

Jijamata Mahila Sahakari Bank Ltd; Belgaum

1485/A, 'Parvati Plaza', Baswan Galli. Belgaum

Know Your Customer and Anti Money Laundering Policy 2025-26

Approved in the Board of Directors Meeting dated 27/05/2025

01. **PREAMBLE** :

As a part of "Know Your Customer" principle and "Anti money Laundering Standards", Reserve Bank of India has issued several guidelines relating to identification of depositors and advised the urban co-operative banks to put in place systems and procedures to help control frauds identify money laundering and suspicious activities and for scrutiny/monitoring of large value cash transactions. RBI has also issued from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for penetration of frauds. In consonance with the guidelines and subsequent instructions this "Policy of Know Your Customer and Anti Money Laundering standards" has been framed.

02. **SHORT TITLE:**

This Policy is called Policy of Know Your Customer and Anti Money Laundering standards" (In short KYC and AML) Policy of Jijamata Mahila Sahakari Bank Ltd., Belgaum.

03. **OBJECTIVES OF THE POLICY:**

- (I) To eliminate scope for unscrupulous and anti social persons opening accounts in anonymous or fictitious (Benami) names and using there accounts as conduit for fraudulent or clandestine or money laundering transactions.
- (II) To establish best practices and procedures for customer acceptance, customer identification, monitoring of transactions and risk management in the bank. Demand drafts/pay orders for amounts of Rs. 50000/- and above should not be issued against cash. Demand drafts/ pay orders for such amounts should be issued through customer's account (Savings Bank/ Current/Overdraft/Cash credit account). Application for issue of demand draft/pay order/ any other funds transfer instrument should bear PAN number of the applicant.

04: **AUTHORITY TO FRAME THE POLICY AND MAKE AMENDMENTS.**

The Board of Directors of the Bank is the Competent Authority to frame the KYC and AML policy and prescribe systems and procedures and make amendments to the policy and to the systems and procedures from time to time on the basis of changes made to the KYC norms by RBI relating to opening of accounts for new customers and monitoring of cash transactions in the accounts of new customers as well as existing customers.

05. APPLICABILITY:

The policy provisions systems and procedures prescribed in this policy document are applicable to new as well existing customers of all the branches of the bank.

06. EFFECTIVE DATE:

The KYC and AML policy comes to effect on and from the date it is approved by the Board of the bank.

07. IMPLEMENTING AUTHORITY:

The Chief Executive Officer / Manager of the Bank is responsible for implementation and monitoring of the implementation of policy guidelines and prescribed procedures relating to KYC and AML. The Manager has to comply with the guidelines and instructions relating to KYC and AML issued by the Administrative Office while opening accounts for new customers and monitoring of transactions in the accounts of new as well as existing customers.

08. DEFINITIONS :**(i) "Customer" means-**

- a) A person or an entity that maintains an account and / or has a business relationship with the bank;
- b) One on whose behalf the account is maintained (i.e., the beneficial owner);
- c) Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors, etc., as permitted under law and
- d) Any person or entity connected with a financial transaction, which can pose significant reputational or other risks to the bank, say a wire transfer or issue of a high value demand draft as a single transaction.

(ii) "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 e).

(iii) 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 person, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

As per the Master Direction RBI / 2023 – 24 / 24 DOR. AML. REC. 111 /14.01.001 / 2023-24 Dated: April 28, 2023-24

- 1) *“Controlling ownership interest” means ownership of/entitlement to more than 10 per cent of the shares or capital or profits of the company.*

Identification of Beneficial Owner

Exemption from identification of BO: The exemption from BO identification has been aligned with that provided in the PML Rules, 2005, such that where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such an entity

- 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 10 per cent of capital or profits of the partnership.

- c. Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

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

- d. Where the **customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

- (iv) **“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.

- (v) **“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 include:-

- a. a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks.
- b. The name, designation and address of the Designated Director shall be communicated to the FIU-IND.

- (vi) **“Officially valid document” (OVD)** means the passport, the driving license, the Permanent Account Number (PAN) Card, 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 Unique Identification Authority of India containing details of name, address and Aadhar number.

Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.

Provided further that where 'simplified measures' are applied for verifying for limited purpose of proof of address the following documents shall be deemed to be OVD:

1. 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;

2. Letter issued by a Gazetted officer, with a duly attested photograph of the person.

Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs :

1. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
2. Property or Municipal Tax receipt;
3. Bank account or Post Office savings bank account statement;
4. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
5. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
6. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

(vii) "Aadhaar number" shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016)

(viii) Authentication", in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016

(ix) "Principal Officer" means an officer nominated by the Bank, responsible for furnishing information as per rule 8 of the Rules. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

(x) "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.

