside the regular pattern of activity.
- When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained customer identification data, the Bank will review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be.
- The Bank will exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.
- The extent of monitoring will depend on the risk sensitivity of the account. The Bank will pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.
- Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer will particularly be monitored from the risk angle.
- Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account. Such accounts will be monitored intensely.
- Transactions in existing accounts will be continuously monitored and any unusual pattern in the operation of the account will trigger a review of the Customer Due Diligence (CDD) measures.
- The business transactions will not be routed through any accounts other than the business accounts. Routing of business transactions through the savings accounts of the directors, partners, proprietors, authorized signatories of the business entities raising suspicion will be reported as suspicious to FIU-IND.
- High risk associated with accounts will have to be taken into account to identify suspicious transactions for filing suspicious transaction reports (STRs) to FIU-IND.

8.4. RISK MANAGEMENT:

- The Bank will prepare a profile for each new customer based on risk categorization. However, while preparing customer profile the Bank will take care to seek only such information from the customer, which is relevant to the risk category and is not intrusive. The customer profile is a confidential document and the Bank will not divulge details contained therein for cross selling or any other purposes.
- For the purpose of customer identification, Customer Risk in the present context refers to the money laundering and terrorist funding risk associated with a particular customer from a Bank's perspective. This risk is based on risk perception associated with customer profile and level of risk associated with the product and channel used by customer.
- The Bank will undertake the risk categorization for the following types of customers and its clients:

1. Low-risk customers:

- i. Salaried employees whose salary structures are well defined
- ii. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- iii. Government Departments and Government owned companies
- iv. Regulators and statutory bodies etc.

2. Characteristics of Medium-risk customers:

- i. Non-Bank Financial Institution
- ii. Stock brokerage
- iii. Import / Export
- iv. Gas Station
- v. Car / Boat / Plane Dealership
- vi. Electronics (wholesale)
- vii. Travel agency
- viii. Used car sales
- ix. Telemarketers
- x. Providers of telecommunications service, internet café, IDD call service, phone cards, phone center
- xi. Dot-com Company or internet business
- xii. Pawnshops
- xiii. Auctioneers
- xiv. Cash-Intensive Businesses such as restaurants, retail shops, parking garages, fast food stores, movie theaters, etc.
- xv. Sole Practitioners or Law Firms (small, little known)
- xvi. Notaries (small, little known)
- xvii. Secretarial Firms (small, little known)
- xviii. Accountants (small, little known)
- xix. Venture capital companies

3. Characteristics of High-risk customers:

- i. Individuals and entities in various United Nations Security Council resolution (UNSCRs) such as UN 1267- (Consolidated list of terrorists), etc

- ii. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Preventive) Act, 1967 relating to the purpose of prevention of, and for coping with terrorist activities.
- iii. Individuals and entities in watch lists issued by Interpol and other similar international organizations.
- iv. Customers with dubious reputation as per public information available or commercially available watch lists.
- v. Individuals and entities specifically identified by regulators, FIU and other competent authorities as High risk.
- vi. 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, frequently and unexplained movement of funds between institutions in various geographic locations, etc.
- vii. Customers based in high risk countries / jurisdiction or location
- viii. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which PEP is the ultimate beneficial owner.
- ix. Non-resident customers and foreign nationals.
- x. Embassies / consulates
- xi. Offshore (foreign) corporation or business
- xii. Non face-to-face customers
- xiii. High net worth Individuals
- xiv. Firms with sleeping partners
- xv. Companies having close family shareholding or beneficial ownership
- xvi. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rational.
- xvii. 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 a physical presence.
- xviii. Investment management / money management / personal investment company
- xix. Accounts for “gatekeepers” such as accountant, lawyers or other professionals for their clients where the identity of the underlying client is not disclosed to the financial institution.
- xx. Client accounts managed by the professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc.,
- xxi. Trust, charities, NGOs / NPOs (especially those operating on a cross border basis), unregulated clubs and organizations receiving donations (excluding NPOs/ NGOs promoted by United Nations and its agencies).
- xxii. Money service business including seller of money orders / travelers cheques / money transmission /cheques cashing / currency dealing or exchange
- xxiii. Business accepting third party cheques (except super markets of retails stores that accept payroll cheques/ cash payroll cheques)

