



# **Uttar Bihar Gramin Bank**

**Head Office: Kalambagh Chowk, Muzaffarpur ( Bihar )**

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## **KYC / AML Policy – 2021**

**Amended/ updated upto 31.12.2020**

**Operations Department**

**HEAD OFFICE**



# Uttar Bihar Gramin Bank

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## KYC – AML Policy-2021

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## POLICY/GUIDELINES ON 'KNOW YOUR CUSTOMER' (KYC) NORMS AND ANTI MONEY LAUNDERING MEASURES.

### 1. “KNOW YOUR CUSTOMER” NORMS.

- 1.1. Know Your Customer (KYC) is the platform on which 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 account.
- 1.2. Know Your Customer is the key principle for identification of any individual/corporate opening an account.
- 1.3. The customer identification should entail verification on the basis of documents provided by the customer. The objectives of KYC are as under:
  - 1.3.1. To ensure appropriate customer identification.
  - 1.3.2. Monitor the transactions of a suspicious nature.
  - 1.3.3. Obtaining protection Under Section 131 of Negotiable Instruments Act.
  - 1.3.4. Minimize the risk due to any inadvertent overdraft.
  - 1.3.5. Satisfy that the proposed customer is not an un-discharged insolvent.
  - 1.3.6. Minimize frauds.
  - 1.3.7. Avoid opening of Benami account/accounts with fictitious name and addresses and
  - 1.3.8. Weed out undesirable customers.
- 1.4. For the purpose of KYC policy a "Customer" means
  - 1.4.1. A person or entity that maintains an account and/or has a business relationship (engaged in financial transaction or activity) with the Bank **including walk-in customers.**
  - 1.4.2. One on whose behalf the account is maintained (i.e. the beneficial owner).

The term **"beneficial owner"** has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.

The procedure for determination of Beneficial Ownership is as under:

- (a) Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/**have** a controlling ownership interest or who exercises control through other means.

Explanation: - For the purpose of this sub clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than twenty-five percent of shares or capital or profits of the company;

2. "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;



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(b) Where the client 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 fifteen percent of capital or profits of the partnership;

(c) Where the client 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 or entitlement to more than fifteen percent (15%) of the property or capital or profits of such unincorporated association or body of individuals;

*Explanation: Term 'body of individuals' includes societies.*

Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of Senior Managing official.

(d) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the Trust, the Trustee, the beneficiaries with fifteen percent (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;

## 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 sub rule (3) of Rule 9 of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- i) Where the client 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.
- ii) 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.

1.4.3. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc., as permitted under the law and

1.4.4. 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.

**1.4.5. As per the instructions of RBI vide their letter No. DoS.CO.RPG/ 3923/ 11.01.002/ 2002/ 2019-20 dated December 20, 2019 as per Section 3 (a) (iv) of the Master Direction- Know Your Customer (KYC) Direction, 2016 and also the Rule 9(1)(a) of the PML**



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(Maintenance of Records) Rules 2005, further in terms of amendments to PML rules carried out by Govt. of India in August 2019, Beneficial Owner once established, has to be identified in the same manner as an individual customer. Thus Banks are required to identify the beneficial owner and take all reasonable steps to verify his identity.

1.4.6. Further, RBI advised that FATF Recommendation 10(b) on AML/ CFT and the FATF [paper on the best Practices on Beneficial Ownership for legal Persons (October 2019), available on the website of FATF (<http://www.fatf-gafi.org/>), may be referred to for further guidance on the identification of BO.

1.4.7. Branches are advised to follow the extent regulatory provisions in respect of identification of BO and establishing relationship of Legal entity customers with BO while establishing account based relationship with entity customers. Branches shall ensure that KYC documents of Beneficial owner, as per extant requirements of Master Direction are obtained, verified from the verification facility of the issuing authority and are available on record with them.



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## 2. CUSTOMER ACCEPTANCE POLICY (CAP)

### 2.1 ACCOUNT OPENING PROCEDURES

2.1.1. Any Indian National-resident / Non-resident / Partnership firms / companies / Trusts/ un-incorporated associations or Body of Individuals, etc., can open an Account with a Bank either singly or jointly with other.

2.1.2 The prospective account holder has to complete the following formalities before the bank account can be made operational:-

2.1.2.1 Since introduction is not necessary for opening of accounts under PML Act and Rules or Reserve Bank's extant KYC instructions, branches should not insist on introduction for opening bank accounts of customers, when documents of identity & address, as required, are provided.

2.1.2.2 The provisions for opening of 'Small Accounts' with introduction from an existing account holder or other evidence of identity and address to the satisfaction of the bank were made to help persons who were not able to provide 'officially valid documents' for opening of accounts. In view of the said provisions for 'Small Accounts' being included in sub-rule (5) of the PML Rules, the extant instructions for opening of 'Accounts with Introduction' as earlier prescribed stands withdrawn.

'Small Account' means a saving account in a banking company where:-

- 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.

(a) A 'small account' may be opened on the basis of a self-attested photograph and affixation of signature or thumb print. Such accounts may be opened and operated subject to the following conditions:

- i) the designated officer of the branch, while opening the small account, certifies under his signature that the person opening the account has affixed his signature or thumb **impression**, as the case may be, 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.**

- i) A small account shall be 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.



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- ii) The stipulated limits on monthly and annual aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place;
  - iii) A small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if the holder of such an account provides evidence to the branch of having applied for any of the officially valid documents within twelve months of the opening of the said account, with the entire relaxation provisions to be reviewed in respect of the said account after twenty four months;
  - iv) A small account shall be monitored and when there is suspicion of money laundering or financing of terrorism or other high risk scenarios, the identity of customer shall be established through the production of **aadhaar or any “officially valid documents” or the equivalent e-document thereof containing the details of identity and address and PAN or equivalent e-document thereof or Form 60**; and
  - v) Foreign remittance shall not be allowed to be credited into a small account unless the identity of the customer is fully established through the production of **aadhaar or any “officially valid documents” or the equivalent e-document thereof containing the details of identity and address and PAN or equivalent e-document thereof or Form 60**.
  - vi) The prescribed limits / conditions shall not be breached and compliance there with shall be strictly monitored. If any customer desires to have operation beyond the stipulated limits, the same can be allowed only after complying with the requirements for opening a normal account including quoting of **PAN or equivalent e-document thereof or Form 60**.
  - vii) If any account is rendered ineligible for being classified as a small account due to credit /balances in the account exceeds the permissible limits, withdrawals may be allowed within the limit prescribed for small accounts where the limit thereof have not been breached.
  - viii) **Notwithstanding anything contained in clause (iv) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.**
- 2.1.2.3 Submit 2 **recent** passport sized photographs for affixing them to the account opening form and specimen signature card/pass book.
  - 2.1.2.4 Provide specimen signature in the presence of a verifying official.
  - 2.1.2.5 Indicate mode of operation.
  - 2.1.2.6 Avail of the nomination facility in case of individual accounts.
  - 2.1.2.7 Provide documents for identification and proof of residence - Particulars of present or permanent addresses along with telephone numbers/fax/ email etc. if installed or any contact telephone number. Provided that:



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- a. If the address on the document submitted for identity proof by the prospective customer is same as that declared by him/her in the account opening form, the document may be accepted as a valid proof of both identity and address.
- b. If the address indicated on the document submitted for identity proof differs from the address mentioned in the account opening form, a separate proof of address should be obtained.

Henceforth, customers may submit only one documentary proof of address (either current or permanent) while opening a bank account/ while undergoing periodic updation. In case the address mentioned as per 'proof of address' undergoes a change, fresh proof of address may be submitted to the branch within a period of six months.

In case the proof of address furnished by the customer is not the local address or address where the customer is currently residing, the branch is to merely take a declaration of the local address on which all the correspondence will be made by the branch with the customer. No proof is required to be submitted for such address for correspondence/local address. This address may be verified by the bank through positive confirmation 'such as acknowledgement of receipt of (i) letter, cheque books, ATM cards;( ii) telephonic conversation;( iii) visits; etc. In the event of change in this address due to relocation or any other reason, customers may intimate the new address for correspondence to the bank within two weeks of such a change.

If the address provided by the account holder is the same as that on Aadhaar letter issued by UIDAI, it may be accepted as a proof of both identity and address. NREGA Job Card may be accepted as an 'officially valid document' for opening of bank accounts without the limitations applicable to 'Small Accounts'.

- 2.1.2.8 Give details of other accounts with any other banks
- 2.1.2.9 Permanent Account Number (PAN) given by Income Tax authorities or **equivalent e-document thereof** of customers shall be obtained. Verification of PAN number should be done online from system/Income Tax site **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.**
- 2.1.2.10 Registration Certificate in case of proprietorship concern/partnership firms and Certificate of Incorporation, Memorandum and Articles of Association, Resolution by Boards for accounts of Companies.
- 2.1.2.11 Copies of the submitted KYC documents must be verified with the originals and officials accepting such documents should invariably put a stamp "Verified with the original(s)" under her/his signature, name, index number and date.





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Where an equivalent e-document is obtained from the customer, branches shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

2.1.2.12 Simplified norms for Self Help Group–KYC procedure/ CDD for opening of bank accounts

- a. KYC verification / Customer due diligence of all the members of SHG is not required while opening the saving bank account of the SHG.
- b. KYC verification / Customer due diligence of all office bearers shall suffice.
- c. No separate KYC verification / Customer due diligence of the members or office bearers shall be necessary at the time of credit linking of SHGs.

2.1.3 The above documents/data would help to establish the identity of the person opening the account, but would not be sufficient to prepare a profile of expected activities in the account. Towards this, the following additional details need to be collected while opening the account:

2.1.3.1. Employment details such as job specifications, name and address of the employer, length of service, etc.

2.1.3.2. Provide details about source of income and annual income.

2.1.3.3. Details of assets owned such as house, vehicle etc.

2.1.3.4. Other personal details such as qualification, marital status, etc.

2.1.3.5. It is to be ensured that the additional information sought from the customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued in this regard.

2.1.3.6 A list of Do's and Don'ts on KYC Norms and AML Standards is enclosed as Annexure II.

(The information obtained from the customers at the time of opening of account should not be used for cross selling purposes. The additional information/details for preparing the customer profile may be collected with the express approval of the customer and that such information should not form part of account opening form. Separate customer profile should be prepared).



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## 2.2. PRECAUTIONS TO BE TAKEN

While opening the account it should be ensured that:-

- 2.2.1. No account is opened in anonymous or fictitious/Benami name(s).
- 2.2.2. No account should be opened where the bank is unable (to verify the identity and/or obtain documents required or non-reliability of the data/information furnished to the bank) to apply appropriate CDD measures, either due to non - cooperation of the customer or non - reliability of the documents/ information furnished by the customer.
- 2.2.3. No transaction or account - based relationship is undertaken without following CDD procedure.
- 2.2.4. Before opening a new account, it should be ensured that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc. The Branches should refer the circulars issued by RBI/Government of India/Head Office from time to time wherein the names of banned/terrorist individuals/organization etc. are notified. The name(s) of the prospective customer should be verified with the latest “List of Terrorist Individuals/Organization under UNSCR 1267(1999) and 1822(2008) on Taliban/Al-Qaida Organization” and available at Bank’s ftp server and the path -ftp://172.28.16.77:8081.
- 2.2.5. In cases where the customer is permitted to act on behalf of another person/entity the circumstances should be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity.
- 2.2.6. Risk Categorization of Customers: Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception. The branches should prepare the profile of the customer which should contain information relating to customers' identity, social/financial status, nature of business activity, information about his clients' business and their location etc. and risk categorization shall be undertaken based on these parameters. While considering customer’s identity, the ability to confirm identity documents through online or other services offered by the issuing authorities may also be factored in. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes without the express permission of the customer.
- 2.2.7. The customer profile shall be prepared based on risk categorization, as detailed in Para: 9 of this Policy.
  - 2.2.7.1. Branch may take a view on risk categorization of each customer into low, medium and high risk category depending on their experience, expertise in profiling of the customer based on their understanding, judgment, assessment and risk perception of the customer and not merely based on any group or class they belong to.



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2.2.7.2 There should be periodical review of risk categorization of accounts followed by enhanced due diligence measures. Such review of risk categorization of customers should be carried out at least once in every six months.

2.2.8 It should be noted that Banking Services are not denied to general public, especially to those who are financially or socially disadvantaged.

*Explanation: FATF Public statement, the reports and guidance notes on KYC/AML issued by the Indian Bank Association (IBA) may also be used in risk assessment.*



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## 3. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

One of the objectives of the "KYC" norms is to ensure appropriate Customer Identification. Customer Identification means undertaking the process of Customer due diligence (CDD) i.e. identifying the customer and verifying his/her identity by using reliable, independent source of documents, data or information.

Customer identification procedure is to be carried out at different stages i.e.

- (a) while establishing a banking relationship **i.e. commencement of an account-based relationship with the customer.**
- (b) carrying out a financial transaction and
- (c) when the bank has a doubt about the authenticity / veracity or the adequacy of the earlier obtained customer / identification data.
- (d) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- (e) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than fifty thousand.
- (f) **Carrying out transactions for a non-account-based customer, that is a 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.**
- (g) **When there is 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.**

Branches need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship. Being satisfied means that we are 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.

### 3.1 IDENTIFICATION OF CUSTOMER

Identification of a customer is an important pre-requisite for opening an account. No Account is opened for any person without proper verification of the identity of the person. Careless handling of the matter may give room for undesirable customers to commit frauds, misappropriation and deceive the general public. Necessary precaution and strict adherence of norms in this respect can be a check on the activities of miscreants trying to defraud the Banking System.

**Video based Customer Identification (V-CIP) can be undertaken by an official of the branch for opening an account 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. (Applicable when implement in our bank)**



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## 3.1.1 WHAT IS IDENTITY?

Identity generally means a set of attributes which together uniquely identify a 'natural' or a 'legal' person. The attributes which help in unique identity of a 'natural' or 'legal' person are called "identifiers". Identifiers are of two types: (A) Primary and (B) Secondary.

**A) Primary Identifiers :** Means and includes name (in full), Father's name, Date of Birth, Passport number, Voter Identity Card, Driving License, PAN number etc. as they help in uniquely establishing the identity of the person.

**B) Secondary Identifiers:** Includes address, location, Nationality and other such identification, as they help further refine the identity. The customer identification does not start and end at the point of application but it is always an ongoing exercise.

3.1.1.1. **Natural Person:** A natural person's identity comprises his name and all other names used, the date of birth, and an address/location at which he/she can be located and also his/her recent photograph.

3.1.1.2. **Legal Person:** The legal status of the legal person/entity should be verified through proper and relevant documents; verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person; understand the ownership and control structure of the customer and determine who are the natural person(s) who ultimately control the legal person.

The identity of a legal/corporate person comprises its name, any other names it may use, and details of its registered office and business addresses.

## 3.1.2 WHAT IS IDENTIFICATION?

- 3.1.2.1. Identification is the act of establishing who a person is.
- 3.1.2.2. In the context of KYC, identification means establishing who a person purports to be.
- 3.1.2.3. This is done by recording the information provided by the customer covering the elements of his identity (i.e. name and all other names used, and the address at which they can be located).
- 3.1.2.4. **For undertaking CDD, the following shall be obtained from an individual 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.** The features to be verified and the documents to be obtained for establishing identity of a person/customer are as under:-

Features	Documents
<b>Accounts of Individuals</b> •Legal name and Any other names	A. Permanent Account Number (PAN) or <b>the equivalent e-document thereof</b> or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time <b>and such other</b>



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used

- Correct permanent address

documents including in respect of financial status of the customer, or the equivalent e-documents thereof as may be required along with:

- B. Certified copy of any “Officially Valid Document” (OVD) or the equivalent e-document thereof containing the details of identity and address.

