



## **JHARKHAND RAJYA GRAMIN BANK**

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

#### **JRGB KYC POLICY (updated 18.12.2020)**

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended & notified from time to time by the Government of India, our Bank is required to follow certain customer identification procedure while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. The Bank shall take steps to implement the provisions of the aforementioned Act and Rules, including operational instructions issued in pursuance of such amendment(s).

2. Accordingly KYC Policy of the Bank, based on Master Directions issued by RBI ref. No. RBI/DBR/2015-16/18, Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated 25.02.2016 (updated as on December 18, 2020) along with our policy in respect of CKYCR based on RBI Circular No. RBI/2020-21/80 DBR.AML.BC.No. 31/14.01.2001 dated 18.12.2020, is approved by the Board in its meeting held on 12.01.2021 for its compliance by all the branches, AMH, LCPC, business units & Controlling Offices.

3. All branches, AMH, business units & controlling offices of the Bank shall comply with the revised KYC policy guidelines as brought herein without any deviation for its implementation along with the provisions of Prevention of Money-Laundering Act, 2002 and Prevention of Money- Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including the operational instructions issued in pursuance of such amendment(s).



## Chapter - I PRELIMINARY

### Short Title

Policy guidelines on Know Your Customer (KYC) Norms / Anti Money laundering (AML) Standards / Combating of Financing of terrorism (CFT) Measures / Obligation of the Bank under Prevention of Money Laundering Act (PMLA), 2002 shall be called as **Jharkhand Rajya Gramin Bank Know Your Customer (KYC) Policy Directions, 2020.**

### 1. Applicability

- (a) The provisions of KYC Policy guidelines shall apply to all the branches / offices / AMH & Operating units including BC channel of the Bank.
- (b) These directions shall come into effect from the date of its approval by the Board.

### 2. Definitions

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

- (A) Terms bearing meaning assigned in terms of Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005:
  - i. "Aadhaar number" shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016),
  - ii. "Act" and "Rules" means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
  - iii. "Authentication", in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
  - iv. **Beneficial Owner (BO)**
    - a. Where **the customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has / have a controlling ownership interest or who exercise control through other means.  
Explanation- For the purpose of this sub-clause-
    - (i) "Controlling ownership interest" means ownership of / entitlement to more than 25

per cent of the shares or capital or profits of the company.

- (ii) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
- b. Where **the customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of / entitlement to more than 15 per cent of capital or profits of the partnership.
- c. Where **the customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/ entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- d. Where **the customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- v. **"Certified Copy"** - Obtaining a certified copy by the bank shall mean comparing the copy of the proof of possession of Aadhaar Number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the Branch/Office with his employee number. Branch/Office Official will also attest the duly signed photograph of the customer.

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

- Authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,



- Notary Public abroad,
  - Court Magistrate,
  - Judge,
  - Indian Embassy/Consulate General in the country where the non-resident customer resides.
- vi. **"Central KYC Records Registry"** (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- vii. **"Designated Director"** means a person designated by the Bank to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. As per RBI directives, a person who holds the position of Senior Management or equivalent shall be designated as a 'Designated Director' in respect of Co-operative Banks and Regional Rural Banks.
- viii. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the bank as per the provisions contained in the Act.
- ix. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- x. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- xi. **"Know Your Client (KYC) Identifier"** means the unique number or code assigned to a customer by the Central KYC Records Registry.
- xii. **"Non-profit organisations"** (NPO) means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- xiii. **"Officially valid document"** (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the

State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

- a. Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
  - b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-
    - i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
    - ii. property or Municipal tax receipt;
    - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
    - iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;
- Further, at the time of on-boarding of the customer, an undertaking should be obtained from the customer along with AOF/OVDs stating that Customer shall submit his OVD with updated current address within 3 months failing which operations in his account shall be restricted.
- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above, failing which the operations in the account shall be restricted (Debit-frozen).
  - d. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

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

(xiv) **“Offline Verification”**, shall have the same meaning as assigned to it in clause (pa) of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016(18 of 2016) which includes the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the Aadhaar regulations. Offline verification may be used in case the customer does not consent to undergo authentication, or the Bank is unable to perform biometric e-KYC authentication owing to injury, illness or infirmity on account of old age or otherwise.

(xv) **"Person"** has the same meaning assigned in the Act and includes:

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

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

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

- (a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- (b) appears to be made in circumstances of unusual or unjustified complexity; or
- (c) appears to not have economic rationale or bona-fide purpose; or
- (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

(xviii) **A 'Small Account'** means a savings account which is opened in terms of sub-rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 23.

- (xix) **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. opening of an account;
  - b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
  - c. the use of a safety deposit box or any other form of safe deposit;
  - d. entering into any fiduciary relationship;
  - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
  - f. Establishing or creating a legal person or legal arrangement.
- (xx) **"UCIC"** means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering into new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.
- (xxi) **"Video based Customer Identification Process (V-CIP)"**: a method of customer identification by an official of the bank by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this policy.
- (B) Terms bearing meaning assigned in RBI Master Directions on KYC, unless the context otherwise requires, shall bear the meanings assigned to them below:
- a. **"Common Reporting Standards"** (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
  - b. **"Customer"** means a person who is engaged in a financial transaction or activity with the Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
  - c. **"Walk-in Customer"** means a person who does not have an account based relationship with the Bank, but undertakes transactions with the Bank.
  - d. **"Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner.

- e. **"Customer identification"** means undertaking the process of CDD.
- f. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- g. **"IGA"** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- h. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- i. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/offices of the Bank or meeting the officials of Bank.
- j. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.
- k. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- l. **"Politically Exposed Persons"** (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States / Governments, senior politicians, senior government / judicial / military officers, senior executives of state-owned corporations, important political party officials, etc.
- m. **"Shell bank"** means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.
- n. **"Wire transfer"** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- o. **"Domestic and cross-border wire transfer"**: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the 'originator bank' or 'beneficiary bank' is located in different countries such a transaction is cross-border wire transfer.



p. **“Regulated Entities” (REs)** means

1. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) / State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
2. All India Financial Institutions (AIFIs)
3. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
4. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
5. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

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

## Chapter - II

### General

3. RBI has advised the Bank that a Know Your Customer (KYC) Policy, duly approved by the Board of Directors of the Bank, be formulated and put in place and to be revised as & when notified by RBI.

#### 4.1. Purpose

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

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

#### 4.2. Objective

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

- 4.2.1. To prevent Bank from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities. KYC procedures also enable the Bank to know/understand their customers and their financial dealings better, which in turn helps it to manage the associated risks prudently.
- 4.2.2. To enable the Bank to comply with all the legal and regulatory obligations in respect of KYC norms / AML standards / CFT measures / Bank's Obligation under PMLA, 2002 and to cooperate with various government bodies dealing with related issues.

5. The KYC policy includes the following four key elements:
  - (a) Customer Acceptance Policy (CAP);
  - (b) Risk Management;
  - (c) Customer Identification Procedures (CIP); and
  - (d) Monitoring of Transactions.

