

Policy Guidelines on KYC/AML/CFT (Domestic Branches)

Dear Customer,

RBI Master Direction - Know Your Customer (KYC) Direction dated Feb 25, 2016 and updated on May 10, 2021 mandates compliance of KYC Standards. Accordingly each customer of bank is required to submit at-least one document for address proof as well as for identity proof out of set of officially valid documents (OVDs) while establishing banking relations with the bank.

KYC Norms / Guidelines / Directions

Know your customer is the most important aspect in terms of legislative requirements. It refers to our relationship with customer at the time of on-boarding. Once customer based relationship is established it becomes resource for future customer banking relationship.

In general terms, KYC is:

- ☒ Making every reasonable effort to determine the true identity and beneficial ownership of accounts
- ☒ Knowing the source of funds
- ☒ Knowing the correct location, address and nature of customer's business
- ☒ Knowing what constitutes reasonable account activity
- ☒ Knowing who are your CUSTOMERS' CUSTOMER

i. **"Person"** has the same meaning assigned in the act and includes:

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

- ii. 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).
- iii. **"Video based customer identification process (V-CIP)"**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this master direction.
- i. **"Customer"** means a person who is engaged in a financial transaction or activity with the bank and includes a person on whose behalf the person who is engaged in the transaction or activity is acting.
- ii. **"Walk-in Customer"** means a person who does not have an account-based relationship with the bank, but undertakes transactions with the bank.
- iii. **"Customer Due Diligence (CDD)"** means identifying and verifying the customer and the beneficial owner.
- iv. **"Customer identification"** means undertaking the process of CDD.
- v. **"FATCA"** means Foreign account tax compliance act of the United States of America (USA) which inter alia requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- vi. **"IGA"** means inter governmental agreement between the governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- vii. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR for individuals and legal entities.
- viii. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/offices of the bank or meeting the officials of bank.
- ix. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.

- x. **“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.
- xi. **“Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., heads of states/governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- xii. **“Regulated Entities” (REs)** means – Bank of India

Customer Acceptance Policy (CAP)

1. In terms of RBI guidelines, the Customer Acceptance Policy (CAP) is one of four parameters which broadly define the KYC/AML/CFT guidelines.
2. The CAP has been framed for ensuring compliance with all applicable regulatory guidelines while establishing customer relationship and maintaining the related accounts as per profile of the customers the details as under:-
 - (a) No account shall be opened in anonymous or fictitious / benami name/s / shell companies.
 - (b) No accounts shall be opened where Bank is not able to apply appropriate CDD measures either due to non-cooperation of the customer or non-reliability of the KYC documents /information furnished by the customer / applicant.
 - (c) No transaction or account based relationship is undertaken without following the CDD procedures.
 - (d) The mandatory information shall be sought for KYC purpose at the time of opening an account and during periodic updation.
 - (e) Any optional / additional information, shall be obtained with the explicit consent of the customer after opening of the account.
 - (f) CDD procedure shall be applied at the Unique Customer Identification Code (UCIC) level. Accordingly no fresh CDD exercise shall be required while opening another account by any existing customer in the bank.
 - (g) CDD procedure shall be followed for all individuals including all joint account holders while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity:

- (h) Wherever accounts are opened and be operated by mandate holder or accounts are opened by intermediaries in fiduciary capacities it should be ensured that the circumstances in which the said mandate holder or intermediary is permitted to act on behalf of another person/entity are clearly spelt out in conformity with the established law and practice of banking.
 - (i) If the customer is a Politically Exposed Person (PEP) as per knowledge of the bank, the account of such person is approved by Branch Head before opening.
 - (j) Re-KYC exercise shall be carried out as per risk profile / category of the customers and **fresh set of KYC documents, latest photograph & need based financials shall be obtained.**
 - (k) Where an equivalent e-document is obtained from the customer, bank shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
3. While adopting / implementing all above guidelines / procedures, bank shall ensure that banking / financial facility shall be made available with due care to the general public and specially those who are financially or socially disadvantaged.