## “Officially Valid Document” (OVD) means

- the passport,
- the driving license,
- proof 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,

- 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.
- where the OVD furnished by the customer does not have updated address, the following documents **or the equivalent e-documents thereof** 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);
  - 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;
- Provided that the customer shall submit OVD with current address within a period of three months of submitting the documents



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specified at 'b' above

The additional documents mentioned above shall be deemed to be OVDs for the 'low risk' customers for the limited purpose of proof of address, where customers are unable to produce any OVD for the same.

- d. From an individual who is not a resident, PAN or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time and a certified copy of an OVD containing details of identity and address shall be obtained. In case the OVD submitted 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.
- e. A document shall be deemed to be an 'Officially Valid Document' 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 a Gazette notification indicating such a change of name, while establishing an account based relationship or during periodic updation exercise, for persons whose name is changed due to marriage or otherwise.

### **When Aadhaar number is received from customers,**

- 1) Branches may carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India (UIDAI)
- 2) Provided that in cases where successful authentication of Aadhaar number using e-KYC facility has been carried out, the other OVDs and photograph need not be submitted by the client. **Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the branch.**
- 3) **The branch shall carry out offline verification where offline verification can be carried out on the proof of possession of Aadhaar.**

**"Offline verification" means the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by the regulations of UIDAI.**

Where customers submits his Aadhaar number, branches to ensure such customers to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not



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	<p>required.</p> <p>For equivalent e-document of any OVD, the branches shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues there under and take a live photo as specified under <u>Annex I</u>.</p> <p>Any OVD or proof of possession of Aadhaar number where offline verification cannot be carried out, the branch shall carry out verification through digital KYC as specified under <u>Annex I</u>.</p> <p>Provided that for a period not beyond such date as may be notified by the Government, instead of carrying out digital KYC, the branches may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e -document is not submitted.</p> <p>Provided further that in case e-KYC authentication cannot be performed for an individual 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 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, branches shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the branch and such exception handling will also be a part of the concurrent audit as mandated in M D of RBI that Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.</p> <p>Branches shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the bank and shall be available for supervisory review.</p>
<p><b>Accounts of Companies</b></p> <ul style="list-style-type: none"> <li>●Name of the Company</li> <li>●Principal place of Business.</li> <li>●Mailing address of the company</li> <li>●Telephone/Fax Number</li> </ul>	<p><b>For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:</b></p> <ol style="list-style-type: none"> <li>a) Certificate of incorporation;</li> <li>b) Memorandum and Articles of Association;</li> <li>c) Permanent Account Number of the Company</li> <li>d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and</li> <li>e) <b>Documents specified for CDD procedure for individuals</b></li> </ol>





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	<p><b>includes obtaining Aadhaar or any officially valid document or the equivalent e-document thereof containing the details of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or the equivalent e-document thereof or Form 60 relating to the beneficial owner, the managers or employees as the case may be, holding an attorney to transact on the company's behalf.</b></p>
<p><b>Accounts of Proprietorship concerns:</b></p>	<p>For opening an account in the name of sole proprietary firm, <b>CDD of the individual (proprietor) shall be carried out and includes obtaining Permanent Account Number (PAN) or the equivalent e-document thereof or Form 60, one recent photograph and Aadhaar or Officially valid document or the equivalent e-document thereof containing the details of proof of address and proof of identity of the individual proprietor along with Certified copies of any two of the following or the equivalent e-documents thereof as a proof of business / activity in the name of the proprietary firm :</b></p> <ol style="list-style-type: none"><li>1. Proof of name, address and activity of the concern like Registration Certificate (In the case of registered concern).</li><li>2. Certificate/license issued by Municipal Authorities under Shop &amp; Establishment Act.</li><li>3. Utility bills such as electricity, water and landline telephone bills in the name of the proprietary concern.</li><li>4. Sales return and income tax Returns.</li><li>5. The 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.</li><li>6. CST/VAT/GST certificate (provisional/final).</li><li>7. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.</li><li>8.Registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government authority/Department.</li><li>9. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/License /certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute as an identity document for opening of bank account.</li></ol> <p>It has been clarified that though the default rule is that any two documents should be provided as activity proof, in case where the Branch is satisfied that it is not possible to furnish two such documents, then it will have the discretion to accept only one of the specified documents as activity proof. However the Branch will have to undertake contact point verification and collect such information <b>and clarification</b> as would be required to establish the existence of such firm and confirm, clarify and satisfy itself that the business activity has been verified from the address of the proprietary concern. After proper verification of the business activity and the address of the proprietary concern, a physical record of the contact point verification should be maintained along with the other KYC documents..</p>



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	<p>It is further clarified that the list of registering authorities indicated above are only illustrative and therefore will also include license/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under the statute as one of the documents to prove the activity of the proprietary concern.</p>
<p><b>Accounts of Partnership firms</b></p>	<p><b>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:</b></p> <ol style="list-style-type: none"> <li>Registration certificate;</li> <li>Partnership deed;</li> <li>Permanent account number of the partnership firm and</li> <li><b>Documents specified for CDD procedure for individuals and includes obtaining aadhaar or any officially valid document or the equivalent e-document thereof containing the details</b> of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or <b>the equivalent e-document thereof or Form 60relating to the beneficial owner</b>, the managers, officers or employees <b>as the case may be</b>, holding an attorney to transact on its behalf.</li> </ol>
<p><b>Accounts of Trusts &amp; Foundation</b></p>	<p><b>For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:</b></p> <ol style="list-style-type: none"> <li>Registration certificate,</li> <li>Trust deed,</li> <li>Permanent account number or Form 60 of the trust;</li> <li><b>Documents specified for CDD procedure for individuals and includes obtaining aadhaar or any officially valid document or the equivalent e-document thereof containing the details</b> of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or <b>the equivalent e-document thereof or Form 60relating to the beneficial owner</b>, the managers, officers or employees <b>as the case may be</b>, holding an attorney to transact on its behalf.</li> </ol>
<p><b>Unincorporated Association or Body of Individuals</b></p>	<p><b>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:</b></p> <ol style="list-style-type: none"> <li>Resolution of the managing body of such association or body of individuals;</li> <li>Permanent account number or Form 60 of the unincorporated association or a body of individuals;</li> <li>Power of attorney granted to him to transact on its behalf;</li> <li><b>Documents specified for CDD procedure for individuals and includes obtaining aadhaar or any officially valid document or the equivalent e-document thereof containing the details</b> of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or <b>the equivalent e-document thereof or Form 60relating to the beneficial owner</b>, managers, officers or employees</li> </ol>



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	<p>as the case may be, holding an attorney to transact on its behalf. and e) Such information as may be required by the branch to collectively establish the legal existence of such an association or body of individuals. <i>Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.</i> <i>Explanation: Term 'body of individuals' includes societies.</i></p>
<p><b>Juridical Persons: Government or its departments, Societies, Universities and Local bodies like Village Panchayats</b></p>	<p><b>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:</b></p> <p>a) Documents showing name of person authorized to act on behalf of the entity; b) <b>Documents specified for CDD procedure for individuals and includes obtaining aadhaar or any officially valid document or the equivalent e-document thereof containing the details</b> of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or <b>the equivalent e-document thereof or Form 60 relating to the beneficial owner</b>, managers, officers or employees <b>as the case may be</b>, holding an attorney to transact on its behalf and c) Such documents as may be required by the branch to establish the legal existence of such an entity / juridical person.</p>

“Explanation- Obtaining a certified copy 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 authorized officer of the branch.”

### 3.1.2.5 Salaried Persons:

An account should not be opened, for salaried employees, by relying on a certificate/letter issued by the employer as the only KYC document for the purposes of certification of identity as well as address proof. Such a practice is open to misuse and fraught with risk. Branches should insist on PAN along with documents specified for CDD procedure in case of individuals to open account of salaried employees of corporate and other entities.

### 3.1.2.6 Accounts portability/opening of new Bank Accounts:

Branches are advised that KYC once done by one branch should be valid for transfer of the account within the bank as long as full KYC verification has been done for the concerned account and the same is not due for periodic updation. The customer should be allowed to transfer his account from one branch to another branch without restrictions. Branches may transfer existing accounts at the transferor branch to the transferee branch without insisting on fresh proof of address.



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If an existing KYC compliant customer of a bank desires to open another account in the same bank, there should be no need for a fresh CDD exercise / no need for submission of fresh proof of identity and / or proof of address for the purpose.

### 3.1.2.7 Accounts of Politically Exposed Persons (PEPs):

- a. Politically exposed persons 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. The identity of the person is to be verified before accepting PEP as the customer. The decision to open an account for PEP should be taken at a senior level. Branches should also subject such accounts to enhanced monitoring on an ongoing basis. Sufficient information including information about the sources of funds, accounts of family members and close relatives is to be gathered on the PEPs. The above norms may also be applied to the accounts of the family members or close relatives of PEPs and where PEP is the beneficial owner.
- b. In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, branches should obtain senior management approval to continue the business relationship and subject the account to the CDD measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis. In this connection the RM of scale-IV/ Chief Manager-Operation, HO in case of Scale IV Branches and RM of Scale-III in case of Branches upto Scale-III are the competent authority to take decision to open an account of PEPs. These instructions are also applicable to accounts where PEP is the ultimate beneficial owner.
- c. Further, branches should have appropriate ongoing risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which, PEP is the ultimate beneficial owner.

### 3.1.2.8 Accounts of non-face-to-face customers: Non-face-to-face customer means customers who opened accounts without visiting the branch /offices or meeting the officials.

With the introduction of telephone and electronic banking, increasingly accounts are being opened by banks for customers without the need for the customer to visit the bank branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented should be insisted upon and, if necessary, additional documents may be called for. In such cases, branches **shall ensure that** the first payment to be effected through the customer's **KYC compliant** account with another bank which, in turn, adheres to similar KYC standards **for enhanced due diligence of non-face-to-face customer**. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the bank may have to rely on third party certification/introduction.

In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.



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3.1.2.9 **Guidelines on Walk-in-Customers:** Walk-in Customer means a person who does not have an account-based relationship with the bank, but undertakes transactions with the bank.

- a) Transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction, viz. international money transfer operations, issue of travellers' cheques, issuance of demand draft/RTGS/NEFT/EFT, sale of gold coins/silver/platinum/third party products is equal to or exceeds rupees fifty thousand during any one day, whether conducted as a single transaction or several transactions that appear to be connected, should be effected by debit to the customer's account or against cheques only and not against tendering cash and the customer's identity, address and PAN number should be verified.
- b) However, if a bank has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50,000/- the bank should verify the identity and address of the customer and also consider filing a suspicious transaction report (STR) to FIU-IND”.
- c) Branches have to maintain records in respect of transactions carried out with walk-in customers for a period and in the manner prescribed in Para 10.5 of this policy as in case of any other records as per PML act.

3.1.2.10 **Domestic Money Transfer- Relaxations (Walk-in-Customers)**

3.1.2.10.1 **Payment of amounts transferred from a bank account (Cash Payout Schemes)**

Under mobile banking, it is permitted to provide services which facilitate transfer of funds from the accounts of customers for delivery in cash to the recipients not having bank accounts at an ATM or through an agent appointed as Business Correspondent. The ceiling on the value of such transfers has been now raised from Rs.5,000 to Rs.10,000 per transaction subject to the cap of Rs.25,000 per month. It has been further decided to permit facilitate such fund transfers through any other authorized payment channels as well. The remitting branches shall obtain full details of the name and address of the beneficiary.  
**(Applicable when implement in our Bank)**

3.1.2.10.2. **Payment of amounts to be credited to bank accounts (Cash Pay in Scheme)**

A walk-in customer at a bank branch can remit funds up to Rs.50,000 to the bank account of a beneficiary through NEFT.

Besides, banks are also permitted to allow such customers to transfer funds to a Bank account of a beneficiary through BCs, ATMs, etc. up to a maximum amount of Rs.5,000 per transaction with a monthly cap of Rs.25,000.  
**(Applicable when implement in our Bank)**

Such a walk-in customer needs to provide minimum details like his name and complete address to the remitting bank.



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## **3.1.3 WHAT IS VERIFICATION?**

Verification of identity is the process of proving whether a person actually is who he claims to be. In the context of KYC, verification is the process of seeking satisfactory evidence of the identity of those with whom the Bank does business. This is done by carrying out checks on the correctness of the information provided by the client. The best available evidence of identity should be obtained, having regard to the circumstances of each client and their country of origin. Some forms of proof of identity are more reliable than others, and in some cases it will be prudent to carry out more than one verification check.

## **3.1.4 VERIFICATION OF CREDENTIALS/ANTECEDENTS:**

Before opening an account, the banker must get true identity of the intending customer verified and his acceptability for establishing business relationship should be ascertained. When the Bank opens an account in the name of a customer, it has to render a number of services, including collection of cheques in the ordinary course of business. It is, therefore, essential that the bank is aware of the credentials of the prospective customer such as his profession, business address, etc. and verification of antecedents of account holder in each and every account is, therefore, essential.

## **3.1.5 FORMALITIES FOR OPENING OF ACCOUNT:**

3.1.5.1. To verify the residential address given by the customer, banks generally ask for copies of passport, driving license, identity card issued by any institution, copy of electricity or telephone bill, copy of any communication issued by Central/State Government authorities showing residential address or any other evidence, in support of the address given in the account opening form.

3.1.5.2. Verification of the residential address provided by the customer is now assuming greater importance. While considering loan products, verification is usually done through a visit. However, this is not possible in all cases of account opening. As such, this may be achieved by mailing a welcome kit containing cheque books, rules book, pamphlets on various schemes of the Bank etc. in the address provided by the customer.

3.1.5.3. The banks also contact customer at the telephone number provided in the account to verify the customer details.

3.1.5.4. While opening accounts of corporate bodies, firms, trusts etc. the banks obtain documentary evidence regarding existence of the entity, powers of authorized persons to operate the account etc.

3.1.5.5. An interview with the prospective customer is recommended while opening an account as the interview would help in knowing the customer and preparing the profile.

**3.1.5.6. Process for Video based Customer Identification (V-CIP) for opening an account:** Video based Customer Identification (V-CIP) can be undertaken for opening an account. Branches may undertake live V-CIP, to be carried out by an official of the branch, for establishment of an account based relationship



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with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- 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 either by OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification. Further, services of Business Correspondents (BCs) may be used by branches for aiding the V-CIP.
- ii. Bank official 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 (Geo tagging) shall be captured 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. Branches 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, branches 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 branch 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.



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- xi. Bank/ Branches shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xii. Bank/ Branches 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 branches.
- xiii. Branch shall ensure to redact or blackout the Aadhaar number through appropriate means where the authentication of Aadhaar number is not required.
- xiv. BCs can facilitate the process only at the customer end and as already stated above, the official at the other end of V-CIP interaction should necessarily be a bank official. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank. (Applicable when implement in our Bank)

3.1.6 **Periodical Updation of KYC**: 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 the periodicity prescribed by RBI.

Branches should carry out periodical updation of KYC information of every customer, which may include the following:

- i) Full KYC exercise may be done **in the periodicity of** at least every two years for high risk customers, every eight years for medium risk customers and every ten years for low risk customers. Full KYC may include all measures for confirming identity and address and other particulars of the customer that the branch may consider reasonable and necessary based on the risk profile of the customer. Branches need not seek fresh proofs of identity and address at the time of periodic updation, from those customers who are categorized as 'low risk', 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, they could merely forward a certified copy of the document (proof of address) by mail / post, etc. Branch may not insist on physical presence of such low risk customer at the time of periodic updation **of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification** unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. **Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.**





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- ii) PAN verification from the verification facility available with the issuing authority and
- iii) In case of Legal entities, branches shall review the documents sought at the time of opening of account and obtain fresh certified copies. **Branches shall ensure that KYC documents, as per extant requirements of Master Direction are available with them.**
- iv) Fresh photographs to be obtained from minor customer on becoming major.
- v) Carry out on-going due diligence of existing customers **which means regular monitoring of transactions in accounts** in order to ensure that their transactions are consistent with the customer's profile and the source of funds.
- vi) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
- vii) Branches shall ensure to provide acknowledgment with date of having performed KYC updation.