#### **5A. Money Laundering and Terrorist Financing Risk Assessment by the Bank:**

- (a) The Bank shall 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 geographical areas, products, services, transactions or delivery channels, etc.

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

- (b) The risk assessment by the Bank shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure etc. Further, the periodicity of risk assessment exercise shall be determined by the Board of the Bank, in alignment with the outcome of the risk assessment exercise. However, it shall be reviewed on annual basis or as & when it is necessary.
- (c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

The Bank shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and shall have Board approved policies, controls and procedures in this regard. Further, the bank shall monitor the implementation of the controls and enhance them if necessary.

## **6. Designated Director:**

- a. Bank is to nominate a “Designated Director” to ensure overall compliance with the obligations imposed under chapter IV of the PML Act shall be nominated by the Board.
- b. The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- c. Accordingly, General Manager in-charge of the Compliance Department at Head Office of the Bank is nominated as the '**Designated Director**' for the Bank.

## **7. Principal Officer:**

- a. The Head of Compliance Department at Head Office of the Bank shall be the Principal Officer of the Bank, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law / regulations.
- b. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.
- c. The Principal Officer will report to the Designated Director i.e. General Manager nominated for KYC compliance.
- d. The Principal Officer will maintain close liaison with enforcement agencies, banks and other institutions which are involved in the fight against money laundering and combating financing of terrorism.

## **8. Compliance of KYC policy:**

- f. The Bank is to ensure compliance with KYC Policy through:
  - i. A senior officer in the rank of General Manager (in charge of Compliance Department) will constitute as 'Senior Management' for the purpose of KYC compliance.
  - ii. Allocation of responsibility through Office Order for effective implementation of policies and procedures at Head Office / Regional Office & Branch level.
  - iii. All Head Office departments to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.
  - iv. Independent evaluation of the compliance functions of Bank's policies and procedures, including legal and regulatory requirements be done by Compliance Department, HO.

- v. Concurrent / internal audit system to verify the compliance with KYC / AML policies and procedures and submit quarterly audit notes and compliance to the Audit Committee. At the end of every calendar quarter, implementation and compliance of concurrent audit reports on adherence to KYC-AML guidelines at branches would be reviewed for apprising Audit Committee of Board.
- vi. Concurrent / internal audit to also ensure verification of compliance with KYC guidelines in system through system generated reports from EDW / CBS.
- g. Bank shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.
- h. PML Rules require all offices of the Bank to carry out Risk Assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, and products, services, transactions or delivery channels. The risk assessment shall -
  - i. be documented;
  - ii. consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied;
  - iii. be kept up to date; and
  - iv. be available to competent authorities and self-regulating bodies.
- i. The implementation of KYC-AML guidelines by branches in letter and spirit has to be ensured by the respective Regional Managers & departmental heads of Head Office and the same is to be checked during their visit to branches/ offices and through various reports.

## Chapter - III

### Customer Acceptance Policy

9. Bank shall have an approved framework of Customer Acceptance Policy.
10. Without prejudice to the generality of the aspect that Customer Acceptance Policy shall contain and accordingly, Bank shall ensure that:
  - a. No account is opened in anonymous or fictitious / benami name.
  - b. No account is opened where the Bank is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non- reliability of the documents / information furnished by the customer.
  - c. No transaction or account based relationship is undertaken without following the CDD procedure.
  - d. The mandatory information sought for KYC purpose while opening an account and during the periodic updation, is specified.
  - e. 'Optional' / additional information is obtained with the explicit consent of the customer after the account is opened.
  - f. Bank will apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of Bank desires to open another account with the same Bank, there shall be no need for a fresh CDD exercise.
  - g. CDD Procedure is followed for all the joint account holders, while opening a joint account.
  - h. Circumstances in which, a customer is permitted to act on behalf of another person / entity, are clearly spelt out.
  - i. No account is opened where identity of the customer matches with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
  - j. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
  - k. Wherever an equivalent e-document is obtained from the customer, the Bank shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
11. The Bank will ensure that the Customer Acceptance Policy shall not result in denial of banking/ financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

## Chapter - IV

### Risk Management

12. For Risk Management, Bank shall have a risk based approach which includes the following.
- a. Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank.
  - 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 shall also be factored in.

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

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

## Chapter V

### Customer Identification Procedure (CIP)

- 13.** Customer Identification Procedure means undertaking client due diligence measures including identifying and verifying the customer and the beneficial owner. Bank to undertake identification of customers in the following cases:
- a. Commencement of an account-based relationship with the customer.
  - b. Carrying out any international money transfer operations for a person who is not an account holder of the Bank.
  - c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
  - d. Selling third party products as agent, selling its own products, payment of dues of credit cards / sale and reloading of prepaid / travel cards and any other product for more than rupees fifty thousand.
  - e. Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
  - f. When Bank has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
  - g. Bank shall ensure that introduction is not to be sought while opening accounts.
- 14.** For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Bank, will at its option, rely on customer due diligence done by a third party, subject to the following conditions:
- a. Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
  - b. Adequate steps are taken by Bank to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.



- c. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d. The third party shall not be based in a country or jurisdiction assessed as high risk.
- e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Bank.

## Chapter VI

### Customer Due Diligence (CDD) Procedure

#### Part I – Customer Due Diligence (CDD) Procedure in case of Individuals

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

- (a) the Aadhaar number where,
  - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
  - (ii) he decides to submit his Aadhaar number voluntarily to the bank notified under first proviso to sub-section (1) of section 11A of the PML Act; or
- (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
- (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
- (b) The Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (c) Such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the Bank.

Provided that where the customer has submitted,

- i) Aadhaar number under clause (a) above to the bank notified under first proviso to sub-section (1) of section 11A of the PML Act, the bank shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he/she may give a self-declaration to that effect to the Bank.
- ii) Proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the Bank shall carry out offline verification.

- iii) an equivalent e-document of any OVD, the Bank shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under [Annex I](#).
- iv) Any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the Bank shall carry out verification through digital KYC as specified under [Annex I](#).

Provided that for a period not beyond such date as may be notified by the Government for the Bank, instead of carrying out digital KYC, the Bank may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case 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, the 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 or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the Bank and such exception handling shall also be a part of the concurrent audit as mandated in Section 8.

The 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: The Bank shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.*

*Explanation 2: Biometric based e-KYC authentication can be done by the 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, 2016 and the regulations made thereunder.*

*While establishing an account based relationship with individual customer, the branch official has to ascertain as to whether the customer is already having a*

*Cust ID with the Bank. In case the customer has an existing Cust ID, fresh Cust ID shall not be created and the new account shall be opened with the existing Cust ID.*

The name, father's name, date of birth, and address of the customer be filled in the same manner and style as it appears in the KYC document provided by the customer. Branch official will ensure that all the mandatory fields in Account Opening Form / Customer Master Form (marked as \*) such as Name, Fathers' name , date of birth, address , gender, Identity Proof , address proof, Identification number (Identity proof document number) , Profession / activity (Nature of Business - specific) , total annual income , total annual turnover (in case of business) etc. are completely and correctly filled in by the customer and are also correctly captured in customer's database in CBS. The respective Regional Office of the Bank shall ensure that branches are capturing correct data in CBS system, particularly in respect of Constitution Code, Profession/ Activity, Occupation, Income/ Turnover etc. as risk category of the customer is assigned on the basis of these parameters. In order to verify the authenticity of the KYC document, the authorized official shall online verify Officially Valid Document (OVD) & PAN card details furnished by the customer from central authentic database, wherever available, in public domain. PAN Card and Voter Identity Card, wherever obtained, shall also be verified on-line through appropriate websites and a print of on-line verification of the said document shall be held on record with the relevant AOF.

