

**THE KOTTARAKKARA CO-OPERATIVE URBAN**  
**BANK**  
**LTD NO.1909,KOTTARAKKARA**

Head office: Kottarakkara

Branches:1.Kottarakkara Main

2.Chadayamangalam

3.Puthoor

4.Odanavattom

5.Pulamon

6.Oyoor

**KYC POLICY**

## **1. Introduction**

In terms of the provisions of Prevention of Money-Laundering Act, 2002, the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, and their subsequent amendments from time to time as notified by the Government of India, Regulated Entities (REs) (Banks and Financial Institutions) are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. REs shall take steps to implement the provisions of the aforementioned Act and Rules, including operational instructions issued in pursuance of the Act, the Rules and their amendment(s).

**1.2** Accordingly, in exercise of the powers conferred by Sections 35A of the Banking Regulation Act (AACR), 1949, read with Section 56 of the Act *ibid*, Rule 9(14) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and all other laws applicable to banks, the Reserve Bank in this regard issues Master Direction- Know Your Customers (KYC) Direction, 2016 for the benefit of Regulated entities. The direction is periodically updated as required by the subsequent amendments in the respective Acts and Rules.

**1.3** As a Regulated Entity, Bank has incorporated the latest amendments and reviewed the KYC policy of the Bank on 16.07.2019 vide the Board of Directors' Resolution No. 162/19-20 dated 16.07.2019

### **1.4. Definitions:**

a) "Officially Valid Document" (OVD) means:

- i) the passport,
- ii) the driving licence
- iii) proof of possession of Aadhaar number
- iv) the Voter's Identity Card issued by the Election Commission of India
- v) job card issued by NREGA duly signed by an officer of the State Government and
- vi) letter issued by the National Population Register containing details of name and address.

Provided that,

- i) where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

ii) where the OVD furnished by the customer does not have updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-

- a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)
- b) property or Municipal tax receipt
- c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address
- d) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and
- e) leave and licence agreements with such employers allotting official accommodation;

b) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'a (i) ' above

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

## **2. Objective of the Policy**

**2.1.** To prevent the bank from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

**2.2.** To enable the bank to know / understand its customers and their financial transactions better, which in turn would help it to manage Money Laundering and Terrorist Financing risks prudently.

**2.3.** To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines.

**2.4.** To take necessary steps to ensure that the relevant staff are adequately trained in KYC/AML procedures.

## **3. General**

**3.1** The KYC policy shall include following four key elements:

- (a) Customer Acceptance Policy (CAP)
- (b) Risk Management (RM)

- (c) Customer Identification Procedures (CIP) and
- (d) Monitoring of Transactions.

### **3.2. Designated Director and Principal Officer**

(a) A "Designated Director" means a person designated by the RE to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.

(b) The "Principal Officer" shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

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

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

## **4. Compliance of KYC policy**

(a) Bank should ensure compliance with KYC Policy through:

(i) Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance (Senior Management-The General Manager and Asst. General Manager are the Senior Management)

(ii) Allocation of responsibility for effective implementation of policies and procedures (Duties of each designation should be specified by the board in the respective Job Cards/Duty cards).

(iii) Independent evaluation of the compliance functions of Bank policies and procedures, including legal and regulatory requirements.

(iv) Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.

(v) Submission of quarterly audit notes and compliance to the Audit Committee/Board.

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

## **5. Customer Acceptance Policy**

**5.1.** Bank should ensure that:

(a) No account is opened in anonymous or fictitious/benami name.

(b) No account is opened where the Bank is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

(c) No transaction or account-based relationship is undertaken without following the CDD procedure.

(d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.

(e) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened, if necessary.

(f) Bank shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of the Bank desires to open another account with us there shall be no need for a fresh CDD exercise.

(g) CDD Procedure is followed for all the joint account holders, while opening a joint account.

(h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.

(i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India/other statutory authority/United Nation/FATF/Other such bodies.

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

## **6. Risk Management**

**6.1.** For Risk Management, Bank shall follow risk based approach which includes the following:

(a) Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank.

(b) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. **While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.**

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive. Bank should develop the staff in such a way that they have the soft-skill to extract the relevant information from the customers without hurt the feeling of the customers.