**3.1.7 Cessation of account for non submission of PAN or equivalent e-document thereof or Form No.60:** In case of existing customers, where the Permanent Account Number or equivalent e-document thereof or Form No.60 are not obtained, by such date as may be notified by the Central Government, then branches shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, branches shall give the customer an accessible notice and a reasonable opportunity to be heard. There is relaxation for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof 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 branch gives in writing to the branch that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, branch 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 an account shall mean the temporary suspension of all transactions or activities in relation to that account by the branch till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan



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accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

**Further, appropriate relaxation(s) is to be given for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes.**

## 3.2 **Customer Due Diligence (CDD) :**

The customer due diligence means identifying and verifying the customer and the beneficial owner. It may be defined as any measure undertaken by a financial institution to collect and verify information and positively establish the identity of a customer. Branches shall obtain information using **Aadhaar or 'Officially Valid documents' or the equivalent e-document thereof containing the details of his identity and address including PAN or the equivalent e-document thereof or Form 60** from an individual 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. While opening a joint account, CDD procedure including obtaining **PAN or the equivalent e-document thereof** or Form 60 as applicable is to be followed for all the joint account holders.

Where branches are unable to comply with the CDD requirements mentioned above, they shall not open accounts, commence business relations or perform transactions. In case of existing business relationship which is not KYC compliant, branches shall ordinarily take step to terminate the existing business relationship after giving due notice.

There are 3 types of CDD that can be used in accordance with the risk category of the customer.

### 3.2.1 **Basic Due Diligence:**

Basic Due Diligence means collection and verification of identity proof, address proof and photograph to establish the identity of the customer. This is based on documents and forms the basis of the KYC programme of the bank. A different set of documents can be listed for different type of customers as seen in Para 3.1.2.4. of this Policy.

### 3.2.2 **Simplified Due Diligence:**

The due diligence applied to establish the identity of the customer involving measures less stringent than Basic Due Diligence, can be termed as Simplified Due Diligence. Simplified Due Diligence can be applied to Accounts of people belonging to low income group.

### 3.2.3 **Enhanced Due Diligence (EDD):**

Additional diligence measures undertaken over and above the Basic Due Diligence can be termed as Enhanced Due Diligence. EDD would be required to be undertaken as per Reserve Bank of India guidelines for the medium and higher risk customers of the Bank. (For e.g. NRI, foreign Nationals, PEP, Non-face to face customer, Pooled account, Specific type of business, Customers who live in High risk countries, Trust Accounts, Correspondent Banking).



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Branches should carry out on-going due diligence of existing customers **which is regular monitoring of transactions in accounts** in order to ensure that their transactions are consistent with the branch's knowledge of the customer, his business and risk profile and wherever necessary, the source of funds.

## Specific types of relationships where EDD may be required to be applied:

### 3.2.3.1 Client accounts opened by professional intermediaries:

When the bank has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Banks may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Banks also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the intermediaries are not co-mingled at the bank and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such funds are co-mingled at the bank, the bank should still look through to the beneficial owners.

Where the branch relies on the 'customer due diligence' (CDD) done by an intermediary, the branch should satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. For the purpose of identifying and verifying the identity of customers at the time of commencement of an account-based relationship, Branches may rely on a third party; subject to the conditions that:-

- (a) The Branch immediately (within two days) obtains necessary information of such client due diligence carried out by the third party or from Central KYC Registry;
- (b) Branch 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;
- (c) The Branch 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 PML Act;
- (d) The third party is not based in a country or jurisdiction assessed as high risk; and
- (e) The Branch is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable. It should be understood that the ultimate responsibility for knowing the customer lies with the branch.

Further, if the professional intermediaries like Chartered Accountant or lawyer etc. are unable to disclose the true identity of the owner of the account / funds



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due to any professional obligation of customer confidentiality, branches should not open or hold accounts of professional intermediaries on behalf of a client. Further, because of such obligation on the part of the professional intermediary, branches are unable to know and verify the true identity of the client on whose behalf account is held or beneficial ownership and / or understand the true nature and purpose of transactions, then branches should not open an account, on behalf of a client, by professional intermediary.

### 3.2.3.2 Accounts of Politically Exposed Persons (PEPs) resident outside India as defined in ParaNo.3.1.2.8

### 3.2.3.3 Accounts of non-face-to-face customers as defined in Para No.3.1.2.9

### 3.2.3.4 Correspondent Banking

Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). These services may include cash/funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable through-accounts, cheques clearing etc. Branches should gather sufficient information to understand fully the nature of the business of the correspondent/ respondent bank. Information on the other bank’s management, major business activities, level of AML/CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services, and regulatory/supervisory framework in the correspondent's/respondent’s country may be of special relevance. Similarly, Branches should try to ascertain from publicly available information whether the other bank has been subject to any money laundering or terrorist financing investigation or regulatory action. While it is desirable that such relationships should be established only with the approval of the Board, in case the Boards of some banks wish to delegate the power to an administrative authority, they may delegate the power to a committee headed by the Chairman/CEO of the bank while laying down clear parameters for approving such relationships. Proposals approved by the Committee should invariably be put up to the Board at its next meeting for post facto approval. The responsibilities of each bank with whom correspondent banking relationship is established should be clearly documented. In the case of payable-through-accounts, the correspondent bank should be satisfied that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking ongoing 'due diligence' on them. The correspondent bank should also ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.

### 3.2.3.5 Non-resident Indians (NRIs)/Foreign Nationals

Indian customers resident overseas and foreign nationals based in India pose a bigger risk from money laundering perspective than ones placed domestically.



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## 3.2.3.6 Fiduciary Accounts

Bank may exercise enhanced due diligence at the time of opening fiduciary accounts by intermediaries such as guardians of estates executors, administrators, assignees, receivers etc. for e.g. while opening of the account of an administrator of the estate, it may be necessary to examine the Letter of Administration (Authority) as it would give a picture of the assets of the estate. 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.

## 3.2.3.7. Due Diligence in Correspondent Banking arrangement with Co-Operative Banks

Branches have arrangements with co-operative banks wherein the latter open current accounts and use the cheque book facility to issue 'at par' cheques to their constituents and walk-in- customers for facilitating their remittances and payments. Since the 'at par' facility offered by commercial banks to co-operative banks is in the nature of Correspondent banking arrangements, branches should monitor and review such arrangements to assess the risks including credit risk and reputational risk arising there from. For this purpose, branches should retain the right to verify the records maintained by the client cooperative banks/ societies for compliance with the extant instructions on KYC and AML under such arrangements.

## 3.3 Information sought by Banks from Customers, Secrecy Obligation and Sharing of Information

3.3.1 Seeking personal information/details like number of dependents, the names of sons and daughters, lifestyle, number of foreign visits undertaken during the last three years, details of family members/relatives settled abroad, assets and liabilities, name and date of birth of spouse, wedding date, investments, etc., from customers which are not mandatory and relevant to perceive risk of a prospective customer while complying with KYC/AML requirement during the process of opening an account or during periodic updation. This has led to customer complaints that banks are going overboard in seeking information for KYC compliance and thereby invading into their privacy.

3.3.2 In this connection, attention of branches is drawn that information sought from customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer should be sought separately with his/her consent and after opening the account. It is, therefore, reiterated that 'mandatory' information required for KYC purpose which the customer is obliged to give while opening an account only should be obtained at the time of opening the account/during periodic updation.

3.3.3 Other 'optional' customer details/additional information, if required may be obtained separately after the account is opened only with the explicit consent of the customer.



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The customer has a right to know what is the information required for KYC that she/he is obliged to give, and what is the additional information sought by the bank that is optional.

3.3.4. Further, it is reiterated that branches should ensure that the information (both 'mandatory' –before opening the account as well as 'optional'-after opening the account with the explicit consent of the customer) collected from the customer is to be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes without the express permission of the customer.

3.3.5. While considering the requests for data/information from Government and other agencies, branches 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.

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.

## 3.4 Guidelines on Aadhaar to be accepted as an “Officially Valid Document” under PML Rules

3.4.1 “Aadhaar number” Every resident shall be entitled to obtain an Aadhaar number by submitting his demographic information and biometric information by undergoing the process of enrolment.

As per Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016); “Aadhaar number” means an identification number issued to an individual based on receipt of the demographic information and biometric information and after verifying the information by the Aadhaar issuing Authority, in such manner as may be specified by regulations, shall issue an Aadhaar number to such individual.

3.4.2 “Authentication”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 which is the process by which the Aadhaar number along with demographic information or biometric information of an individual is submitted to the Central Identities Data Repository for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it;

3.4.3 “Digital KYC” means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized officer of the branch as per the provisions contained in the Act. *(Applicable when implement in our Bank)*



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- 3.4.4 “Digital Signature” shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- 3.4.5 “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.
- 3.4.6 Aadhaar number can be submitted by a customer where,
- (a) 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); or
  - (b) he decides to submit his Aadhaar number voluntarily to the bank;
  - (c) the proof of possession of Aadhaar number where offline verification can be carried out;  
or
  - (d) the proof of possession of Aadhaar number where offline verification cannot be carried out.
  - (e) Authentication shall be carried out of the customer’s Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India

In case e-KYC authentication cannot be performed for an individual 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 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, branches shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the branch and such exception handling shall also be a part of the concurrent audit as mandated in M D of RBI that Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures. Branches shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the bank and shall be available for supervisory review.

**Explanation 1:** Bank shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required.

**Explanation 2:** Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

**Explanation 3:** The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made the reunder.

- 3.4.7 **Accounts opened using OTP based e-KYC, in non-face-to-face mode:** Provided further that branches may provide an option for One Time Pin (OTP) based e-KYC process for on-



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boarding in non-face to face mode of customers. Accounts opened in terms of this proviso i.e., using OTP based e-KYC, are subject to the following conditions:

- (i) There must be a specific consent from the customer for authentication through OTP.
- (ii) The aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. **In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD for opening a normal account including quoting of PAN / Form 60 is complete.**
- (iii) The aggregate of all credits in a financial year, in all the deposit taken together, shall not exceed rupees two lakhs.
- (iv) As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- (v) Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure is to be completed.
- (vi) If the CDD procedure is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- (vii) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode either with the same Bank or with any other Bank. Further, while uploading KYC information to CKYCR, branches shall clearly indicate that such accounts are opened using OTP based e-KYC so that other Banks shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in **non-face-to-face mode.**
- (viii) Strict monitoring procedures will include systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions. (Applicable when implement in our Bank)**

## **3.5 Guidelines on Unique Customer Identification Code (UCIC)**

- 3.5.1 The increasing complexity and volume of financial transactions necessitate that customers do not have multiple identities within a bank, across the banking system and across the financial system.
- 3.5.2 Unique identifiers for customers has been introduced within the Bank. In our bank CIF is the Unique Number of customers. The CDD (Customer due diligence) procedure is applied at the UCIC / CIF level itself.
- 3.5.3 The existing customers having multiple CIFs are being consolidated by the exercise of de-duplication.
- 3.5.4 While opening of a new account a unique code (only single CIF) for a customer will be allotted. Before allotting a new CIF to a customer, it shall be verified that the customer has not an existing CIF. If a customer has already one CIF the new account(s) shall be tagged with the existing CIF.
- 3.5.5 The UCIC will also help to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable to have a better approach to risk profiling of customers. It would also smoothen banking operations for the customers.





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## **3.6 CDD Procedure and Sharing KYC information with Central KYC Records Registry (CKYCR)**

Govt. of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) to act as and perform the function of CKYCR vide Gazette Notification No. S.O. 3183 (E) dated 26<sup>th</sup> November 2015. “Central KYC Records Registry” means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer. As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005, branches shall capture the KYC information pertaining to all new individuals opened on or after 01 January 2017 for sharing with CKYCR in the manner mentioned in the rules, as per KYC templates finalized by CERSAI and as instructed vide our Circulars in this regard. The KYC records received and stored by the CKYCR could be retrieved online by any reporting entity across the financial sector for the purpose of establishing an account based relationship.

In terms of RBI circular 80 dated 18.12.2020, CKYCR has been extended to Legal Entities (LEs). Bank will upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules. Bank shall also ensure that in case of accounts of LEs opened prior to April 1, 2021, the KYC records are uploaded on to CKYCR during the process of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is obtained/received from the customer in certain cases. REs shall ensure that during periodic updation, the customers' KYC details are migrated to current Customer Due Diligence (CDD) standards

“KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR for individuals and legal entities.

“Know Your Client (KYC) Identifier” means the unique number or code assigned to a customer by the Central KYC Records Registry.

## **3.7 Compliance of KYC policy:**

**Ensuring compliance with KYC Policy through:** (i) Specifying as to who constitute ‘Senior Management’ for the purpose of KYC compliance. A Senior officer in the rank of General Manager will constitute as ‘Senior Management’ for the purpose of KYC compliance. (ii) Allocation of responsibility for effective implementation of policies and procedures. The Designated Nodal Officer at all Regional Offices are designated as Compliance Officers. (iii) Independent evaluation of the compliance functions of Banks’ policies and procedures, including legal and regulatory requirements by Compliance Dept, H O. (iv) Concurrent / internal audit system to verify the compliance with KYC/ AML policies and procedures and submit quarterly audit notes and compliance to the Audit Committee. (v) Concurrent / internal audit to also ensure verification of compliance with KYC guidelines in system through system generated reports.

**It shall be ensured that decision-making functions of determining compliance with KYC norms are not outsourced.**



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## 4 REPORTING REQUIREMENT UNDER FATCA AND CRS

India has signed the Inter-Governmental Agreement with the USA on July 9, 2015 for improving International Tax Compliance and implementing the Foreign Account Tax Compliance Act (FATCA) of the USA. India has also signed a multilateral agreement on June 3, 2015 to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters under the Common Reporting Standards (CRS).

Accordingly, provisions have been made under Income Tax Rules 114F, 114G and 114H. Accounts of persons having tax residency in USA are to be reported under FATCA and persons having tax residency outside India other than USA is reportable under CRS. An account becomes reportable under FATCA/CRS if the account holder/controlling person/s is/are tax resident/s of any country other than India.

Branches are required to compulsorily obtain FATCA / CRS declaration / self-certification from all customers. In the event of non-receipt of self-certification form, the account(s) would be blocked and the transactions by the account holder in such blocked accounts would be allowed once the duly filled self-certification is obtained and due diligence completed. Under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), Bank is required to adhere to provisions of Income Tax Rules 114F, 114G and 114H and take following steps for complying with the reporting requirements:

- (a) **Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login -> My Account --> Register as Reporting Financial Institution,**
- (b) **Submit online reports by using the digital signature of the ‘Designated Director’ by either uploading the Form 61B or ‘NIL’ report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.**  
**Explanation: Bank shall refer to the spot reference rates published by Foreign Exchange Dealers’ Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H.**
- (c) **Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.**
- (d) **Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.**
- (e) **Constitute a “High Level Monitoring Committee” under the Designated Director or any other equivalent functionary to ensure compliance.**
- (f) **Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time**



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and available on the web site <http://www.incometaxindia.gov.in/Pages/default.aspx>.

Bank may take note of the following(Refer RBI site):

- i. updated Guidance Note on FATCA and CRS
- ii. a press release on ‘Closure of Financial Accounts’ under Rule 114H (8).

“CRS” (Common Reporting Standards) means Reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

“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.



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## **5. ANTI MONEY LAUNDERING STANDARDS**

Money Laundering is the process whereby proceeds of crimes such as drug trafficking, smuggling, terrorism, organized crimes, fraud and many other crimes are converted into legitimate money through a series of financial transactions making it impossible to trace back the origin of funds.

