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‘Know Your Customer (KYC), Anti Money Laundering (AML) & Combating Financing Terrorism (CFT)’ Policy

The KYC, AML and CFT Policy in vogue has been reviewed by the Audit Sub-Committee taking into consideration the guidelines/circulars issued by Reserve Bank of India on ‘Know Your Customer (KYC), Anti Money Laundering (AML) and Combating Financing Terrorism (CFT)’ Policy made from time to time and approved by the Board in its meeting held on 28.08.2018 vide Resolution No.2.d(xxviii) as under :

1. Objectives

The Objective of KYC guidelines is to prevent the bank from being used, intentionally or unintentionally, by criminal elements for money laundering activities. It will also enable us to know our customers and their financial dealings better, which in turn will help us to manage our risks prudently.

2. Definitions

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

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

- i. Aadhaar number", as defined under sub-section (a) of section 2 of the *Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth ‘The Aadhaar Act’*, means an identification number issued to an individual by Unique Identification Authority of India (UIDAI) on receipt of the demographic information and biometric information as per the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 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”, as defined under sub-section (c) of section 2 of the Aadhaar Act, means the process by which the Aadhaar number along with demographic

information or biometric information of an individual is submitted to the Central Identities Data Repository (CIDR) for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it;

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-

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

(2) *“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.

- 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. “Biometric information”, as defined in the Section 2(g) of the Aadhaar Act, means photograph, finger print, Iris scan, or such other biological attributes of an individual as may be specified by Aadhaar (authentication) regulations;

- vi. “Central Identities Data Repository” (CIDR), as defined in Section 2(h) of the Aadhaar Act, means a centralised database in one or more locations containing all Aadhaar numbers issued to Aadhaar number holders along with the corresponding demographic information and biometric information of such individuals and other information related thereto

- vii. "Central KYC Records Registry" (CKYCR) means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- viii. "Demographic information", as defined in Section 2(k) of the Aadhaar Act, includes information relating to the name, date of birth, address and other relevant information of an individual, as may be specified by regulations for the purpose of issuing an Aadhaar number, but shall not include race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history;
- ix. "Designated Director" means a person designated by the bank who holds the position of senior management or equivalent designated as a 'Designated Director' to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:-
- x. "Enrolment number" means "Enrolment ID" as defined in Section 2(1)(j) of the Aadhaar (Enrolment and Update) Regulation, 2016 which means a 28 digit Enrolment Identification Number allocated to residents at the time of enrolment of Aadhaar.
- xi. "E-KYC authentication facility", as defined in Aadhaar (Authentication) Regulations, 2016, means a type of authentication facility in which the biometric information and/or OTP and Aadhaar number securely submitted with the consent of the Aadhaar number holder through a requesting entity, is matched against the data available in the CIDR, and the Authority returns a digitally signed response containing e-KYC data along with other technical details related to the authentication transaction;
- xii "Identity information", as defined in sub-section (n) of section 2 of the Aadhaar Act, in respect of an individual, includes individual's Aadhaar number, biometric information and demographic information;
- xiii. "Non-profit organisations" (NPO) means any entity or organisation 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.
- xiv. "Officially Valid Document" (OVD) means the passport, the driving licence, 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, letter issued by the National Population Register containing details of name and address.

- 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), and
 - 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. "Resident", as defined under sub-section (v) of section 2 of the Aadhaar Act, means an individual who has resided in India for a period or periods amounting in all to one hundred and eighty-two days or more in the twelve months immediately preceding the date of application for enrolment for Aadhaar;
- xviii. "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.*
- xix. A 'Small Account' means a savings account in which:
- a. the aggregate of all credits in a financial year does not exceed rupees one lakh;
 - b. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
 - c. 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.

- xx. “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.
- xxi. Yes/No authentication facility”, as defined in Aadhaar (Authentication) Regulations, 2016, means a type of authentication facility in which the identity information and Aadhaar number securely submitted with the consent of the Aadhaar number holder through a requesting entity, is then matched against the data available in the CIDR, and the Authority responds with a digitally signed response containing “Yes” or “No”, along with other technical details related to the authentication transaction, but no identity information.
- B) “Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:
- i. “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
 - ii. “Customer” means a person who is engaged in a financial transaction or activity with a bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
 - ii. “Walk-in Customer” means a person who does not have an account based relationship with the bank, but undertakes transactions with the bank.
 - iv. “Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner.
 - v. “Customer identification” means undertaking the process of CDD.
 - vi. “FATCA” means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

- vii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- viii. “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- ix. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of the bank or meeting the officials of bank.
- x. “On-going Due Diligence” means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
- xi. “Periodic Updation” means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- xii. “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- xiii. “Bank” means
The Janata Co-operative Bank Ltd. and its branches/offices.
- xiv. “Wire transfer” means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- xv. “Domestic and cross-border wire transfer”: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the ‘originator bank’ or ‘beneficiary bank’ is located in different countries such a transaction is cross-border wire transfer.

C) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

3. Know Your Customer Policy

The KYC policy shall include following four key elements:

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

4. Designated Director:

- a. A “Designated Director” means a person designated by the bank to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.
- b. The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- c. In no case, the Principal Officer shall be nominated as the 'Designated Director'.

5. Principal Officer:

- a. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and 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.

6. Compliance of KYC policy

- i. bank shall ensure compliance with KYC Policy through:
 - a. Specifying as to who constitute ‘Senior Management’ for the purpose of KYC compliance.
 - b. Allocation of responsibility for effective implementation of policies and procedures.
 - c. Independent evaluation of the compliance functions of bank policies and procedures, including legal and regulatory requirements.
 - d. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
 - e. Submission of quarterly audit notes and compliance to the Audit Committee.
- ii. bank shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

7. Customer Acceptance Policy

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, banks shall ensure that :

- a. No account is opened in anonymous or fictitious/benami name.
- b. No account is opened where the banks is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

- c. No transaction or account based relationship is undertaken without following the CDD procedure.
- d. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e. 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- f. Bank shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a banks desires to open another account with the same banks, there shall be no need for a fresh CDD exercise.
- g. CDD Procedure is followed for all the joint account holders, while opening a joint account.
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

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.

8. Risk Management

For Risk Management, banks shall have a risk based approach which includes the following.

Having formulated an effective KYC programme it is essential to ensure its proper implementation and also ensuring that Bank's policies and procedures are implemented effectively. The Branch Managers will implement the instructions conveyed to them by head office from time to time. The nature and extent of due diligence will depend on the risk perceived by Branch. The Principal Officer at Head Office will ensure proper implementation in branches under their control.

- a. Branches should prepare a profile for each new customer based on risk categorisation. The customer profile should contain information relating to customer's identity, social/financial status, nature of business activity, information about the clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the bank.
- b. Branches should categorise their customers into low, medium and high risk category based on their assessment and risk perception of the customers, identifying transactions that fall outside the regular pattern of activity and not merely based on any group or class they belong to. The branches are advised to

ensure that the policies are complied meticulously. The nature and extent of due diligence, may be based on the following principles:

Customers that are categorized as medium or high risk etc. Manger may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

For the purpose of customers profile of individual accounts holders the following information shall be collected at the time of opening of Account (already incorporated in the account opening form) Mandatory information :-

- a) Occupation
- b) Source of funds
- c) Monthly income
- d) Annual Turnover
- e) Date of Birth
- f) Dealing with other Banks
- g) Existing Credit facilities

Optional information for better customer relationship (already incorporated in account opening form)

- a) Marital status
- b) Educational Qualification
- c) Educational qualification of spouse
- d) Information regarding Children
- e) Ownership of car/two wheeler house etc.
- f) Having credit card
- g) Having insurance policy

Low Risk

- i. Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily identified, and customers in whose accounts the transactions conform to the known profile, may be categorised as low risk.
 - a) Salaried employees
 - b) People belonging to lower economic strata of the society whose accounts shoe small balances and low turn over.
 - c) Accounts of members/member cooperative societies
 - d) Reputed persons of the area as per information available in public.
 - e) Small businessmen/retail traders of the area with turn over below Rs.10.00 Lacs per month.
 - f) Small/marginal/other farmers who are native of the area.

Medium Risk

Customers who are likely to pose a higher than average risk should be categorised as medium risk.

- a) Trusts/Charities/NGO's not receiving donations
- b) Businessmen/retail traders of the area with turn over of above Rs.10.00 Lacs per month.
- c) Accounts with frequent transactions in the form of issue/collection of cheque DD etc.
- d) Client accounts opened by a professional intermediary on behalf of a client
- e) Any other account as may be perceived risky by the Manager.

High Risk

High risk depending on the background, nature and location of activity, country of origin, sources of funds, customer profile, etc. Customers requiring very high level of monitoring, e.g., those involved in cash intensive business, Politically Exposed Persons (PEPs) of foreign origin, may, if considered necessary, be categorised as high risk.

- a) Non-resident customers
- b) High net worth individuals
- c) Trusts/Charities/NGO's and other organizations receiving donations.
- d) Companies having close family share holding or beneficial ownership.
- e) Firms with sleeping partners.
- f) Politically exposed persons (PEP) of foreign origin
- g) Those with dubious reputation as per public information available.
- h) Accounts of non-face to face customers.
- i) Any other account as may be perceived to be highly risky by the manager.

9. Customer Identification Procedure (CIP) :

Customer identification means undertaking client due diligence measures while commencing an account-based relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. Banks need to obtain sufficient information to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of the banking relationship. The bank must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk-based approach is considered necessary to avoid disproportionate cost to the bank and a burdensome regime for the customers.