- 16.** Accounts opened using OTP based e-KYC, in non-face to face mode are subject to the following conditions:
- (i) There must be a specific consent from the customer for authentication through OTP.
  - (ii) the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
  - (iii) the aggregate of all credits in a financial year, in all the deposit 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 15 is to be carried out.
  - (vi) If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
  - (vii) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other Bank. Further, while uploading KYC information to CKYCR, Bank shall clearly indicate that such accounts are opened using OTP based e-KYC and other Banks shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
  - (viii) The Bank shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance / violation, to ensure compliance with the above mentioned conditions.
- 17.** The Bank shall undertake live V-CIP, to be carried out by an officer of the branch, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:
- i. The officer performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information by using either the OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification. Further, the services of Business Correspondents (BCs) may be used by banks for aiding the V-CIP.
  - ii. The bank shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
  - iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India.
  - iv. The concerned officer shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.

- v. The concerned officer shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
- vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
- viii. The Bank shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. Bank shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
- ix. To ensure security, robustness and end to end encryption, the Bank shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- x. The audiovisual interaction shall be triggered from the domain of the Bank itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- xi. The Bank shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xii. The Bank is encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the Bank.
- xiii. The Bank shall ensure to redact or blackout the Aadhaar number in terms of Section 15.
- xiv. BCs can facilitate the process only at the customer end and as already stated above, the official at the other end of V-CIP interaction should necessarily be a bank official. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

18. Notwithstanding anything contained in Section 15 and as an alternative thereto, in case an individual customer who does not possess any of the OVDs and desires to open a bank account, banks shall open a 'Small Account', which entails the following limitations:

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

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

Further, small accounts are subject to the following conditions:

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

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

*Explanation 1: At the time of opening a Small Account, if the individual is a prisoner in a jail his signature or thumb impression shall be affixed in presence of the officer -in- charge of the jail and the said officer shall certify the same under his signature.*

*Explanation 2: Such accounts will remain operational on annual submission of certificate of proof of address issued by the officer-in-charge of the jail. The usual requirement of submission of proof of application for Officially Valid Document (OVD) within 12 months or review of relaxation after 24 months will not apply in these cases.*

- c) Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- d) Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.

- e) The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
  - f) The entire relaxation provisions shall be reviewed after twenty four months.
  - g) The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established through the production of an OVD and Permanent Account Number or Form No.60 or as per section 15 of this policy, 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 or as per section 15 of this policy, as the case may be.
- 19.** 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.
- 20.** In terms of RBI notification RBI/2019-20/207 DOR. AML. BC. No. 61/14. 01. 001/2019-20 dated 01.04.2020; “Notwithstanding anything contained in clauses above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.”

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

- 21.** For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.
- 22.** In addition to the above, any two of the following documents as a proof of business / activity in the name of the proprietary firm shall also be obtained:
- (i) Registration certificate
  - (ii) Certificate / license issued by the municipal authorities under Shop and Establishment Act.
  - (iii) Sales and income tax returns.
  - (iv) CST / VAT / GST certificate (provisional / final).



- (v) Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities.
- (vi) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT / License / certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- (vii) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated / acknowledged by the Income Tax authorities.
- (viii) Utility bills such as electricity, water, and landline telephone bills.

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

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

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

- 24.** For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:
- (i) Certificate of incorporation;
  - (ii) Memorandum and Articles of Association;
  - (iii) Permanent Account Number of the company;
  - (iv) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
  - (v) Documents, as specified in Section 15, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.

**25. For opening an account of a partnership firm,** the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (i) Registration certificate;
- (ii) Partnership deed;
- (iii) Permanent Account Number of the partnership firm; and
- (iv) Documents, as specified in Section 15, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.

**26. For opening an account of a trust,** certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (i) Registration certificate;
- (ii) Trust deed;
- (iii) Permanent Account Number or Form No.60 of the trust; and
- (iv) Documents, as specified in Section 15, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.

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

- (i) Resolution of the managing body of such association or body of individuals;
- (ii) Permanent account number or Form No.60 of the unincorporated association or a body of individuals;
- (iii) Power of attorney granted to transact on its behalf;
- (v) Documents, as specified in Section 15, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- (iv) 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.*



- 28. For opening accounts of juridical persons**, not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained:
- (i) Document showing name of the person authorised to act on behalf of the entity;
  - (ii) Documents, as specified in Section 15, of the person holding an attorney to transact on its behalf and
  - (iii) Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.
- 29. For opening an account of Hindu Undivided Family**, certified copies of each of the following documents shall be obtained :
- (i) Identification information as mentioned under Section 15 in respect of the Karta and Major Coparceners,
  - (ii) Declaration of HUF and its Karta,
  - (iii) Recent Passport photographs duly self-attested by major co-parceners along with their names and addresses.
  - (iv) the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962.

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

- 30.** For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9 of the Rules to verify his / her identity shall be undertaken keeping in view the following :
- a. Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
  - b. In cases of trust / nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee / nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## Part V - On-going Due Diligence

31. Bank shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.
32. 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.
33. 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.*

### 34. Periodic Updation of KYC

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

a. Bank shall carry out

- i. CDD, as specified in Section 15, 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.

Provided, the bank shall ensure that KYC documents, as per extant requirements of the Master Direction of RBI, are available with them.

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

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

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

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

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

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

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

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

**36. Accounts of non-face-to-face customers (other than Aadhaar OTP based on-boarding):** Bank shall ensure that the first payment is to be effected through the customer's KYC-complied account with another Bank, for enhanced due diligence of non-face to face customers.

### **37. Accounts of Politically Exposed Persons (PEPs)**

- a. The Bank shall have the option of establishing a relationship with PEPs provided that:
  - (i) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;

- (ii) the identity of the person shall have been verified before accepting the PEP as a customer;
  - (iii) the decision to open an account for a PEP is taken at a senior level, i.e. at the level of Senior Manager and above, in accordance with the Bank' Customer Acceptance Policy;
  - (iv) all such accounts are subjected to enhanced monitoring on an on-going basis;
  - (v) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval i.e. Senior Manager and above is obtained to continue the business relationship;
  - (vi) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.
- b. These instructions shall also be applicable to accounts where PEP is the beneficial owner.

**38. Client accounts opened by professional intermediaries:**

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

- a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- b. Bank shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- c. Bank shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Bank.
- d. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of Bank, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Bank, the Bank shall look for the beneficial owners.
- e. Bank shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- f. The ultimate responsibility for knowing the customer lies with the Bank.

