

**THE AHMEDABAD MERCANTILE CO-OP. BANK LTD.
HEAD OFFICE "AMCO HOUSE",
NAVRANGPURA, AHMEDABAD 380 009.**

Know Your Customer (KYC)

(Including Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under Prevention of Money Laundering Act, (PMLA), 2002)

(February 2023)

1. INTRODUCTION:

- a. In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India and Aadhaar and other Laws (amendment) Ordinance, 2019 as notified by the Government of India, Bank is required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions.
- b. This KYC Policy is issued as per RBI's Master Directions on Know Your Customer (updated upto 03.01.2023) which incorporates monitoring of transactions.
- c. All offices / Branches of the Bank shall take all necessary steps to implement this KYC policy and provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

2. APPLICABILITY:

The provisions of KYC Policy guidelines shall apply to all the branches / offices of the Bank.

3. OBJECTIVE:

The objective of Know Your Customer Policy is to prevent the Bank from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

The Policy will also enable the Bank to know / understand the Bank's customer and their financial dealing in a better way which in turn helps the Bank to manage the customer risks prudently.

The purpose of KYC policy is to put in place customer identification procedures for opening of accounts and monitoring transactions in the accounts for detection of transactions of suspicious nature for the purpose of reporting to Financial Intelligence Unit-India [FIU-IND] in terms of the recommendations made by Financial Action Task Force (FATF) and the paper issued on Customer Due Diligence (CDD) for banks by the Basel Committee on Banking Supervision (BCBS) on AML standards and on Combating of Financing of Terrorism (CFT) measures. For this Policy, the term 'Money Laundering' would also cover financial transactions where the end-use of funds is for financing terrorism, irrespective of the source of funds.



4. DEFINITIONS:

A. CUSTOMER:

For the purpose of KYC Policy, a 'Customer' is defined as under:

- "Customer" means a person who is engaged in a financial transaction or activity with our Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- "Walk-In Customer" means a person who does not have an account-based relationship with the Bank, but undertakes transactions with our Bank.

B. Definition of Designated Director

"Designated Director" means a Director on the Bank's Board designated by the Bank to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules

C. Definition of Officially Valid Document

"Officially Valid Document" (OVD) means the passport, the driving license, 5proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

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

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

D. Definition of Transactions

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

- (i) opening of an account;
- (ii) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- (iii) the use of a safety deposit box or any other form of safe deposit;
- (iv) entering into any fiduciary relationship;
- (v) any payment made or received in whole or in part of any contractual or other legal obligation;
- (vi) any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- (vii) Establishing or creating a legal person or legal arrangement.'

E. Definition of Beneficial Owner (BO)

- i. 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-

- "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
- "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

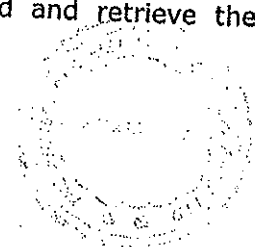
- ii. Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
- iii. Where the customer 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. 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.

F. "Central KYC Records Registry"

"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.



- G. "Principal Officer"** means an officer nominated by the bank, responsible for furnishing information as per rule 8 of the Rules.
- H. "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:
- i. 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
 - ii. appears to be made in circumstances of unusual or unjustified complexity; or
 - iii. appears to not have economic rationale or bona-fide purpose; or
 - iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- I. Other Definitions:**
- a. 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).
 - b. Certified Copy" - Obtaining a certified copy by the Bank shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the Bank as per the provisions contained in the Act.

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

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
 - branches of overseas banks with whom Indian banks have relationships,
 - Notary Public abroad,
 - Court Magistrate,
 - Judge,
 - Indian Embassy/Consulate General in the country where the non-resident customer resides.
- c. "Equivalent e-document" means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016
 - d. A 'Small Account' means a savings account which is opened in terms of sub rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 18.
 - e. "Know Your Client / Customer (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry
 - f. "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