- xxiv. Casinos, Gambling or gaming including junket operators arranging gambling tours.
 - xxv. Dealers in high value or precious goods (for e.g. bullion , jewel, gems, precious metal dealers, art and antique dealers and auction houses, estate agents and real estate brokers)
 - xxvi. Customers engaged in a business which is associated with higher level of corruption (for e.g. arms manufacturers, dealers, intermediaries)
 - xxvii. Customers engaged in industries that might relate to nuclear proliferation activities or explosives
 - xxviii. Customers that may appear to be multilevel marketing companies
 - xxix. Those with dubious reputation as per public information available i.e. media reports, etc.
 - xxx. Routing of business transactions through the Savings accounts, etc.
- The Bank will put in place a system of periodical review of risk categorization of accounts. Such review will be carried out at a periodicity of not less than once in six months.
 - **Indicative list of High/Medium Risk Geographies:**

Countries/jurisdictions:

- i. Countries subject to sanctions, embargos 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. Jurisdiction 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 e.g. Mauritius, Cayman Islands, Switzerland, Monaco, etc.
- 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 all terrorist activities that have designated terrorist organizations operating within them.
- vii. Countries identified by credible sources as having sufficient level of criminal activity.
- viii. Countries identified by the Bank as High Risk because of its prior experience, transaction history and other factors (for e.g. legal considerations or allegations of official corruption)
- ix. ‘Credible sources’ refers to information in reports of Financial Action Task Force (FATF), FATF -style regional bodies, International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Egmont Group of Financial Intelligence Units or similar bodies and input received from RBI, FIU IND or other competent authorities.

Locations:

- i. Locations within the country known as high risk for terrorist incidents or terrorist financing activities (e.g. sensitive locations, cities and affected districts).
- ii. Locations identified by credible sources as having significant levels of criminal, terrorist, terrorist financing activities.
- iii. Locations identified by the Bank as having High Risk because of its prior experience, transaction history or other factors.

8.5. MAINTENANCE OF KYC DOCUMENTS AND PRESERVATION PERIOD:

- The Bank will maintain a record of transactions as required in terms of section 12 of the PML Act, 2002. The Bank will ensure that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, are reported to the appropriate law enforcement authority.

8.5.1. Maintenance of records of transactions:

- The Bank will introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering Rules 2005, as mentioned below-
 - i. All cash transactions of the value of more than Rupees ten lakh or its equivalent in foreign currency;
 - ii. All series of cash transactions integrally connected to each other which have been individually valued below Rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds rupees ten lakhs or its equivalent in foreign currency.
 - iii. All transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency.
 - iv. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction and
 - v. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.
- The Bank will maintain the information necessary to reconstruct the transactions.
 - i. The nature of the transactions;
 - ii. The amount of transaction & currency in which it was denominated;
 - iii. The date on which the transaction was conducted; and
 - iv. The parties to the transaction.

8.5.2. Preservation of records:

- The Bank will identify and maintain records and transaction data such that it will be made available to the competent authorities upon request.

- The Bank will maintain for at least five years from the date of transaction between the bank/FI and the client, all necessary records of transactions, both domestic or international.
- The Bank will preserve records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship for at least five years after the business relationship is ended.
- The Bank will maintain records of identity of the clients and records in respect of transactions specified under Rule 3 of Prevention of Money Laundering Rules 2005 in hard or soft copies.
- The Bank will record and preserve for five years findings at the branch and of the Principal Officer pertaining to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.
- The Bank will permanently retain all the relevant papers of the account wherein the transactions are reported in Cash Transaction Reports (CTR), Suspicious Transaction Reports (STR) and Counterfeit Currency Report (CCR) to FIU IND. The data relating to account transactions details is within the overall Bank record that is maintained by IT Department.

