

Objective of KYC/AML/CFT :

To prevent Bank from being used intentionally or unintentionally , **by criminal elements for money laundering or terrorist financing activities** & to ensure the integrity & stability of the financial system by way of various rules & regulations

KYC POLICY GUIDELINES GIVEN UNDER : **SECTION 35 A OF BR ACT**

Who is authorized to act as and perform the functions of CKYCR : **CERSAI**

CERSAI FULL FORM :

CENTRAL REGISTRTRY OF SECURATISATION ASSET RECONSTURTION AND SECURITY INTEREST OF INDIA

FATF : Financial Action Task Force (**1989** Established)

INTER GOVERNMENTAL AGENCY FIGHTING AGAINST COMBATING ANTI MONEY LAUNDERNG AND TERRORIST FINANCING AGAINST GLOBAL FINANCIAL SYSTEM.

FATCA : **Foreign Account Tax Compliance Act** of the **United States of America**

Shell Bank :Bank that has no physical presence in the country

IGA : Inter Governmental Agreement

FCRA : Foreign Contribution Regulation Act, 2010-Permission-Secretary, Ministry of Home Affairs

Money Laundering:

As per sec 3 of PMLA

Money Laundering is

An offence committed by any one

who acquires, owns, possess or

transfers any proceeds of crime or

knowingly enters into a transaction which is related to proceeds of crime

either directly or indirectly or

aids in the concealment of the proceeds or gains of crime

within India or outside India

commits the offence of money.

FATF – established in 1989

Inter governmental body

Ministers of member jurisdictions

Sets standards and promotes effective implementation of

Legal, regulatory and operational measures for

Combating money laundering, terrorist financing and other related threats

To the integrity of the international financial system.

India being a member of FATF , is committed to upholding measures to protect the integrity of international financial system.

PMLA 2002 & PMLA Rules 2005 – legal frame work of AML & CFT.

Designated Director : A person designated by the Bank , financial institution etc., to ensure overall compliance with the obligations imposed under chapter iv of the PML act and Rules.

A person or individual who controls and manages the affairs of the reporting entity.

Principle Officer.

He shall be responsible for ensuring compliance , monitoring transactions, and sharing and reporting information as required by the law / regulations.

Customer:

For the purpose of KYC Norms, a 'Customer' is a person who is engaged in a financial transaction or activity with the Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Person

In terms of PML Act a 'person' includes

1. an individual
2. a HUF
3. a company
4. a firm
5. an association of persons

Transaction

It means a purchase, sale, loan, pledge, gift, transfer, delivery, or the arrangement thereof.

Customer due diligence :

Means identifying and verifying the customer and beneficial owner using reliable and independent sources of identification.

Know Your Client (KYC) Identifier:

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

In terms of PML rules , CKYCR means an entity to receive, store, safeguard and retrieve the kyc records in digital form of a customer.

KYC data of individual accounts is to be uploaded to Central KYC Registry (CKYCR) within T+5 days from the date of establishing account based relationship.

Cim50 – 24 hours

Once KYC Identifier is generated by CKYCR, it is to be ensured that the same is communicated to the individual/legal entity as the case may be.

Beneficial Owner : the person to whom the money belongs to.

Juridical owner : he is also known as a legal owner of juristic person., is an entity recognized by law as having the capacity to hold rights and obligations similar to a natural person.

BENEFICIAL OWNERSHIP (controlling ownership)

Controlling ownership interest:

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 a controlling ownership interest or who exercises control through other means.

COMPANY : MORE THAN 10 %-share in Capital/Profit/Shares

TRUST : Beneficiaries with 10 % or More Interest

PARTNERSHIP/ASSOCIATION/SOCIETY : 10 % Capital/Profit

Unincorporated Association or Body of Individuals : 15 %

SHG/JLG : Office Bearers of SHGs/JLGs

Digital KYC – means capturing the live photo of the customer and ovd where offline transaction cannot be carried out. To be taken along with the latitude or longitude of the location where such live photo is being taken by an authorized official of the branch.

Video based customer identification process:

Verification of cdd, identification of the customer through video calls and to ascertain veracity of the information provided by the customer.

e-kyc:

electronic document of the document issued by the issuing authority. (e-aadhar).

After generating ckycr :

Under eKYC, the customer need not bring any document for opening of an account. He/she has to inform his/her Aadhaar number only. He/she has to fill up the Account opening Form and give a consent letter to undergo KYC process and provide his/her fingerprint on the biometric reader.