Small Account :

Notwithstanding anything contained in Section 15 and as an alternative thereto, in case an individual who desires to open a bank account, banks shall open a 'Small Account', which entails the following limitations:

- i. The aggregate of all credits in a financial year does not exceed **Rupees One Lakh**;
- ii. The aggregate of all withdrawals and transfers in a month does not exceed **Rupees Ten Thousand**; and
- iii. The balance at any point of time does not exceed **Rupees Fifty Thousand**.

Provided, that this limit on balance shall not be considered while making deposits through government grants, welfare benefits and payment against procurements. Further **small accounts** are subject to the following conditions:

- a) The bank shall obtain a self-attested photograph from the customer.
- b) The designated officer of the bank shall certify under his signature and Employee ID that the person opening the account has affixed his signature or thumb impression in his presence.

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

- c) Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- d) Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- e) The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
- f) The entire relaxation provisions shall be reviewed after twenty four months.
- g) Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established as per Section 15.

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

a) **Individual Customers:**

i. **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, customer's mobile number registered with the bank, ATMs, digital channels (such as online banking / internet banking, mobile application of the bank), letter etc.

ii. **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, customer's mobile number registered with the bank, ATMs, digital channels (such as online banking / internet banking, mobile application of 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.

Further the bank at its option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii), for the purpose of proof of address, declared by the customer at the time of periodic updation.

iii. **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 bank. Wherever required, bank 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.

b) Customers other than individuals:

i. **No change in KYC information:** In case of no change in the KYC information of the legal entity customer, a self-declaration in this regard shall be obtained from the legal entity customer through its email id registered with the bank, ATMs, digital channels (such as online banking / internet banking, mobile application of the bank), letter from an official authorized by the legal entity in this regard, board resolution etc. Further, the branches shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

ii. **Change in KYC information:** In case of change in KYC information, the branches shall undertake the KYC process equivalent to that applicable for on-boarding a new legal entity customer.

c) Additional measures:

In addition to the above, the bank shall ensure that,

i. 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 on-boarding a new customer.

ii. 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.

iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the bank and an intimation, mentioning the date of updation of KYC details, is provided to the customer.

iv. In order to ensure customer convenience, facility of periodic updation of KYC **at any branch** will be available to the customers.

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

Provided that before temporarily ceasing operations for an account, the bank shall give the customer an accessible notice and a reasonable opportunity to be heard. **bank may allow 3 months' time** for continued operation of accounts for customers who are unable to provide Permanent Account Number or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

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

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

Enhanced Due Diligence

Accounts of NON –Face to Face customers (other than aadhaar OTP based on-boarding):

Whenever any account is opened without visit of the customer to the branch, bank ensures that the first payment is effected through the customer's KYC-complied account with another bank, for enhanced due diligence of non-face-to-face customers.

Accounts of Politically Exposed Persons (PEPs) resident outside India:

PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. heads of states or of governments, senior politicians, senior government/judicial/military officers, senior executives of state owned corporations, important political party officials, etc. sufficient information should be gathered on any person/customer of this category intending to establish a relationship with the bank and all the information available on the person in the public domain should be checked. Identity of such person/s should be verified and information about the sources of funds should be sought before accepting the PEP as a customer.

Bank shall have the option of establishing a relationship with PEPs provided that:

- (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) the identity of the person shall have been verified before accepting the PEP as a customer;
- (c) all such accounts are subjected to enhanced monitoring on an on-going basis;

- (d) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

These above instructions will also be applicable to accounts where a PEP is the beneficial owner. The identification and EDD process must be very effective / meticulous in such cases.