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

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

**7.1.** Bank shall undertake identification of customers in the following cases:

(a) Commencement of an account-based relationship with the customer.

(b) Carrying out any international money transfer operations for a person who is not an account holder of the bank.

(c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

(d) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.

(e) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.

(f) When Bank has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

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

(a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.

(b) Adequate steps are taken by Bank to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.

(c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

(d) The third party shall not be based in a country or jurisdiction assessed as high risk.

(e) The ultimate responsibility for customer due diligence and undertakings enhanced due diligence measures, as applicable, will be with the Bank.

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

### **8.1. Documents for Individuals:**

- a) a certified copy of any OVD containing details of his identity and address
- b) one recent photograph
- c) the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962.

Provided that,

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

ii) Bank may carry out Aadhaar authentication/ offline-verification of an individual who voluntarily uses his Aadhaar number for identification purpose. In cases where successful authentication has been carried out, other OVD and photograph need not be submitted by the customer.

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

exception handling shall also be a part of the concurrent audit. Bank shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Bank and shall be available for supervisory review.

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

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

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

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

i). There must be a specific consent from the customer for authentication through OTP.

ii). the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.

iii). the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.

iv). As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.

v). Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 7 is to be carried out.

vi). If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed



immediately. In respect of borrowal accounts no further debits shall be allowed.

vii). declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other RE. Further, while uploading KYC information to CKYCR, Bank shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

viii). Bank shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

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

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

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

Further, small accounts are subject to the following conditions:

(a) The bank shall obtain a self-attested photograph from the customer.

(b) The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

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

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

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

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

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

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

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

## **9. CDD Measures for Sole Proprietary firms**

**9.1.** For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) (Para 8.1) shall be carried out.

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

- a) Registration certificate
- b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c) Sales and income tax returns.
- d) CST/VAT/ GST certificate (provisional/final).
- e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.

g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly

authenticated/acknowledged by the Income Tax authorities.

h) Utility bills such as electricity, water, landline telephone bills, etc.

**9.2.1.** 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 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.

### Part III- CDD Measures for Legal Entities

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

- a) Certificate of incorporation
- b) Memorandum and Articles of Association
- c) Permanent Account Number of the company
- d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- e) Documents, as specified in Para 8.1, of the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

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

- a) Registration certificate
- b) Partnership deed
- c) Permanent Account Number of the partnership firm
- d) Documents, as specified in Para 8.1, of the person holding an attorney to transact on its behalf

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

- a) Registration certificate
- b) Trust deed
- c) Permanent Account Number or Form No.60 of the trust
- d) Documents, as specified in Para 8.1, of the person holding an attorney to transact on its behalf

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

- a) Resolution of the managing body of such association or body of individuals
- b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- c) Power of attorney granted to transact on its behalf
- d) Documents, as specified in Para 8.1, of the person holding an attorney to transact on its behalf and
- e) Such information as may be required by the Bank to collectively establish the legal existence of such an association or body of individuals.

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

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

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

- a) Document showing name of the person authorised to act on behalf of the entity;
- b) Documents, as specified in Para 8.1, of the person holding an attorney to transact on its behalf and
- c) Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.

### **9.8. Identification of Beneficial Owner**

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

a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they

areacting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## **10. On-going Due Diligence**

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

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

a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.

b) Transactions which exceed the thresholds prescribed for specific categories of accounts.

c) High account turnover inconsistent with the size of the balance maintained.

d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

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

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

a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

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

of India and other appropriate authorities such as FIU-IND.

## **10.4 Periodic updation**

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers

and once in every ten years for low risk customers as per the following procedure:

- a) Bank shall carry out
  - i). CDD, as specified in Para 8, at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
  - ii). In case of Legal entities, Bank shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- b) Bank may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.
- c) Bank shall ensure to provide acknowledgment with date of having performed KYC updation.
- (d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

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

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

Further, if the Bank shall take appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

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

settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

**Explanation** – For the purpose of this Section, “temporary ceasing of operations” in relation to an account shall mean the temporary suspension of all transactions or activities in relation to that account by the Bank till such time the customer complies with the provisions of this Paragraph. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credit shall be allowed.