The technological advancements and introduction of New Technologies – Credit Cards /Debit Cards/Smart Cards/ Gift Cards/Mobile Wallet/ Net Banking/Mobile Banking/ RTGS / NEFT /ECS /IMPS etc have facilitated on line transfer of funds and real-time settlement between the Banks across the globe. This has helped money launderers to adopt innovative means and move funds faster across continents making detection and preventive action much more difficult. This calls for a dynamic approach in tracking the crime. The staff members of the Bank must be vigilant in the fight against money laundering and must not allow the bank to be used for money laundering activities. The Bank should not become the party to violation of law. As such, preventing money laundering activities is the duty and responsibility of the bank staff.

Branches should pay special attention to any money laundering and financing of terrorism threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes. As our Bank is engaged in the business of issuing a variety of Electronic Cards that are used by customers for buying goods and services, drawing cash from ATMs, and can be used for electronic transfer of funds, Branches are required to ensure full compliance with all KYC/AML/CFT guidelines issued from time to time, in respect of add-on/supplementary cardholders also. Further, marketing of credit cards is generally done through the services of agents. Branches should ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers. It is also desirable that agents are also subjected to due diligence and KYC measures.

### **5.1 MONEY LAUNDERING:**

As per the Prevention of Money Laundering Act (PMLA) 2002, the offence of Money Laundering is defined as:

Whoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of a crime and projecting the same as a tainted property – shall be guilty of offence of Money Laundering. Money Laundering is the process by which the criminals attempt to hide and disguise the origin and ownership of the proceeds of their criminal activities like drug trafficking, trafficking in women and children, murder, extortion, child pornography etc. ‘Proceeds of crime’ means any property derived or obtained, either directly or indirectly by any person as a result of criminal activities relating to a scheduled offence or the value of such property. Money Laundering, therefore, besides being a Statutory or Regulatory requirement is also a moral responsibility for all the Bank Employees.



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## **Nomination of Designated Director:**

Banks are required to nominate a Director on their Boards as “Designated Director”, as per the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure overall compliance with the obligations under the Act and Rules.

“Designated Director” means a person designated by the Banks Board to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and includes the Managing Director or a whole-time Director duly authorized by Board of Directors if the reporting entity is a company. In no case, the Principal Officer shall be nominated as the Designated Director. The name, designation and address of the Designated Director are to be communicated to the Director, FIU-IND. In addition, it shall be the duty of every reporting entity, its Designated Director, officers and employees to observe the procedure and manner of furnishing and reporting information on transactions referred to in PML Rule.

## **Principal Officer:**

“Principal Officer” means an officer nominated by the Bank, responsible for furnishing information as per Rule 8 of the PML rules. Principal Officer is responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law / regulations. The name, designation and address of the Principal Officer are to be communicated to the Director, FIU-IND.

## **5.2 TERRORIST FINANCING:**

Terrorists use similar methods for moving their funds. Some of the terrorist groups also indulge in criminal activities for funding their acts. However, there are two major differences between Money Laundering and Terrorist Financing.

4.2.1 Whereas in the case of Money Laundering, the source of money is always through criminal activities while Terrorist Financing can be from legitimately obtained income.

4.2.2 It is difficult to identify terrorist funding transactions as more often terrorist activities require small amounts.

## **5.3 WIRE TRANSFERS:**

Banks use wire transfers as an expeditious method for transferring funds between bank accounts. Wire transfers include transactions occurring within the national boundaries of a country or from one country to another. As wire transfers do not involve actual movement of currency, they are considered as a rapid and secure method for transferring value from one location to another.

5.3.1 The salient features of a wire transfer transaction are as under:

- a) Wire transfer is a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank. The originator and the beneficiary may be the same person.



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b) Cross-border transfer means any wire transfer where the originator and the beneficiary bank or financial institutions are located in different countries. It may include any chain of wire transfers that has at least one cross-border element.

c) Domestic wire transfer means any wire transfer where the originator and receiver are located in the same country. It may also include a chain of wire transfers that takes place entirely within the borders of a single country even though the system used to affect the wire transfer may be located in another country.

d) The originator is the account holder, or where there is no account, the person (natural or legal) that places the order with the bank to perform the wire transfer.

5.3.2 Wire transfer is an instantaneous and most preferred route for transfer of funds across the globe and hence, there is a need for preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting any misuse when it occurs. This can be achieved if basic information on the originator of wire transfers is immediately available to appropriate law enforcement and/or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by Financial Intelligence Unit - India (FIU-IND) for analyzing suspicious or unusual activity and disseminating it as necessary. The originator information can also be put to use by the beneficiary bank to facilitate identification and reporting of suspicious transactions to FIU-IND. Owing to the potential terrorist financing threat posed by small wire transfers, the objective is to be in a position to trace all wire transfers with minimum threshold limits. Accordingly, branches must ensure that all wire transfers are accompanied by the following information:

**(A) CROSS BORDER WIRE TRANSFERS.**

- i) All cross-border wire transfers including transactions using credit or debit card must be accompanied by accurate and meaningful originator information.
- ii) Information accompanying cross-border wire transfers must contain the name and address of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number, as prevalent in the country concerned, must be included.
- iii) Where several individual transfers from a single originator are bundled in a batch file for transmission to beneficiaries in another country, they may be exempted from including full originator information, provided they include the originator's account number or unique reference number as at (ii) above. **(Applicable when implement in our Bank)**

**(B) DOMESTIC WIRE TRANSFERS**

- i) Information accompanying all domestic wire transfers of Rs.50000/- (Rupees Fifty Thousand) and above must include complete originator information i.e. name; address and account number etc.,



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- ii) If a branch has reason to believe that a customer is intentionally structuring wire transfer to below Rs. 50000/- (Rupees Fifty Thousand) to several beneficiaries in order to avoid reporting or monitoring, the branch must insist on complete customer identification before effecting the transfer. In case of non-cooperation from the customer, efforts should be made to establish his identity and Suspicious Transaction Report (STR) should be sent to Compliance Officer at ROs /Principal Officer for onward submission to FIU-IND.
- iii) When a credit or debit card is used to effect money transfer, necessary information as (i) above should be included in the message.

## 5.3.3 EXEMPTIONS

Interbank transfers and settlements where both the originator and beneficiary are banks or financial institutions would be exempted from the above requirements.

## 5.3.4 ROLE OF ORDERING, INTERMEDIARY AND BENEFICIARY BANKS:

### (a) Ordering Bank

An ordering bank is the one that originates a wire transfer as per the order placed by its customer. If the branch is an ordering bank, it must ensure that qualifying wire transfers contain complete originator information. The branch must also verify and preserve the information at least for a period of **five** years.

### (b) Intermediary Bank

For both cross-border and domestic wire transfers, a bank processing an intermediary element of a chain of wire transfers must ensure that all originator information accompanying a wire transfer is retained with the transfer. Where technical limitations prevent full originator information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, a record must be kept at least for **five** years (as required under Prevention of Money Laundering Act, 2002) by the receiving intermediary bank, of all the information received from the ordering bank. If the branch is an intermediary Bank, it must be ensured that all the records as aforesaid are preserved for a period of **five** years. For further details, please refer to para 10.5 "PRESERVATION OF RECORDS" of this Policy.

### (c) Beneficiary bank

A beneficiary bank should have effective risk-based procedures in place to identify wire transfers lacking complete originator information. The lack of complete originator information may be considered as a factor in assessing whether a wire transfer or related transactions are suspicious and whether they should be reported to the Financial Intelligence Unit-India. The beneficiary bank should also take up the matter with the ordering bank if a transaction is not accompanied by detailed information of the fund remitter. If the ordering bank fails to furnish information on the remitter, the beneficiary bank should consider restricting or even terminating its business relationship with the ordering bank.



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## **5.4 CHECK LIST FOR PREVENTING MONEY-LAUNDERING ACTIVITIES**

The illustrative checklist for preventing money-laundering activities is asunder:

- 5.4.1 A customer maintains multiple accounts, transfer money among the accounts and uses one account as a master account from which wire/funds transfer originates or into which wire/funds transfer are received (a customer deposits funds in several accounts, usually in amounts below a specified threshold and the funds are then consolidated into one master account and wired outside the country.)
- 5.4.2 A customer regularly depositing or withdrawing large amounts by a wire transfer to, from, or through countries that are known sources of narcotics or where Bank secrecy laws facilitate laundering of money.
- 5.4.3 A customer sends and receives wire transfers (from financial haven countries) particularly if there is no apparent business reason for such transfers and is not consistent with the customer's business or history.
- 5.4.4 A customer receiving many small incoming wire transfer of funds or deposits of cheques and money orders, then orders large outgoing wire transfers to another city or country.
- 5.4.5 A customer experiences increased wire activity when previously there has been no regular wire activity.
- 5.4.6 Loan proceeds unexpectedly are wired or mailed to an offshore Bank or third party.
- 5.4.7 A business customer uses or evidences of sudden increase in wired transfer to send and receive large amounts of money, internationally and/or domestically and such transfers are not consistent with the customer's history.
- 5.4.8 Deposits of currency or monetary instruments into the account of a domestic trade or business, which in turn are quickly wire transferred abroad or moved among other accounts for no particular business purpose.
- 5.4.9 Sending or receiving frequent or large volumes of wire transfers to and from offshore institutions.
- 5.4.10 Instructing the Bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.
- 5.4.11 Wiring cash or proceeds of a cash deposit to another country without changing the form of the currency.
- 5.4.12 Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.
- 5.4.13 Periodic wire transfers from a person's account/s to Bank haven countries.
- 5.4.14 A customer pays for a large (international or domestic) wire transfers using multiple monetary instruments drawn on several financial institutions.





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5.4.15 A customer or a non-customer receives incoming or makes outgoing wire transfers involving currency amounts just below a specified threshold or that involve numerous Bank or travelers cheques.

5.4.16 A customer or a non-customer receives incoming wire transfers from the Bank to 'Pay upon proper identification' or to convert the funds to bankers' cheques and mail them to the customer or non-customer, when the amount is very large (say over Rs.10lakhs).

- The amount is just under a specified threshold (Rs.10lacs)
- The funds come from a foreign country or
- Such transactions occur repeatedly.

5.4.17 A customer or a non-customer arranges large wire transfers out of the country which are paid for by multiple Banker's cheques (just under a specified threshold)

5.4.18 A non-customer sends numerous wire transfers using currency amounts just below a specified threshold limit.

## 5.4 Money Laundering and Terrorist Financing (ML/ TF) Risk Assessment:

- a) As per Section (5A) of Chapter II of the MD on KYC 2016, the Bank is required to 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.

- b) 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 our Bank. Further, the periodicity of risk assessment exercise shall be determined by the Board, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- c) 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.
- d) 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.



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## **6. MONITORING OF TRANSACTIONS– ON-GOING DUE DILIGENCE :**

To obviate the scope for frauds and prevent Money Laundering, regular monitoring and supervision of accounts is essential. By understanding the normal and reasonable activity of the customers, coupled with controlling the accounts effectively, risk can be reduced.

**Branches shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.**

Monitoring customer activity and transactions throughout the relationship helps the Banks to know their customers, assess risk and provides greater assurance that the Bank is not being used for the purposes of financial crime. However, the extent of monitoring shall be aligned with the risk category of the customer. High risk accounts have to be subjected to more intensified monitoring.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- (a) Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account.
- (b) Special attention should be paid to the complex, unusually large transactions including RTGS transaction and all unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or lawful purpose.
- (c) Transaction which exceeds the threshold prescribed for specific categories of accounts.
- (d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

**A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be undertaken.**

“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) Establishing or creating a legal person or legal arrangement.

**6.1 MONITORING OF CASH TRANSACTIONS:** Permanent account number (PAN) of customers shall be obtained and verified **from the verification facility of the issuing authority** while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time.



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6.1.1. To effectively track the cash transactions of Rs. 10 lacs and above (or its equivalent in foreign currency) branches should monitor the details of individual cash deposits and withdrawals of Rs.10 lacs and above on following parameters:

Date of Transaction

Type of account/account no.

Title of account/Name of account holder

Date of opening the account

Amount of Deposit/withdrawal

Identity of the person undertaking the transaction

Name of the beneficiary of the cheque (in case of withdrawal)

Destination of the funds and the form of instruction/authority

6.1.2. Wherever the depositor/borrower is depositing/withdrawing cash for Rs.10 lakhs and above, which is inconsistent with the normal and expected activity of the customer, the information gathered/revealed from the client as to the source/purpose shall be recorded and reported to Regional Office.

6.1.3 Regional Office on receipt of these statements from the Branches should immediately scrutinize the details thereof. In case any of the transactions prima-facie appears to be dubious or gives rise to suspicion, such transactions should be looked into by deputing officials from Regional Office. If any of the transaction is found to be of suspicious nature, it should be immediately informed to Head Office.

6.1.4 Under the Prevention of Money Laundering Act' 2002 (PMLA) and Rules notified there under impose an obligation on banking companies, financial institutions and intermediaries of the securities market to verify identity of clients, maintain records and furnish information of details of the following cash transactions in "Cash Transaction Report(CTR)" to FIU-IND on monthly basis on or before 15<sup>th</sup> of succeeding month.

(a) All cash transactions of the value of more than **rupees ten lakhs** or its equivalent in foreign currency.

(b) All series of cash transactions integrally connected to each other, which have been valued below **rupees ten lakhs** or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of **Rupees ten lakhs** or its equivalent in foreign currency.

DIT will generate CTR reports and provide the same in XML format on monthly basis, which are being filed online on FINnet site of FIUIND.

## **6.2 Monitoring of other transactions**

6.2.1 Branches should closely monitor the newly opened accounts in the initial 3 to 6 months of their opening and track the transactions not in line with the profile of the customer.

6.2.2 Branches shall closely monitor the transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies.

*Explanation: Cases where a large number of cheque books are sought by the company and / or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.*



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- 6.2.3 There have been increased instances of fictitious offers, where fraudsters are using RBI's corporate logo/name or any other reputed company in their e-mail messages to convince the victims of the authenticity of the purported messages conveying lottery/prize winning. The fraudsters persuade victims into making initial payment in a specified bank account towards the charges for clearance of the prize money. Branches should handle the quires in this respect and sensitize the customers.
- 6.2.4 Wherever the request is received for change in Mobile number, loss of SIM Card, complaints of sudden inactivation or failure of mobile connection, branch should subject such accounts through enhanced monitoring and multiple checks, including calling on such mobile number/land line number seeking confirmation through other modes like e-mail etc.
- 6.2.5 Any such incident should immediately be reported to Regional Office/Head Office.



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## **7. Combating Financing of Terrorism:**

### **Requirements/obligation under International Agreements & Communication from International Agencies**

**7.1 Branches shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).**

Updated list of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:  
[https://www.un.org/securitycouncil/sanctions/1267/aq\\_sanctions\\_list](https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list)  
<https://www.un.org/securitycouncil/sanctions/1988/materials>

**The UNSC press release(s) concerning amendments to the list are available at URL:  
<https://www.un.org/press/en/2020/sc14195.doc.htm>**

**The details of the two lists are as under:**

- (a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>**
- (b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>.**

As and when list of individuals and entities approved by Security Council Committee established pursuant to various United Nations’ Security Council Resolutions (UNSCRs) are received from Government of India / Reserve Bank of India, the same are circulated to all the offices with instructions to ensure the consolidated list of individuals and entities as circulated by Reserve Bank of India is updated. The updated list of such individuals/groups/undertakings/entities associated with Al-Qaida (“ISIL (Da’esh) & Al-Qaida Sanctions list”) and the updated list of such individuals associated with Taliban and entities and other groups and undertakings associated with Taliban (“1988 Sanctions list”) consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of. These lists are available at Bank’s ftp server and the path - ftp://172.28.16.77:8081. Branches are advised that before opening any new account it should be ensured that the name/s of the proposed customer does not appear in the list. Further, branches should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to Compliance Officer at ROs / Principal Officer for onward submission to FIU-IND **apart from advising Ministry of Home Affairs as required under UAPA notification dated March 14, 2019.**



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As per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any Banks is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL: <https://www.un.org/securitycouncil/ombudsperson/application>.