UCIC :

A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual Customers as also the existing Customers. The Banks shall, at their option, not issue UCIC to all walkin/ occasional customers provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

OVDs

- (1) Passport
- (2) Driving License
- (3) Proof of possession of Aadhaar number*
- (4) Voter Identity Card issued by Election Commission of India
- (5) Job card issued by NREGA duly signed by an officer of the State Government
- (6) Letter issued by the National Population Register containing details of name and address

Other than OVDs

1. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
2. Property or Municipal tax receipt;
3. Pension or family pension payment orders (PPOs) issued to retired employees by Government Department or Public Sector Undertakings, if they contain the address;
4. 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.

Partial freezing of accounts.

The four key elements / Pillars of KYC :

1. Customer Acceptance Policy

Banks are required to verify the identity and address of the customer before opening the account of the customer.

a) No account should be opened in anonymous or fictitious or Benami Names.

b) No new account should be opened and old account should be closed since bank is unable to verify the identity/ obtain documents of the customer.

c) transactions to be permitted after compliance of cdd procedure.

CUSTOMER due diligence is required which includes customer's identity, social/ financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/ services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, etc. besides proper identification.

2. Customer Identification Policy

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

(aadhar with uidai, pan with nsdl etc.,)

Customer identification means undertaking the process of CDD (Customer Due Diligence i.e. Identifying and verifying the customer and the beneficial owner).

3. Monitoring of Transactions

Monitoring of high value transactions , wire transfers (swift, rtgs,neft) etc.,

4. Risk Categorisation.

Risk Perception in respect of Customer:

"Customer Risk" refers to the money laundering and terrorist funding risk associated with a particular customer from a Bank's perspective. This risk is based on risk perceptions associated with customer profile and level of risk associated with the product & channels used by the customer.

Customers are categorized into 3 types of risks based on their profile.

Low - individuals , pensioners, salaried class

Medium : professionals like doctors, lawyers, blind, pardanishin women, small retail shops

High : NRI, HNI, PEP, Trust

High networth individuals:

Total deposits of Rs.100 lakhs (sb+Ca+Td)

Total credit exposure of Rs.100 lakhs

PEPs : Politically exposed persons.

Periodic updation (re-kyc)

Low Risk – 10 years

Medium Risk – 8 years

High Risk – 2 years

Re-KYC updation can also be done in non-home branches. Re-KYC is mandatory for all customers irrespective of availability of CKYC.

BI Report 331169 - To know the pendency of customers due for Re-KYC

Risk rating of Customers:

Risk rating based on the Deposits/account balance:

All Deposit Accounts (SB+CA+TD)

Rs 100 Lakhs and Above – High risk

Rs 25 lakhs & Above but Less than Rs 100Lakhs – Medium Risk

Less than Rs 25 Lakhs – Low Risk

Risk rating has been assigned taking into account the following parameters available in CBS system:

1. Customer type.
2. Customer profession.
3. Type of business.
4. Product code.
5. Account status
6. Account vintage.
7. Average balance in deposits in SB/Current/Term Deposit accounts.

Introduction of accounts: After passing of PML Act and introduction of document based verification of identity/address of the proposed account holders, the accounts opened with proper documents are considered as acting in good faith and without negligence by the banks. Branches shall not insist on introduction for opening of bank accounts.

Married women :

1. Marriage Certificate
2. Gazette Notification
3. OVD

Small Accounts : (127)

A 'Small Account' means a savings account which is opened in terms of sub-rule (5) of rule 9 of the PML Rules, 2005. It has been observed that a large number of persons, especially, those belonging to low income group both in urban and rural areas are not able to produce OVDs to satisfy the Bank about their identity and address.

if a person who wants to open an account and is not able to produce any of the OVDs or the documents applicable in respect of simplified procedure, Bank shall open a "small account".

The small accounts can be opened under "Canara Small Savings Bank Deposit Account".

The "Canara Small Savings Bank Deposit" account can be opened by production of a self-attested photograph and affixation of signature or thumb impression, as the case may be, on the Account Opening form. The designated Bank Official, while opening the small account, should certify under his signature that the person opening the account has affixed his signature or thumb impression as the case may be, in his presence. The features of the above account and restrictions stipulated by RBI/Govt. of India are as follows:

1. Accounts where aggregate of all credits in a financial year does not exceed Rs.1.00 lakh;
 2. The aggregate of all withdrawals and transfers in a month does not exceed Rs.10,000/- and
 3. Where the balance at any point of time does not exceed Rs.50, 000/-.
- The above limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurement.

Basic Savings Bank Deposit Accounts (108)

As per RBI guidelines, the Basic Savings Bank Deposit Account should be considered a normal banking service available to all.

Accounts of non-face-to-face customers (Other than Aadhaar OTP based onboarding):

“Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of the Bank or meeting the officials of Banks’.

Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding (Other than Aadhaar OTP based onboarding):

Non-face-to-face onboarding facilitates the Bank to establish relationship with the customer without

meeting the customer physically or through V-CIP. Such non-face-to-face modes for the purpose of this Section includes use of digital channels such as CKYCR, Digi Locker, equivalent edocument, etc., and non-digital modes such as obtaining copy of OVD certified by additional certifying authorities as allowed for NRIs and PIOs.

Accounts of Foreign students studying in India:

☐ Open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his/her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India.

☐ Branches should obtain a declaration about the local address within a period of 30 days of opening the account and verify the said local address.

☐ During the 30 days’ period, the account should be operated with a condition of allowing foreign remittances not exceeding USD 1,000 or equivalent into the account and a cap of monthly withdrawal to Rs. 50,000/-, pending verification of address.

☐ The account would be treated&operated as a normal NRO account after verification of address

☐ Students with Pakistani nationality will need prior approval of the Reserve Bank of India for opening the account.

Money Mules:

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.

Prevention of Money Mule Accounts by following KYC and CDD guidelines [885/ 2024]

What are common money mule red flags?

Some common money mule red flags include:

- ☐ Sudden flow of walk in applications for opening of account
- ☐ Customer bringing complete filled application along with signed KYC documents instead filling in front of our branch official and handing over the same to our Branch official during crowded timings.
- ☐ Changes in transactional behaviour, including sudden international transfers, large credits followed by simultaneous debits. Shortly a detailed report on the same will be enabled in BI for monitoring purpose at branches.
- ☐ Rapid movement of funds through the account with minimum to no balance retention.
- ☐ Multiple cash deposits just under reporting thresholds, followed by rapid transfers.
- ☐ Accounts with minimal activity suddenly receiving large incoming transfers.
- ☐ Absence of typical CASA account behaviour.

Simplified norms for SHGs

At the time of a/c opening obtaining the KYC of the authroised signatories alone.

When the credit exposure is entered, obtain the KYC of all the members of the group.

Minor becoming major:

On attaining the age of 18, he should submit

1. a new ac opening form
2. specimen signature card
3. recent photographs.
4. a confirmation letter from the parent

Handling returned welcome kits :

If any welcome kit is returned to branch as undelivered, the branch must IMMEDIATELY DEBIT

freeze the account after in-warding in the register and conduct Contact Point Verification (CPV) of the customer's communication address on T+2- day basis (T being the date of welcome kit received at branch) and wherever CPV is positive, Branch to send the welcome KIT again through the Registered AD post.

Wherever CPV is negative branch to initiate for closure of accounts.

An auto generated SMS will be triggered informing the customer as "your account no xxxxxx1234 status changed and debits are BLOCKED. Please contact the branch to unblock- Canara Bank".

The branch official should capture the selfie with the customer along with Geo-coordinates during CPV. The original CPV, along with photos of the customer to be preserved in a file for future inspection purpose. Branch will complete the CPV on T+2-day basis (T being the date of return of welcome kit).

If CPV is Positive, the welcome kit is to be re-dispatched by the branches through registered post. No-Counter delivery is permitted under any circumstances. If the welcome kit is returned for second time after re-dispatch from branch, branches must retain the debit freeze, and take necessary steps to closure of account as per the existing guidelines. Branch to remove the debit freeze only after positive CPV followed by delivery of welcome kit to customer after re-dispatching it from the branches.

Wherever CPV is recorded as negative by branch official after verification, branch has to send registered notice to the customer as per the communication address available in CBS informing the customer about debit freezing of the account due to non-availability of the customer at the given address and requesting the customer to update latest address in the bank in the event of change of their address due to relocation or any other reason by providing necessary documentary proof of address to the bank as per the existing guidelines. The letter should cover list of documents acceptable for Proof of Address (POA) as per the latest KYC policy, and if the same is not completed by the customer within 2 weeks', bank is constrained to close the account after 30 days from the date of the letter without any further intimation.

A/c of other than individuals :**(i) Accounts of Companies**

Where the client is a company, certified copies of following documents or the equivalent e-documents are to be

submitted:

- a) Certificate of incorporation
- b) Memorandum and Articles of Association
- c) Permanent Account Number of the company
- d) A resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact on its behalf.
- e) Corporate Identification Number (CIN)
- f) One copy of an Officially Valid Document containing details of identity and address, one recent photograph and Permanent Account Numbers or Form No.60 of related beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- g) The names of the relevant persons holding Senior Management position; and
- h) The registered office and the principal place of its business, if it is different.

(ii) Accounts of Partnership firms

Where the client is a partnership firm, certified copies of following documents or ***the equivalent e-documents*** are to be submitted:

- a) Registration Certificate
- b) Partnership Deed
- c) Permanent Account Number of the partnership firm
- d) One copy of an Officially Valid Document containing details of identity and address, one recent photograph and Permanent Account Numbers or Form No.60 of related beneficial owner, managers, officers or employees, as the case may be, holding and an attorney to transact on its behalf.
- e) The names of all the partners and
- f) Address of the registered office, and the principal place of its business, if it is different

(iii) Accounts of Trusts

Where the client is a Trust, certified copies of following documents or the equivalent e-documents are to be submitted:

- a) Registration Certificate.
- b) Trust Deed.

