

i. Salient features of Know Your Customer Norms and the need for production of documents for opening of accounts. (KYC Norms)

Objectives of KYC Norms: The main objective of the KYC policy is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering activities. In order to arrest money laundering, where Banks are mostly used in the process, it is imperative that they know their customers well.

RBI has issued the KYC guidelines under Section 35 (A) of the Banking Regulation Act, 1949 and any contravention of the same will attract penalties under the relevant provisions of the Act. Thus, the Bank has to be fully compliant with the provisions of the KYC procedures.

KYC procedures also enable Banks to know and understand their customers and their financial dealings better which in turn help them manage their risks prudently. Know Your Customer is the principle on which the banking system operates to avoid the pitfalls of operational, legal and reputation risks and consequential losses by scrupulously adhering to the various procedures laid down for opening and conduct of accounts.

For the purpose of KYC, a 'customer' is defined as:

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

To achieve the objectives of KYC guidelines, the following four key elements have been made as the basis:

1. Customer Acceptance Policy
2. Customer Identification procedures
3. Monitoring of transactions
4. Risk Management

Customer Acceptance Policy: Our Bank's Customer Acceptance Policy is based on two principles namely-

- No account is opened in anonymous or fictitious/ benami name(s) and

- Customers are categorized based on risk perceptions in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc.

Customer profile:

Branches should prepare a profile for each new customer. The customer profile contains information relating to Customer's social /financial status, nature of business activity, information about his clients' business and their location etc. However, while preparing customer profile, branches should take care to seek only such information from the customer which is relevant and should not be intrusive. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling and any other purposes. The customer profile should be updated on periodical basis.

Customer Identification procedures: Customer identification means identifying the customer and verifying his/her/its identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information to establish the identity of each new customer and the branches must be able to satisfy the competent authorities that **due diligence** was observed based on the risk profile of the customer in compliance with the extant guidelines in place.

In the competitive scenario, individuals are increasingly averse to provide a third party introduction. In respect of Savings Bank and Term Deposit accounts of individuals, Banks would require following documents to verify the identity and location of the customer.

- A. Passport alone where the address on the passport is the same as the address on the account opening form

OR

- B. Any one document from each of the below 2 lists, for a photo identity and proof of residence/address:

List I (latest/ recent) for legal name and any other name(s) used.	List II (latest/ recent) for correct permanent address.
1. Passport where the address differs	1) Telephone bill
2. Voter's Identity Card	2) Bank Account statement
3. PAN card	3) Income/ Wealth Tax assessment Order
4. Driving Licence	4) Credit Card statement
5. Govt./ Defence ID card*	5) Electricity bill
6. ID cards of reputed employers*	6) Ration card
7. Letter from a recognized public authority or public servant verifying the identity and residence of the customer.*	7) Letter from employer*
<ul style="list-style-type: none"> • Subject to the Bank's satisfaction. 	
<ul style="list-style-type: none"> ➤ In case of joint accounts, applicants are required to independently 	

- establish their identity and address
- 'Care of
- Ration card is not to be used as a document for establishing identity or proof of residence, as per directives of Government of India.

C. In respect of Non resident accounts, High Net Worth customers and current accounts, customers would be asked to submit **additional** information and documentary evidence, (besides the normal documents mentioned in the List I and List II in column B).

Type of Customers/ accounts	Additional information/ Documents
i. For opening Non Resident Accounts.	Introduction in the form of passport and/ or by another bank/Indian Embassy/ Notary Public/ Person known to the account opening branch.
ii. For opening accounts of High Net worth customers iii. For Current Accounts iv. For accounts of other than individuals	In addition to obtension of documents/ information for identity and location of the customer in addition to documents mentioned in List I and List II, introduction by an existing account holder or by a person known to the branch.