7.2 In terms of PMLA Rules, suspicious transaction should include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. Banks are, therefore, advised to develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.

7.3 As per the communication received from the Financial Action Task Force (FATF), the strategic AML / CFT deficient jurisdiction are divided into 3 groups as under:

7.3.1 Jurisdictions subject to FATF call on its members and other jurisdictions to apply counter measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction: Iran

7.3.2 Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of February 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction viz; Angola, Democratic People's Republic of Korea (DPRK), Ecuador and Ethiopia.

7.3.3 Jurisdictions previously publicly identified by the FATF as having strategic AML/CFT deficiencies, which remain to be addressed as of February 2010: Pakistan, Turkmenistan and Sao Tome and Principe.

Further, special attention should be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF statements.

Further, there should be ongoing monitoring. The background and purpose of transactions with persons (including legal and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations (as mentioned above), should be examined and if it appears that such transactions have no apparent economic or visible lawful purpose, the background and purpose of the transactions should be examined, findings to be recorded and all documents and the written findings should be retained and made available to Reserve Bank of India /other authorities, on request.

7.4 Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967



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The procedure laid down in the UAPA Order dated March 14, 2019 (Annex III of this KYC AML Policy) shall be strictly followed and meticulous compliance with the Order issued by the Ministry of Home Affairs (MHA), Government of India shall be ensured.

## **7.5 What is Suspicious Transaction?**

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:

- a) gives rise to reasonable ground of suspicion that it may involve the proceeds of a crime regardless of the value involved or
- b) appears to be made in circumstances of unusual or unjustified complexity;
- c) appears to have no economic rationale or bonafide purpose;
- d) gives rise to reasonable ground of suspicion that it may involve financing of activities of terrorism
- e) Further, when the branch is unable to verify the identity and / or obtain documents required or non-reliability of the data /information furnished to the Bank and is unable to apply appropriate customer due diligence measures and therefore believes that it would no longer be satisfied that it knows the true identity of the customer, besides taking a decision whether to continue the business relationship, should also file an STR with FIU-IND.

Branches need to have regard to the indicators of suspicion, to determine whether or not a transaction is suspicious. An Indicative list of suspicious activities is given hereunder:

### **7.5.1 AN INDICATIVE LIST OF SUSPICIOUS ACTIVITIES**

#### **Transactions Involving Large Amount of Cash**

- 7.5.1.1 Exchanging an unusually large amount of small denomination notes for those of higher denomination;
- 7.5.1.2 Purchasing or selling of foreign currencies in substantial amounts of cash settlement despite the customer having an account with the bank;
- 7.5.1.3 Frequent withdrawal of large amounts by means of cheques, including traveller's cheques;
- 7.5.1.4 Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity;
- 7.5.1.5 Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad;
- 7.5.1.6 Company transactions, both deposits and withdrawals, that are denominated by unusually large amounts of cash, rather than by way of debits and credits normally associated with the normal commercial operations of the company, e.g. cheques, letters of credit, bills of exchange etc;



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7.5.1.7 Depositing cash by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial.

## Transactions that do not make Economic Sense

7.5.1.8 A Customer having a large number of accounts with the same bank, with frequent transfers between different accounts.

7.5.1.9 Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible/ convincing reason for immediate withdrawal.

## 7.5.2. Activities non-consistent with the customer's declared business/profile

7.5.2.1 Corporate accounts where deposits or withdrawals are primarily in cash rather than cheques.

7.5.2.2 Corporate accounts where deposits and withdrawals by cheque/telegraphic transfers/foreign inward remittances/any other means are received from/made to sources apparently unconnected with corporate business activity/dealings.

7.5.2.3 Unusual applications for DD/TT/PO against cash.

7.5.2.4 Accounts with large volume of credits through DD/TT/PO whereas the nature of business does not justify such credits.

7.5.2.5 A single substantial cash deposit composed of many high denomination notes.

7.5.2.6 Frequent exchanges of small denomination notes for large denomination notes or vice versa.

7.5.2.7 Retail deposit of many cheques but rare withdrawals for daily operations.

## 7.5.3. Attempts to avoid reporting/record-keeping requirements.

7.5.3.1 A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.

7.5.3.2 Any individual or group that coerces/induces or attempts to coerce/induce a bank employee to not file any reports or any other forms.

7.5.3.3 An account where there are several cash deposits/withdrawals below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

## 7.5.4. Unusual activities

7.5.4.1 An account of a customer who does not reside/have office near the branch even though there are bank branches near his residence/office.

7.5.4.2 A customer who often visits the safe deposit locker area immediately before making cash deposits, especially deposits just under the threshold level.





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- 7.5.4.3 An account that has frequent deposits of large amounts of currency bearing the labels of other banks.
- 7.5.4.4 Funds coming from the list of countries/centers which are known for money laundering.

## 7.5.5. Customer who provides insufficient or suspicious information

- 7.5.5.1 A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior banking relationships, officers or directors, or its locations. In this case account need not be opened.
- 7.5.5.2 A customer/company who is reluctant to reveal details about his/its activities or to provide its financial statements.
- 7.5.5.3 A customer who has no record of past or present employment but makes frequent large transactions.

## 7.5.6. Certain suspicious funds transfer activities

- 7.5.6.1 Sending or receiving frequent or large volumes of cross border remittances.
- 7.5.6.2 Receiving large TT/DD/NEFT/RTGS/EFT remittances from various centers and remitting the consolidated amount to a different account/center on the same day leaving minimum balance in the account.

## 7.5.7 Operation of bank accounts & Money Mules:

7.5.7.1 “Money mules” can be used to launder the proceeds of fraud schemes (e.g., phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties to act as “money mules.” In some cases these third parties may be innocent while in others they may be having complicity with the criminals. **The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimize the operations of “Money Mules”.**

7.5.7.2 In a money mule transaction, an individual with a bank account is recruited to receive cheque deposits or wire transfers and then transfer these funds to accounts held on behalf of another person or to other individuals, minus a certain commission payment. Many a times the address and contact details of such mules are found to be fake or not up to date, making it difficult for enforcement agencies to locate the account holder. Sometimes transactions related to money laundering or terrorist financing are carried out through **Money Mules**.

7.5.7.3 The operations of such mule accounts can be minimized if branches strictly follow the guidelines of KYC/AML/CFT/Obligation of banks under PMLA, 2002 issued from time to time and to those relating to periodical updation of customer identification data after the account is opened and also to monitoring of transactions in order to protect themselves and their customers from misuse by such fraudsters. If it is established that an account opened and operated is that of a Money Mule, it shall be deemed that the branch has not complied with these directions.

## 7.5.8. Certain bank employees arousing suspicion

- 7.5.8.1 An employee whose lavish lifestyle cannot be supported by her or his salary.
- 7.5.8.2 An employee who is reluctant to take a vacation.



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7.5.8.3 An employee who is associated with mysterious disappearance or unexplained shortages of significant amounts of bank funds.

7.5.8.4 Negligence of employees/willful blindness is reported repeatedly.

## **7.5.9 SOME EXAMPLES OF SUSPICIOUS ACTIVITIES/TRANSACTIONS TO BE MONITORED BY THE OPERATING STAFF:**

7.5.9.1 Large Cash Transactions.

7.5.9.2 Multiple accounts under the same name.

7.5.9.3 Frequently converting large amounts of currency from small to large denomination notes.

7.5.9.4 Placing funds in Term Deposits and using them as security for more loans.

7.5.9.5 Large deposits immediately followed by wire transfers.

7.5.9.6 Sudden surge in activity level.

7.5.9.7 Same funds being moved repeatedly among several accounts.

7.5.9.8 Multiple deposits of money orders, Banker's cheques, drafts of third parties.

7.5.9.9 Transactions inconsistent with the purpose of the account.

7.5.9.10 Maintaining a low or overdrawn balance with high activity.

## **7.6 Issue/Payment of DD/TT ETC., Sale of Gold Coins and Sale of Third Party Products**

In order to curb the misuse of banking channels for violation of fiscal laws and evasion of taxes, Demand Drafts, Telegraphic transfers, Sale of Gold Coin and Third Party Products for Rs. 50,000/- and above should be issued only by debit to the customer's account or against cheque or other instruments tendered by the purchaser and not against cash payment. Similarly, payments against Demand Drafts, Telegraphic Transfer, Sale of Gold Coin and Third Party Products for Rs. 50,000/- and above should be made through banking channels only and not in cash. All the transactions carried out by a single customers during a day should be aggregated to arrive the ceiling of Rs.50000/-.Further transactions involving rupees fifty thousand and above shall be undertaken only by obtaining and verifying the PAN given by the account based as well as walk - in customers. **This shall also apply to sale of Bank's own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.**

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheques, etc., by the issuing branch. These instructions takes effect for such instruments issued on or after September 15, 2018.

Branches acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- (a) the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 3 of this Policy



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- (b) Transaction details of sale of third party products and related records shall be maintained as prescribed in Section 10.5 “PRESERVATION OF RECORDS” of this Policy.
- (c) **AML software capable of capturing, generating and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.**



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## **8. REPORTING REQUIREMENTS TO FINANCIAL INTELLIGENCE UNIT - INDIA (FIU- INDIA) UNDER PMLACT 2002**

- a. 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.

- b. 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 <http://fiuindia.gov.in>. shall be made use of by the bank which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.
- c. 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 mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. Bank shall not put any restriction on operations in the accounts where an STR has been filed and 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.
- d. 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.

**8.1** The prevention of Money Laundering Act, 2002 (PMLA) forms the core legal framework put in place by India to combat Money Laundering and Terrorism financing. In terms of the rules notified under PMLA Act 2002, certain obligations have been cast on the Banks with regard to reporting certain transactions. The same are detailed here under:

- (a) Cash transaction Report (CTR).
- (b) Non-Profit Organisation Report (NTR)
- (c) Counterfeit Currency Report (CCR) and
- (d) Suspicious Transaction Report (STR)
- (e) Cross Border Wire Transfer Report (CBWT)

### **8.1.1 Cash Transaction Report (CTR):**

As per PMLA rules, Bank is required to submit details of

- a) All cash transactions of the value of more than Rupees Ten lakhs or its equivalent in Foreign Currency.
- b) All series of transactions integrally connected to each other which have been valued below Rs. Ten lakhs or its equivalent in Foreign Currency, where series of such



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transactions have taken place within a month and the monthly aggregate exceeds an amount of Rupees Ten lakhs or its equivalent in foreign currency.

- c) The report is to be filed in the format prescribed by FIU-IND.
- d) CTR should contain only the transactions carried out by our Bank on behalf of the customers/clients excluding the transactions between the internal accounts of the Bank.
- e) While filing CTR, individual transactions below Rs. 50,000/- need not be furnished in transaction file.
- f) CTR for every month should be submitted to FIU-IND, **by the 15<sup>th</sup> of the succeeding month.**

## 8.1.2 Non-Profit Organization Transaction Report (NTR)

Bank is required to submit details of:

- (a) All cash transactions involving receipts of value more than Rs.10 lakhs or its equivalent in foreign currency by clients who are non-profit organizations.
- (b) NTRs must contain details of legal persons as per definition under Rule 2(1) (ca) of the Money Laundering (Maintenance of Records) Rules, 2005. Non-profit organization (NPO) means any entity or organization 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.
- (c) Transactions of an account should be given in report along with details of the legal entity, individuals, account and transaction on lines similar to those for CTRs.
- (d) The report is to be filed in the format prescribed by FIU-IND
- (e) NTR for every month should be submitted to FIU-IND, **by the 15<sup>th</sup> of the succeeding month.**

## 8.1.3 Counterfeit Currency Report (CCR):

All Cash transactions where forged or counterfeit currency notes or bank notes has been used as genuine or where any forgery of valuable security or a document has taken place facilitating the transactions, is to be reported by the 15<sup>th</sup> day of the succeeding month to FIU-IND. Each entry in the CCR should give complete particulars of the account in which such currency is/was deposited. Whereas the counterfeit currency or forged notes transactions have to be reported as per the format prescribed by FIUIND (Counterfeit Currency Report – CCR), transactions involving forgery of valuable security or document may be reported in plain text form.

## 8.1.4 Suspicious Transaction Report (STR):

- 8.1.4.1 All suspicious transactions whether or not made in cash, should be reported within 7 days of arriving at a conclusion that any transaction is of suspicious nature. It should be ensured that there is no undue delay in arriving at a conclusion whether or not a transaction is of suspicious nature and that the principal officer should record his reasons for treating any transaction or a series of transactions as suspicious nature.
- 8.1.4.2 Utmost care has to be exercised while drafting the Grounds of Suspicion (GOS), as GOS is the most important part of STR. The GOS should clearly express 'Why' the transaction or activity is unusual, unjustified, does not have economic rationale or bonafides, keeping in mind the Banking Business and services rendered by the



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Bank. Specific reference needs to be drawn to the customer's profile, apparent financial standing, past activity in the account, business profile, general pattern etc. An indicative list of Grounds of Suspicion is enclosed as Annexure III.

## 8.1.5 Cross Border Wire Transfer Reports (CBWT)

- (a) Every Branch is required to maintain the record of all transactions including the record of all cross border wire transfers of more than Rs. 5 lakhs or its equivalent in foreign currency, where either the origin or destination of the fund is in India.
- (b) Cross-border Wire Transfer Report (CBWT) for every month should be furnished to Director, FIU-IND by 15th of the succeeding month.
- (c) The information is to be furnished electronically in the FIN-Net module developed by FIU-IND. **(Applicable when implement in our Bank)**

## 8.1.6 Delay in Reporting to FIU-IND

While furnishing of 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 this rule shall constitute a separate violation.

## 8.1.7 Attempted Money Laundering Transactions:

In case a transaction is abandoned / aborted by customers, on being asked to produce details / or to provide information, the Bank should report all attempted transactions, even if not completed by customers irrespective of the amount of transaction, in STR.

## 8.1.8 Need to file Repeat STR:

In cases, where STR has been filed in a particular account and fresh alerts are observed in the same account, the following factors have to be considered by the Bank, to judge and to take a decision for filing a repeat STR.

8.1.8.1 Has any additional ground of suspicion which has not been reported earlier, been noted observed?

8.1.8.2 Is the alert value / volume/ frequency is substantially high as compared to the earlier?

## 8.1.9 How to deal with the reported accounts?

The accounts reported in STR should be classified as high risk and should be subjected to enhanced monitoring. If significant activity is observed in these accounts, a repeat STR may be sent. Further, the competent authority should take a decision regarding closure of such an account / accounts where STR is repeatedly reported. However, such customers should not be tipped off.

## 8.1.10 Tipping off the customer:

There are no restrictions as such on the Banks to discontinue operations in an account, which was reported in STR, to FIU-IND. In case, any restrictions have been placed in any account, it should be ensured by the branches that there is no tipping off the customer at any level. Tipping off would mean informing/communicating to the customer that his/her/their account has been or would be reported for suspicious activity to the Regulators/FIU-IND. However, seeking information about a particular transaction as part of the due diligence, should not tantamount to tipping off. Mentioned hereunder are some suggestions to avoid tipping off, which should be complied with by the field functionaries.

8.1.10.1 Due diligence should be preferably by way of pretext sales calls.

8.1.10.2 No statement should be made, which cautions or warns the customer.



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8.1.10.3 AML triggers/rules/reporting thresholds and internal monitoring processes should not be discussed with the customers.

8.1.10.4 The conclusion that has been arrived at after making the necessary enquiries should not be revealed to the customer.

8.1.10.5 No disclosure should be made to the customers that his/her accounts are under monitoring for suspicious activities or that STR has been filed/is being filed against him/her.