- (xi) **“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 establishing or creating a legal person or legal arrangement.
- (xii) **“Walk-in Customer”** means a person who does not have an account based relationship with the Bank , but undertakes transactions with the RE.
- (xiii) **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.
- (xiv) **“Customer identification”** means undertaking the process of CDD.
- (xv) **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- (xvi) **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that those are consistent with Bank knowledge about the customers, customers’ business and risk profile, the source of funds / wealth.
- (xvii) **“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.
- (xviii) **“Regulated Entities” (REs)** means Jijamata Mahila Sahakari Bank Ltd., which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
- (xix) **“Simplified procedure”** means the procedure for undertaking customer due diligence in respect of customers, who are rated as low risk by the RE and who do not possess any of

the six officially valid documents, with the alternate documents prescribed under the two provisions of Section 3(a)(vi) of this Directions.

- (xx) **“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.

09. TYPES OF CUSTOMERS FOR WHOM ACCOUNTS CAN BE OPENED:

The customer for whom account is to be opened may be an individual, a firm, and a body Corporate, a trust, a society or an association of persons. The following are the types of customers who can be allowed to open accounts subject to the KYC norms given in the succeeding paragraphs.

- (i) **INDIVIDUALS:** "Individuals" include joint persons, minors, illiterates, persons signing in the vernacular language, Purdahnishin ladies, married women, old, sick and handicapped persons.

- (ii) **FIRMS:** "Firms" include proprietary, partnership and HUF concerns,

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.

- (iii) **CORPORATE BODIES:** "Corporates" include both public and private companies and Government Companies.

Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

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

- (iv) **TRUST:** "Trust", includes charitable and religious trusts.

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.

Explanation: Term ‘body of individuals’ includes societies.

- (v) **SOCIETY:** "Society" includes Co-operative Society.

- (vi) **ASSOCIATION OF PERSONS:** Association of Persons are clubs, associations. Benevolent funds etc. registered or unregistered.

- (vii) **ADMINISTRATOR AND EXECUTOR:** "Administrator" is a person appointed by the court in the case of a person died in-testate while the executor is a person appointed by the 'will' of a deceased person for dealing with the estate of the deceased person.

- viii) **POWER OF ATTORNEY HOLDER:** "Attorney" is a person who is authorized by another person to perform certain acts for him.

General

Compliance of KYC policy

REs 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 REs' 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.
10. the "Know Your Customer policy (KYC)" is duly approved by the Board of Directors of Bank and committee of the Board to which power has been delegated.

This KYC policy is included following five key elements:

- (A) Customer Acceptance Policy;**
- (B) Risk Management;**
- (C) Customer Identification Procedures (CIP);**
- (D) Customer Due Diligence (CDD) Procedure**
- (E) Monitoring of Transactions**

(A) CUSTOMER ACCEPTANCE POLICY

- (i) No account is opened in anonymous or fictitious/benami name.
- (ii) No account is opened where the Bank is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The RE shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- (iii) No transaction or account based relationship is undertaken without following the CDD procedure.
- (iv) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (v) Additional information, where such information requirement has not been specified in the internal KYC Policy of the RE, is obtained with the explicit consent of the customer.
- (vi) REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account or avail any other product or service from the same RE, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.
- (vii) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (viii) 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.

Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority

⁴³Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

Where RE forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

- (ix) 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.

(B) Risk Management

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

- a) Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the RE.
- b) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about

the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque /monetary instruments, wire transfers, forex transactions, etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

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

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

(C) Customer Identification Procedure (CIP)

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) Carrying out transactions for a non-account based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- e) When a Bank has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

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

- i. Necessary information of such customers' due diligence carried out by the third party is immediately obtained by REs.
- ii. Adequate steps are taken by REs 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.
- iii. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the RE.

While undertaking customer identification, REs shall ensure that :

- a. Introduction shall not be sought while opening accounts.
- b. The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- c. A customer shall not be required to furnish separate proof of current address, if it is different from the address recorded in the OVD. In such cases, the RE shall merely obtain a declaration from the customer indicating the address to which all correspondence will be made by the RE.
- d. The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as acknowledgment of receipt of letter, cheque books, ATM cards, telephonic conversation, visits to the place, or the like.
- e. In case it is observed that the address mentioned as per 'proof of address' has undergone a change, REs shall ensure that fresh proof of address is obtained within a period of six months.

D. Customer Due Diligence (CDD) Procedure

D.1 CDD Procedure in case of Individuals

REs shall obtain the following documents from an individual while establishing an account based relationship:

- a) one certified copy of an OVD as mentioned in Definition 8(vi) containing details of identity and address;
- b) one recent photograph; and
- c) such other documents pertaining to the nature of business or financial status specified by the RE 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: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.