9. COMBATING FINANCING OF TERRORISM:

- In terms of PMLA Rules (Prevention of Money Laundering Act), suspicious transaction will include *inter alia* transactions, which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), is available on the UN website. The modifications are also conveyed by Reserve Bank of India from time to time. The Bank will examine the FATF statements regularly and accordingly update the AML Package.
- The Bank will maintain the list in AML Package and ensure that the name of the proposed customer does not appear in the list. The Bank will scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Any account opened in similar name generates an alert in the Specially Designated Nationals (SDN) scanning.
- Full details of accounts bearing resemblance with any of the individuals/ entities in the list will immediately be intimated to Vigilance Department and Risk Management Department.
- Suspicious Transaction Report (STR) will be filed with FIU-IND by Risk Management Department covering all transactions of suspicious nature.
- Bank shall also carry out Money Laundering (ML) and Terrorist financing (TF) Risk Assessment exercise 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 internal risk assessment carried out by the Bank should be commensurate to its size, geographical presence, complexity of activities/

structure, etc. The Bank shall apply a risk based Approach (RBA) for mitigation and management of the identified risk. The first such internal risk assessment by the Bank shall be completed by June 30, 2020 and thereafter every 6 months i.e. post June and Dec. month - by July & Jan. end every year. (Ref. RBI Cir. Dtd.01.04.2020)

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

- On receipt of the list of individuals and entities subject to UN sanctions (referred to as designated lists) from RBI, Bank will ensure expeditious and effective implementation of the procedure prescribed under Section 51A of UAPA in regard to freezing/unfreezing of financial assets of the designated individuals/entities enlisted in the UNSCRs and especially, in regard to funds, financial assets or economic resources or related services held in the form of bank accounts.
- The Unlawful Activities (Prevention) Act, 1967 (UAPA) has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. Government has issued an Order dated August 27, 2009 detailing the procedure for implementation of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities.

The UAPA that has been amended and notified on 31. 12. 2008 reads as under:-

"51A. For the prevention of, and for coping with terrorist activities, the Central Government shall have power to -

- (a) freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism;
- (b) prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism;
- (c) Prevent the entry into or the transit through India of individuals Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism",.

Banks are required to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 and ensure meticulous compliance to the Order issued by the Government.

9.2. Unfreezing of funds, financial assets or economic resources or related services of individuals/entities:

- Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they will move an application giving the requisite evidence, in writing, to the concerned bank. The bank will inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic

resources or related services have been frozen inadvertently, to the Nodal Officer of IS-I Division of MHA (Ministry of Home Affairs).

- The Joint Secretary, MHA, being the Nodal Officer, will cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he will pass an order, within 15 working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned bank.

9.3. Jurisdictions that do not or insufficiently apply the FATF (Financial Action Task Force) Recommendations:

- The 'Know Your Customer' guidelines stated by RBI have been revisited in the context of the Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT).

As per their recommendations:

- i. Bank will take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement.
Bank will also give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.
- ii. Bank will examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations.
- iii. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions will, as far as possible be examined, and written findings together with all documents will be retained and made available to Reserve Bank/other relevant authorities, on request.

9.4. Matching of customer details with banned entities:

- In case if the details of the customer matches with banned entities such as individual terrorists or terrorist organizations etc. available in our AML package, Bank will immediately, not later than 24 hours, inform full particulars of the funds, financial assets or economic resources or related services held in form of bank accounts to Joint Secretary (IS.I), Ministry of Home Affairs by (by fax, telephone, post and e-mail). Fax No.011-23092569, Telephone on 011-23092736, email: jsis:@nic.in.
- A copy of the same will be sent to UAPA Nodal Officer of RBI and through the AML package to the Financial Intelligence Unit, India (FIU-IND).

Details of UAPA Nodal Officer of RBI:

Address: Chief General Manager, Department of Banking Operations and Development, Anti Money Laundering Division, World Trade Centre, Centre-1, 4th Floor, Cuffe Parade, Colaba, Mumbai -400005

Tel No. & Fax No.: 022-22185792 Email: cgmaml:@rbi.org.in

- The format of the details to be sent while reporting is attached in Appendix II.
- The said information is also to be immediately conveyed to the following officials:
 - i. In case of branches to the Head Office.
 - ii. The Principal Officer (for FIU-IND) of the Bank.