## 8.1.11 Procedure of STR Alerts scrutiny:

8.1.11.1 The STR alerts, based on scenarios, are generated through AML software (AML system). A team of front line officers at AML-KYC Cell are screening the generated STR alerts. After first level checking by a Senior Manager and second level checking by Chief Manager, the suspicious alert shall be put up before the Principal Officer for his approval to file an STR to FIU-IND by AML Cell, CO, uploaded electronically on its FINnet site.

Indicative guidelines given to Front line Officers (MLRO) for monitoring of alerts:-

**i.** There is a break in threshold transaction of cash deposits in amounts ranging between INR 9,90,000/- to INR 9,99,999.99) in multiple accounts (under same CIF) of the customer and Deposit of cash in the account in amounts ranging between INR 40,000/- to INR 49,999/-

**ii.** Money is credited from different locations into an account and immediately withdrawn.

**iii.** Money credited / transaction observed in the account is inconsistent with the profile of the customer.

**iv.** There is a continuous flow of credit in cash and money is immediately transferred to another account, either in our bank or some other Bank of the same party or of related party.

**v.** There is cyclic movement of funds between different parties

**vi.** There is high activity of credit or debit in newly opened accounts.

**vii.** There is sudden high activity or huge cash deposits in an in-operative accounts.

**viii.** The account is closed within six months or activity in the account slows down thereafter.

**ix.** MLRO should see history of generated alerts in the account if there are continuous generation of alerts in the same or different scenarios, the account should be carefully examined.

The said guidelines are only indicative and not exhaustive and MLRO will scrutinize the alerts and take decision on case to case basis.

If the transactions / activity in the account where alert is generated is apparently commensurate with the profile of the customer and /or on further investigation, the transactions / activity appears to be genuine and no suspicion is observed, MLRO will close the alerts.

The first level Officer (Senior Manager), second level Officer (Chief Manager) and Principal Officer shall randomly check the alerts closed by MLRO to assess



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the quality of closure and in case any suspicious activity is observed in the closed alerts on random checking , the same shall be re-examined and STR be filed with FIU – INDIA.

- 8.1.11.2 In case of exigencies the STR alerts will be decentralized to all the Regions (**presently 90**) for screening.
- 8.1.11.3 Regional Offices will designate officers as Money Laundering Reporting Officer (MLRO) for scrutiny of STR alerts. **The Chief Manager, looking after the functions of Operations Department or Second officer in command at all the Regions is designated as ‘Compliance Officer’** who is responsible for implementation of instructions issued on KYC-AML. He shall also act as first level checker for the screened STR alerts/referred probable STR cases by the designated MLROs at ROs and forward the report to KYC-AML Cell, Head Office.
- 8.1.11.4 The ‘Compliance Officer’ at ROs will monitor the effective and authentic screening of STR alerts and remarks put for closure of STR alerts.
- 8.1.11.5 During course of screening of STR alerts, information sought for further investigation from branches should be furnished/ replied within a stipulated time of **THREE** days from receipt of the query. If no response is received, the matter will be escalated to higher authorities after seven days

## 8.1.12 Measures for improvement of screening of STR alerts

- 8.1.12.1 The following procedure will be adopted for fastest scrutiny and closure:
- The STR alerts screening may be partially decentralized at RO level.
  - By adopting the above method the manpower and man hours will be saved which can be utilized for monitoring and follow up.





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## **9.RISK MANAGEMENT**

- 9.1. Identification of a customer is important pre-requisite for opening an account. Non-adherence of this may lead to the risks viz. frauds, money laundering, inadvertent overdrafts, Benami / fictitious accounts.
- 9.2. Non-compliance of monitoring of the transactions exceeding the threshold limit and non-recording of the transactions may result in intentional splitting/structuring of transaction to evade taxes, money laundering and financing of terrorist activities.

### **9.3.Risk Categorization of Customers**

Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception. The branches should prepare the profile of the customer which should contain information relating to customers' identity, social/financial status, nature of business activity, information about his clients' business and their location etc. and risk categorization shall be undertaken based on these parameters. While considering customer's identity, the ability to confirm identity documents through online or other services offered by the issuing authorities may also be factored in. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes without the express permission of the customer. The customer profile shall be prepared based on risk categorization, as defined below:

**9.3.1 Low Risk Category:** Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile.

Example:

- a) Salaried Employees, whose salary structures are well defined,
- b) People belonging to lower economic strata of the Society whose accounts show small balances and low turnover,
- c) Government departments and Government owned Companies, Regulators and statutory bodies etc.
- d) All other Customers who are not classified as High Risk or Medium Risk Categories

For low risk category customers, only the basic requirements of verifying the identity and location of the customer are to be obtained. However, whenever there is suspicious of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact pose a low risk, full scale customer due diligence should be carried out before opening an account or whenever such risk perceived.

**9.3.2 Medium Risk Category:** are those individuals who live in Medium risk Countries i.e. all Countries in Africa and all countries in the America other than USA and Canada and Such customers who possess lower risk than 'High Risk Customers' but higher than the 'Low Risk Customers' based on their background, nature and location of activity, country of origin, sources of funds etc. The Risk Classification may be lower for those customers where sufficient knowledge in the public domain is available to Bank (e.g. listed companies, Regulated Entities).



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## INDICATIVE LIST OF MEDIUM RISK CUSTOMERS

- i. Non-Bank Financial Institution
- ii. Stock brokerage
- iii. Import / Export
- iv. Gas Station
- v. Car / Boat / Plane Dealership
- vi. Electronics (wholesale)
- vii. Travel agency
- viii. Used car sales
- ix. Telemarketers
- x. Providers of telecommunications service, internet café, IDD call service, phone cards, phone center
- xi. Dot-com company or internet business
- xii. Pawnshops
- xiii. Auctioneers
- xiv. Cash-Intensive Businesses such as restaurants, retail shops, parking garages, fast food stores, movie theaters, etc.
- xv. Sole Practitioners or Law Firms (small, little known)
- xvi. Notaries (small, little known)
- xvii. Secretarial Firms (small, little known)
- xviii. Accountants (small, little known firms)
- xix. Venture capital companies

9.3.3 **High Risk Category:** Individuals and entities whose identities and sources of funds are not clear and cannot be easily identified.

Example:

- a) Non-resident customers and Foreign Nationals
  - b) High Net Worth individuals
  - c) Trusts, Charities, NGOs and Organizations receiving donations (especially those operating on a —cross border basis) unregulated clubs and organizations receiving donations. However, NPOs/NGOs promoted by United Nations or its agencies may be classified as low risk customers.
  - d) Companies having close family shareholding or beneficial Ownership
  - e) Firms with 'Sleeping Partners'
  - f) Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which PEP is the ultimate beneficial owner;
  - g) Non face to face customers and
  - h) Those with dubious reputation as per public information available etc.
  - i) Customers dealing in antique goods
  - j) Money Exchange Bureaus
  - k) Diamond, Bullion Dealers & Jewellers
  - l) Arms and Ammunition dealers



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## Additional indicative list of High Risk Customers:

- i. Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UNSC 1267 & 1988 [2011] linked to Al Qaida & Taliban.
- ii. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities
- iii. Individuals and entities in watch lists issued by Interpol and other similar international organizations
- iv. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk
- v. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, frequent and unexplained movement of funds between institutions in various geographic locations etc.
- vi. Customers based in high risk countries/jurisdictions or locations as identified by FATF from time to time.
- vii. Accounts of Embassies / Consulates;
- viii. Off-shore (foreign) corporation/business
- ix. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale
- x. Shell companies which have no physical presence in the country in which it is incorporated. The existence simply of a local agent or low level staff does not constitute physical presence
- xi. Investment Management / Money Management Company/Personal Investment Company
- xii. Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to the financial institution.
- xiii. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc
- xiv. Money transfer Service Business: including seller of: Money Orders / Travelers' Checks / Money Transmission / Check Cashing / Currency Dealing or Exchange
- xv. Business accepting third party checks (except supermarkets or retail stores that accept payroll checks/cash payroll checks)
- xvi. Gambling/gaming including —Junket Operators arranging gambling tours
- xvii. Dealers in high value or precious goods (e.g. jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers).



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xviii.

Customers

engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries).

xix. Customers engaged in industries that might relate to nuclear proliferation activities or explosives.

xx. Customers that may appear to be Multi-level marketing companies etc.

9.3.3.1 For High Risk Category & Medium Risk Category customers, the Enhanced Due Diligence (EDD) be done by taking the information such as customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. should be obtained.

There should be periodical review of risk categorization of accounts followed by enhanced due diligence measures. Such review of risk categorization of customers should be carried out at least once in every six months.

9.3.3.2 Branch may take a view on risk categorization of each customer into low, medium and high risk category depending on their experience, expertise in profiling of the customer based on their understanding, judgment, assessment and risk perception of the customer and not merely based on any group or class they belong to.

9.3.3.3 It should be noted that Banking Services are not denied to general public, especially to those who are financially or socially disadvantaged.

*Explanation: FATF Public statement, the reports and guidance notes on KYC/AML issued by the Indian Bank Association (IBA) may also be used in risk assessment.*

## 9.3.4 LIST OF HIGH / MEDIUM RISK PRODUCTS & SERVICES

- i. Electronic funds payment services such as Electronic Debit/ Credit Cards (e.g., Both Prepaid and post-paid cards), funds transfers (domestic and international), etc
- ii. Electronic banking such as Internet Banking, Mobile Banking & Phone Banking etc.,
- iii. Private banking (domestic and international)
- iv. Trust and asset management services
- v. Monetary instruments such as Travelers' Cheque
- vi. Foreign correspondent accounts
- vii. Trade finance (such as letters of credit, Letter of Comfort, standby letter Credit, Foreign Bank Guarantees)
- viii. Special use or concentration accounts
- ix. Lending activities, particularly loans secured by cash collateral and marketable securities
- x. Non-deposit account services such as Non-deposit investment products and Insurance
- xi. Transactions undertaken for non-account holders (walk-in/ occasional customers)
- xii. Provision of safe custody and safety deposit boxes
- xiii. Currency exchange transactions
- xiv. Project financing of sensitive industries in high-risk jurisdictions
- xv. Trade finance services and transactions involving high-risk jurisdictions
- xvi. Services offering anonymity or involving third parties



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- xvii. Services involving banknote and precious metal trading and delivery
- xviii. Services offering cash, monetary or bearer instruments; cross-border transactions, etc.

## 9.3.5 INDICATIVE LIST OF HIGH / MEDIUM RISK GEOGRAPHIES/ LOCATIONS/ COUNTRIES

### 9.3.5.1 Countries/Jurisdictions

- i. Countries subject to sanctions, embargoes or similar measures in the United Nations Security Council Resolutions (—UNSCR).
- ii. Jurisdictions identified in FATF public statement as having substantial money laundering and terrorist financing (ML/FT) risks ([www.fatfgafi.org](http://www.fatfgafi.org))
- iii. Jurisdictions identified in FATF public statement with strategic AML/CFT deficiencies ([www.fatf-gafi.org](http://www.fatf-gafi.org))
- iv. Tax havens or countries that are known for highly secretive banking and corporate law practices
- v. Countries identified by credible sources 1 as lacking appropriate AML/CFT laws, regulations and other measures.
- vi. Countries identified by credible sources as providing funding or support for terrorist activities that have designated terrorist organisations operating within them.
- vii. Countries identified by credible sources as having significant levels of criminal activity.
- viii. Countries identified by the bank as high-risk because of its prior experiences, transaction history, or other factors (e.g. legal considerations, or allegations of official corruption).

### 9.3.5.2 Locations

- i. Locations within the country known as high risk for terrorist incidents or terrorist financing activities (e.g. sensitive locations in Jammu and Kashmir, North east, Naxal affected districts)
- ii. Locations identified by credible sources as having significant levels of criminal, terrorist, terrorist financing activity.
- iii. Locations identified by the bank as high-risk because of its prior experiences, transaction history, or other factors.

### 9.3.5.3. INDICATIVE LIST OF HIGH RISK COUNTRIES:

The countries identified by Financial Action Task Force [FATF] as high risk countries which continue to show deficiencies in their Anti Money Laundering and Combating of Financing of Terrorism framework will be circulated from time to time.



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## **10. INTERNAL CONTROL**

To avoid such risks, Regional Offices should put in place proper monitoring machinery to ensure that the branches are meticulously following the laid down guidelines/procedures with regards to KYC norms and Money Laundering activities.

### **10.1 Internal Audit/Inspection**

10.1.1 Internal Auditors/Concurrent Auditors will carry out an independent evaluation of the controls, for identifying high value transactions.

10.1.2 **Concurrent/internal auditors will verify the compliance with KYC/AML policies and procedures.** They will specifically scrutinize and comment on the observance of KYC norms and the steps taken towards prevention of Money Laundering by the Branches. As per the directions of DFS, GOI, 1% of the new accounts opened during the month/audit period be got verified by the Auditors by reaching out to the new customers.

10.1.3 **All accounts opened through V-CIP shall be made operational only after being subject to audit, to ensure the integrity of process. To ensure security, robustness and end to end encryption, software and security audit and validation of the V-CIP application shall be carried out before rolling it out in the branches.**

10.1.4 **Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules with regards to FATCA / CRS.**

### **10.2. Terrorism Finance:**

Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to or to be used for terrorism, terrorists acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

10.2.1 Reserve Bank of India/Government of India/Head Office from time to time is communicating the list of individuals/entities of terrorist organization/Banned organization etc. Branches should update the list and exercise care while dealing with such entities/organization.

10.2.2 Branches should keep a watchful eye on the transactions of the terrorist organizations listed in the ordinance, accounts of individuals and entities listed by the Security Counsel of Sanctions Committee of the UN. Violations of the extant acts or normal banking operations must be reported to the appropriate authorities under the ordinance.

### **10.3 Threshold Limit for monitoring of transactions:**

In a broader sense threshold limit is the Annual Income/Turnover given by customers in his account and fixed by the Branch Manager. Where the same is not available, the criteria will be threshold value decided by the BMs in case of new accounts and credit summations in case of old accounts (i.e. in case of accounts of more than one year old, threshold value will be the sum total of all credits in last financial year).

To maintain uniformity in all the branches the following threshold limit per transaction is fixed which shall be subject to review from time to time.



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Threshold limits for Saving Accounts:

Category of Branch	Low Risk Accounts	Medium Risk Accounts	High Risk Accounts
Rural	75000	50000	25000
Semi Urban	100000	75000	50000
Urban	150000	100000	75000

Threshold limits for CD/Partnership/other Accounts:

Category of Branch	Low Risk Accounts	Medium Risk Accounts	High Risk Accounts
Rural	150000	100000	50000
Semi Urban	200000	150000	100000
Urban	300000	200000	150000

The Branches shall monitor the transactions in each account as per the threshold for various categories of accounts.

### 10.3.1 STR reported accounts

Our Bank's KYC instructions stipulate "The accounts reported in STR bears a high degree of Risk and these accounts are subject to enhanced monitoring. If significant activities are observed in these accounts a repeat STR may also be filed. The competent authority should take a decision for closure of such an account/s where STR is repeatedly reported. However such customer should not be tipped off.

Looking to the potential risk in such accounts, Regional Manager of the Region is designated as the appropriate authority to take decision for closure of such account in which more than **THREE** STRs have been filed.

### 10.3.2 Correspondent Banking

10.3.2.1 Transactions conducted through the correspondent relationships need to be managed taking a risk based approach. Know Your Correspondent procedure should be established to ascertain whether the correspondent bank or counter party is itself regulated for money laundering prevention and, if so, whether the correspondent is required to verify their customer identity to FATF standards.

### 10.4 Scenarios for generation of STR alerts:

64 minimum common scenarios (37 Short term and 27 Medium term) for generation of STR alerts through system and an indicative list of 27 offline alerts which are to be scrutinized by the branches, suggested by IBA/RBI, be followed for effective control/monitoring and reporting of Suspicious Transaction Reports (STR). The front line staff at branches should be vigilant, as they are the first point to detect any suspicious transaction in an account and accordingly any suspicious transaction/activity should immediately be reported to the Regulatory Authorities through the Compliance Officer at ROs/Principal Officer of our Bank.