- i. Bank shall undertake identification of customers in the following cases:
 - a. Commencement of an account-based relationship with the customer.
 - b. Carrying out any international money transfer operations for a person who is not an account holder of the bank.
 - c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
 - d. Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
 - e. Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
 - f. When a banks 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.

- ii. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, bank, shall at their 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 banks to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
 - c. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
 - d. The third party shall not be based in a country or jurisdiction assessed as high risk.
 - e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the bank.

Customer Due Diligence requirements (CDD)

Customer Due Diligence (CDD) Procedure

10. Procedure for obtaining Identification Information

For undertaking CDD, banks shall obtain the following information 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:

- ii. From an individual who is eligible for enrolment of Aadhaar, the Aadhaar number; the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time;

Provided, where an Aadhaar number has not been assigned to an individual, proof of application of enrolment for Aadhaar shall be obtained wherein the enrolment is not older than 6 months and in case PAN is not submitted, certified copy of an OVD containing details of identity and address and one recent photograph shall be obtained.

Provided further, that from an individual, who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, and who does not submit Aadhaar or proof of application of enrolment for Aadhaar, the following shall be obtained :

- a) certified copy of an OVD containing details of identity and address and
 - b) one recent photograph
- ii. From an individual who is not eligible to be enrolled for an Aadhaar number, or who is not a resident, the following shall be obtained
 - a) PAN or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.
 - b) one recent photograph and
 - c) A certified copy of an OVD containing details of identity and address.

Provided that in case the OVD submitted 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.

Provided further that, while opening accounts of legal entities as specified in part III of this Master Direction, in case, PAN of the authorised signatory or the power of attorney holder is not submitted, the certified copy of OVD of the authorised signatory or the power of attorney holder shall be obtained, even if such OVD does not contain address.

Explanation 1: Aadhaar number shall not be sought from individuals who are not 'residents' as defined under these Directions.

Explanation 2: A declaration to the effect of individual not being eligible for enrolment of Aadhaar may be obtained by the banks

Explanation 3: Customers, at their option, shall submit one of the five OVDs

- iii. In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in section 3(a) (xiv) shall be obtained from the customer for this purpose.

“Provided that in case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-

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

Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents”

- iv. bank, at the time of receipt of the Aadhaar number, shall carry out, with the explicit consent of the customer, e-KYC authentication (biometric or OTP based) or Yes/No authentication.

Provided,

- a. Yes/No authentication shall not be carried out while establishing an account based relationship.
- b. In case of existing accounts where Yes/No authentication is carried out, bank shall ensure to carry out biometric or OTP based e-KYC authentication within a period of six months after carrying out yes/no authentication.
- c. Yes/No authentication in respect of beneficial owners of a legal entity shall suffice in respect of existing accounts or while establishing an account based relationship.

- d. Where OTP based authentication is performed in ‘non-face to face’ mode for opening new accounts, the limitations as specified in Section 17 shall be applied.
 - e. Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators/ *Biometric enabled ATMs*.
- v. In case the customer eligible to be enrolled for Aadhaar and obtain a Permanent Account Number, referred to in Section 15(a) above, does not submit the Aadhaar number or the Permanent Account Number/ form 60 at the time of commencement of an account based relationship with a bank, the Customer shall submit the same within a period of six months from the date of the commencement of the account based relationship. In case the customer fails to submit the Aadhaar number or Permanent Account Number/form 60 within the aforesaid six months period, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/ form 60 is submitted by the customer.

Explanation: In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

- vi. bank shall duly inform the customer about this provision while opening the account.
- vii. The customer, eligible to be enrolled for Aadhaar and obtain the Permanent Account Number, except one who is a resident in the State of Jammu and Kashmir or Assam or Meghalaya, already having an account based relationship with banks, shall submit the Aadhaar number and Permanent Account Number/ form 60 by such date as may be notified by the Central Government. In case the customer fails to submit the Aadhaar number and Permanent Account Number/form 60 by such date, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number/form 60 is submitted by the customer.

Provided bank shall serve at least two notices for the compliance before such date.

- viii. bank shall ensure that introduction is not to be sought while opening accounts.

11. Customer Due Diligence (CDD) Procedure in case of Individuals

Bank shall apply the following procedure while establishing an account based relationship with an individual:

- i. Obtain information as mentioned in para 12(a to h)
- ii. such other documents pertaining to the nature of business or financial status specified by the bank in their KYC policy.

Provided that 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.

Explanation: CDD procedure, including Aadhaar authentication and obtaining PAN/ form 60 as applicable, shall be carried out for all the joint account holders.