- g. "Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016)
- h. Video based Customer Identification Process (V-CIP): a method of customer identification by an official of the Bank by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction
- i. "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.
- j. "UCIC" means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering into new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.
- k. "Person" has the same meaning assigned in the Act and includes:
 - an individual,
 - a Hindu undivided family,
 - a company,
 - a firm,
 - an association of persons or a body of individuals, whether incorporated or not,
 - every artificial juridical person, not falling within any one of the above persons and
 - any agency, office or branch owned or controlled by any of the above persons

The KYC policy includes following four key elements:

- Customer Acceptance Policy (CAP);
- Customer Identification Procedures (CIP)
- Risk Management;
- Monitoring of Transactions

5. CUSTOMER ACCEPTANCE POLICY :

ELIGIBILITY

The Bank will accept following Citizen / Individual / HUF / Unit / Firm / Company as customer on the basis of their eligibility.

- ❖ They may be businessmen / employee / professional /student/ housewife/self – employed.
- ❖ They may be able to become Share holder or Nominal Share holder as per Bye-laws of Bank and Co-op. Act.
- ❖ They may be Major/Minor/ Handicapped/ Blind but able to open joint account with Natural guardian or guardian appointed by Indian Guardian Act.
- ❖ They may be illiterate.
- ❖ They may have to produce complete Residential address with all related proper proof.
- ❖ It may have to produce all related proof for identification of themselves.
- ❖ It may be a partnership firm constituted under Indian Partnership Act.
- ❖ It may be a Private or Public Limited Company constituted under Company Act.
- ❖ It may be a registered or non-registered Public or Private Trust Constituted under Trust Act.
- ❖ It may be Voluntary or Service Oriented Institute or Association.
- ❖ It may be Individual / Association who should not have any police record or not involved in any criminal activity.

- ❖ It may be Local self Governed Body or Government or Quasi Government Organization.
- ❖ It may be a Society incorporated under State or Central Co-op. Act and with all required related permission.
- ❖ It may be a Non Trading Corporation.
- ❖ It may be a Proprietorship unit.
- ❖ They may be employee or Retired employee of Bank.
- ❖ They may be an Administrative, Receiver constituted by the competent Court.
- ❖ They may be Individual, Organization, Firm or any type of unit who is not connected to Terrorism, Antinational or Money Laundering Activity.
- ❖ An existing KYC compliant customer desires to open another account with the same branch; there shall be no need for a fresh Customer Due Diligence exercise.
- ❖ Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority
- ❖ 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.

Rules:

- ❖ All customers as per above eligibilities will be acceptable by Bank as Customer to avail services of Deposit, Loan, Lockers and other Banking Services.
 - ❖ Customer is required to provide proof to prove his own identity and residential address and also to submit photograph.
 - ❖ All prospective Account holders will have to come to branch and sign in the presence of an Officer / Manager for opening account. Under unavoidable circumstances, Bank will depute their staff to obtain signature in person and if this is not feasible then signature may be obtained on form in the presence of Reputed / known customer / Notary / Doctor / Chartered Accountant / Advocate / Municipal Corporator who will have to also sign and affix their stamp.
 - ❖ Cheque book will be issued after confirmation of proof of residence submitted by the customer.
 - ❖ The Bank may verify address after account is opened.
 - ❖ The Bank will not open account in the same name or title in the same branch.
 - ❖ Account which is introduced by staff will be opened only after approval or sanction by his Senior Officer.
 - ❖ Customer acceptance by the Bank is subject to changes in guidelines issued from time to time by the various controlling authorities.
- Customer accounts can be opened on the basis of above rules.

6. CUSTOMER IDENTIFICATION PROCEDURES / CUSTOMER DUE DILIGENCE:

For the purpose of Customer Identification, the Bank's Branches will be guided by instructions / guidelines / circulars issued by the Reserve Bank of India and Head Office from time to time. For customer Identification following documents may be obtained from the customers.

A. Accounts of Individuals

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

- a) a certified copy of any OVD containing details of his identity and address
- b) one recent photograph
- c) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, and
- d) such other documents pertaining to the nature of business or financial status specified by our Banks.