10. REPORTING REQUIREMENTS:

- Financial Intelligence Unit – India (FIU-IND) is the central nodal agency responsible for receiving, processing, analyzing and disseminating information relating to suspicious financial transactions and is responsible for domestic and global efforts against money laundering and related crimes. The main function of FIU-IND is to receive various reports prescribed under the PMLA and the rules made there under, analyse them and, as appropriate, disseminate valuable financial information to intelligence/enforcement agencies and regulatory authorities. Therefore, any reports regarding financial transactions such as Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs) etc. will be filed with the agency. FIU-IND also has the authority to request additional information on individuals or entities from banks and other financial institutions.
- **Suspicious transaction:** As per Rule 2 (1) (g) of the PMLA Rules 2005 suspicious transaction means a transaction referred to in clause (h), 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 have no economic rationale or bonafide purpose; or
 - d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Explanation: Transactions involving financing of the activities relating to terrorism includes transactions 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.

- **Maintenance of Secrecy:** All employees will keep the fact of furnishing suspicious transaction information strictly confidential and the customer will **NOT** be tipped off.

10.1 Reports submitted to FIU-IND:

- The Prevention of Money-laundering Act and rules thereunder require every banking company, financial institution and intermediary, to furnish to FIU-IND various reports. Banks will submit Cash Transaction Report, Non-Profit organization transaction Report, Counterfeit Currency Report and Suspicious Transaction Report.

- a. Cash Transaction Reports (CTRs) - not later than 15th day of the succeeding month:** All cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency to be reported. Series of all cash transactions individually valued below Rupees Ten Lakh, or its equivalent in foreign currency which are that have taken place within a month and the monthly aggregate which exceeds rupees ten lakhs or its equivalent in foreign currency. 'Integrally connected transactions' 'all accounts of the same customer' will be taken into account.
- b. NPO Transaction Reports (NTRs) - not later than 15th day of the succeeding month:** FIU-IND also requires reporting on NPO Transaction Reports wherein Individual credit transactions above Rs. 10 lakh in the accounts of Non Profit Organizations are to be reported.
- c. Suspicious Transaction Reports (STRs) - within 7 working days of identification as suspicious:** Suspicious transactions could be identified through system with the help of Anti Money Laundering (AML) package or from the behavioral pattern of the account or the account holder. Every alert generated through AML package need not be suspicious. Bank will verify whether all the KYC documents in these accounts are on record and moreover ensure that the transactions are in conformity with the profile of the customer. As regards to identifying the transactions through behavioral pattern depends on the alertness of the branch officials. Instances like a tailor or a maid servant depositing cash or cheques of high amount, huge turnover in a minors account etc will raise an alarm of suspicion. Large number of inter account transfers and maintaining only minimum balance will also be a ground of suspicion. Intuition and experience will help in judging whether a transaction is genuine or suspicious. As and when the transactions reported in CTR, NTR or otherwise are identified as suspicious the same has to be reported to FIU-IND and the customer will not be tipped of about the reporting. Moreover, customer will not be stopped from doing the transactions and will be kept off guard. But KYC compliance of these customers will be insisted. All such customers will be marked as high risk in the system.
- d. Counterfeit Currency Reports (CCRs) - by the fifteenth (15th) day of the succeeding month:** The information relating to all cash transactions where forged or counterfeit currency notes or bank notes are received at the counter will be reported to FIU-IND as Counterfeit Currency Reports (CCRs) by 15th day of the next month
- e. Cross Border Wire Transfer Reports (CBWT) - by the fifteenth (15th) day of the succeeding month:** As defined in the rule 8, all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India will be reported to FIU-IND as Cross Border Wire Transfer (EFT).

11. GENERAL GUIDELINES:

(i) Staff Learning Centre:

- The Staff Learning Centre of the Bank will ensure an ongoing employee-training programme to ensure that they are adequately trained in KYC procedures.
- Training programmes will have different focuses for frontline staff, compliance staff and staff dealing with new customers.
- All the employees will fully understand the rationale behind the KYC policies and implement them consistently.
- Training will include educating the Bank Staff to identify potential money laundering, to guard against offending genuine customers, to seek information tactfully without offending the customers and training on AML package.

(ii) Customer Education: The implementation of KYC procedures will require the Bank to demand certain information from customers, which may be of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. Specific literature/ pamphlets etc. will be prepared so as to educate the customer of the objectives of the KYC programme.