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

- i. There must be a specific consent from the customer for authentication through OTP
- ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- iii. the aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakh.
- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which Biometric based e-KYC authentication is to be completed.
- 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. bank shall ensure that only one account is opened using OTP based KYC in non face to face mode and 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. Further, while uploading KYC information to CKYCR, bank shall clearly indicate that such accounts are opened using OTP based e-KYC and other banks shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non face to face mode.
- viii. bank shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

13. Case an individual customer who does not have Aadhaar/enrolment number and PAN and desires to open a bank account, banks shall open a 'Small Account', subject to the following:

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

- iii. 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.
- iv. 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.
- v. 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.
- vi. The entire relaxation provisions shall be reviewed after twenty four months.
- h) 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 Aadhaar Number or where an Aadhaar number has not been assigned to the customer through the production of proof of application towards enrolment for Aadhaar which is not more than six months old, along with an OVD.

Provided further that if the customer is not eligible to be enrolled for an Aadhaar number, the identity of the customer shall be established through the production of an OVD.

- (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 Aadhaar Number or the enrolment number which is not more than six months old, where the person is eligible to enrol for Aadhaar number has not been assigned an Aadhaar number.

Provided that if the client is not eligible to be enrolled for the Aadhaar number, the identity of client shall be established through the production of an OVD.

14. Customer Due Diligence (CDD) Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, identification information as mentioned in para 10 (a to h) in respect of the individual (proprietor) shall be obtained.

- 15.** 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/licence issued by the municipal authorities under Shop and Establishment Act.
- iii. Sales and income tax returns.
- iv. CST/VAT/ GST certificate (provisional/final).

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

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

17. Customer Due Diligence (CDD) Measures for Legal Entities

- i. For opening an account of a company, certified copies of each of the following documents shall be obtained:
 - a. Certificate of incorporation.
 - b. Memorandum and Articles of Association.
 - c. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
 - d. Identification information as mentioned under para 10 (a to h) in respect of managers, officers or employees holding an attorney to transact on its behalf.
- ii. For opening an account of a partnership firm, the certified copies of each of the following documents shall be obtained:
 - a. Registration certificate.
 - b. Partnership deed.
 - c. Identification information as mentioned under para 10 (a to h) in respect of the person holding an attorney to transact on its behalf.
- iii. For opening an account of a trust, certified copies of each of the following documents shall be obtained:
 - a. Registration certificate.
 - b. Trust deed.
 - c. Identification information as mentioned under para 10 (a to h) in respect of the person holding a power of attorney to transact on its behalf.

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- iv. For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents shall be obtained:
- a. resolution of the managing body of such association or body of individuals;
 - b. power of attorney granted to transact on its behalf;
 - c. Identification information as mentioned under para 10 (a to h) in respect of the person holding an attorney to transact on its behalf and
 - d. 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.*
- v. For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained.:
- a. Document showing name of the person authorised to act on behalf of the entity;
 - b. Aadhaar/ PAN/ Officially valid documents for proof of identity and address in respect of the person holding an attorney to transact on its behalf and
 - c. Such documents as may be required by the bank to establish the legal existence of such an entity/juridical person.

18. Identification of Beneficial Owner

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

- i. 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.
- i. 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.

19. On-going Due Diligence

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.

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

- i. 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.
- ii. Transactions which exceed the thresholds prescribed for specific categories of accounts.
- ii. High account turnover inconsistent with the size of the balance maintained.
- iv. Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

20. 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.

- i. 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.
- ii. 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.

21. Periodic Updation

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

- i. bank shall carry out
 - a. PAN verification from the verification facility available with the issuing authority and
 - b. Authentication, of Aadhaar Number already available with the bank with the explicit consent of the customer in applicable cases.
 - c. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
 - d. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar, except from individuals who are categorised as 'low risk'. 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.
 - e. In case of Legal entities, bank shall review the documents sought at the time of opening of account and obtain fresh certified copies.

- ii. Bank may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication 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.
- iii. Bank shall ensure to provide acknowledgment with date of having performed KYC updation.
- iv. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

22. Enhanced and Simplified Due Diligence Procedure

A. Enhanced Due Diligence

i. Accounts of non-face-to-face customers:

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

ii. Accounts of Politically Exposed Persons (PEPs)

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

iii. Client accounts opened by professional intermediaries:

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

- a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- b. bank shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- c. bank shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the bank.
- d. all the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of bank, and there are '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

i. Norms for Self Help Groups (SHGs) Simplified

- a. CDD of all the members of SHG as per the CDD procedure mentioned in Section 15 of the MD shall not be required while opening the savings bank account of the SHG
- b. CDD as per the CDD procedure mentioned in Section 15 of the MD of all the office bearers shall suffice.
- c. No separate CDD as per the CDD procedure mentioned in Section 15 of the MD of the members or office bearers shall be necessary at the time of credit linking of SHGs.

ii. Opening accounts of foreign students

Banks shall not open a Non Resident Ordinary (NRO) bank account of a foreign student.

iii. Simplified KYC norms for Foreign Portfolio Investors (FPIs)

Bank shall not open Foreign Portfolio Investors (FPIs) accounts.

