

## **Gist of Know Your Customer[KYC] Norms**

### **1. Objectives of KYC Norms**

1.1 Banking operations are susceptible to the risks of money laundering and terrorist financing. In order to arrest money laundering, where banks are mostly used in the process, it is imperative that they know their customers well.

1.2 On combating financing of terrorism, RBI has specified certain standards based on which our Bank has formulated a policy on identification and acceptance of customers to have a business relationship with us. Our branches are required to prepare and maintain documentation on their customer relationships and transactions to meet the provisions of the Prevention of Money Laundering Act and other laws and regulations.

1.3 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.

1.4 The due diligence expected under KYC involves going into the purpose and reasons for opening an account, anticipated turnover in the account, sources of wealth (net worth) of the person opening the account and sources of funds flowing into the account.

### **2. Customer Acceptance**

2.1 Before commencing a business relationship with a prospective customer, the Bank has to ensure that such a relationship does not, in any way, go against its Customer Acceptance principles viz.,

- i. No account is opened in anonymous or fictitious/ benami name(s) and
- ii. Customers are categorised 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.

2.2 A Customer Profile (in the prescribed format) containing information relating to the customer's social/ financial status, nature of business activity, information about his clients' business and their location, Sources of funds, Annual Income, etc. shall be obtained from/prepared for all the applicants for opening SB/CA/ Term deposits accounts.

2.3 The customer profile shall be updated, on a periodical basis, as under:

For low risk customers	Once in three years
For medium risk customers	Every year
For high risk customers	Every year

 **Note:** However, these periodicities are only indicative and wherever warranted, the updation exercise may be done even at lesser frequencies taking into account the activities, conduct of operations, etc.

### **3. Customer identification**

3.1 Customer identification means identifying the customer and verifying his/her/its identity by using reliable, independent source documents, data or information.

3.2 Customer Identification is carried out at different stages i.e., while establishing a banking relationship, carrying out a financial transaction or when the branch has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

3.3 For opening an account, normally, the customer should come to the Bank in person. An account shall not, normally, be opened without a meeting between the bank official and the customer.

3.4 Branches need to obtain sufficient information to their satisfaction, to establish the identity of each new customer, whether regular or occasional and the purpose of the intended nature of banking relationship.

3.5 The process of enquiry/verification of the documents shall be a thorough one by having a dialogue with the prospective depositor, introducer, borrower and guarantor and confirmation through other channels, if necessary. Wherever it is necessary, a discreet verification shall also be made about the credentials of the parties, their business potential etc.

3.6 The process of verifying a customer's identity and his/her credentials is not a faultfinding exercise but to create a better customer relationship that may safeguard the mutual interests of the Bank as well as the customer.

**4. Identification Documents to be submitted by customers for opening of accounts**

4.1 Branches shall ask for documents to verify

- a. the identity of the customer, his/her address, location and
- b. his/her recent photograph.

4.2 For accounts of **Individuals under Low Risk Category**, the following documents are accepted:

- 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 (latest/recent) from each of the lists given below, for a photo identity and a proof of residence/address

Towards Name proof Photo Identification	Towards address proof
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 recognised public authority or public servant verifying the identity and residence of the customer*	7. Letter from employer*

\* Subject to the satisfaction of the officer authorising the opening of the account

 **Note:** Original should be produced for verification and copy, duly attested by the verifying official, shall be kept along with the account opening form.

4.3 In case of joint accounts, applicants are required to independently establish their identity and address.

4.4 'Care of .....' or incomplete address should not be accepted.

4.5 In respect of **Medium/High risk customers**, besides the normal documents prescribed above for low risk customers, branches shall call for additional information and documentary evidence as under:

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 other than NRIs under Medium and High Risk categories	Introduction by an existing account holder or by a person known to the Bank
iii. For current accounts in all risk categories	
iv. For accounts of other than individuals in all risk	

4.6 For customers who are legal persons or entities (i.e., other than individuals), branches shall verify the legal status of the legal person/entity through proper and relevant documents

- a. verify that any person(s) purporting to act on behalf of the legal person/entity is duly authorised and such person(s) is/are properly identified by calling for documents (as listed above for individual low risk customers) and verify the identity of that person(s)
- b. understand the ownership and control structure of the customer and determine those natural persons who ultimately control the legal person.

## 5. Quoting of PAN

5.1 As per clause (C) of rule 114B of the Income Tax Rules 1962, it is mandatory for the customers to quote the **PAN (Permanent Account Number) or GIR (General Index Register) Number**, in the account opening forms pertaining to Term deposits exceeding Rs.50,000 and for opening an account of all other types.

5.2 In case PAN or GIR Number has not been allotted or the person is not an Income Tax assessee, a declaration in Form No.60 or 61, as the case may be, should be given to the Bank.

## 6. Furnishing of Photographs

6.1 While tendering applications for opening SB/Current accounts in the names of Individuals/Sole Proprietary concerns, two copies of latest passport size photographs should be furnished.

6.2 In case of joint accounts, Accounts of Partnerships, Limited Companies, Clubs, Associations, Societies, Trust, Institutions, etc. the photographs of person(s)/official(s) who are authorised to operate the account and in case of HUF, the photograph of the Karta should be provided.

6.3 In case of Term Deposits, one copy of photograph shall be obtained provided the depositor does not have a Savings or Current account with the branch.

6.4 The above provisions cover all categories of depositors including non-residents.

## 7. Introduction of accounts to the Bank

7.1 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.

7.2 A dialogue or enquiry with the introducer is had so that he/she could be informed of his responsibility and the implications of introducing an account.

7.3 In respect of accounts introduced by employees of other branches or 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.

## **8. Rejection of applications for opening accounts**

8.1 Where the Bank is unable to apply appropriate customer due diligence measures i.e. unable to verify the identity and/or obtain documents required as per the risk categorisation due to non-cooperation of the customer or the data/information furnished to the bank is not reliable, it may take a decision not to open the account.

## **9. Relaxed KYC Procedure**

9.1 Relaxed KYC procedure refers to acceptance of an introduction in lieu of full KYC procedure subject to certain conditions prescribed.

9.2 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.

9.3 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.

9.4 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.

9.5 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.

## **10. KYC norms for Remittances within India**

10.1 Issue and payment of travellers cheques, demand drafts, mail transfers, telegraphic transfers, electronic funds transfers and other remittances of Rs.50,000 and above could be made only by debit/credit to customers' accounts or against cheques and **not against cash**.

10.2 Further, the applicants (whether customers or not) for the above transactions for amount of Rs.50,000 and above should furnish PAN (Permanent Account Number allotted by Income Tax Authorities) on the applications.

## **11. Closure of accounts on account of non-cooperation from the customer**

11.1.1 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.