- c) Permanent Account Number or Form No.60 of the Trust.
- d) One copy of an Officially Valid Document containing details of identity and address, one recent photograph and Permanent Account Numbers or Form No.60 of the related beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- e) The names of the beneficiaries, trustees, settlor, protector, if any and authors of the Trust.
- f) The address of the registered office of the Trust; and
- g) List of trustees and one copy of an Officially Valid Document containing details of identity and address, one recent photograph and Permanent Account Numbers or Form No.60 for those discharging the role as trustee and authorised to transact on behalf of the Trust.

(iv) Accounts of Unincorporated association or a body of individuals:

Where the client is an unincorporated association or a body of individuals, certified copies of following documents or ***the equivalent e-documents*** are to be submitted:

- a) Resolution of the managing body of such association or body of individuals
- b) Permanent Account Number or Form No.60 of the unincorporated association or a body of individuals
- c) Power of Attorney granted to the person who will transact on its behalf.
- d) One copy of an Officially Valid Document containing details of identity and address, one recent photograph and Permanent Account Numbers or Form No.60 of the person holding an attorney to transact on its behalf.

Such information as may be required to establish the legal existence of such association or body of individuals.

(V) Accounts of Proprietary Concerns

For Proprietary concerns, Customer Due Diligence of the individual (proprietor) is to be carried out and any two of the following documents or ***the equivalent e-documents*** in the name of the proprietary concern should be submitted:

- a) Registration Certificate (in the case of a registered concern). Registration Certificate including **Udyam Registration certificate issued by the government.**
- b) Certificate/licence issued by the Municipal authorities under Shop & Establishment Act.
- c) Sales and income tax returns.

- d) **CST/VAT/GST certificate (Provisional/Final),**
- e) Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities.
- f) 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.
- g) Utility bills such as electricity, water and landline telephone bills.
- h) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT /
Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.

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. In case of transactions carried out by a non-account based customer, i.e., a walk-in customer, where the amount of transaction is equal to or exceeds Rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address shall be verified.

Correspondent Bank:

The relationship of one bank with the other bank in different country provides services often across different countries to facilitate international transactions. These services include facilitating wire transfers, handling foreign exchange, and providing trade finance.

Shell Bank : Bank only in papers without any brick and mortar building.

CORRESPONDENT BANKING AND SHELL BANK: Correspondent Banking is the provision of banking services by one bank (the "correspondent bank") to another bank. Bank shall not enter into a correspondent relationship with a "shell bank" (i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group).

Correspondent Banking is the provision of banking services by one Bank (the "Correspondent Bank") to another bank (the "Respondent Bank"). Respondent

Banks may be provided with a wide range of services, including cash management (e.g., interest bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services

Reporting requirements:

CTR – cash transaction report – cash transactions above Rs.10 lakhs in a month – to be reported before 15th of succeeding month.

STR : suspicious transaction report – to be submitted within 7 days from the time of suspicion.

CCR: counterfeit cash report – to be submitted within 15 days of the succeeding month.

Counterfeit notes:

Bank notes tendered over the counter should be examined should be examined for authenticity through machines and such of these determined as a counterfeit one shall be stamped as “counterfeit note” and impounded.

An acknowledgement in the prescribed manner should be given to the customer.

Failure to impound counterfeit notes detected at their end will be construed as willful involvement of the bank concerned in circulating counterfeit notes and penalty will be imposed.

Reporting to Police :

For cases of detection of counterfeit notes upto 4 pieces in a single transaction, a consolidated report should be sent to the local police authorities at the end of the month.

For cases of detection of counterfeit notes of 5 or more pieces , in a single transaction, an FIR has to be filed for investigation.

Notes returned from the Police authorities should be preserved carefully and for a period of 3 years from the date of receipt of the notes from the Police authorities. After that they may be sent to RBI with full details.

Preservation of Records – 5 years.

Cross-border Wire Transfer Report: Cross-border Wire Transfer Report (CWTR) is required to be filed by 15th of succeeding month for all cross border wire transfers of **the value of more than Rupees five lakh or its equivalent in foreign currency** where either the origin or destination of fund is in India. As per recent amendments to Prevention of Money Laundering (PML) Rules, every reporting entity is required to maintain the record of all transactions including the record of **all cross border wire transfers of more than Rs.5 lakh or its equivalent in foreign currency**, where either the origin or destination of the fund is in India. The information shall be furnished electronically in the FIN-Net module developed by FIU-IND.