Provided that,

- i) Banks shall obtain the Aadhaar number from an individual who is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016). Banks, at receipt of the Aadhaar number from the customer may carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India upon receipt of the customer's declaration that he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 (18 of 2016) in his account.
- ii) In case an individual customer who does not possess any of the OVDs and desires to open a bank account, banks shall open a 'Small Account', which entails the following limitations:
 - i. the aggregate of all credits in a financial year does not exceed rupees one lakh;
 - ii. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
 - iii. The balance at any point of time does not exceed rupees fifty thousand.Provided, that this limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurements.

B. Accounts of Proprietary concerns :

For opening an account in the name of a sole proprietary firm, Customer Due Diligence (CDD) of the individual (proprietor) shall be carried out.

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 / license issued by the municipal authorities under Shop and Establishment Act.
 - c. Sales (GST) and Income tax returns.
 - d. (Provisional/Final) CST/VAT/ GST certificate
 - e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
 - f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or License / certificate of practice issued in the name of the proprietary concern by any professional body Incorporated under a statute.
 - g. Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's Income is reflected, duly authenticated / acknowledged by the Income Tax authorities.
 - h. Utility bills such as electricity, water, landline telephone bills, etc.
- In cases where the Bank is satisfied that it is not possible to furnish two such documents, the Bank at its discretion, accept only one of those documents as proof of business/activity.

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



C. Accounts of companies (Private and Public) :

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

- a. Certificate of incorporation
- b. Memorandum and Articles of Association
- c. Permanent Account Number of the company
- d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- e. Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

D. Accounts of Limited Liability Partnership:

For opening an account of a Limited Liability Partnership, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- a. Certificate of Incorporation
- b. Permanent Account Number of the company
- c. Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

E. Accounts of Partnership Firm :

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

- a. Registration certificate
- b. Partnership deed
- c. Permanent Account Number of the partnership firm
- d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

F. Accounts of Trusts & Foundations :

For opening an account of a Trusts and Foundations, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- a. Registration certificate
- b. Trust deed
- c. Permanent Account Number or Form No.60 of the trust
- d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

G. For opening an account of Hindu Undivided Family.

For opening an account of Hindu Undivided Family, certified copies of each of the following documents shall be obtained :

- a. Identification information as mentioned under Section 15 in respect of the Karta and Major Coparceners,
- b. Declaration of HUF and its Karta,
- c. Recent Passport photographs duly self-attested by major co-parceners along with their names and addresses.
- d. The Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962.

H. Accounts of unincorporated association or body of individuals :

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

- a. Resolution of the managing body of such association or body of individuals
- b. Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- c. Power of attorney granted to transact on its behalf
- d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- e. Such information as may be required by the Bank to collectively establish the legal existence of such an association or body of individuals.

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

Explanation: Term 'body of individuals' includes societies.

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

- a. Document showing name of the person authorised to act on behalf of the entity;
- b. Documents, as specified in Section 16, 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.

I. 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.

7. On-going Due Diligence

On-going due diligence of customers to be undertaken to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds. Separate policy on Risk Categorisation will look for the concerned areas.

8. Periodic Updation

A risk-based approach is adopted by the Bank for periodic updation of KYC. Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation.

➤ **Individual Customers:**

- ❖ **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the Bank or request in any format or reminder letters issued by Bank.
- ❖ **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the Bank, letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
- ❖ **Accounts of customers, who were minor at the time of opening account, on their becoming major:** In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the base branch. Wherever required, branch may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major. As the KYC documents are to be maintained at base branch, the customer may contact his/her base branch or use V-CIP for updation.

➤ **Customers other than individuals:**

- ❖ **No change in KYC information:** In case of no change in the KYC information of the Legal Entity (LE) customer, a self-declaration (letter from an official authorized by the LE in this regard, board resolution etc.) in this regard shall be obtained from the LE customer through its email id registered with the Bank/ by post/ by visiting the base branch. Further, branch shall ensure during this process that Beneficial Ownership (BO) / Authorised Signatories Information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ❖ **Change in KYC information:** In case of change in KYC information, Bank shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

➤ **Additional measures:** In addition to the above, it shall be ensured by the concerned offices that,

- ❖ The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Bank are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the Bank has expired at the time of periodic updation of KYC, Bank shall undertake the KYC process equivalent to that applicable for onboarding a new customer.
- ❖ Customer's PAN details, if available with the Bank, is verified from the database of the issuing authority at the time of periodic updation of KYC.