## **B. Simplified Due Diligence**

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

- a. CDD of all the members of SHG shall not be required while opening savings bank account of SHG.
- b. CDD all the office bearers shall suffice.
- c. No separate CDD as per the CDD procedure mentioned in Section 14 of the members or office bearers shall be necessary at the time of credit linking of SHGs.

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

- a. Banks shall, at their option, open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his / her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India.
  - i. Provided that a declaration about the local address shall be obtained within a period of 30 days of opening the account and the said local address is verified.
  - ii. Provided further that pending the verification of address, the account shall be operated with a condition of allowing foreign remittances not exceeding USD 1,000 or equivalent into the account and a cap of rupees fifty thousand on aggregate in the same, during the 30-day period.
- b. The account shall be treated as a normal NRO account, and shall be operated in terms of Reserve Bank of India's instructions on Non-Resident Ordinary Rupee (NRO) Account, and the provisions of FEMA. 1999.
- c. Students with Pakistani nationality shall require prior approval of the Reserve Bank for opening the account.

### **41. Simplified KYC norms for Foreign Portfolio Investors (FPIs)**

Accounts of FPIs which are eligible / registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as detailed in Annexure-II, subject to Income Tax (FATCA / CRS) Rules.



Provided that banks shall obtain undertaking from FPIs or the Global Custodian acting on behalf of the FPI that as and when required, the exempted documents as detailed in Annexure-II will be submitted.

**42. Customer Identification and Opening of accounts:**

- (i) While establishing account based relationship with an individual or while dealing with the individual who is a beneficial owner, the Permanent Account Number (PAN) or Form No. 60 (except in case of small accounts), Photograph, and at least one copy of the Officially Valid Documents (OVD's) shall be obtained. If the OVD furnished by the customer does not contain updated address, the individual shall submit documents which are termed as deemed OVDs for the limited purpose of proof of address. The list of OVDs and deemed OVDs are defined in Chapter – I point 2.xiii of this policy. The customer shall submit OVD updated with current address within a period of three months of submitting the above documents.
- (ii) Where the customer is desirous of receiving any benefit or subsidy under any scheme the customer shall provide the Aadhaar Number only. In such cases branches, may carry out authentication of the Aadhaar.
- (iii) In respect of Non-Individual customers of establishing a Banking Relationship PAN has been made mandatory for Companies and Partnerships.

## Chapter VII

### Record Management

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

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

## Chapter VIII

### Reporting Requirements to Financial Intelligence Unit - India

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

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

45. The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist the Bank in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by the Bank which are yet to install/adopt suitable technological tools for extracting CTR / STR from their live transaction data.
46. While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. Bank shall not put any restriction on operations in the accounts where an STR has been filed. Bank shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.
47. Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

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

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

- (i) Report of all cash transactions of the value of more than rupee ten lakhs or its equivalent in foreign currency and all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transaction exceeds Rupees ten

lakh. However, individual entries below Rs. 50,000/- will not be reported in the Cash Transaction Report.

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

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

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

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

- a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to not have economic rationale or bona-fide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

- (ii) It is likely that in some cases transactions are abandoned/ aborted by customers on being asked to give some details or to provide documents. Bank will report all such attempted transactions in STRs, even if not completed by the customers, irrespective of the amount of the transaction.
- (iii) Bank to submit STRs if it has reasonable ground to believe that the transaction involves proceeds of crime irrespective of the amount of the transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.
- (iv) Bank will ensure furnishing of STR within seven days of arriving at a conclusion by the Principal Officer of the Bank that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.
- (v) Bank will ensure not to put any restrictions on operations in the accounts where an STR has been filed. The submission of STR will be kept strictly confidential, as required under PML Rules and it will be ensured that there is no tipping off to the customer at any level.
- (vi) The primary responsibility for monitoring and reporting of suspicious transaction

shall be of the branch. The monitoring of the transactions will also be done by the Regional Offices, which will also interact with the branches to facilitate monitoring and reporting of suspicious transactions. Regional Offices shall monitor transactions in customer accounts, in general, and high risk accounts/ high value transactions, in particular.

- (vii) For effective monitoring of transactions of the customers, the service provider M/s. C-edge Technologies Ltd. shall make available generation of AML alerts on day to day basis based on the pre-defined scenarios, as advised by Indian Banks Association (IBA) / Financial Intelligence Unit – India (FIU-IND) from time to time. These scenarios will be periodically reviewed to make them more effective based on the feedback received and experience gained. In case any suspicious transaction is detected, the same be reported to Compliance Department, Head Office for onward submission of Suspicious Transaction Report (STR) to Financial Intelligence Unit – India (FIU-IND) through FINnet Gateway after getting the approval of Principal Officer of the Bank.

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

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

Cash transactions where forged or counterfeit currency notes have been used as genuine or where any forgery of a valuable security or document has taken place facilitating the transactions will be reported to Financial Intelligence Unit-India in the specified format by 15th of the succeeding month.

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

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

### **(5) Cross-border Wire Transfer [CWTR]**

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



#### 49. Internal Control System

- i. At each Regional Office, there will be an Officer designated as Compliance Officer for compliance of KYC Policy & other compliance matters related to the branches & offices under the jurisdiction of that particular Regional Office.
- ii. **Compliance Officer at Regional Offices (RCO):** At each Regional Office, an Officer, not below the rank of Manager, shall be designated as RCO, who would be responsible for compliance of KYC Policy in the Branches & Offices under the control of respective Regional Office. He/she will prepare STRs pertaining to local adverse media reports, Law Enforcement Agency enquiries, public complaints, behavioral scenarios, attempted transactions etc. in all the branches under the control of the respective region and will send STRs to Compliance department at Head Office. Similarly, if during execution of his duties, RCO observes any money laundering activity at any branch/office, he/she will escalate the same to the Head Office. RCO to ensure that field functionaries are sensitized on KYC / AML guidelines and ensure that no money laundering activities take place in the branches under his/her jurisdiction. For this purpose he/she should also ensure on-site supervision by visiting the branches under his/her jurisdiction for random checking of compliance of KYC / AML guidelines of the Bank.  
STRs on all suspicious transactions shall be put up to Principal Officer immediately for approval and onward submission to FIU-IND. Similarly, STRs on adverse media reports, Law Enforcement Agency enquiries etc. shall also be prepared and put up to the Principal Officer.  
During analysis of alerts, special attention shall be given to alerts pertaining to TBML, High Risk Customers, Politically Exposed Persons & High Value Transactions.
- iii. Branch Manager will ensure that KYC / AML guidelines are being strictly adhered to as per the laid down procedures, keeping in view the risk involved in a transaction, account or banking/business relationship.
- iv. For discharging the responsibilities effectively, the Principal Officer and other appropriate staff should have timely access to Customer Identification Data and other Customer Due Diligence information, transaction records and other relevant information.
- v. Any changes in KYC Policy may be implemented only after approval of the Board.