23. Record Management

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

- i. 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;
- ii. 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;
- iii. make available the identification records and transaction data to the competent authorities upon request;
- iv. 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);

Every reporting entity shall maintain the record of all transactions including, the record of—

- a. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place Rule within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- c. All transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;]
- d. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- e. all suspicious transactions whether or not made in cash and by way of—
 - a) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—
 - (a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or
 - (b) travellers cheques, or
 - (c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
 - (d) any other mode in whatsoever name it is referred to;

- f. credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;
- g. money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:—
 - a) payment orders, or
 - b) cashiers cheques, or
 - c) demand drafts, or
 - d) telegraphic or wire transfers or electronic remittances or transfers, or
 - e) internet transfers, or
 - f) Automated Clearing House remittances, or
 - g) lock box driven transfers or remittances, or
 - h) remittances for credit or loading to electronic cards, or
 - i) any other mode of money transfer by whatsoever name it is called;
- h. loans and advances including credit or loan substitutes, investments and contingent liability by way of—
 - a) subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitised participation, inter bank participation or any other investments in securities or the like in whatever form and name it is referred to, or
 - b) purchase and negotiation of bills, cheques and other instruments, or
 - c) foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or
 - d) letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;
- i. collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.
- j. all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;
- k. all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.
- l. Records containing information.
Branches are required to maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following information:
 - a) the nature of the transactions;
 - b) the amount of the transaction and the currency in which it was
 - c) denominated;
 - d) the date on which the transaction was conducted; and
 - e) the parties to the transaction.

m. 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;

n. Preservation of Records

Branches should take appropriate steps to 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

a) In terms of PML Amendment Act 2012, branches should maintain for at least five years from the date of transaction between the branch and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

o. Maintenance of identity & Address :

The bank shall 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.

a) Bank shall maintain the physical copy of the records of the identity of its clients obtained in accordance with Rule 9 after filing the electronic copy of such records with the central KYC records registry.

b) Records of the identity of clients shall be maintained by the bank in the manner as may be specified by the regulatory authorities from time to time.

c) Where the bank does not have records of identity of its existing clients, it shall obtain the records within a period specified by the regulator, failing which the bank shall close the account of the clients after giving due notice to the client.

Explanation : For the purpose of this rule, the expression “records of the identity of clients” shall include updated records of identification date, account files and business correspondence.

24. Reporting Requirements to Financial Intelligence Unit – India

Bank shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021 Website - <http://fiuindia.gov.in> information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

i. Procedure and manner of furnishing information.

- a. Bank shall communicate to the Director the name, designation and address of the Designated Director and the Principal Officer.
- b. The Principal Officer shall furnish the information referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 to the Director on the basis of information available with the reporting entity. A copy of such information shall be retained by the Principal Officer for the purposes of official record.
- c. Bank shall evolve an internal mechanism having regard to any guidelines issued by regulator, for detecting the transactions referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 and for furnishing information about such transactions in such form as may be directed by its Regulator.
- d. It shall be the duty of bank, its designated director, officers and employees to observe the procedure and the manner of furnishing information as specified by Regulatory Authorities.

ii. Furnishing of information to the Director.—

- a. The Principal Officer of the bank shall furnish the information in respect of transactions referred to in clauses (A), (B), (BA), (C) and (E) of sub-rule (1) of rule 3 every month to the Director by the 15th day of the succeeding month.
- b. The Principal Officer of the bank shall furnish the information promptly in writing or by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 not later than seven working days on being satisfied that the transaction is suspicious.
- c. The Principal Officer of the bank shall furnish, the information in respect of transactions referred to in clause (F) of sub-rule (1) of rule 3, every quarter to the Director by the 15th day of the month succeeding the quarter.
- d. For the purpose of this rule, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-reported transaction beyond the time limit as specified in this rule shall constitute a separate violation.

iii. Overview of Reporting under PMLA

- a. All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- b. 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;
- c. All transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;*

- d. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- e. All suspicious transactions whether or not made in cash.
- f. All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.
- g. All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

The bank is required to furnish to FIU-IND following information under Prevention of Money Laundering Act. 2002 and the Rules thereunder.

iv. Cash Transaction Reports

The Prevention of Money-laundering Act, 2002, and rule thereunder require every reporting entity to furnish to FIU-IND information relating to -

- a) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;

All series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.

v. Counterfeit Currency Reports

The Prevention of Money-laundering Act, 2002, and rule thereunder require every banking company, financial institution and intermediary, to furnish to FIU-IND information relating to all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.

vi. Cross Border Wire Transfer Reports

Bank is required to furnish to Director, FIU-IND the report of all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.

vii. Report on sale/purchase of immovable property

Bank is required to furnish to Director, FIU-IND the report on all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity as the case may be.

viii. Suspicious Transaction Reports

Bank shall furnish to FIU-IND information of all suspicious transactions whether or not made in cash.