(iii) Hiring of Employees: In order to ensure that criminals are not allowed to misuse the banking channels, the Bank will put in place adequate screening mechanism as an integral part of the recruitment/hiring process of personnel.

(iv) Appointment of Designated Director: A person who holds the position of senior management or equivalent is appointed as Designated Director.

(v) Appointment of Principal Officer: Bank will appoint a senior officer as Principal Officer (PO). PO shall be independent and report directly to the senior management. The PO shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer may be communicated to the FIU-IND.

(vi) With reference to the circular, RBI/2015-16/165 DBR AML BC No. 36/ 14.01.001/ 2015-16 dated August 28, 2015, all new accounts of the REs should start from November 1, 2015 with FATCA/CRS compliant account opening form and documentation. It means reporting under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).

(vii) All transactions above Rs.50, 000/- (Debit & Credit) should be allowed henceforth provided Aadhar Card is linked to accounts. This procedure of linking to accounts has been allowed till December 31, 2017.

(viii) Bank has to upload the KYC data pertaining to all new individual accounts opened on or after April 1, 2017, with CKYCR.

Appendix I

FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Account Type	Documents
A. Accounts of individuals	<p>(i) Passport, (ii) Driving license, (iii) PAN Card, (iv) Voter's Identity Card (v) NREGA Job card (vi) Letter issued by the UIDAI containing details of name, address and Aadhaar number/ Aadhaar card. Submission of Aadhaar Card is voluntary and be obtain alongwith stipulated declaration form of the Bank duly filled in. (Ref.RBI Cir.dtd.29.05.2019 /HO Cir.661-26.08.2019)</p> <p>In case of customers falling under "Low Risk Category", if the individual is unable to produce OVD for account opening, then relaxation for the purpose of proof of address should be applied by obtaining any one of the documents in the name of individual:-</p> <p>(i) Utility bill which is not more than two months old of any service provider (electricity, telephone, postpaid mobile phone, piped gas, water bill);</p> <p>(ii) Property or Municipal Tax receipt duly signed and stamped by respective issuing authority;</p> <p>(iii) Bank account or Post Office savings bank account statement duly signed and stamped (except for No frills Account);</p> <p>(iv) Pension or family pension payment orders (PPOs) issued to retired employees by <u>Government Departments or Public Sector Undertakings.</u></p> <p>(v) Letter of allotment of accommodation from employer issued by <u>State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, public financial institutions and listed companies</u> (or leave and license agreements with such employers allotting official accommodation).</p> <p>(vi) Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.</p>
	<p>Under simplified measures for low risk category customers if the individual is unable to produce OVD for account opening, additional relaxations in the proof of identity should be applied by obtaining any one of the documents in the name of individual:-</p> <p>(i) Identity card with applicant's Photograph issued by <u>Central/State Government Departments, Statutory/</u></p>

	<p><u>Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;</u></p> <p>(ii) Letter issued by a gazetted officer, with a duly attested photograph of the person</p>
<p>Note:</p> <ul style="list-style-type: none"> • If the address on the identity proof is same as that in the account opening form, the document may be accepted as a valid proof of address also. • Only one documentary proof of address (either current or permanent) will be obtained. In case the proof of address furnished by the customer is not the local address or address where the customer is currently residing, the Bank will take a declaration of the local address on which all correspondence will be made by the Bank with the customer. • The address should be verified by the branch through positive confirmation such as acknowledgment of receipt of the letter of thanks or a surprise visit should be paid by the branch at the communication address. <p>*PAN Card should normally be obtained in case of savings and term deposit accounts. However in case the prospective customer is not able to submit the same, the KYC documents should be accompanied by Form 60 in lieu of the Pan Card. In case of current accounts however the PAN Card has to be compulsorily obtained.</p>	
<p>B. Accounts of Companies</p>	<p>(i) Certificate of Incorporation and Memorandum & Articles of Association</p> <p>(ii) Resolution from the Board of Directors</p> <p>(iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf</p> <p>(iv) PAN card of the company</p> <p>(v) Proof of Address (In case address on the account opening form is different from that given in the Registration Certificate)</p> <p>(vi) Any officially valid document identifying the authorized signatories and their addresses. (as given in A above)</p>
<p>Note: (In case of companies: Form No. 32 is required in case the names of the Authorized Directors are not appearing in the Memorandum of Association. DIN Numbers should also be furnished along with the account opening form. In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.)</p>	
<p>C. Accounts of Partnership Firms</p>	<p>(i) Registration Certificate issued under the Partnership Act, 1932 (Optional). However while granting any credit facility to partnership firm, it should be ensured that the firm is registered one.</p> <p>(ii) Partnership Deed</p> <p>(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf</p> <p>(iv) PAN card of the firm</p> <p>(v) Proof of Address (In case address on the account opening</p>