The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules, as

- d) the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process is treated as an 'Officially Valid Document', and
- e) transfer of KYC data, electronically to the RE from UIDAI, is accepted as valid process for KYC verification.

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- D.2** A copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' in the existing name of the person shall be obtained for proof of address and identity, while establishing an account based relationship or while undertaking periodic updation exercise in

cases of persons who change their names on account of marriage or otherwise.

- D.3** In cases where a customer categorised as 'low risk', expresses inability to complete the documentation requirements on account of any reason that the REs consider to be genuine, and where it is essential not to interrupt the normal conduct of business, REs shall, at their option, complete the verification of identity of the customer within a period of six months from the date of establishment of the relationship.

E. Monitoring of Transactions

- E.1 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 "officially valid documents".
- E.2 The account remains 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.
- E.3 The entire relaxation provisions shall be reviewed after twenty four months.
- E.4 If an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.

D. CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, a certified copy of an OVD as mentioned at 8 (vi), containing details of identity and address of the individual (proprietor) shall be obtained.

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

- a) Registration certificate
- b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c) Sales and income tax returns.
- d) CST/VAT certificate.
- e) Certificate/registration document issued by Sales ax/Service Tax/Professional Tax authorities.
- f) 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.
- g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly Authenticated/acknowledged by the Income Tax authorities.
- h) Utility bills such as electricity , water and landline telephone bills.
- i) "Udyam Registration Certificate (URC) issued by the Government".

- D.1.** In cases where the REs are 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 REs 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.

D.2 CDD Measures for Legal Entities

D.3. For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained: (a) Registration certificate.

(a) Registration Certificate

(b) Partnership deed.

(c) Officially valid documents in respect of the person holding an attorney to transact on its behalf.

(d) the names of all the partners; and

(e) address of the registered office, and the principal place of its business, if it is different.

D.4 For opening an account of a trust, one certified copy of each of the following documents shall be obtained:

(a) Registration certificate.

(b) Trust deed.

(c) Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.

(d) the names of the beneficiaries, trustees, settlor and authors of the trust

(e) The address of the registered office of the trust; and

(f) list of trustees and documents, as specified in Section 16, for those discharging role as trustee and authorised to transact on behalf of the trust.

D.5 For opening an account of an unincorporated association or a body of individuals, one certified copy 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) Officially valid documents in respect of the person holding an attorney to transact on its behalf and

d) such information as may be required by the RE 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.

D.6 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,

one certified copy of the following documents shall be obtained.:

- a) Document showing name of the person authorised to act on behalf of the entity;
- b) 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 RE to establish the legal existence of such an entity/juridical person.

E MONITORING OF TRANSACTIONS:

(a) REQUIREMENTS:

Ongoing monitoring of transactions in the accounts of bank's clients is an essential component of effective KYC procedures. Reserve Bank of India has issued guidelines in consonance with the provisions of Prevention of Money Laundering Act, 2002 (15 of 2003) and Prevention of Money Laundering Rules, 2005 which relate to maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing information and, verification and maintenance of records of the identity of the clients of the Banking Companies, Co-operative Banks, financial institutions and intermediaries. In this context, Bank is responsible to ensure the following actions.

- (1) Verification of unusual large transactions in the accounts of clients at all the branches and maintenance of proper records and preservation of the records connected to such large transactions.
- (2) Monitoring of implementation of KYC procedures and transactions of clients in their accounts at the branches.
- (3) Maintenance of proper records of all cash transactions relating to deposits and withdrawals of Rs. 5 Lakhs and above in the Current Accounts, Savings Bank Accounts, Over daft /Cash Credit accounts of clients at the branches as per the instructions of RBI vide its Circular No.302/(UBD:PCB:30/09-161-00/2004-2005 dated 15.12.2004.
- (4) Maintenance of records of the nature and value of transactions.
- (5) Procedure and manner of maintaining the records.
- (6) Time for furnishing information.
- (7) Verification and maintenance of records of the identity of the clients of the Banking Companies, Co-operative Banks. Financial Institutions and Intermediaries.
- (8) Submission of cash transaction report [CTR] and suspicious Transaction Report[STR] within the prescribed time.

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TRANSACTIONS:

- (1) "Transaction" includes deposits, withdrawals, 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 [Example: Electronic Clearing System (ECS)].

Electronic Funds Transfer (EFT), etc].

- (2) All other words and expressions used and not defined in the Prevention of Money Laundering (PML) Rules but defined in the PML Act shall have the meaning respectively assigned to them in the Act.

11. 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:

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.

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.