## Chapter IX

### Requirements / Obligations under International Agreements Communications from International Agencies

50. The 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>
51. 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 March 14, 2019.
52. 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.
53. **Freezing of Assets u/s. 51A of Unlawful Activities (Prevention) Act, 1967**  
The procedure laid down in the UAPA Order dated March 14, 2019 (Annexure-III) of this KYC Policy shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.
54. **Jurisdictions that do not or insufficiently apply the FATF Recommendations**
- a. FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

- b. Special attention shall be given 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.

*Explanation: The process referred to in Section 54 a, b & c do not preclude Bank from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.*

- c. 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 shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank / other relevant authorities, on request.



## Chapter X

### Other Instructions

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

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

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

- (a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.
- (b) In terms of provision of Rule 9(1A) of PML Rules, the Bank shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- (c) Operational Guidelines for uploading the KYC data have been released by CERSAI.
- (d) The Bank shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

(e) The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (SCBs) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR.

SCBs were initially allowed time up-to February 1, 2017, for uploading data in respect of accounts opened during January 2017.

The Banks other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.

(f) The Bank shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.

(g) Once KYC Identifier is generated by CKYCR, the Bank shall ensure that the same is communicated to the individual/LE as the case may be.

(h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, the Bank shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.

(i) The Bank shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

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

(i) there is a change in the information of the customer as existing in the records of CKYCR;

(ii) the current address of the customer is required to be verified;

(iii) the Bank considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

(k) Bank shall capture the KYC information for sharing with the CKYCR in the manner

mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

The KYC data / documents pertaining to all new individual accounts opened on or after January 1, 2017 have to be invariably uploaded with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 within seven days of opening the accounts.

(l) Further, as per RBI Circular No. RBI/2020-21/80, DOR.AML.BC.No.31/14.01.001/2020-21 dated 18.12.2020, our Bank shall have the following policy in respect of CKYCR for compliance.

- i. CKYCR, which was operational for individual customers, shall be extended to Legal Entities (LEs) also.
- ii. Accordingly, the Bank shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021 on to CKYCR in terms of Rule 9 (1A) of the PML rules.
- iii. The LE template and the Annex thereof given as Annex "A" & "B" along with the RBI Circular shall be used for ready reference. The LE template to be released by CERSAI in advance shall be referred so that the Bank can start using it from the notified date 01.04.2021.
- iv. In case of accounts opened prior to April 1, 2021, the Bank shall ensure that the KYC records are uploaded on to CKYCR during the process of periodic updation as per Master Directions of RBI / Bank's KYC Policy or earlier when the updated KYC information is obtained/ received from the customer in certain cases.
- v. The Bank shall ensure that during periodic updation, the Customers' KYC details are migrated to current Customer Due Diligence (CDD) standards.
- vi. For Individual customers, the Bank shall ensure that all existing KYC records of individual customers opened prior to January 01, 2017 are incrementally uploaded on to CKYCR as per Master Directions of RBI / Bank's KYC Policy or earlier when the updated KYC information is obtained/ received from the customer in certain cases. Further, the Bank shall ensure that during periodic updation, the Customers' KYC details are migrated to current Customer Due Diligence (CDD) standards.

- vii. Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to the Bank, with an explicit consent to download records from CKYCR, then the Bank shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
- a. there is a change in the information of the customer as existing in the records of CKYCR;
  - b. the current address of the customer is required to be verified;
  - c. the Bank considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- viii. Once KYC identifier is generated by CKYCR, the Bank shall ensure that the same is communicated to the individual / legal entity as the case may be.

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

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

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

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

- c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.

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

#### **58. 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.

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

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

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

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

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

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

## **62. 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. Agents used for marketing of credit cards shall also be subjected to due diligence and KYC measures.

## **63. Correspondent Banks**

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

Bank will have a policy approved by the Board, or by a committee headed by the Chairman to lay down parameters for approving correspondent banking relationships subject to the following conditions:

- a) Sufficient information in relation to the nature of business of the bank including information on management, major business activities, level of AML / CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services, and regulatory / supervisory framework in the bank's home country shall be gathered.
- b) The accounts of the respondent banks will be opened with the prior approval of Head Office, who would also be doing the due diligence in terms of the guidelines issued by RBI and Govt. of India. The Head Office will complete due diligence requirements in correspondent banking relationships where Bank is availing correspondent banking services from other banks.

- c) Post facto approval of the Board at its next meeting shall be obtained for the proposals approved by the Committee.
- d) The responsibilities of each bank with whom correspondent banking relationship is established shall be clearly documented.
- e) In the case of payable-through-accounts, the Bank shall satisfy that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking on-going 'due diligence' on them.
- f) The Bank shall ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.
- g) Correspondent relationship shall not be entered into with a shell bank (i.e. a bank which is incorporated in a country where it has no physical presence and is not affiliated to any regulated financial group).
- h) It shall be ensured that the respondent banks do not permit their accounts to be used by shell banks.
- i) Bank will be cautious with respondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations.
- j) Bank will ensure that correspondent banks have KYC / AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

#### **64. Wire transfer**

Bank shall ensure the following while effecting wire transfer:

- a) All cross-border wire transfers including transactions using credit or debit card shall be accompanied by accurate and meaningful originator information such as name, address and account number or a unique reference number, as prevalent in the country concerned in the absence of account.  
Exception: Interbank transfers and settlements where both the originator and beneficiary are banks or financial institutions shall be exempt from the above requirements.
- b) Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- c) Customer Identification shall be made if a customer is intentionally structuring wire transfer below rupees fifty thousand to avoid reporting or monitoring. In case of

non-cooperation from the customer, efforts shall be made to establish his identity and STR shall be made to FIU-IND.

- d) Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.
- e) A bank processing as an intermediary element of a chain of wire transfers shall ensure that all originator information accompanying a wire transfer is retained with the transfer.
- f) The receiving intermediary bank shall transfer full originator information accompanying a cross-border wire transfer and preserve the same for at least five years if the same cannot be sent with a related domestic wire transfer, due to technical limitations.
- g) All the information on the originator of wire transfers shall be immediately made available to appropriate law enforcement and / or prosecutorial authorities on receiving such requests.
- h) Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.
- i) Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.
- j) The beneficiary bank shall seek detailed information of the fund remitter with the ordering bank and if the ordering bank fails to furnish information on the remitter, the beneficiary shall consider restricting or terminating its business relationship with the ordering bank.

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

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

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank. These instructions shall take effect for such instruments issued on or after September 15, 2018.



## **66. Quoting of PAN**

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

## **67. Selling Third party products**

The 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 the Master Directions of RBI and under section 13 (e) of this policy.
- b) transaction details of sale of third party products and related records shall be maintained as prescribed in Chapter VII Section 43.
- c) AML software capable of capturing, generating and analyzing alerts for the purpose of filing CTR / STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- d) transactions involving rupees fifty thousand and above shall be undertaken only by:
  - i) debit to customers' account or against cheques; and
  - ii) obtaining and verifying the PAN given by the account based as well as walk-in customers.
- e) Instruction at 'd' above shall also apply to sale of Bank's own products, payment of dues of credit cards / sale and reloading of prepaid / travel cards and any other product for rupees fifty thousand and above.