9. Risk Management:

Bank will ensure that an effective KYC programme is put in place by establishing appropriate procedure and ensuring their effective implementation. Bank will also devise procedure for creating risk profiles of their existing and new customers and apply various anti money laundering measures keeping in view the risks involved in a transaction, account or banking / business relationship. It will be ensured that the audit machinery of the Bank is staffed adequately with individuals who are well-versed in KYC policies and procedures. Concurrent / Internal Auditors will specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard in their report. The compliance in this regard will be put up before the Audit Committee of the Board on quarterly intervals.



The risk on Inoperative and Dormant account will be covered separately under the Risk categorization policy.

10. Monitoring of Transactions:

Ongoing monitoring of transactions in the accounts is an essential element of effective KYC procedures. A close watch will be kept to unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Periodical review of risk categorization of accounts will be carried out in terms of guidelines issued by the Reserve Bank of India from time to time. Customers' profiles will have to be obtained. Necessary software application will also be made to throw alerts when the transactions are inconsistent with risk categorization and updated profile of the customers. Accounts of bullion dealers including sub-dealers and jewelers will be categorized as "high risk" requiring enhanced due diligence. High risk accounts will be taken into account to identify Suspicious Transactions Reports.

11. Money Laundering and Terrorist Financing Risk Assessment by Bank:

- Bank shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

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

- The risk assessment by the Bank shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Bank. Further, the periodicity of risk assessment exercise shall be determined by the Board of the Bank, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

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

12. Reporting Requirements to Financial Intelligence Unit - India

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

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

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 Bank which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.

It may be noted that 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 misrepresented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. The Bank shall not put any restriction on operations in the accounts where an STR has been filed. The Bank shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

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:

In this regard for purpose of AML monitoring, alert generation and closure / escalation for STR, CTR, etc., board will resolved necessary updations and addition in of new parameters periodically as and when required and also to comply with necessary guidelines and notifications issued by FIU - IND , Reserve bank of India etc.

Bank will review Risk Assessment in relation to Money Laundering and Terrorist Financing periodically as well as necessary parameters, guidelines and notifications issued by FIU - IND as Red Flag Indicators or otherwise, Reserve bank of India etc.

Bank will also finalise and review Structure of AML team with Roles and Responsibilities whenever required.

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

- 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.
- In terms of provision of Rule 9(1A) of PML Rules, the Bank shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- Operational Guidelines for uploading the KYC data will be as per CERSAI.
- Bank shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- Bank shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules ibid. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- Once KYC Identifier is generated by CKYCR, Bank shall ensure that the same is communicated to the individual/LE as the case may be.
- In order to ensure that all KYC records are incrementally uploaded on to CKYCR, Bank shall upload/update the KYC data pertaining to accounts of Individual customers and LEs opened prior to the above mentioned dates at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.
- Bank shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

- Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to a Bank, with an explicit consent to download records from CKYCR, then such Bank shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
 - i. there is a change in the information of the customer as existing in the records of CKYCR;
 - ii. the current address of the customer is required to be verified;
 - iii. the Bank considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

14. OTHERS:

- **Designated Director:**

- (a) A "Designated Director" means a Director of the Board 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 by the Bank.
- (c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

- **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 by the Bank.

- **Small Deposit Accounts :**

Small deposit accounts will be opened especially for those belonging to low income group and for those who are not able to produce necessary KYC documents to satisfy the Bank about their identity and address subject to adherence of guidelines issued by the Reserve Bank of India from time to time in this regard.

In Small Deposit Accounts, balance in at any point of time should not exceed Rs. 50,000. Total credits in one year should not exceed Rs. 1,00,000/- and total withdrawal should not exceed Rs. 10,000/- in a month. These small accounts would be valid normally for a period of twelve months. Thereafter, such accounts would be allowed to continue for a further period of twelve more months, if the account holder provides a document showing that she/he has applied for any of the officially valid document, within twelve months of opening the small account.