Suspicious transaction means a transaction referred to in clause (h) of the rules, including an attempted transaction, whether or not made in cash which, to a person acting in good faith –

- a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to have no economic rationale or bonafide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Broad categories of reason for suspicion and examples of suspicious transactions for a banking company are indicated as under:

ix. Identity of client

- a. False identification documents
- b. Identification documents which could not be verified within reasonable time
- c. Accounts opened with names very close to other established business entities

x. Background of client

- a. Suspicious background or links with known criminals

xi. Multiple accounts

- a. Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- b. Unexplained transfers between multiple accounts with no rationale

xii. Activity in accounts

- a. Unusual activity compared with past transactions
- b. Sudden activity in dormant accounts
- c. Activity inconsistent with what would be expected from declared business

xiii. Nature of transactions

- a. Unusual or unjustified complexity
- b. No economic rationale or bonafide purpose
- c. Frequent purchases of drafts or other negotiable instruments with cash
- d. Nature of transactions inconsistent with what would be expected from declared business

xiv. Value of transactions

- a. Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- b. Value inconsistent with the client's apparent financial standing

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

Reports & their periodicity

Due Dates for filing Reports

Report	Description	Due Date
CTR	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.	15th day of the succeeding month
	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	
CCR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions	
NTR	All transactions involving receipts by non profit organizations of value more than Rs. Ten lakhs or, its equivalent in foreign currency	
CBWTR	All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.	
IPR	All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity*, as the case may be.	15th day of the month succeeding the quarter.
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious.
* - Yet to be notified		

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

Requirements/obligations under international Agreements

26. Commutations from international Agencies

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

- i. 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>
- ii. 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>.

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

28. 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.

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

The procedure laid down in the UAPA Order dated August 27, 2009 (Annex I of this Master Direction shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

30. Jurisdictions that do not or insufficiently apply the FATF

Recommendations

- i. 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.

- ii. 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 55 a & b do not preclude bank from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

- iii. 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.

Other Instructions

31. Secrecy Obligations and Sharing of Information:

- i. Bank shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer..
- ii. While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- iii. The exceptions to the said rule shall be as under:
 - a. Where disclosure is under compulsion of law
 - b. Where there is a duty to the public to disclose,
 - c. the interest of bank requires disclosure and
 - d. Where the disclosure is made with the express or implied consent of the customer.

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

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

The 'live run' of the CKYCR would start with effect from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, bank shall take the following steps:

- i. bank shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.
- ii. Operational Guidelines (version 1.1) for uploading the KYC data have been released by CERSAI. Further, 'Test Environment' has also been made available by CERSAI for the use of bank.

33. 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:

- i. 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,
- ii. Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

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

- iii. Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.
- iv. Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- v. Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
- vi. 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>. REs may take note of the following:
 - a. updated Guidance Note on FATCA and CRS
 - b. a press release on 'Closure of Financial Accounts' under Rule 114H (8).

34. 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.

35. Operation of Bank Accounts & Money Mules

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

36. Collection of Account Payee Cheques

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

- 37. i.** A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by bank.
- ii.** The bank shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

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

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

39. Correspondent Banks

Banks shall have a policy approved by their Boards, or by a committee headed by the Chairman/CEO/MD to lay down parameters for approving correspondent banking relationships subject to the following conditions:

- i. 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.
- ii. Post facto approval of the Board at its next meeting shall be obtained for the proposals approved by the Committee.
- iii. The responsibilities of each bank with whom correspondent banking relationship is established shall be clearly documented.
- iv. In the case of payable-through-accounts, the correspondent bank shall be satisfied 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.
- v. The correspondent bank shall ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.
- vi. Correspondent relationship shall not be entered into with a shell bank.
- vii. It shall be ensured that the correspondent banks do not permit their accounts to be used by shell banks.
- viii. Banks shall be cautious with correspondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations.
- ix. Banks shall ensure that respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

40. Wire Transfer

The wire transfers is an expeditious method of transferring the bank accounts. Wire transfers include transactions occurring within the national boundaries of a country or from one country to another. Wire transfers do not involve actual movement of money. They are considered rapid as secured method for transferring value from one location to another.

The branches of the Janata Co-operative Bank Ltd. may undertake domestic wire transfers only subject to the following conditions :

- i. 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.

- ii. Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- iii. 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.
- iv. Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.
- v. 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.
- vi. 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.
- vii. 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.
- viii. Effective risk-based procedures to identify wire transfers lacking complete originator information shall be in place at a beneficiary bank.
- ix. Beneficiary bank shall report transaction lacking complete originator information to FIU-IND as a suspicious transaction.
- x. 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.

