

## **POLICY GUIDELINES ON KYC/AML/CFT (DOMESTIC BRANCHES)**

Dear Customer,

RBI Master Direction - Know Your Customer (KYC) Direction, 2016 dated Feb 25, 2016 and updated on January 04, 2024 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 rule 9 of the PML rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in section 23 of RBI - MD.
- 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.

- iv. **“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.
- v. **“Walk-in Customer”** means a person who does not have an account-based relationship with the Bank, but undertakes transactions with the Bank.
- vi. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner, using reliable and independent sources of identification.
- vii. **“Customer identification”** means undertaking the process of CDD.
- viii. **“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.
- ix. **“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.
- x. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- xi. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the bank or meeting the officials of bank.
- xii. **“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.
- xiii. **“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.
- xiv. **“Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions **by a foreign country**, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.

xv. “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 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 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 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 will be approved by chief incumbent of the branch 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.

### **CUSTOMER IDENTIFICATION PROCEDURES (CIP)**

Bank shall undertake identification of customers in the following cases:

- (i) Commencement of an account-based relationship with the customer.
- (ii) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- (iii) When there is a doubt at any point of time about the authenticity or adequacy of the customer identification.
- (iv) Selling third party products as agents, selling own products, payment of credit card dues/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- (v) Carrying out transactions for a non - account based customer, that is 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.
- (vi) 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.
- (vii) Bank shall ensure that introduction is not to be sought while opening accounts.

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

- (a) Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the central KYC records registry (CERSAI).
- (b) Adequate steps are taken by bank to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.

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

## **UPDATION/PERIODIC UPDATION OF KYC**

### **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 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, 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 Politically Exposed Persons (PEPs) resident outside India:**

PEPs are individuals who are or have been entrusted with prominent public functions by 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/metricalous in such cases.

## **ACCOUNTS OF NON-GOVERNMENT ORGANIZATIONS (NGOS):**

- a) Accounts of NGOs should be opened only after fully complying with the KYC/AML 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;
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**

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