- **Basic Saving Bank Accounts :**

Basic saving bank accounts will also be opened in terms of guidelines issued by the Reserve Bank of India from time to time. (Our Bank's circular no amco: 074:2012-13 and amco: adm:53:2018-19 dated 10.09.2012 and 25.10.2018 respectively in this regard).

- **Maintenance and Preservation of record**

- The records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship will be properly preserved for at least ten years after the business relationship is ended. The identification records will be made available to the competent authorities i.e. RBI / FIU IND etc. upon request.

- To 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;
- To 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;
- To make available the identification records and transaction data to the competent authorities upon request;
- To 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);
- 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 : (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.
- 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;
- To 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.

- **Enhanced and Simplified Due Diligence Procedure**

The Bank will periodically update KYC information of customers. (Customer Due Diligence)

The Bank would continue apply client due diligence measures to existing clients at an interval of two / eight / ten years in respect of high / medium / low risk clients respectively, as provided by the RBI.

In case of "low risk" customer, branches need not seek fresh proofs of identity and address at the time of periodic updation, in case of no change in status with respect to their identities and addresses. A self - certification by the customer to that effect should suffice in such cases. In case of change of address of such "low risk" customers, such customers could merely forward a certified copy of the document (proof of address) by mail / post etc, the Bank may not insist on physical presence of such low risk customer at the time of periodic updation.

- **Opening of another account by an existing KYC compliant customer of the Bank:**

If an existing KYC compliant customer of the Bank desires to open another account in at some other Branch of the Bank, the customer need not submit fresh proof of identity and / or proof of address for opening of such another account.

- **Non Compliance of KYC Documents / Partial freezing of Accounts / Closure of Accounts:**

In cases non - compliance of KYC requirements by the customers, despite repeated reminders by the Bank, in such cases, Bank will impose "partial freezing" in case such KYC non - compliance in a phased manner.

In the meantime, the customer can revive his/her account by submitting the KYC documents as per the instructions in force.



While Imposing "partial freezing", the Bank will ensure that the option of "partial freezing" is exercised after giving due notice of three months initially to the customers to comply with KYC requirements and followed by a reminder for further period of three months.

Therefore, the Bank may impose "partial freezing" by allowing all credits and disallowing all debits with the freedom to close the accounts. If the accounts are still KYC non-compliant after six months of imposing initial "partial freezing", the Bank may disallow all debits and credits from / to the accounts, rendering them inoperative.

Further, it would always be open for the Bank to close the accounts of such customers. Such decisions will be taken by the executive of rank of Dy. General Manager and above.

- **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 or equivalent e-document thereof.

- **Issue and Payment of Demand Drafts, etc.,**

Any remittance of funds by way of demand draft, mail / telegraphic transfer / NEFT / IMPS / RTGS 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.

- **Unique Customer Identification Code (UCIC)**

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

(b) The bank 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.

(c) The bank to ensure the prevention of de-duplication unless the unique IDs which are same in case of proprietors, minors, accounts for issuance of FDRs to get submitted at authorities etc. Such preventions must be atleast by popping up messages while entering any unique document proof.

- **Secrecy Obligations and Sharing of Information:**

(a) Banks shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

(b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

(c) While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.

(d) The exceptions to the said rule shall be as under:

- i. Where disclosure is under compulsion of law
- ii. Where there is a duty to the public to disclose,
- iii. The Interest of bank requires disclosure and
- iv. Where the disclosure is made with the express or Implied consent of the customer.

• **Bank may undertake live Video based Customer Identification Process (V-CIP), to be carried out by an official of the Bank, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations post development of infrastructure:**

- i. The official of the Bank performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the Identification information as below:
 - Bank can use either OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification.
 - Bank can also carry out Offline Verification of Aadhaar for identification.
- ii. Bank shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured if available to ensure that customer is physically present in India
- iv. The official of the Bank shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
- v. The official of the Bank shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
- vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
- viii. Bank shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. Bank shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
- ix. To ensure security, robustness and end to end encryption, the Bank shall carry out software and security audit and validation of the V-CIP application before rolling it out.

- x. The audiovisual interaction shall be triggered from the domain of the Bank itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- xi. Bank shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xii. Bank are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the Bank.