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

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

- c) Cooperative Banks shall:
- (i) Ensure that the 'at par' cheque is utilised only:
    - a. For their 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.
  - (ii) Maintain the following:
    - a. records pertaining 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.
  - (iii) ensure that 'At par' cheques are issued are crossed 'account payee' irrespective of the amount involved.

#### **69. Issuance of Prepaid Payment Instruments (PPIs) :**

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

#### **70. Hiring of Employees and Employee training**

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

## Chapter XI

### Repeal Provisions

- 71.** With the approval of this policy, the policy guidelines approved & given in the earlier KYC policies stand repealed and all guidelines given in the earlier KYC policies issued of the Bank shall be deemed as given under these policy guidelines.
- 72.** All the KYC policy guidelines given earlier are deemed to have been in force prior to the coming into effect of this KYC Policy of the Bank.

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**Digital KYC Process**

- A. The Bank shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of the Bank.
- B. The access of the Application shall be controlled by the Bank and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by the Bank to its authorized officials.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of the Bank or vice-versa. The original OVD shall be in possession of the customer.
- D. The Bank must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of the Bank shall put a watermark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by REs) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of the Bank shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-

Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with the RE shall not be used for customer signature. The Bank shall ensure that the mobile number used in customer signature shall not be the mobile number of the authorized officer.

J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the RE. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.

K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the Bank, and also generate the transaction-id/reference-id number of the process.

The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.

L. The authorized officer of the Bank shall check and verify that:- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;

M. On Successful verification, the CAF shall be digitally signed by authorized officer of the RE who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.

Banks may use the services of Business Correspondent (BC) for this process.



## KYC documents for eligible FPIs under PIS

Document Type		FPI Type		
		Category I	Category II	Category III
Entity Level	Constitutive Documents (Memorandum and Articles of Association, Certificate of Incorporation etc.)	Mandatory	Mandatory	Mandatory
	Proof of Address	Mandatory (Power of Attorney {PoA} mentioning the address is acceptable as address proof)	Mandatory (Power of Attorney mentioning the address is acceptable as address proof)	Mandatory other than Power of Attorney
	PAN	Mandatory	Mandatory	Mandatory
	Financial Data	Exempted *	Exempted *	Mandatory
	SEBI Registration Certificate	Mandatory	Mandatory	Mandatory
	Board Resolution @ @	Exempted *	Mandatory	Mandatory
	Senior Management (Whole Time Directors / Partners / Trustees / etc.)	List	Mandatory	Mandatory
	Proof of Identity	Exempted *	Exempted *	Entity declares* on letter head full name, nationality, date of birth or submits photo identity proof
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *
Authorized Signatories	List and Signatures	Mandatory – list of <b>Global Custodian</b> signatories can be given in case of PoA to Global Custodian	Mandatory - list of Global Custodian signatories can be given in case of PoA to Global Custodian	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *

Ultimate Beneficial Owner (UBO)	List	Exempted *	Mandatory (can declare "no UBO over 25%")	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *

\* Not required while opening the bank account. However, FPIs concerned may submit an undertaking that upon demand by Regulators / Law Enforcement Agencies the relative document/s would be submitted to the bank.

@@ FPIs from certain jurisdictions where the practice of passing Board Resolution for the purpose of opening bank accounts etc. is not in vogue, may submit 'Power of Attorney granted to Global Custodian / Local Custodian in lieu of Board Resolution'

Category	Eligible Foreign Investors
I.	Government and Government related foreign investors such as Foreign Central Banks, Governmental Agencies, Sovereign Wealth Funds, International / Multilateral Organizations / Agencies.
II.	<p>a) Appropriately regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance / Reinsurance Companies, Other Broad Based Funds etc.</p> <p>b) Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers etc.</p> <p>c) Broad based funds whose investment manager is appropriately regulated.</p> <p>d) University Funds and Pension Funds.</p> <p>e) University related Endowments already registered with SEBI as FII / Sub Account.</p>
III.	All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies / Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices, etc.

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

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

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



## **A. Transactions Involving Large Amounts of Cash**

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

## **B. Transactions that do not make Economic Sense**

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

## **C. Activities not consistent with the Customer's Business**

- i. Corporate accounts where deposits or withdrawals are primarily in cash rather than cheques.
- ii. Corporate accounts where deposits & withdrawals by cheque/telegraphic transfers/foreign inward remittances/any other means are received from/made to sources apparently unconnected with the corporate business activity/dealings.
- iii. Unusual applications for DD/TT/PO against cash.



- iv. Accounts with large volume of credits through DD/TT/PO whereas the nature of business does not justify such credits.
- v. Retail deposit of many cheques but rare withdrawals for daily operations.

**D. Attempts to avoid Reporting/Record-keeping Requirements**

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

**E. Unusual Activities**

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

**F. Customer who provides Insufficient or Suspicious Information**

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

**G. Certain Suspicious Funds Transfer Activities**

- i. Sending or receiving frequent or large volumes of remittances to/from countries outside India.



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

#### **H. Certain Bank Employees arousing Suspicion**

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

#### **I. Bank no longer knows the true identity**

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

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

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

- i. A customer maintains multiple accounts, transfer money among the accounts and uses one account as a master account from which wire/funds transfer originates or



into which wire/funds transfer are received (a customer deposits funds in several accounts, usually in amounts below a specified threshold and the funds are then consolidated into one master account and wired outside the country).

ii. A customer regularly depositing or withdrawing large amounts by a wire transfer to, from, or through countries that are known sources of narcotics or where Bank secrecy laws facilitate laundering money.

iii. A customer sends and receives wire transfers (from financial haven countries) particularly if there is no apparent business reason for such transfers and is not consistent with the customer's business or history.

iv. A customer receiving many small incoming wire transfer of funds or deposits of cheques and money orders, then orders large outgoing wire transfers to another city or country.

v. A customer experiences increased wire activity when previously there has been no regular wire activity.

vi. Loan proceeds unexpectedly are wired or mailed to an offshore Bank or third party.

vii. A business customer uses or evidences or sudden increase in wire transfer to send and receive large amounts of money, internationally and/ or domestically and such transfers are not consistent with the customer's history.

viii. Deposits of currency or monetary instruments into the account of a domestic trade or business, which in turn are quickly wire transferred abroad or moved among other accounts for no particular business purpose.

ix. Sending or receiving frequent or large volumes of wire transfers to and from offshore institutions.

x. Instructing the Bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.

xi. Wiring cash or proceeds of a cash deposit to another country without changing the form of the currency

xii. Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.

xiii. Periodic wire transfers from a person's account/s to Bank haven countries.

xiv. A customer pays for a large (international or domestic) wire transfers using multiple monetary instruments drawn on several financial institutions.