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## **10.5. Preservation of Record/ Record Management**

- 10.5.1 All financial transactions records including credit/debit slips, cheques and other forms of vouchers (for account holders and non-account holders) should be retained for at least five years from the date of transaction between clients and banking company and in terms of sub-section 2(b) of section 12 of the PML Act, the records referred to in clause(c) of subsection(1) of section 12 shall be maintained for a period of five years from the date of cessation of transaction between the clients and the banking company and should be available for perusal and scrutiny of audit functionaries as well as regulators as and when required.
- 10.5.2 In case of wire transfer/Electronic Funds Transfer transaction, the records of electronic payments and messages must be treated in the same way as other records in support of entries in the account.
- 10.5.3 Branches should ensure that records pertaining to the identification of the customers and their address (e.g. copies of documents like aadhaar, passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended.
- 10.5.4 Branches should maintain for at least five years from the date of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the nature of transactions, date on which the transaction was conducted, parties to the transaction, the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
- 10.5.5 The term “cessation” would broadly mean the closure of the account. However, there may be certain exceptions to this e.g.
- 10.5.5.1 If the matter related to a suspicious transaction is pending in a Court, the relevant records should be retained for 10 years from the date of final verdict of the Court.
- 10.5.5.2 In specific cases, where RBI/FIU-IND or any other regulatory body requests for the retention of the records for a period more than 10 years, branches should be guided by such requests.
- 10.5.6 The records pertaining to transaction and identification as mentioned above should be made available to the competent authorities upon request.

## **10.6. COMPLIANCE OFFICER/MONEY LAUNDERING REPORTING OFFICER (MLRO)**

- 10.6.1 The Regional offices should designate Assistant Regional Manager, to act as Compliance Officer. The branches will report the suspicious transactions to the Compliance Officer immediately, who will investigate the suspicious transactions and report the same to the Principal Officer.





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10.6.2 COMPLIANCE OFFICER will initiate follow up action on unusual or suspicious activity and co-ordinate with branch functionaries in deciding on the desirability of continuing the account with increased caution and monitoring or to close the account.

10.6.3 The COMPLIANCE OFFICER will analyze the suspicious activities reported and track patterns, which should be brought to the notice of the operating staff. This will enable the staff to remain vigilant against similar transactions.

10.6.4 Regional Offices will designate ARM as Money Laundering Reporting Officer (MLRO) for scrutiny of STR alerts in case the STR alerts are decentralized for scrutiny at Regional Office level. The MLRO will submit the report of scrutinized alerts to Head Office.

## 10.7 Hiring of Employees:

Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place to ensure high standards when hiring employees. The Bank shall identify the Key positions within the organization structure having regard to the risk of money laundering and terrorism financing and the size of the business and ensure that the employees taking up such key positions are suitable and competent to perform their duties.

## 10.8 Employee training:

On-going employee training programme are put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training is different for frontline staff, compliance staff, risk management staff, staff working in capital market related services, Depository participants services, Audit staff and staff dealing with new customers. The front desk staffs are trained to handle issues arising from lack of customer education. Staff training colleges / centers are ensuring compliance in the matter. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies, regulation and related issues also ensures its proper implementation.

## 10.9 Customer Education:

Implementation of AML/CFT measures requires Banks to demand certain information from customers which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns etc., this can sometimes lead to raising of questions by the customers with regard to the motive and purpose of collecting such information. There is, therefore, a need for Banks to sensitize their customers about these requirements as the ones emanating from AML and CFT frame work. Banks shall prepare specific literature/ pamphlets etc. so as to educate the customer\|s of the objectives of AML/ CFT procedures.

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ANNEXURE- I:

## Digital KYC Process

- A. The application for digital KYC process which shall be made available at customer touch points for undertaking KYC of the customers and the KYC process shall be undertaken only through this authenticated application of the Bank.
- B. The access of the Application shall be controlled and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by to its authorized officials. C. The customer, for the purpose of KYC, shall visit the location of the authorized official of the branch or vice-versa. The original OVD shall be in possession of the customer.
- C. It must be ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application shall put a watermark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by Bank) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- D. The Application shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- E. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- F. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- G. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.
- H. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall



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be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer shall not be used for customer signature. There must be a check put in place that the mobile number used in customer signature shall not be the mobile number of the authorized officer.

- I. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the Bank. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- J. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the branch, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- K. The authorized officer of the shall check and verify that:-
  1. information available in the picture of document is matching with the information entered by authorized officer in CAF.
  2. live photograph of the customer matches with the photo available in the document.; and
  3. all of the necessary details in CAF including mandatory field are filled properly.;
- L. On Successful verification, the CAF shall be digitally signed by authorized officer of the who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.
- M. Banks may use the services of Business Correspondent (BC) for this process. (Applicable when implement in our Bank)

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# Uttar Bihar Gramin Bank

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## ANNEXURE- II

### KNOW YOUR CUSTOMER (KYC) GUIDELINES ANTI-MONEY LAUNDERING (AML) STANDARDS

KNOW YOUR CUSTOMER (KYC)			
Sr. No.	DO's	Sr. No.	DON'Ts
1	Before opening any new account, it is ensured that the prospective account opener's identity does not match with any person with known criminal background, and his name does not appear in the list of terrorist individuals/ organizations banned by UN Security Council Sanction Committee as circulated by RBI.	1	Do not open account in anonymous or fictitious / benami name(s).
2	All the copies of supporting documents given by the customer must be verified with original documents.	2	<b>Do not open account where branch is unable to apply appropriate Customer Due Diligence (CDD) measures either due to non-cooperation of the customer or non – reliability of the documents / information furnished by the customer.</b>
3	<b>Circumstances in which a customer is permitted to act on behalf of another person / entity is clearly spelt out.</b>	3	Do not accept new customer for banking relationship without application of CDD measures such as location of business activity / profession, purpose of the account, social and financial status source of funds etc.
4	<b>Where PAN is obtained, the same shall be verified from the verification facility of the issuing authority.</b>	4	Do not open any account without PAN or <b>the equivalent e-document thereof</b> or Form 60, a photograph <b>and such other documents including in respect of financial status of the customer, or the equivalent e-documents thereof as may be required</b> along with  <b>Proof of Identity and Address.</b> <b>Individuals –aadhaar</b> or an officially valid document or <b>the equivalent e-document thereof containing the details of his identity and address</b> from the following: Passport, Driving License, Voter ID, Job Card issued by NREGA duly signed by officer of State Govt., Letter issued by the National Population Register or any document as notified by the Central Government in consultation with the regulator. <b>Sole Proprietary Firm: Do not open account without CCD procedure of the proprietor</b> along with any two documents <b>or the equivalent e-document thereof</b> as a proof of business / activity in the name of the proprietary firm-Registration certificate, Certificate/license issued by the municipal authorities under Shop and Establishment Act, Sales and income tax returns, CST/VAT/ GST certificate (provisional / final) , Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, 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, 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 or Utility bills such as electricity, water, landline telephone bills, etc. <b>Partnership Firm –</b> Registration certificate, Partnership Deed, Permanent account number of the Partnership firm and



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			<p>documents specified for CDD procedure for individuals and includes obtaining aadhaar or any officially valid document or the equivalent e-document there of containing the details of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or the equivalent e-document thereof or Form 60 relating to the beneficial owner, managers, officers or employees holding an attorney to transact on its behalf.</p> <p><b>Companies</b> – Certificate of Incorporation, Memorandum and Articles of Association, Permanent account number of the company, Resolution of Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf along with documents specified for CDD procedure for individuals relating to the beneficial owner, for proof of identity and proof of address of managers, officers or employees holding an attorney to transact on its behalf.</p> <p><b>Trusts &amp; Foundations</b>-Registration certificate, Trust Deed, Permanent account number of Form 60 of the trust along with documents specified for CDD procedure for individuals relating to the beneficial owner for proof of identity and proof of address of the person holding a power of attorney to transact on its behalf.</p> <p><b>Unincorporated Association or Body of Individuals</b>-Resolution of the managing body of such association or body of individuals, Permanent account number or Form 60 of the Unincorporated Association or Body of Individuals, Power of attorney granted to transact on its behalf along with documents specified for CDD procedure for individuals relating to the beneficial owner for proof of identity and proof of address of the person holding an attorney to transact on its behalf and any such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.</p> <p><b>Juridical Persons:</b> Government or its department, Societies, Universities and Local bodies like Village Panchayats - Documents showing name of person authorized to act on behalf of the entity; along with documents specified for CDD procedure for individuals relating to the beneficial owner for proof of identity and address in respect of the person holding an attorney to transact on its behalf and Such documents as may be required by the branch to establish the legal existence of such an entity / juridical person.</p>
5	All transactions of suspicious nature, should be monitored	5	Do not open an account without : Proof of either current or permanent address And the officially valid documents for proof of address and proof of identity.
6	High risk accounts are subject to intensive monitoring and special attention is paid to all complex, usually large transactions which have no economical / lawful purpose.	6	In the case of 'Small Accounts', if the balance (in all the accounts taken together) exceeds Rs. 50,000/- or total credits (in all the accounts taken together) exceeds Rs. One lac in a year, or aggregate of all withdrawals and transfers in a month exceeds Rs. Ten thousand then do not permit further transactions in the account until full KYC procedure is completed.
7	Based on the risk perception, every new customer should be categorized into	7	Banking services should not be denied to general public, especially, to those who are financially or socially



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	low, medium or high risk for monitoring purpose. Risk profiles of customers should be reviewed, once in every six months.		disadvantaged.
8	Periodical updation of KYC information of every customer (including photographs) should be done every Two years for High Risk customers, every Eight years for Medium Risk customers and every Ten years for Low Risk customers.	8	In the accounts where a Suspicious Transaction Report (STR) has been made no restriction are put on the operations and it is ensured that there is no tipping off to the customers.
9	Ensure that all the transactions where any forgery of a valuable security or a document has taken place facilitating the transactions are reported to Regional Office within 3 days for submission by H.O. to Financial Intelligence Unit – India (FIU-IND), New Delhi.	9	Do not open new NRI accounts without a. Passport for verification with a copy. b. Work permit / permanent residency / Green Card etc. indicating the NRIs residential status abroad for verification with copy. c. NRI Declaration.
10	Demand Draft/Pay Order/mail transfer for Rs. 50,000/- and above is issued only by debit to customers account or against cheque and not against cash		
11	In case of all domestic inward remittances of Rs. 50,000/- and above and all foreign inward remittance of any amount, beneficiary account is credited only when complete originator information i.e. name, address and account number is available or after receipt of the originator information.		
12	Proper record of all transactions reported to HO in CCR and STR formats are maintained/ preserved for a period of at least 5 years from the date of cessation of each such transaction.		
13	<b>CDD Procedure is to be followed for all the joint account holders, while opening a joint account.</b>		
14	<b>Where an equivalent e-document is obtained from the customer, branches shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).</b>		



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ANNEXURE- III

For the benefit of all the offices, we are giving hereunder sample of GROUNDS OF SUSPICION reported in STRs

No.	Suspicion	Summary of detection and review
1	False Identity	Identification documents were found to be forged during customer verification process. The account holder was not traceable.
2	Wrong Address	Welcome kit was received back as the person was not staying at the given address or address details given by the account holder were found to be false. The account holder was not traceable.
3	Doubt over the real beneficiary of the account	The customer not aware of transactions in the account. Transactions were inconsistent with customer's profile.
4	Account of persons under investigation	The customer was reported in media for being under investigation.
5	Account of wanted criminal	Name of the account holder and additional criteria (Date of birth/Father's name/Nationality) were same as a person on the watch list of UN, Interpol etc.
6	Account used for cyber crime	Complaints of cyber crime were received against a customer. No valid explanation for the transactions by account holder.
7	Account used for lottery fraud	Complaints were received against a bank account used for receiving money from the victims. Deposits at multiple locations followed by immediate cash withdrawals using ATMs. No valid explanation provided by the account holder.
8	Doubtful activity of a customer from high risk country	Cash deposited in a bank account at different cities on the same day. The account holder, a citizen of a high risk country with known cases of drug trafficking.
9	Doubtful investment in IPO.	Large number of accounts involving common introducer or authorised signatory. Accounts used for multiple investments in IPOs of various companies.
10	Unexplained transfers between multiple accounts.	Large number of related accounts with substantial inter-account transactions without any economic rationale.
11	Unexplained activity in dormant accounts	Sudden spurt in activity of dormant account. The customer could not provide satisfactory explanation for the transactions.
12	Unexplained activity in account inconsistent with the declared business	Transactions in account inconsistent with what would be expected from declared business. The customer could not provide satisfactory explanation.
13	Unexplained large value transactions inconsistent with client's apparent financial standing	Large value transactions in an account which usually has small value transactions. No valid explanation provided by the account holder.
14	Doubtful source of payment for credit card purchases	Credit card topped up by substantial cash first and then used for incurring expenses. Cumulative payment during the year was beyond known source of income.
15	Suspicious use of ATM	Frequent cash deposits in the account followed by ATM



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No.	Suspicion	Summary of detection and review
	card.	withdrawals at different locations. No valid explanation.
16	Doubtful use of safe deposit locker	Safe deposit locker operated frequently which is inconsistent with the financial status of client.
17	Doubtful source of cash deposited in bank account	Frequent cash transactions of value just under the reporting threshold. Cash transactions split across accounts to avoid reporting. No valid explanation provided.
18	Suspicious cash withdrawals from Bank account.	Large value cheques deposited followed by immediate cash withdrawals.
19	Doubtful source of foreign inward transfers in bank account	Deposit of series of demand drafts purchased from Exchange House abroad. Sudden deposits in dormant account immediately followed by withdrawals.
20	Doubtful remitter of foreign remittances	Name and other details of the remitter matches with a person on watch list.
21	Doubtful beneficiary of foreign remittances	Name and other details of the beneficiary matches with a person on watch list.
22	Doubtful utilizations of foreign remittances	Foreign remittance being withdrawn in cash immediately. No valid explanation.
23	Misappropriation of funds	Reports of misappropriation of funds. Substantial cash withdrawals in account of a charitable organization.





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Annexure-IV

File No.14014/01/2019/CFT  
Government of India  
Ministry of Home Affairs  
CTCR Division

New Delhi, dated 14 March 2019

ORDER

**Subject: - Procedure for implementation of Section 51A of the Unlawful (Prevention) Act, 1967.**

The Unlawful Activities (Prevention) Act, 1967 (UAPA) was amended and notified on 31.12.2008, which, inter-alia, inserted Section 51A to the Act. Section 51 A, reads as under:-

"51A. For the prevention of, and for coping with terrorist activities, the Central Government shall have power to —

(a) freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism; (b) prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism: (c) prevent the entry into or the transit through India of individuals Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism". The Unlawful Activities (Prevention) Act, 1967 defines "Order" as under:-

"Order" means the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as may be amended from time to time. In order to expeditiously and effectively implement the provisions of Section 51A, a procedure was outlined vide this Ministry Order No. 17015/10/2002-IS-VI dated 27.08.2009. After the reorganization of the Divisions in Ministry of Home Affairs, the administration of Unlawful Activities (Prevention) Act, 1967 and the work relating to countering of terror financing has been allocated to the CTCR Division. The order dated 27.8.2009 is accordingly modified as under:

Appointment and communication of details of UAPA Nodal Officers

2. As regards appointment and communication of details of UAPA Nodal Officers-

(i) The UAPA Nodal Officer for CTCR Division would be the Joint Secretary (CTCR), Ministry of Home Affairs. His contact details are 011-23092736 (Tel), 011-23092569 (Fax) and jsctcr-mha@gov.in (e-mail id).