Bank shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

• **Employee's Training and Training of AML Team:**

On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of bank, regulation and related issues shall be ensured.

Training may be imparted at Bank's Training Centre and AML Team members may be deputed to reputed training Institution, such as CAB, NIBM etc. so that they will have well versed knowledge in KYC/AML/CFT guidelines of RBI and Government.

Board level members and senior level management may be provided training at reputed training institution, such as CAB, NIBM etc. for KYC and AML related matters or can join on-line workshop conducted by reputed institution/s.

• **Hiring of Employees and Posting of Employees at AML Team:**

It may be appreciated that KYC norms/AML Standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the banking channels. It would, therefore, be necessary that adequate screening mechanism is put in place by banks as an integral part of their recruitment/hiring process of personnel.

While hiring of employees on regular as well ad-hoc basis, their self certified copy of KYC papers to be obtained. Verification of educational qualification mark sheet to be done with respective educational institution/university.

Further in case of internal transfer to AML Department, HR and Audit Department to prudently assess employee/s suitability for such type of important job.

• **New Products (Assets and Liabilities):**

For all new Products, whether it is Assets Product or Liabilities Product, analysis of pricing, market scenario etc. to be done and same to be discussed in ALCO/Credit Committee and after clearance from them the proposal for new products to be placed to Board of Management.

Board of Management views and observations to be considered and there after proposal of new products to be placed to Board of Directors and in the board also critical examination of the new product is to be undertaken.

• **Monitoring of Transactions:**

Ongoing monitoring of transactions in the accounts is an essential element of effective KYC procedures. A close watch will be kept to unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Transaction exceeding the given below threshold limits must be monitored continuously. Necessary software application was already in channel to throw alerts when the transactions are breaching the threshold. Monitoring should be of account to identify Suspicious Transactions Reports if proper justifications are not observed by Branch in routine course / received from customers.

(INDIVIDUAL TRANSACTION)

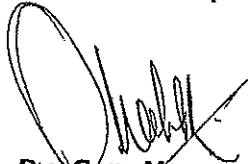
TRADE_CD	Trade_Nm	Code KYC Occupation	LOW	MED	HIGH
166	Salaried		200000	350000	500000
167	Scrapes		200000	350000	500000
17	Chemical		350000	500000	750000
140	Huf Karta		350000	500000	750000
136	Graphics And Designing		350000	500000	750000
149	Labour Work		350000	500000	750000
151	Manufacturer		350000	500000	750000
164	Repairing		350000	500000	750000
161	Pre Owned Car Trading & Commission Agent		400000	600000	800000
120	Courier		200000	350000	500000
121	Decoration		350000	500000	750000
O-01	Others - Professional	O-01	350000	500000	750000
O-02	Others - Self Employed	O-02	350000	500000	750000
O-03	Others - Retired	O-03	200000	350000	500000
O-04	Others - Housewife	O-04	200000	350000	500000
O-05	Others - Student	O-05	200000	350000	500000
S-01	Service - Public Sector	S-01	200000	350000	500000
103	Agency	S-02	200000	350000	500000
104	Agriculture	S-02	200000	350000	500000
28	Co Op Soc.	S-02	200000	350000	500000
119	Co-Op Bank	S-02	200000	350000	500000
114	Co-Op Society	S-02	200000	350000	500000
123	Education	S-02	200000	350000	500000
24.4	Education Loan	S-02	200000	350000	500000
9	House Hold	S-02	200000	350000	500000
154	Milk Man	S-02	200000	350000	500000
24	Miscellaneous	S-02	200000	350000	500000
24.5	Nsc/Lip	S-02	200000	350000	500000
24.7	Other	S-02	200000	350000	500000
7	Service	S-02	200000	350000	500000
S-02	Service - Private Sector	S-02	200000	350000	500000
168	Sr.Citizen	S-02	200000	350000	500000
169	Staff	S-02	200000	350000	500000
46	Teacher	S-02	200000	350000	500000
172	Tuition Classies	S-02	200000	350000	500000
175	Worker	S-02	200000	350000	500000
101	Advertising	S-02	350000	500000	750000
102	Advocate	S-02	350000	500000	750000
105	Association	S-02	350000	500000	750000
107	Builders & Developers	S-02	350000	500000	750000
42	Bullion Traders	S-02	350000	500000	750000