- xv. A customer or a non-customer receives incoming or makes outgoing wire transfers involving currency amounts just below a specified threshold, or that involve numerous Bank or travelers cheques
- xvi. A customer or a non-customer receives incoming wire transfers from the Bank to 'Pay upon proper identification' or to convert the funds to bankers' cheques and mail them to the customer or non-customer, when the amount is very large (say over Rs.10 lakhs), the amount is just under a specified threshold, the funds come from a foreign country or such transactions occur repeatedly.
- xvii. A customer or a non-customer arranges large wire transfers out of the country which are paid for by multiple Bankers' cheques (just under a specified threshold)
- xviii. A Non-customer sends numerous wire transfers using currency amounts just below a specified threshold limit.

## **2. INDICATIVE LIST OF HIGH RISK CUSTOMERS**

- i. Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UNSC 1267 & 1988 [2011] linked to Al Qaida & Taliban.
- ii. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities
- iii. Individuals and entities in watch lists issued by Interpol and other similar international organizations
- iv. Customers with dubious reputation as per public information locally available or commercially available.
- 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, frequent and unexplained movement of funds between institutions in various geographic locations etc.
- vii. Customers based in high risk countries/jurisdictions or locations as identified by FATF from time to time.

- viii. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner;
- ix. Non-resident customers and foreign nationals
- x. Accounts of Embassies / Consulates;
- xi. Off-shore (foreign) corporation/business
- xii. Non face-to-face customers
- xiii. High net worth individuals [HNIs]
- 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 rationale
- 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 physical presence
- xviii. Investment Management / Money Management Company/Personal Investment Company
- xix. Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to the financial institution.
- xx. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc
- xxi. Trusts, charities, NGOs/NPOs (especially those operating on a —cross-borderll basis) unregulated clubs and organizations receiving donations (excluding NPOs/NGOs promoted by United Nations or its agencies)
- xxii. Money Service Business: including seller of: Money Orders / Travelers" Checks / Money Transmission /Check Cashing / Currency Dealing or Exchange
- xxiii. Business accepting third party checks (except supermarkets or retail stores that accept payroll checks/cash payroll checks)
- xxiv. Gambling/gaming including —Junket Operatorsll arranging gambling tours
- xxv. Dealers in high value or precious goods (e.g. jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers).
- xxvi. Customers engaged in a business which is associated with higher levels of

- corruption (e.g., arms manufacturers, dealers and intermediaries).
- xxvii. Customers engaged in industries that might relate to nuclear proliferation activities or explosives.
- xxviii. Customers that may appear to be Multi-level marketing companies etc.

### **3. INDICATIVE LIST 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)
- xxviii. Accountants (small, little known firms)
- xix. Venture capital companies

### **4. LIST OF HIGH / MEDIUM RISK PRODUCTS & SERVICES**

- i. Electronic funds payment services such as Electronic cash (e.g., stored value and payroll cards), funds transfers (domestic and international), etc
- ii. Electronic banking
- iii. Private banking (domestic and international)



- iv. Trust and asset management services
- v. Monetary instruments such as Travelers' Cheque
- vi. Foreign correspondent accounts
- vii. Trade finance (such as letters of credit)
- viii. Special use or concentration accounts
- ix. Lending activities, particularly loans secured by cash collateral and marketable securities
- x. Non-deposit account services such as Non-deposit investment products and Insurance
- xi. Transactions undertaken for non-account holders (occasional customers)
- xii. Provision of safe custody and safety deposit boxes
- xiii. Currency exchange transactions
- xiv. Project financing of sensitive industries in high-risk jurisdictions
- xv. Trade finance services and transactions involving high-risk jurisdictions
- xvi. Services offering anonymity or involving third parties
- xvii. Services involving banknote and precious metal trading and delivery
- xviii. Services offering cash, monetary or bearer instruments; cross-border transactions, etc.

## **5. INDICATIVE LIST OF HIGH /MEDIUM RISK GEOGRAPHIES/ LOCATIONS / JURISDICTIONS**

- i. Countries subject to sanctions, embargoes or similar measures in the United Nations Security Council Resolutions (-UNSCR II).
- ii. Jurisdictions identified in FATF public statement as having substantial money laundering and terrorist financing (ML/FT) risks ([www.fatf-gafi.org](http://www.fatf-gafi.org))
- iii. Jurisdictions identified in FATF public statement with strategic AML/CFT deficiencies ([www.fatf-gafi.org](http://www.fatf-gafi.org))
- iv. Tax havens or countries that are known for highly secretive banking and corporate law practices
- v. Countries identified by credible sources 1 as lacking appropriate AML/CFT laws, regulations and other measures.
- vi. Countries identified by credible sources as providing funding or support for terrorist activities that have designated terrorist organisations operating within them.





- vii. Countries identified by credible sources as having significant levels of criminal activity.
- viii. Countries identified by the bank as high-risk because of its prior experiences, transaction history, or other factors (e.g. legal considerations, or allegations of official corruption).

### **Locations**

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

### **6. Indicative List of High Risk Countries:**

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



**File No.14014/01/2019/CFT  
Government of India  
Ministry of Home Affairs CTCR Division**

New Delhi, dated 14 March 2019

**ORDER**

**Subject: - Procedure for implementation of Section 51A of the Unlawful (Prevention) Act, 1967.**

The Unlawful Activities (Prevention) Act, 1967 (UAPA) was amended and notified on 31.12.2008, which, inter-alia, inserted Section 51A to the Act. Section 51 A, 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".

The Unlawful Activities (Prevention) Act, 1967 defines "Order" as under :-

"Order" means the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as may be amended from time to time. In order to expeditiously and effectively implement the provisions of Section 51A, a procedure was outlined vide this Ministry Order No. 17015/10/2002-IS-VI dated 27.08.2009. After the reorganization of the Divisions in Ministry of Home Affairs, the administration of Unlawful Activities (Prevention) Act, 1967 and the work relating to countering of terror financing has been allocated to the CTCR Division. The order dated 27.8.2009 is accordingly modified as under:

**Appointment and communication of details of UAPA Nodal Officers**

2. As regards appointment and communication of details of UAPA Nodal Officers-

- ⓐ The UAPA Nodal Officer for CTCR Division would be the Joint Secretary (CTCR), Ministry of Home Affairs. His contact details are 011-23092736 (Tel), 011-23092569 (Fax) and jsctcr-mha@gov.in (e-mail id).

- (i) The Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, FIU-IND; and RBI, SEBI, IRDA (hereinafter referred to as Regulators) shall appoint a UAPA Nodal Officer and communicate the name and contact details to the CTCR Division in MHA.
- (ii) The States and UTs should appoint a UAPA Nodal Officer preferably of the rank of the Principal Secretary/Secretary, Home Department and communicate the name and contact details to the CTCR Division in MHA.
- (iii) The CTCR Division in MHA would maintain the consolidated list of all UAPA Nodal Officers and forward the list to all other UAPA Nodal Officers.
- (iv) The RBI, SEBI, IRDA should forward the consolidated list of UAPA Nodal Officers. to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.
- (v) The consolidated list of the UAPA Nodal Officers should be circulated by the Nodal Officer of CTCR Division of MHA in July every year and on every change. Joint Secretary (CTCR) being the Nodal Officer of CTCR Division of MHA, shall cause the amended list of UAPA Nodal Officers to be circulated to the Nodal Officers of Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, RBI, SEBI, IRDA and FIU-IND.