## **11. Enhanced Due Diligence Procedure**

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

**11.2. Accounts of Politically Exposed Persons (PEPs) or a PEP is the beneficial owner:** Bank shall have the option of establishing a relationship with PEPs provided that:

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

## **11.3. Client accounts opened by professional intermediaries:**

Bank shall ensure while opening client accounts through professional intermediaries, that:

- a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- b) Bank shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.

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

d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of RE, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of RE, the RE shall look for the beneficial owners.

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

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

## **12. Simplified Due Diligence Procedure**

### **12.1 Simplified norms for Self Help Groups (SHGs)**

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

b) CDD of all the office bearers shall suffice.

c) No separate CDD as per the CDD procedure mentioned in Para 8 of the of the members or office bearers shall be necessary at the time of credit linking of SHGs.

## **13. Record Management**

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

a) maintain all necessary records of transactions between the Bank and the customer, both domestic and international, for at least five years from the date of transaction;

b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

c) make available the identification records and transaction data to the competent authorities upon request;



- d) introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- e) maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
  - i) the nature of the transactions;
  - ii) the amount of the transaction and the currency in which it was denominated;
  - iii) the date on which the transaction was conducted; and
  - v) the parties to the transaction.
- f) evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- g) maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

#### **14. Reporting Requirements to Financial Intelligence Unit - India**

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

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

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

transaction data or The Principal Officer shall have suitable arrangement to cullout the transaction details from branches to feed the data into an electronic file with the help of the editable electronic utilities of the respective report as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

### **14.3 Due Date for Furnishing Report**

a) **For CTR/NTR:** Report as on the last date of the month shall be furnished before 15<sup>th</sup> of next month.

b) **For STR:** Report shall be furnished within seven days of the suspicious transaction,

## **15. Requirements/obligations under International Agreements**

### **15.1. Communications from International Agencies –**

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

a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>

b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>.

**15.2** Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

**15.3** In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

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

The procedure laid down in the UAPA Order dated 37 March 14, 2019 shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

## **16. Other Instructions**

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

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

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

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

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

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

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

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

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

Account payee cheques for any person other than the payee constituent shall not be collected. Banks shall, at their option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies.

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

b) The Bank shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is an adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

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

Adequate attention shall be paid by the Bank to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies.

### **16.7. Wire transfer**

a) Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.

b) Customer Identification shall be made if a customer is intentionally structuring wire transfer below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish his identity and STR shall be made to FIU-IND.

c) Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.

d) A bank processing as an intermediary element of a chain of wire transfers shall ensure that all originator information accompanying a wire transfer is retained with the transfer.

e) The receiving intermediary bank shall transfer full originator information accompanying a cross-border wire transfer and preserve the same for at least five years if the same cannot be sent with a related domestic wire transfer, due to technical limitations.

f) All the information on the originator of wire transfers shall be immediately made available to appropriate law enforcement and/or prosecutorial authorities on receiving such requests.

g) Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.

h) Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.

ij) The beneficiary bank shall seek detailed information of the fund remitter with the ordering bank and if the ordering bank fails to furnish information on the remitter, the beneficiary shall consider restricting or terminating its business relationship with the ordering bank.

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

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheques for value of rupees fifty thousand and above shall be effected by debit to the customer's account against cheques and not against cash payment.

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank.

#### **16.9. Quoting of PAN**

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

#### **16.10. Selling Third party products**

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

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

#### **16.11. At-par cheque facility availed by Bank**

**16.11.1** Bank shall ensure that the 'at par' cheque facility is utilised only:

- a) for our own use,
- b) for their account-holders who are KYC compliant, provided that all transactions of rupees fifty thousand or more are strictly by debit to the customers' accounts,
- c) for walk-in customers against cash for less than rupees fifty thousand per individual.

**16.11.2** Bank shall maintain the following:

a) 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,

b). sufficient balances/drawing arrangements with the commercial bank extending such facility for purpose of honouring such instruments.

**16.11.3.** Bank shall ensure that 'At par' cheques issued are crossed 'account payee' irrespective of the amount involved.

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

a) Adequate screening mechanism as an integral part of Bank's personnel recruitment/hiring process shall be put in place.

b) On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education.

c) Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of the Bank, regulation and related issues shall be ensured.

**POLICY DISCUSSED IN DETAIL – BOARD RESOLUTION No. 162/19-20 dt 16.07.2019.**

General Manager

Director

Director

Chairman