	<p>form is different from that given in the Registration Certificate)</p> <p>(vi) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (as given in A above.</p>
<p>Note: Fresh Partnership Deed should be taken and this should include the signatures of resigning partners in case of change in constitution. In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.</p>	
<p>D. Accounts of Trusts & Foundations</p>	<p>(i) Certificate of Registration issued by the Charity Commissioner/Inspector General of Registration under the respective State Public Trusts Act or Societies Registration Act' 1860(compulsory)</p> <p>(ii) Trust Deed</p> <p>(iii) Resolution of the managing body</p> <p>(iv) Power of Attorney granted to transact business on its behalf</p> <p>(v) PAN card of the Trust</p> <p>(vi) Proof of Address(In case address on the account opening form is different from that given in the Registration Certificate)</p> <p>(vii) Any officially valid document to identify the authorized signatories and their addresses (as given in A above)</p>
<p>Note In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.</p>	
<p>E. Accounts of Proprietorship firms</p>	<p>(i). Document of Identity as also the address proof of the proprietor. (as given in A above)</p> <p>(ii). Any two documents from the following can suffice to open a Proprietor A/C</p> <p>(a) Sales and/or Income tax returns</p> <p>(b) CST / VAT /GST Certificate (Provisional/ final)</p> <p>(c) Certificate/Registration document issued by The Sales Tax/Service Tax / Professional Tax authorities.</p> <p>(d) License issued by the Registering authority like Certificate of Practice issued by the Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.</p> <p>(e) Registration Certificate (in the case of a registered concern)</p> <p>(f) Certificate/License issued by the Municipal authorities under Shop & Establishment Act. However renewal of shop license not to be insisted. & To accept Udyog</p>

	<p>Aadhar certificate as one of the OVD for account opening.</p> <p>(g) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT.</p> <p>(h) Whenever the place of business is in the jurisdiction of the Gram Panchayat, a letter from the Gram Panchayat authorities certifying the name of the firm, name of the Proprietor, activity undertaken by the firm and the address of the firm can be accepted instead of Shop and establishment certificate which is issued only by the municipal authorities.</p> <p>(i) Utility bills such as electricity, water and landline telephone bills</p> <p>(j) Complete income tax returns in name of the proprietor wherein the firm's income is reflected.</p>
<p>Note: IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT can be accepted as an identity document for opening of the bank account. Only in exceptional cases where the Bank is satisfied that it is not possible to furnish two such documents, the Bank will have the discretion to accept only one of those documents as activity proof. i.e. BM/Branch visit report. In such cases however, the Bank will have to undertake contact point verification, collect such information as will be required to establish the existence of such a firm, confirm, clarify and satisfy that the business activity has been verified from the address of the proprietary concern.</p>	
<p>F. Accounts of Societies</p>	<p>(i) Registration Certificate issued under Societies Registration Act, 1860.</p> <p>(ii) Resolution passed by the members of the Society in the Annual General Meeting declaring the names of the committee members, the name of the Bank where they intend to open the account and operating instructions.</p> <p>(iii) Any officially valid document to identify the authorized signatories and their addresses (as given in A above)</p>
<p>Note: In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.</p>	
<p>G. Accounts of Minor.</p>	<p>(i) Birth certificate of the minor or a certificate from the School authorities confirming the date of birth.</p> <p>(ii) Certificate from School authority certifying the address of the student.</p> <p>(iii) Any officially valid document to identify the guardian whose name is included in the account and his/her address (as given in A above).</p> <p>Proof of birth (i) Birth Certificate (ii) Passport (iii) PAN card* (iv) Driving license (v) School or College Identity card (vi) School or College Leaving Certificate (vii) Aadhaar card/ Aadhaar acknowledgment receipt (date of birth verified)</p>
<p>Once the minor attains majority or there is addition of guardian name in future, the</p>	

student/guardian would be subjected to full KYC requirements and should submit the same to keep the account operative.