### **Communication of the list of designated individuals/entities**

3. As regards communication of the list of designated individuals/entities-
  - (i) The Ministry of External Affairs shall update the list of individuals and entities subject to UN sanction measures on a regular basis. On any revision, the Ministry of External Affairs would electronically forward this list to the Nodal Officers in Regulators, FIU-IND, CTCR Division and Foreigners Division in MHA,
  - (ii) The Regulators would forward the list mentioned in (i) above (referred to as designated lists) to the banks, stock exchanges/ depositories, intermediaries regulated by SEBI and insurance companies respectively.
  - (iii) The CTCR Division of MHA would forward the designated lists to the UAPA Nodal Officer of all States and UTs.
  - (iv) The Foreigners Division of MHA would forward the designated lists to the immigration authorities and security agencies.

### **Regarding funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc.**

4. As regards funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., the Regulators would forward the designated lists to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively. The RBI, SEBI and IRDA would issue necessary guidelines to banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies requiring them to-

- (i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., with them.
  - (ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such customer on their books to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011- 23092569 and also convey over telephone or 011-23092736. The particulars apart from being sent by post, should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).
  - (iii) The banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall also send a copy of the communication mentioned in (ii) above to the UAPA Nodal Officer of the State/UT where the account is held and Regulators and FIU-IND, as the case maybe.
  - (iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies would prevent designated persons from conducting financial transactions, under intimation to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).
  - (v) The banks, stock exchanges /depositories, intermediaries regulated by SEBI and insurance companies, shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted as per the prescribed format.
5. On receipt of the particulars referred to in paragraph 4(ii) above, CTCR Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals / entities identified by the banks, stock exchanges/depositories, intermediaries regulated by SEBI and Insurance Companies are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies are held by the designated individuals/entities This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

6. In case, the results of the verification indicate that the properties are owned by or are held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 51A of the UAPA would be issued by the UAPA Nodal Officer of CTCR Division of MHA and conveyed electronically/to the concerned bank branch, depository, branch of insurance company branch under intimation to respective Regulators and FIU-IND. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy thereof to all the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/ entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating action under the provisions of the Unlawful Activities (Prevention) Act, 1967.

The order shall be issued without prior notice to the designated individual/entity.

**Regarding financial assets or economic resources of the nature of immovable properties**

7. CTCR Division of MHA would electronically forward the designated lists to the UAPA Nodal Officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable Properties in their respective jurisdiction.
8. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property and if any match with the designated individuals/entities is found. the UAPA Nodal Officer of the State/UT would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources of the nature of immovable property to Joint Secretary (CTCR), Ministry of Home Affairs, immediately within 24 hours at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id jsctcr-mha@gov.in.
9. The UAPA Nodal Officer of the State/UT may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent by the Registrar performing the work of registering immovable properties are indeed of these designated individuals/entities. This verification would be completed within a maximum of 5 working days and should be conveyed within 24 hours of the verification, if it matches with the particulars of the designated individual/entity to Joint Secretary (CTCR), Ministry of Home Affairs at the Fax, telephone numbers and also on the e-mail id given below.
10. A copy of this reference should be sent to Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also conveyed over telephone on 01123092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id: jsctcr-mha@gov.in. MHA may also have the verification conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.

11. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under section 51A of the UAPA would be issued, by the UAPA Nodal Officer of CTCR Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA Nodal Officer of the State/UT.

The order shall be issued without prior notice to the designated individual/entity.

12. Further, the UAPA Nodal Officer of the State/UT shall cause to monitor the transactions/ accounts of the designated individual/entity so as to 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. The UAPA Nodal Officer of the State / UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State / UT for also initiating action under the provisions of Unlawful Activities (Prevention) Act 1967.

**Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001.**

13. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons: and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally, to ensure that effective cooperation is developed among countries, countries should examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.

14. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA Nodal Officer for CTCR Division for freezing of funds or other assets.

15. The UAPA Nodal Officer of CTCR Division of MHA, shall cause the request to be examined, within 5 working days, so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the Nodal Officers in Regulators, FIU-IND and to the Nodal Officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/entities.

16. Upon receipt of the requests by these Nodal Officers from the UAPA nodal officer of CTCR Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

The freezing orders shall be issued without prior notice to the designated persons involved.

**Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person.**

17. 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 shall move an application giving the requisite evidence. in writing, to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT Nodal Officers.
18. The banks, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/ UT Nodal Officers shall 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 CTCR Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days.
19. The Joint Secretary (CTCR), MHA being the UAPA Nodal Officer for CTCR Division of MHA shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, he shall 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, stock exchanges/depositories, intermediaries regulated by SEBI, insurance company and the Nodal Officers of States/UTs. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the UAPA Nodal Officer of CTCR Division shall inform the applicant.

**Communication of Orders under section 51A of Unlawful Activities (Prevention) Act, 1967.**

20. All Orders under section 51A of Unlawful Activities (Prevention) Act, 1967 relating to funds, financial assets or economic resources or related services, would be communicated to all the banks, depositories/stock exchanges, intermediaries regulated by SEBI, insurance companies through respective Regulators, and to all Registrars performing the work of registering immovable properties, through the State/UT Nodal Officer by CTCR Division of MHA.

## **Regarding prevention of entry into or transit through India**

21. As regards prevention of entry into or transit through India of the designated individuals. The Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry into or the transit through India. The order shall take place without prior notice to the designated individuals/entities.
22. The immigration authorities shall ensure strict compliance of the Orders and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the Foreigners' Division of MHA.

## **Procedure for communication of compliance of action taken under section 51A**

23. The Nodal Officers of CTCR Division and Foreigners Division of MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs for onward communication to the United Nations.
24. All concerned are requested to ensure strict compliance of this order.

(Piyush Goyal)

Joint Secretary to the Government of India

1. Governor, Reserve Bank of India, Mumbai
2. Chairman, Securities & Exchange Board of India, Mumbai
3. Chairman, Insurance Regulatory and Development Authority, Hyderabad.
4. Foreign Secretary, Ministry of External Affairs, New Delhi.
5. Finance Secretary, Ministry of Finance, New Delhi.
6. Revenue Secretary, Department of Revenue, Ministry of Finance, New Delhi.
7. Director, Intelligence Bureau, New Delhi.
8. Additional Secretary, Department of Financial Services, Ministry of Finance, New Delhi.
9. Chief Secretaries of all States/Union Territories
10. Principal Secretary (Home)/Secretary (Home) of all States/ Union Territories
11. Directors General of Police of all States & Union Territories
12. Director General of Police, National Investigation Agency, New Delhi.
13. Commissioner of Police, Delhi.
14. Joint Secretary (Foreigners), Ministry of Home Affairs, New Delhi.
15. Joint Secretary (Capital Markets), Department of Economic Affairs, Ministry of Finance. New Delhi.
16. Joint Secretary (Revenue), Department of Revenue, Ministry of Finance, New Delhi.
17. Director (FIU-IND), New Delhi.