D. For customers that are legal persons or entities, we furnish the features required by the Bank for verification and also the documents to be obtained by the Bank for opening of accounts:

Features for verification of the Bank	Documents required for the Bank
Accounts of partnership firms	
➤ Legal Name	Registration certificate if registered
➤ Address	Partnership deed
➤ Names of all partners and their addresses	<ul style="list-style-type: none"> • Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf. • Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses.
➤ Telephone numbers of the firm and partners.	<ul style="list-style-type: none"> • Telephone bill in the name of firm and partners.
Accounts of companies	
➤ Name of the Company	<ul style="list-style-type: none"> ○ Certificate of incorporation and Memorandum & Articles of Association.
➤ Principal place of business	<ul style="list-style-type: none"> ○ Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account.
➤ Mailing address of the Company	<ul style="list-style-type: none"> ○ Power of Attorney granted to its managers, officers or employees to

	transact business on its behalf.
➤ Telephone/ FAX number	○ Copy of PAN allotment letter
	○ Copy of Telephone bill
Accounts of trusts, NGOs, charities, institutions, foundations etc.	
➤ Names of trustees, settlers, beneficiaries and signatories	i. Certificate of registration, if registered.
➤ Names and addresses of the founder, the managers/ directors and the beneficiaries	ii. Power of Attorney granted to transact business on its behalf.
➤ Telephone/ FAX numbers	iii. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses.
	iv. Resolution of the managing body of the foundation/ association/ organization.
	v. Telephone bill in the name of the organization and office bearers.

Quoting of PAN

As per Clause (C) of rule 114 B of Income Tax rules 1962, PAN (Permanent Account Number) or GIR number (General Index Register Number – where PAN has not been allotted) allotted by the Income Tax Department has to be quoted

- i. In the account opening forms pertaining to time deposits exceeding Rs.50,000/- and / or
- ii. For opening of account

Hence, Banks would obtain the PAN / GIR number of the customer (whether individual or otherwise) for noting in the opening form.

Branches have already been advised to issue / pay travelers cheques, demand drafts, mail transfers, telephonic transfers, electronic funds transfers and other remittances for Rs.50,000/- and above only by debit/ credit to customers' accounts or against cheques and **not against cash**.

Further, the applicants (whether customers or not) for the above transactions for amount of Rs.50000/- and above, should affix PAN (Permanent Account Number allotted by Income Tax authorities) on the applications.

In case PAN or GIR Number has not been allotted or the person is not an Income Tax Assesse, a declaration in Form No. 60 or 61 as the case may be, would be obtained.

Guidelines for opening of new accounts:

Opening of account amounts to a contract between the bank and the customer in which the parties assume certain obligations and become entitled to certain legally enforceable rights. Hence, the Bank has to ensure that the prospective customer has contractual

capacity and also has any restrictions are imposed by any law on the contractual capacity of the prospective customer before opening deposit account for him/her.

The prospective account holder should normally be required to fill in the account opening form in the presence of bank's official. The account will not be normally opened without meeting between bank official and the customer.

Following declaration is available in our current account opening form .

'I/We am/are not enjoying credit facilities with any other bank or any other branch of your Bank, and I/we undertake to inform you in writing, as soon as any credit facility is availed by us from any other Bank or any other branch of your Bank' (OR) 'I/We am/are enjoying credit facilities with the bank(s)/other branch(es) of your bank as per details given in the enclosed sheet.'

In the case of a prospective customer who is a corporate or large borrower enjoying credit facilities from more than one bank, branches should carry out the due diligence while opening the account. Branches should inform the fact of opening of account to the consortium leader, if the account is under consortium, or the banks concerned, if it is under multiple banking arrangement. Branches may open current accounts of prospective customers in case no response is received from the existing bankers after a minimum waiting period of a fortnight. If response is received within a fortnight, branches should assess the situation with reference to the information provided by the bank concerned on the prospective customer. Branches are not required to solicit a formal "No objection" certificate from the existing bankers consistent with the true freedom to the customer of banks as well as needed **due diligence by the bank on the customer**.

New accounts should be opened only with cash. In special cases (e.g., NRI, Government accounts, etc.) cheques on our Bank drawn in favour of the prospective customer may be accepted for opening the account. No account should be opened with cheques in favour of some third party and endorsed in favour of the prospective customer.