H. Accounts of NRIs	<ul style="list-style-type: none"> (i) Copy of the current Indian Passport. (ii) Copy of Employment Visa/Work Permit/Student Visa/ Work permit/Work visa (iii) Proof of overseas address.(Utility bills/driving license/ Credit Card Bills/ Overseas Bank statement) (iv) Proof of local address if other than that in passport. (v) In case of an employee of a Foreign Shipping Company/ Merchant navy a copy of the employment letter/evidence to indicate that they are posted at foreign ports and are residing outside India. (vi) In case of Minor NRIs, Guardian's photograph and photocopy of Guardian's Passport. (viii) Power of Attorney of the person operating the account. (ix) Any officially valid document to identify the person operating the account and his/her address (as given in A above)
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Note: Account should be strictly opened in the name as mentioned in the Passport. Where documents are mailed to the branch, they should be attested by the banker abroad/ Indian embassy/notary public

I. Account of Persons of Indian Origin holding Foreign Passport.	<ul style="list-style-type: none"> (i) Copy of current Foreign Passport establishing his/her citizenship abroad. (ii) Any one of the following: <ul style="list-style-type: none"> a) Copy of PIO card issued by Govt. of India. b) Copy of recent Bank Statement of his/her NRE account with any Bank in India. c) Copy of current Indian Passport of his/her spouse, father or mother. d) Indian Passport/Driving license/ PAN Card issued in the name of the applicant at any point of time (even if the document has expired)
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Note: Where documents are mailed to the branch, they should be attested by the banker abroad/ Indian embassy/notary public

J. Account of Visually Impaired persons	<ul style="list-style-type: none"> (i) Any officially valid document verifying the identity and the address. (as given in A above) (ii) Signature of the witness (in case of illiterate) whose copy of photo identity may also be obtained (iii) Two passport size photographs of the visually impaired person be obtained and affixed one each in the Account opening form and Passbook.
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Note: The Officer/Manager of the branch should read out the rules of business and other terms and conditions in the presence of a witness known to the Bank. The signature of the witness, for having done this, shall be obtained in the account opening form. The signature/left thumb impression of the visually impaired person and the counter signature of the Manager/Officer should be affixed on the photograph. Even in the case of literate visually impaired persons, in addition to his signature, thumb impression should be obtained in the

specimen signature column of the account opening form.	
K. Accounts of Multi Level Marketing (MLM) agencies.	In addition to the regular KYC documentation and check in such accounts the branches should thoroughly scrutinize the request for issuance of more than four cheque books. Further such accounts should be continuously monitored by the branch to identify the misuse of the possible cheque books.
L. Accounts of non face to face customer	In addition to the regular KYC documentation and check in such accounts the branches should insist on Certification of all documents. Ensure that first transaction made to the customer should be effected through his own account with another Bank In case of cross border customers where the Bank has to rely on third party certification, it should be ensured that the third party is regulated and a supervised entity.
M. Account of a condominium	(i) Certified copy of Registered Declaration u/s 2 of the Maharashtra Apartment Ownership Act, 1970. (ii) Bye-laws (as required by Sec 16 of the said Act) (iii) Resolution signed by the Chairman / Secretary singly or any two authorized signatories jointly as per the bye-laws. (iv) Identity and address proof of all authorized signatories
Note: Form A as per Maharashtra Ownership Rules 1972 can be accepted instead of should contain certified copy of Registered Declaration u/s 2 of the Maharashtra Apartment Ownership Act, 1970. Form A should contain declaration to be executed and registered under Section 2 by the sole owner or all the owners. The family units and common areas should be mentioned in the Form A. Exhibit B within Form A should have bye - laws of the Condominium. The bye- laws should include Voting, quorum, Administration, Management, Obligations of the Apartment owners. The last page of Form A should have registration stamp and signatures of Sub-Registrar.	
N. Accounts of political parties	(i) Certificate of registration confirming that the party is registered with the Election Commission of India as a political party under the Election Symbols (Reservation and Allotment) Order, 1968 as in force for the time being. (ii) Certified copy of constitution of the party. (iii) Resolution indicating the authorized signatories to operate the account. (iv) KYC documents of all authorized signatories.
Note: In case of the account is to be opened by the branch of the Political Party, following should be obtained in addition to above: (a) Whether the constitution of the party allows opening of the account by their branch. (b) Resolution of the party authorizing their branch to open the account.	
O. Account of Limited Liability	(i) Certificate of Registration of LLP (Registration of LLP is mandatory)