41. 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.

42. Quoting of PAN

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

43. Selling Third party products

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

- i. the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 13(e) of this Directions.
- ii. transaction details of sale of third party products and related records shall be maintained as prescribed in Chapter VII Section 46.
- iii. AML software capable of capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- iv. transactions involving rupees fifty thousand and above shall be undertaken only by:
 - a. debit to customers' account or against cheques; and
 - b. obtaining and verifying the PAN given by the account based as well as walk-in customers.
- v) Instruction at 'd' above shall also apply to sale of Banks 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.

(a) At-par cheque facility

Bank have arrangements with HDFC bank Ltd. under use the cheque book facility to issue 'at par' cheques to its constituents and walk-in- customers for effecting their remittances and payments. Since the 'at par' cheque facility offered by HDFC Bank Ltd. is in the nature of correspondent banking arrangement, branch should monitor and review such arrangements to assess the risks including credit risk and reputational risk arising therefrom. For this purpose, branch should retain the right to verify the records maintained of client branch for compliance with the extant instructions on KYC and AML under such arrangements.

In this regard, branches are advised to utilize the 'at par' cheque facility only for the following purposes:

- a) For their own use.
- b) For their account holders who are KYC compliant provided that all transactions of Rs.50,000/- or more should be strictly by debit to the customer's account.
- c) For walk-in customers against cash for less than Rs.50,000/- per individual.

(b) In order to utilise the 'at par' cheque facility in the above manner, branches should maintain the following:

- a) Records pertaining to issuance of 'at par' cheques covering inter alia applicant's name and account number, beneficiary's details and date of issuance of the 'at par' cheque.
- b) Sufficient balances/drawing arrangements with the commercial bank extending such facility for purpose of honouring such instruments.

Branches should also ensure that all 'at par' cheques issued by them are crossed 'account payee' irrespective of the amount involved.

44. Hiring of Employees and Employee training

- i. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place.
- ii. The bank should put in place on-going employee training programme, 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.

45. Penalty for non compliance

Section 13 of the Prevention of Money Laundering Act, 2002 confers following powers on the Director, FIU-IND to ensure compliance.

- i. The Director may, either of his own motion or on an application made by any authority, officer or person, make such inquiry or cause such inquiry to be made, as he thinks fit to be necessary, with regard to the obligations of the reporting entity, under this Chapter.
- ii. If at any stage of inquiry or any other proceedings before him, the Director having regard to the nature and complexity of the case, is of the opinion that it is necessary to do so, he may direct the concerned reporting entity to get its records, as may be specified, audited by an accountant from amongst a panel of accountants, maintained by the Central Government for this purpose.

- iii. The expenses of, and incidental to, any audit under sub-section (1A) shall be borne by the Central Government.
- iv. If the Director, in the course of any inquiry, finds that a reporting entity or its designated director on the Board or any of its employees has failed to comply with the obligations under this Chapter, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may-
 - a. issue a warning in writing; or
 - b. direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or
 - c. direct such reporting entity or its designated director on the Board or any of its employees, to send reports at such interval as may be prescribed on the measures it is taking; or
 - d. by an order, impose a monetary penalty on such reporting entity or its designated director on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.
- v. The Director shall forward a copy of the order passed under sub-section (2) to every Banking Company, Financial Institution or Intermediary or person who is a party to proceeding under that sub-section.

46. General Guidelines

i. Confidentiality of customer information:

Branches are advised that Information collected from customers for the purpose of opening of account is to be treated as confidential and details thereof should not be divulged for the purpose of cross selling, etc. Information sought from the customer should be relevant to the perceived risk and be non-intrusive. Any other information that is sought from the customer should be called for separately only after the account has been opened, with his/her express consent and in a different form, distinctly separate from the application form. It should be indicated clearly to the customer that providing such information is optional.

ii. Adherence to Know Your Customer (KYC) guidelines.

a. Avoiding hardship to customers:

Branches should keep in mind the spirit of the instructions issued by the Reserve Bank/Head Office so as to avoid undue hardships to individuals who are otherwise classified as low risk customers.

b. Designated Director:

The Managing Director/Chief Executive Officer of the Janata Co-operative Bank Ltd. is nominated as “designated Director”, as required under provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure compliance with the obligations under the Act and Rules. The name, designation and address of the Designated Director may be communicated to the FIU-IND.

c. Principal Officer:

The Senior Manager at Head Office of the bank is designated as Principal Officer (PO). The PO should be independent and report directly to the senior management or to the Board of Directors. The PO shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer may be communicated to the FIU-IND.

(b) Appointment of Principal Officer

The Manager at the Head Office in the absence of the Senior Manager at Head Office will act as Principal Officer and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He/she will maintain close liaison with the enforcement agencies, banks and any other institution, which are involved in the fight against money laundering and combating financing of terrorism.