TRADE_CD	Trade_Nm	Code CKYC Occupation	LOW	MED	HIGH
B-01	Business	S-02	350000	500000	750000
24.6	Car /Vehicle	S-02	350000	500000	750000
15	Cement	S-02	350000	500000	750000
112	Chartered Accountants	S-02	350000	500000	750000
24.2	Commercial Real Estate	S-02	350000	500000	750000
116	Construction	S-02	350000	500000	750000
117	Consultant	S-02	350000	500000	750000
118	Contractor	S-02	350000	500000	750000
122	Doctor	S-02	350000	500000	750000
11	Electrical	S-02	350000	500000	750000
10	Engineering	S-02	350000	500000	750000
126	Exporter	S-02	350000	500000	750000
127	Farmer	S-02	350000	500000	750000
128	Fertilizer & Pesticide	S-02	350000	500000	750000
129	Film Industry	S-02	350000	500000	750000
130	Finance	S-02	350000	500000	750000
22	Food Processing & Mfg.	S-02	350000	500000	750000
132	Garments	S-02	350000	500000	750000
21	Gems & Jewellery	S-02	350000	500000	750000
134	Glass Manufacturing	S-02	350000	500000	750000
135	Granites	S-02	350000	500000	750000
137	H/W	S-02	350000	500000	750000
138	Hotel Industry	S-02	350000	500000	750000
142	Interior Designer	S-02	350000	500000	750000
143	Investor	S-02	350000	500000	750000
16	Iron & Steel	S-02	350000	500000	750000
145	Job Work	S-02	350000	500000	750000
147	Kheti	S-02	350000	500000	750000
148	Laber Contractor	S-02	350000	500000	750000
18	Metal & Metal Products	S-02	350000	500000	750000
160	Poultry & Farming	S-02	350000	500000	750000
162	Printing	S-02	350000	500000	750000
163	Publication	S-02	350000	500000	750000
24.1	Residential Building	S-02	350000	500000	750000
165	Retailer	S-02	350000	500000	750000
106	Automobiles	S-02	400000	600000	800000
141	Industry	S-02	400000	600000	800000
146	Jewellery	S-02	400000	600000	800000
20	Leather & Leather Products	S-02	400000	600000	800000
152	Medical	S-02	400000	600000	800000
155	Packaging Industries	S-02	400000	600000	800000
13	Paper, Paper Products & Printing	S-02	400000	600000	800000
157	Petro Products	S-02	400000	600000	800000
158	Pharmaceutical Manufacture	S-02	400000	600000	800000
41	Politician	S-02	400000	600000	800000
6	Professional	S-02	400000	600000	800000
14	Rubber & Rubber Products	S-02	400000	600000	800000
12	Textile	S-02	400000	600000	800000
19	Tobbaco & Tobbaco Products	S-02	400000	600000	800000
1	Trading	S-02	400000	600000	800000
171	Transport	S-02	400000	600000	800000
30	Trust	S-02	400000	600000	800000
173	Tyre Dealers	S-02	400000	600000	800000

TRADE_CD	Trade_Nm	Code CKYC Occupation	LOW	MED	HIGH
23	Vehicle & Vehicle Parts	S-02	400000	600000	800000
43	Weapon Dealer	S-02	400000	600000	800000
174	Wholesale	S-02	400000	600000	800000
156	Personal	S-02	200000	350000	500000
159	Police	S-02	200000	350000	500000
4	Production	S-02	350000	500000	750000
170	Steel & Alloys	S-02	350000	500000	750000
S-03	Service - Government Sector	S-03	200000	350000	500000

The above mentioned are threshold limits, which are already working in our CBS based on Trade codes.

All the directions and notification issued by the Regulators such as Reserve Bank of India, Government of India etc. vide their Master Directions and Master circulars will prevail and applicable upon the policy from time to time.


Dy. Gen. Manager
Date: 24.02.2023


Chief Executive Officer