partnership	<ul style="list-style-type: none"> (ii) LLP Agreement (iii) Designated identification numbers of all the partners (iv) Resolution signed by all the partners indicating the authorized signatories (v) KYC documents of all the partners and authorized signatories. (vi) PAN card
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Note: In the absence of LLP agreement, provision of Schedule I of the Act becomes applicable. Minimum no. of designated partners is 2, out of which one must be resident of India, in case where all the partners are Body Corporate, the nominees of such bodies act as Designated Partners. In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.

P. Account of an Non profit/ public charitable organizations (NGOs)	<ul style="list-style-type: none"> (i) NGOs can be registered as Trusts, societies, or a private limited non profit company, under section-25 of the companies Act. Registration is mandatory. (ii) Hence all KYC documents obtained for trusts, societies, or a private limited non profit company respectively should be taken.
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Note: The Central Govt. issues a license for registering companies u/s 25 which shall be incorporated for charitable and other purposes and which do not distribute their profits. The company may not use limited or private limited word in their mails; otherwise they are subject to same liability and have same rights as any other company registered under the Companies Act 1956.

Q. Account of Clubs/Mandals/ Associations/ Association of Persons	<ul style="list-style-type: none"> (i) Registration certificate (registered or incorporated under Societies Registration Act or Companies Act or Co-operative Societies Act) (ii) Bye laws (iii) Resolution passed by the Managing Committee/Board of Management to open the account and operating instructions (iv) KYC Documents to confirm the identity of office bearers/ signatories/ power of attorney holder. (v) PAN card (vi) International Charter of Club
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Note: In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.

R. Opening of accounts for Terminal Benefit Funds operated as Trusts: (In case of terminal benefit funds such as	<ul style="list-style-type: none"> (i) Certificate of registration issued by Charity Commissioner/Inspector General of Registration under respective State Public Trusts Act or Societies Registration Act' 1860 (ii) Trust Deed (iii) Recognition Certificate issued by the Income Tax Authorities and / or the Regional Provident Fund Commissioner
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Provident Fund / Gratuity Fund / Superannuation Fund that are operated as Trusts)	(iv) Power of Attorney granted to transact business on its behalf (v) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses (vi) Resolution of the managing body (vii) Proof of address
Note: In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.	
S. Accounts of Hindu Undivided Family	(i) Pan Card of HUF (ii) Identity and address proof of Karta (iii) Declaration form for HUF duly filled in and signed by Karta with stamp of HUF and Coparcener
T. Accounts of schools/colleges	(i) Registration Certificate (Societies Registration Act/ State Public Trusts Act) (ii) Bye Laws (iii) Pan Card (iv) KYC of authorized signatories (v) Resolution to open the account and operating instructions
Note: In case of school opened by Trust, all KYC of Trust & Trust Deed should have clause to open the school. In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.	
U. Accounts of Credit Co-operative Societies & Co-operative Banks	(i)Registration Certificate (registered under Registrar or Co-operative Societies/ Co-operative Societies Act) (ii) RBI license (in case of Co-operative Banks) (iii) Bye Laws Resolution of Board to open the account and operating instructions PAN card (vi) KYC of authorized signatories
Note: In case the address on the account opening form is different from that given in the Registration Certificate, the authorized signatories should submit a declaration giving the local address on the letter head of the entity.	

Appendix II

The following details are to be sent while reporting:

- i. Name of the Firm:
- ii. Name of the Entity/Individual:
- iii. Constitution: (type of constitution viz. trust, society, private / public limited company, individual, etc.)
- iv. Date of Account opening:
- v. Facilities availed with us:
- vi. The amount of Funds or financial assets held with us: (Only credit balances held in deposits).