12. On-going Due Diligence

REs 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:

- a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c) High account turnover inconsistent with the size of the balance maintained.
- d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

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

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

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

14. 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 subject to the following conditions:

- a) Fresh proofs of identity and address shall not be sought at the time of periodic updation,

from customers who are categorised as 'low risk', when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.

- b) A certified copy of the proof of address forwarded by 'low risk' customers through mail/post, etc., in case of change of address shall be acceptable.
- c) Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.
- d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- e) Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.
- f) e-KYC process using OTP based authentication, for the purpose of periodic updation is allowed, provided, while onboarding, the customer was subjected to KYC process.

The updation shall be done within 30 days.

15. Partial freezing and closure of accounts

- (a) Where REs are unable to comply with the CDD requirements mentioned in GENERAL 11(A) to (E) above, they shall not open accounts, commence business relations or perform transactions. In case of existing business relationship which is not KYC compliant, banks shall ordinarily take step to terminate the existing business relationship after giving due notice.
- (b) As an exception to the Rule, banks shall have an option to choose not to terminate business relationship straight away and instead opt for a phased closure of operations in this account as explained below:
 - i. The option of 'partial freezing' shall be exercised after giving due notice of three months to the customers to comply with KYC requirements.
 - ii. A reminder giving a further period of three months shall also be given.
 - iii. Thereafter, 'partial freezing' shall be imposed by allowing all credits and disallowing all debits with the freedom to close the accounts in case of the account being KYC non-compliant after six months of issuing first notice.
 - iv. All debits and credits from/ to the accounts shall be disallowed, in case of the account being KYC non-compliant after six months of imposing 'partial freezing',
 - v. The account holders shall have the option, to revive their accounts by submitting the KYC documents.
- (c) When an account is closed whether without 'partial freezing' or after 'partial freezing', the reason for that shall be communicated to account holder.

16. Enhanced and Simplified Due Diligence Procedure

A Enhanced Due Diligence

- A.1 Accounts of non-face-to-face customers:** REs shall include additional procedures i.e., certification of all the documents presented, calling for additional documents and the first payment to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face to face customers.

Bank shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhar.

17 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. REs shall,

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

18. Reporting Requirements to Financial Intelligence Unit - India

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

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

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic

Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by REs which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those REs, whose all branches are not fully computerized, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its

website <http://fiuindia.gov.in>

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. REs shall not put any restriction on operations in the accounts where an STR has been filed. REs shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

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.

19. 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.
20. 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.
21. **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.

Instructions for compliance with the Order dated January 30, 2023, titled – “Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005)”, issued by the Ministry of Finance, Government of India, have been inserted in Section 52 for meticulous compliance by the REs. The Order stipulates detailed requirements and actions to be taken by the stakeholders for freezing / unfreezing of accounts, financial assets, etc., of individuals / entities designated under the list as specified under Section 12A of the WMD Act, 2005.

22. **Secrecy Obligations and Sharing of Information:**
 - a) Banks shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
 - b) 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.
 - c) The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law,
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of bank requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.

- 23 **CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**
REs 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, REs shall take the following steps:

- (i) REs other than SCBs 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 REs.

24. **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.

25. **POSITIVE PAY SYSTEM (PPS) :**

According to the RBI, while most retail consumers prefer to use electronic alternatives such as NEFT and RTGS, cheques are still a popular option now. Before you issue a cheque, you need to share cheque details like name of the payee, issue date, and amount and send it to your bank via email. When the cheque is presented to the bank for payment via CTS Clearing, the bank will compare the instrument details received against the details you send. In case of any mismatch, the bank may review it for suitable action.

Bank is fully aware of the risk posed by cheque fraud. Hence, we have put into place a robust process that is fully compliant with RBI guidelines. However, not all cheques will need to undergo verification via Positive Pay. We recommend this process for cheques with a value of Rs 50,000/- and above.

Here are a few points to remember:

1. Cheque details need to be submitted banks printed format. After issuing the cheque by drawer, he has to inform to the Bank at least before 24 hours before the cheque is presented for clearing.
2. Customer has to mention Serial Number, Your account number, Cheque number, Cheque issue date, Cheque amount, Name of the payee/Beneficiary name on the PPS Form.
3. The information needs to be submitted in English language and the beneficiary name should be in the exact same manner as written on the cheque.
4. Drawer has to provide payee (beneficiary) name details, in the exact same manner as it has been captured on cheque issued.

26 **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.

26 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.

- 27** a) A Unique Customer Identification Number (CIN) shall be allotted while entering into new relationships with individual customers as also the existing customers by banks .

28. Issue and Payment of Demand Drafts, etc.,

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

30. 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 60/61 shall be obtained from persons who do not have PAN.