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(ii) The Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, FIU-IND; and RBI, SEBI, IRDA (hereinafter referred to as Regulators) shall appoint a UAPA Nodal Officer and communicate the name and contact details to the CTCR Division in MHA.

(iii) The States and UTs should appoint a UAPA Nodal Officer preferably of the rank of the Principal Secretary/Secretary, Home Department and communicate the name and contact details to the CTCR Division in MHA.

(iv) The CTCR Division in MHA would maintain the consolidated list of all UAPA Nodal Officers and forward the list to all other UAPA Nodal Officers.

(v) The RBI, SEBI, IRDA should forward the consolidated list of UAPA Nodal Officers to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.

(vi) The consolidated list of the UAPA Nodal Officers should be circulated by the Nodal Officer of CTCR Division of MHA in July every year and on every change. Joint Secretary (CTCR) being the Nodal Officer of CTCR Division of MHA, shall cause the amended list of UAPA Nodal Officers to be circulated to the Nodal Officers of Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, RBI, SEBI, IRDA and FIU-IND.

## Communication of the list of designated individuals/entities

3. As regards communication of the list of designated individuals/entities-

(i) The Ministry of External Affairs shall update the list of individuals and entities subject to UN sanction measures on a regular basis. On any revision, the Ministry of External Affairs would electronically forward this list to the Nodal Officers in Regulators, FIU-IND, CTCR Division and Foreigners Division in MHA,

(ii) The Regulators would forward the list mentioned in (i) above (referred to as designated lists) to the banks, stock exchanges/ depositories, intermediaries regulated by SEBI and insurance companies respectively.

(iii) The CTCR Division of MHA would forward the designated lists to the UAPA Nodal Officer of all States and UTs.

(iv) The Foreigners Division of MHA would forward the designated lists to the immigration authorities and security agencies.

Regarding funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc.

4. As regards funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., the Regulators would forward the designated lists to the



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banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively. The RBI, SEBI and IRDA would issue necessary guidelines to banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies requiring them to-

(i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., with them.

(ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such customer on their books to the **Joint. Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone or 011-23092736. The particulars apart from being sent by post, should necessarily be conveyed on e-mail id: jsctcr-mha@gov.in.**

(iii) The banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall also send a copy of the communication mentioned in (ii) above to the UAPA Nodal Officer of the State/UT where the account is held and Regulators and FIU-IND, as the case maybe.

(iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies would prevent designated persons from conducting financial transactions, under intimation to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.01123092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: jsctcr-mha@gov.in.

(v) The banks, stock exchanges /depositories, intermediaries regulated by SEBI and insurance companies, shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted as per the prescribed format.

5. On receipt of the particulars referred to in paragraph 4(ii) above, CTCR Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals / entities identified by the banks, stock exchanges/depositories, intermediaries regulated by SEBI and Insurance Companies are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies are held by the designated individuals/entities This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.



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6. In case, the results of the verification indicate that the properties are owned by or are held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 51A of the UAPA would be issued by the UAPA Nodal Officer of CTCR Division of MHA and conveyed electronically/to the concerned bank branch, depository, branch of insurance company branch under intimation to respective Regulators and FIU-IND. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy thereof to ail the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating action under the provisions of the Unlawful Activities (Prevention) Act, 1967.

The order shall be issued without prior notice to the designated individual/entity.

Regarding financial assets or economic resources of the nature of immovable properties

7. CTCR Division of MHA would electronically forward the designated lists to the UAPA Nodal Officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable Properties in their respective jurisdiction.

8. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property and if any match with the designated individuals/entities is found. The UAPA Nodal Officer of the State/UT would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources of the nature of immovable property to Joint Secretary (CTCR), Ministry of Home Affairs, immediately within 24 hours at Fax No.011- 23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id jsctcrmha@gov.in.

9. The UAPA Nodal Officer of the State/UT may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent by the Registrar performing the work of registering immovable properties are indeed of these designated individuals/entities. This verification would be completed within a maximum of 5 working days and should be conveyed within 24 hours of the verification, if it matches with the particulars of the designated individual/entity to Joint Secretary (CTCR), Ministry of Home Affairs at the Fax, telephone numbers and also on the e-mail id given below.

10. A copy of this reference should be sent to Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also conveyed over telephone on 01123092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id: jsctcr-mha@gov.in. MHA may also have the verification conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.



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11. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under section 51A of the UAPA would be issued, by the UAPA Nodal Officer of CTCR Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA Nodal Officer of the State/UT.

The order shall be issued without prior notice to the designated individual/entity.

12. Further, the UAPA Nodal Officer of the State/UT shall cause to monitor the transactions/ accounts of the designated individual/entity so as to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of the State / UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State / UT for also initiating action under the provisions of Unlawful Activities (Prevention)Act 1967.

Implementation of requests received from foreign countries under U.N.Security Council Resolution 1373 of 2001.

13. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons: and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally, to ensure that effective cooperation is developed among countries, countries should examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.

14. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA Nodal Officer for CTCR Division for freezing of funds or other assets.

15. The UAPA Nodal Officer of CTCR Division of MHA, shall cause the request to be examined, within 5 working days, so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the Nodal Officers in Regulators, FIU-IND and to the Nodal Officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/entities.



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16. Upon receipt of the requests by these Nodal Officers from the UAPA nodal officer of CTCR Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

The freezing orders shall be issued without prior notice to the designated persons involved.

Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

17. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence. in writing, to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT Nodal Officers.

18. The banks, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/ UT Nodal Officers shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the Nodal Officer of CTCR Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days.

19. The Joint Secretary (CTCR), MHA being the UAPA Nodal Officer for CTCR Division of MHA shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, he shall Pass an order, within 15 working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance company and the Nodal Officers of States/UTs. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the UAPA Nodal Officer of CTCR Division shall inform the applicant.

## **Communication of Orders under section 51A of Unlawful Activities (Prevention) Act, 1967.**

20. All Orders under section 51A of Unlawful Activities (Prevention) Act, 1967 relating to funds, financial assets or economic resources or related services, would be communicated to all the banks, depositories/stock exchanges, intermediaries regulated by SEBI, insurance companies through respective Regulators, and to all Registrars performing the work of registering immovable properties, through the State/UT Nodal Officer by CTCR Division of MHA.

Regarding prevention of entry into or transit through India

21. As regards prevention of entry into or transit through India of the designated individuals. The Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry into or the transit through India. The order shall take place without prior notice to the designated individuals/entities.



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22. The immigration authorities shall ensure strict compliance of the Orders and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the Foreigners' Division of MHA.

Procedure for communication of compliance of action taken under section 51A

23. The Nodal Officers of CTCR Division and Foreigners Division of MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs for onward communication to the United Nations.

24 As per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any Banks is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL: <https://www.un.org/securitycouncil/ombudsperson/application>

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Annexure-V

## FREQUENTLY ASKED QUESTIONS (FAQs)

Q 1. What is KYC?

Response: KYC is an acronym for —Know your Customer, a term used for Customer identification process. It is a process by which banks obtain information about the identity and address of the customers 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.

It involves making reasonable efforts to determine, the true identity and beneficial ownership of accounts, source of funds, financial status & nature of customer's business, reasonableness of operations in the account in relation to the customer's overall profile, etc. which in turn helps the banks to manage their risks prudently.

Q 2. What is the objective of KYC?

Response: The objective of the KYC guidelines is to prevent Bank from being used, intentionally or unintentionally, by criminal elements for Money Laundering or Terrorist Financing activities.

KYC procedures also enable the Bank to know/understand their customers and their financial dealings better, which in turn helps it to manage the associated risks prudently and enable the Bank to comply with all the legal and regulatory obligations in respect of KYC norms / AML standards / CFT measures / Bank's Obligation under PMLA, 2002 and to cooperate with various government bodies dealing with related issues.

Q 3. What is Money Laundering and Terrorist financing?

Response: Money laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs /arms trafficking, terrorism and extortion. Terrorist financing means financial support to, in any form of terrorism or to those who encourage, plan or engage in terrorism. Money launderers send illicit funds through legal channels in order to conceal their criminal origin while those who finance terrorism transfer funds that may be legal or illicit in original in such a way as to conceal their source and ultimate use, which is to support Terrorist financing.

Money laundering has become a pertinent problem worldwide threatening the stability of various regions by actively supporting and strengthening terrorist networks and criminal organizations. The links between money laundering, organized crime, drug trafficking and terrorism pose a risk to financial institutions globally. Government of India has promulgated Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, and RBI Master Direction on KYC, enforces legal/statutory/regulatory obligations on both bank and customers to provide KYC information/documents.

Q 4. Whether KYC is mandatory?

Response: Yes. It's a regulatory and legal requirement. □ Regulatory: - In terms of the guidelines issued by the Reserve Bank of India (RBI) on 29 November, 2004 on Know Your Customer (KYC)





# Uttar Bihar Gramin Bank

Head Office: Kalambagh Chowk, Muzaffarpur ( Bihar )

Standards - Anti Money Laundering (AML) measures, all banks are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures. □ Legal:- The Prevention of Money Laundering Act, 2002 (PMLA) which came into force from 1st July, 2005 (after —rules under the Act were formulated and published in the Official Gazette) also requires Banks, Financial Institutions and Intermediaries to ensure that they follow certain minimum standard of KYC and AML as laid down in the ACT and the —rules framed there under.

Q 5. Is KYC information obtained from customer kept confidential?

Response: Yes, the customer profile/information collected by the Bank at the time, of account opening or otherwise, are kept confidential and are not disclosed to any person, except when required under the provisions of applicable laws and regulations or where there is a duty to the public to disclose or the interest of bank requires disclosure.

Q 6. What are the documents to be obtained from customers as 'proof of identity' and 'proof of address'?

Response: The Government of India has notified six documents or its equivalent e-documents as 'Officially Valid Documents (OVDs)' for the purpose of producing proof of identity of individual customers. These six documents are the passport, the driving license, proof 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.

You need to submit any one of these documents as proof of identity. If these documents also contain your current address details, then it would be accepted as 'proof of address'. Provided that if customer is desirous of receiving any benefit or subsidy under any scheme notified under Aadhaar Act, 2016, customer shall be required to undertake Aadhaar authentication using e-KYC facility of UIDAI.

KYC documents to be obtained from non-individual customers have been specified in the KYC policy.

Q 7. If customer do not have any of the OVDs listed above with current updated address, can customer provide other OVD?

Response: Yes, customer can provide the following documents or the equivalent e-documents for the limited purpose of proof of address, with an undertaking along with AOF/OVDs stating that he/she shall submit his OVD with updated current address within 3 months failing which operations in his/her account shall be restricted.

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- 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.



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However, if customer undertakes Aadhaar authentication using e-KYC facility of UIDAI and wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect.

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Q 8. Are there any additional documents to be obtained from customer apart from 'proof of identity' and 'proof of address'?

Response: Yes, atleast one document in support of the declared Profession / activity, nature of business, financial status, annual income/ turnover (in case of business) has to be obtained from individual customers; such as Salary Slip, Registration certificate, Certificate / licence issued by the municipal authorities under Shop and Establishment Act, Sales and income tax returns, CST / VAT / GST certificates, Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence / certificate of practice issued by any professional body incorporated under a statute, Complete Income Tax Returns (Not just the acknowledgement) etc.

Q 9. What if the customer doesn't have any document in support of nature of business, financial status, annual income?

Response: Customers who don't have any business / financial activity or don't have any proof in this regard such as housewife, student, minor, labour working in un-organized sector, farmers etc may submit self-declaration to this effect.

Q 10. If customer does not have any of the documents listed above to show his/her 'proof of identity', can he/she still open a bank account?

Response: Yes, customer can still open a bank account known as 'Small Account', which entails certain limitations, by submitting his/her recent photograph and putting signature or thumb impression in the presence of a bank official.

Q 11. Is there any difference between such 'small accounts' and other accounts?

Response: Yes. The 'Small Accounts' have certain limitations such as: (i) balance in such accounts at any point of time should not exceed Rs. 50,000 (ii) total credits in one financial year should not exceed Rs. 1,00,000 (iii) total withdrawal and transfers should not exceed Rs. 10,000 in a month. (iv) Foreign remittances cannot be credited to such accounts. Such accounts remain operational initially for a period of twelve months and thereafter, for a further period of twelve months, if the holder of such an account provides evidence to the bank of having applied for any of the officially valid documents within twelve months of the opening of such account. The bank will review such account after twenty four months to see if it requires such relaxation.

Q 12. If customer refuses to provide requested documents for KYC to the bank for opening an account, what may be the result?

Response: If customer does not provide the required documents for KYC, the bank shall not open the account.



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Q 13. Can a customer open bank account with only an Aadhaar card?

Response: As per RBI directions, Aadhaar card is now accepted as a proof of both, identity and address. However, PAN/Form 60 along with one document or the equivalent e-document thereof in support of the declared Profession / activity, nature of business or financial status is also required.

Q 14. Is Aadhaar mandatory for opening of an account?

Response: No, Aadhaar is not mandatory for opening of an account. As per RBI directions, only 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) is mandatorily required to provide Aadhaar and is required to undertake Aadhaar authentication using e-KYC facility of UIDAI.

Q 15. What is e-KYC? How does e-KYC work?

Response: e-KYC refers to electronic KYC. e-KYC is possible only for those who have Aadhaar number or proof of possession of Aadhaar. While using e-KYC service, customer has to authorise the Unique Identification Authority of India (UIDAI), by explicit consent, to release his/her identity/address through biometric authentication to the bank branches/business correspondent (BC). The UIDAI then transfers his/her data comprising name, age, gender, and photograph of the individual, electronically to the bank/BC. Information thus provided through e-KYC process is permitted to be treated as an 'Officially Valid Document' under PML Rules and is a valid process for KYC verification.

Q 16. Is introduction necessary while opening a bank account?

Response: No, introduction is not required.

Q 17. Can a customer transfer his existing bank account from one branch to another?

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

Q 18. Is a customer required to furnish KYC documents for each account he/she opens in the Bank?

Response: As per RBI guidelines, an individual customer can maintain only a single Unique Customer ID Code (UCIC)/Customer-ID in a Bank and all the accounts of the customer have to be opened/linked under this Customer-ID. Therefore, if a customer has opened an account with the Bank, which is KYC compliant, then for opening another account, furnishing of documents is not necessary.

Q 19. Customer's KYC was completed when he/she opened the account. Why does Bank ask for doing KYC again?

Response: In terms of RBI guidelines, Bank is required to periodically update KYC records. This is a part of ongoing due diligence on bank accounts. The periodicity of such updation varies from account to account or categories of accounts depending on the Bank's perception of risk. Further, the Bank may insist for KYC updation, whenever there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.



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Q 20. What are the rules regarding periodical updation of KYC?

Response: Different periodicities have been prescribed for updation of KYC records depending on the risk perception of the bank. Periodic updation of KYC is to 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. Branch has to review the documents sought at the time of opening of account and obtain fresh certified copies from customer. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect may be obtained.

Provided Branch has to ensure that KYC documents, as per extant requirements of the Master Direction, are available with the Bank.

Q 21. What if the customer does not provide KYC documents at the time of periodic updation?

Response: If customer does not provide his/her KYC documents at the time of periodic updation, Bank shall temporarily cease operations in the account. The account holders shall have the option to revive their accounts by submitting the KYC documents.

Q 22. Do the customer need to submit KYC documents to the bank while purchasing third party products (like insurance or mutual fund products) from banks?

Response: Yes, all customers who do not have accounts with the Bank (known as walk-in customers) have to produce proof of identity and address while purchasing third party products from Bank if the transaction is for Rs. 50,000 and above. KYC exercise may not be necessary for bank's own customers for purchasing third party products. However, instructions to make payment by debit to customers' accounts or against cheques for remittance of funds/issue of travellers' cheques, sale of gold/silver/platinum and the requirement of quoting PAN number for transactions of Rs. 50,000 and above would be applicable to purchase of third party products from Bank by Bank's customers as also to walk-in customers.

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