Duties of the Principal Officer will be as follows :-

- (1) Over all monitoring of the implementation of Banks KYC/AML/CFT policy.
- (2) Monitoring and reporting of transaction and sharing of information as required under the law.
- (3) Interaction with Branch Manager for ensuring full compliance with the policy.
- (4) Timely submission of Cash Transaction Reports (CTRs). Suspicious Transaction Reports (STRs). Counterfeit Currency Reports (CCRs) and other related reports/returns to FIU-IND.
- (5) Maintaining liaison with the law enforcing agencies, in fight against money laundering and combating financing of terrorism.
- (6) Ensuring submission of periodical report to top management/Board.
- (7) Prompt reporting of information regarding suspicious transactions to the law enforcing authority concerned in consultation with Principal Office in Head Officer

(b) Duties Responsibilities and accountability

The chain of duties and responsibilities at branches/controlling offices and accountability are as under and non-compliance of the duties and responsibilities arising out of KYC guidelines will lead to fixation of accountability. Dereliction of duty and avoidance of knowledge will lead to examination of staff accountability.

Officer in Charge of accounts/ Officer vested with the authority to open new accounts;

To interview the potential customer

- (1) To verify the introductory reference/ customer profile
- (2) To arrive at threshold limits for each account (new as well as existing) and to exercise due diligence in identifying suspicious transactions.
- (3) To ensure against opening of accounts in the names of terrorist/banned organizations
- (4) To adhere to the provisions of Foreign Contribution Regulatory Act. 1976
- (5) To comply with the guidelines issued by the bank from time in respect of opening and conduct of account.

(c) Concurrent Auditor

To verify and record his comments on the effectiveness of measures taken by branches/ level of implementation of KYC guidelines.

47 Modifications/Additions in Policy.

Any modification/addition in the KYC Policy will be taken up and review to effect and incorporate changes, arising as result of changes in monetary fiscal & regulatory policy of the Government of India, Reserve Bank of India & Registrar of Co-operative Societies from time to time.

48. Conclusion.

This policy will be taken up for review as and when there are major changes in the environment arising out of changes in the KYC policy of Reserve Bank of India, fiscal policy of Government of India. However, in the absence of any such changes in the economic and banking scenario, this policy will continue to be in force. The changes made by the RBI and Government of India must be complied with and the Policy should be revised/rectified and amended accordingly. This policy has been framed and shall be valid till it is revised.

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Annex – I
 Customer Identification Procedure
 Documents that may be obtained from customers

Customers/Clients	Documents (Certified copy of any one of the following officially valid document)
<p>Accounts of individuals - Proof of Identity and Address</p>	<p>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number.</p> <p>Where 'simplified measures' are applied for verifying the identity of customers the following documents shall be deemed to be 'officially valid documents':</p> <p>i. identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;</p> <p>ii. letter issued by a gazetted officer, with a duly attested photograph of the person.</p> <p>Where 'simplified measures' are applied for verifying for the limited purpose of proof of address the following additional documents are deemed to be OVDs .:</p> <p>i. Utility bill which is not more than two months old of any service provider (electricity, telephone, postpaid mobile phone, piped gas, water bill);</p> <p>ii. Property or Municipal Tax receipt;</p>
<p>Accounts of Companies</p>	<p>(a) Certificate of incorporation;</p>

	<p>(b) Memorandum and Articles of Association;</p> <p>(c) A resolution from the Board of Directors an power of attorney granted to its manager officers or employees to transact on behalf; and</p> <p>An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.</p>
Accounts of Partnership firms	<p>(a) registration certificate;</p> <p>(b) partnership deed; and</p> <p>an officially valid document in respect of the person holding an attorney to transact on its behalf.</p>
Accounts of Trusts	<p>(a) registration certificate;</p> <p>(b) trust deed; and</p> <p>an officially valid document in respect of the</p>
Accounts of unincorporated association or a body of individuals	<p>(a) resolution of the managing body of such association or body of individuals;</p> <p>(b) power of attorney granted to him to transact on its behalf;</p> <p>(c) an officially valid document in respect of the person holding an attorney to transact on its behalf; and</p> <p>(d) such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.</p>
Accounts of Proprietorship Concerns Proof of the name, address and activity of the concern	<p>Apart from Customer identification procedure as applicable to the proprietor any two of the following documents in the name of the proprietary concern would suffice</p> <ul style="list-style-type: none"> • Registration certificate (in the case of a registered concern) • Certificate/licence issued by the Municipal authorities under Shop & Establishment Act,

	<ul style="list-style-type: none">• Sales and income tax returns• CST/VAT certificate• Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities• Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. The 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. <p>In cases where the banks are satisfied that it</p>
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