Clients' accounts opened by Professional intermediaries:

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

- a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- b) Bank shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- c) Bank shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the bank.
- d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of bank, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the bank level, it shall look for the beneficial owners.
- e) Bank shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- f) No account of any professional intermediaries on behalf of their client/s should be opened or held by the bank where the professional intermediaries like lawyers, chartered accountants, etc., are unable to disclose the true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further no professional intermediary should be allowed to open any account on behalf of a client where bank is not able to know and identify the client for any reason.

Accounts of Non-Profit Organizations (NPOs):

An NPO is defined as:

“Any entity or organization that is registered as a trust or a society under the societies registration act, 1860 (21 of 1860) or any state legislation or a company registered under section 8 of the companies act, 2013.”

4. Accounts of Foreign students studying in India

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

Accounts of Non-Government Organizations (NGOs):

- a) Accounts of NGOs should be opened only after fully complying with the KYC/AML/CFT guidelines. Accounts of NGOs receiving foreign contribution should be registered with the ministry of home affairs, government of India or possess prior approval of the government for receiving foreign funds.

Simplified KYC norms for Foreign Portfolio Investors (FPIs):

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under portfolio investment scheme (PIS), shall be opened by accepting KYC documents, subject to income tax (FATCA/CRS) Rules.

Provided that banks shall obtain undertaking from FPIs or the global custodian acting on behalf of the FPI that as and when required, the exempted documents will be submitted.

In terms of Rule 9 (14) (i) of the PML Rules, simplified norms have been prescribed for those FPIs who have been duly registered in accordance with SEBI guidelines and have undergone the required KYC due diligence/verification prescribed by SEBI through a custodian/intermediary regulated by SEBI. Such eligible / registered FPIs may approach a bank for opening a bank account for the purpose of investment under portfolio investment scheme (PIS) for which KYC documents prescribed by the RBI would be required. For this purpose banks may rely on the KYC verification done by the third party (i.e. the custodian/SEBI regulated intermediary) subject to the following conditions:

- (i) the reporting entity immediately obtains necessary information of such client due diligence carried out by the third party;
- (ii) the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- (iii) the reporting entity is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- (iv) the third party is not based in a country or jurisdiction assessed as high risk;
- (v) the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable; and
- (vi) Where a reporting entity relies on a third party that is part of the same financial group, the regulator may issue guidelines to consider any relaxation in the conditions (1) to (4).

Quoting of PAN

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

PAN requirement:

1. Accounts / Transactions in which PAN OR equivalent e-document OR form 60/61 required rule 114B of the income tax rules, 1962 has made it mandatory for the customer to quote the PAN for certain banking transactions, which have been detailed as below:
 - (i) Placing a time deposit (i.e. a term deposit) EXCEEDING Rs.50,000/ or aggregating to more than Rs. Five Lakh during a Financial Year with the bank;
 - (ii) Opening an account with a banking company to which the banking regulation act, 1949 applies;
 - (iii) Payment in cash for purchase of bank drafts or pay orders or banker's cheques FOR AN AMOUNT AGGREGATING TO RS. 50,000/- OR MORE DURING ANY ONE DAY, from a banking company to which the banking regulation act, 1949 applies;
 - (iv) A deposit in cash aggregating to Rs.50,000/- or more with a banking company to which the banking regulation act, 1949 applies;
 - (v) Making an application to any banking company to which the banking regulation act, 1949 applies for issue of CREDIT OR DEBIT card;
 - (vi) Opening demat account with the bank's DP office;

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2. In case the person making application for the transactions is a MINOR, who does not have any income chargeable to income tax, he / she shall quote the PAN of his / her father or mother or guardian, as the case may be.
3. A person who doesn't have PAN have to file a declaration in Form 60 giving the transaction details.
4. Penalty for contravention : Section 272B defines the penalty for contravention of above rules :
 - i. If a **person who is required to collect PAN is unable to do so**, assessing officer may impose **penalty of Rs. 10,000/-**;
 - ii. If a person who is required to quote his / her PAN quotes a false PAN, assessing officer may impose penalty of Rs. 10,000/-.

THANK YOU