Obtention of photographs:

Two copies of latest passport size photographs should be obtained from all the account holders opening deposit accounts such as SB, Current Account, Fixed deposit, RD, RIP etc. One copy of the photograph obtained should be kept along with the opening form after obtaining the depositors signature, name and account number on the reverse of the photograph duly attested by the Officer. The second copy (with the same details marked therein) should be kept along with the specimen signature card/ in a separate cover.

In the case of joint account and partnership accounts, photographs of all depositors/ partners authorized to operate the account should be obtained. In the case of operating accounts, viz., SB, CA, the photographs should be obtained from all the persons authorized to operate the accounts.

In case of Limited Companies, Clubs, Associations, Societies, Trust, Institutions etc., the photograph of person(s)/ official(s) who are authorized to operate the account should be obtained.

Photographs need not be returned at the time of closure of the account and they need be retained along with the other records.

Exemptions from obtaining photographs:

- a. For accounts of Banks, Government Departments and Local Bodies the photographs need not be insisted.
- b. Photographs need not be obtained in the case of SB account operated by withdrawal slips only (non-cheque operated accounts) and in case of term deposits of Rs.10000/- and below.
- c. Photographs need not be obtained for existing account holders as on 31.12.1993 and for employees' accounts.

However, when a fresh account is opened by an existing customer or additional name is added to existing account, then photographs should be obtained from such a customer or from all the joint account holders who are authorized to operate the account.

Introduction of accounts to the Bank

It is essential that the introducer should know fully well the prospective account holder whom he/she is introducing for a sufficiently long time. The introducer should be in a position to identify or be able to give more particulars about the account holder from his personal knowledge, when there arises any occasion at a later date. Introducer should be aware of his/her responsibility on the implications of introducing an account. Where the introducer was not present while introducing the customer at the time of opening the account, no cheque/draft shall be collected till a confirmation of being introduced the account is received.

Relaxed KYC Procedure

Refers to acceptance of an introduction in lieu of full KYC procedure subject to certain conditions prescribed.

This relaxation is applicable for Low Income Group customers, individuals falling under the 'No frill' category, persons affected by natural calamities like floods, cyclone, tsunami, etc.

Low Income group customers are those who keep balances not exceeding Rs.50000/- in all their accounts (FDR/CA/SB) taken together and the total credit summation in all the accounts taken together is not expected to exceed Rupees One Lakh (Rs.100000/-) in a year. For these customers, branches are permitted to open accounts subject to the following conditions:

- i. An introduction (in lieu of the KYC documents) from another account holder who has been subjected to full KYC procedure should be given.
- ii. The introducer's account with the Bank should be at least six month's old and should show satisfactory transactions.

iii. The photograph of the customer who proposes to open the account and his address need to be certified by the introducer.

When, at any point of time, the total balance in all his/her accounts (FDR/SB/CA) with the Bank taken together exceeds Rupees Fifty thousands (Rs.50000/-) or total credit summation in all the accounts exceeds Rupees one lakh (Rs.100000/-) in a year, no further transactions will be permitted until the full KYC procedure is completed.

KYC norms – Customer Identification documents for opening of accounts of close relatives (eg. Wife, son, daughter, and parents, etc., who live with their husband, father/ mother and son, as the case may be) at the same address: RBI observed that close relatives (eg. Wife, son, daughter, and parents, etc., who live with their husband, father/ mother and son, as the case may be) at the same address are finding it difficult to open account, as the utility bills (Telephone bill, Electricity Bill, Ration Card etc.), required for address verification are not in their name. In such cases, RBI had advised that banks can obtain an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person wanting to open an account is a relative and is usually staying with him/her at the same address.

Closure of accounts on account of non-cooperation from the customer

If the Bank is not able to adhere to the KYC norms in a particular account due to non co-operation by the customer or non-reliability of the data/ information furnished to the Bank, it may close the account, after giving due notice to the customer explaining the reasons for such a decision.

Customer Education:

As implementation of KYC procedure requires branches to demand certain information from customers which may be of personal nature or which has hitherto never been called for, it may some times lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. Therefore specific literature/ pamphlets etc., will be prepared and distributed to branches so as to educate the customer of the objectives of the KYC programme so that it is implemented smoothly without giving room for customer complaints.