



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Ref. A/KYC/2015-16

Date: 04.06.2015

KYC/AML/CFT Policy 2015

Subject – Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards / Combating of Financing of Terrorism (CFT) / Obligation of Banks Under PMLA, 2002

1. INTRODUCTION

- 1.1 Bank has in place a policy on KNOW YOUR CUSTOMER (KYC) norms and ANTI MONEY LAUNDERING (AML) measures approved by the Board in its meeting dated.29.05.2015 The policy was based on then guidelines issued by RBI.
- 1.2 The KYC guidelines have regularly been revisited by RBI in the context of the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) and has advised banks to follow certain customer identification procedure for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority.
- 1.3 RBI has advised banks to put in place a policy on 'Know Your Customer' and Anti-Money Laundering measures including the above referred recommendations with the approval of the Board.
- 1.4 RBI has issued the guidelines under Section 35A of the Banking Regulation Act, 1949 and Rule 7 of Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 and any contravention thereof or non-compliance may attract penalties under Banking Regulation Act.
- 1.5 This policy has been compiled taking into account covering the guidelines issued by RBI up to December 2014.

2. PURPOSE

Referring to NB.DoS/HO/POL/1777/P.165/2010-11 under circular No.157/DOS/13/2010 dated.10.08.2010 of NABARD regarding the guidelines on 'Know Your Customer' norms. Banks were advised to follow certain customer identification procedure for opening of accounts and monitoring transactions regularly to the appropriate authority. The purpose of KYC/AML/CFT policy is to put in place customer identification procedures for opening of accounts and monitoring transactions in the accounts for detection of transactions of suspicious nature for the purpose of reporting to Financial Intelligence Unit-India [FIU-IND] in terms of the recommendations made by Financial Action Task Force (FATF) on AML standards and on CFT measures. For this Policy, the term 'Money Laundering' would also cover financial transactions where the end-use of funds is for financing terrorism, irrespective of the source of funds.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

3. OBJECTIVE OF THE POLICY

The Policy has been framed to develop a strong mechanism for achieving the following objectives:

- 1 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 them to manage the associated risks prudently.
2. To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
3. To comply with applicable laws and regulatory guidelines.
4. To ensure that the concerned staffs are adequately trained in KYC/AML/CFT Procedures.

4. SCOPE OF THE POLICY

This policy is applicable across all branches of the Bank, and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy shall be subject to the changes / modifications which may be advised by RBI and / or by any regulators and / or by Bank from time to time.

5. Definition of Money Laundering

1. Section 3 of the Prevention of Money Laundering (PML) Act 2002 has defined the "Offence of money laundering" as under:
"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering".
2. Money launderers use the banking system for cleansing 'dirty money' obtained from criminal activities with the objective of hiding/disguising its source. The process of money laundering involves creating a web of financial transactions so as to hide the origin and true nature of these funds.
3. For the purpose of this document, the term 'money laundering' would also cover financial transactions where the end use of funds goes for terrorist financing irrespective of the source of the funds.

6.Obligations under Prevention of Money Laundering [PML] Act 2002

Section 12 of PML Act 2002 places certain obligations on every banking company, financial institution and intermediary which include:

- (i) Maintaining a record of prescribed transactions.
- (ii) Furnishing information of prescribed transactions to the specified Authority
- (iii) Verifying and maintaining records of the identity of its clients
- (iv) Preserving records in respect of (i), (ii), (iii) above for a period of 10 years from the date of cessation of transactions with the clients.

7. Money Laundering – Risk Perception

Money laundering activities expose the Bank to various risks such as:



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragoddcb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

1. Reputation Risk

Risk of loss due to severe impact on Bank's reputation. This may be of particular concern given the nature of the bank's business, which requires the confidence of depositors, creditors and the general market place.

2. Compliance Risk

Risk of loss due to failure of compliance with key regulations governing the bank's Operations.

3. Operational Risk

Risk of loss resulting from inadequate or failed internal processes, people and Systems or from external events.

4. Legal Risk

Risk of loss due to any legal action, the bank or its staff may face due to failure to comply with the law.

The Bank

The term Bank, wherever referred to in this Policy shall be read as The Kasaragod District Co – Operative Bank Ltd.

The Principal Officer

The Principal Officer under AML /KYC norms shall be the Principal Officer appointed by the Bank for gathering information from the Branches as regards KYC and ensuring submission of the same to FIU – IND, New Delhi within the time frame on a monthly fashion .Over and above the same he/she shall be the Principal Officer in the implementation of this Policy in the Bank and responsible in ensuring smooth conduct of Banking Business in adherence to the principles as laid down in this policy.

Customer

A 'Customer ' for Kasaragod District Cooperative Bank as regards the KYC Policy will be,

1. Any individual, society or an organization having an account or business relationship with the bank.
2. The beneficiary of any account for whom the account has been opened and maintained by someone else.
3. The beneficiaries for whom Professionals and Professional groups have started accounts (Eg: Chartered Accountants, Stock Brokers, Solicitors etc)
4. Any person or entity connected with a financial transaction.
5. Any Institution /Organization by whose single transaction might incur loss to the Bank.

KYC policy includes the following nine key elements:

1. Customer Acceptance Policy
2. Customer Identification Procedures
3. Monitoring of Transactions
4. Risk management
5. Training Programme
6. Internal Control Systems

7. Record Keeping
8. Evaluations of KYC guidelines by internal audit and inspection system



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

9. Duties / Responsibilities and Accountability.

1.CUSTOMER ACCEPTANCE POLICY (CAP)

The objectives of customer acceptance policy are:-

1. To ensure that no account is opened in anonymous or fictitious/ benami name(s);
2. To ensure that not to open an account or close an existing account where the branch is unable to verify the identity and /or obtain documents required as per the risk categorization due to non cooperation of the customer or non reliability of the data/information furnished to the bank.
- 3.To ensure correct local residential address and native place address of the customer and is client and verification thereof
- 4.To ensure that identify /legal existence of new customer is established before accepting him as customer.
- 5.To ensure that not to allow operation or close an inoperative /dormant account unless the required KYC documents is not presented by the account holder.
- 6.To ensure that person is not engaged in suspicious activities and the account is not used for the money laundering activities.
7. Not to open an account and close an existing account where the bank is unable to verify or identify the and obtain the document required as per risk categorization due to non co-operation of the customer or non reliability of data furnished to the bank)

The decision to close the suspicious account may be taken at reasonably higher level after giving due notice to the customer explaining the reason for such decision.

8. Circumstances, in which a customer is permitted to act on behalf of another person/entity, 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 and necessary checks before opening a new account so as to ensure 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 available from Circulars etc.

Policy as regards acceptance of applications for opening of accounts by the bank

1. By no reason the bank will entertain and allow opening of accounts in the names of fictitious, unknown and benami account holders. Physical presence of the customer while opening the account is a must for the bank.
- 2 .All customers of the bank to be segregated as High Risk, Medium Risk and Low Risk Customers.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

3. The Incumbent will accept customers only after verifying their identity as laid down in Customer Identification Procedures
4. The Bank will initiate earnest efforts not to put the general public, especially those who are financially or otherwise disadvantaged into, inconvenience.

Documentation requirements and other information shall be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and instructions / guidelines issued by Reserve Bank from time to time. The information collected from the customer for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for cross selling or any other like purposes. Only that information shall be sought from the customer which is relevant to the perceived risk, is in conformity with the guidelines issued in this regard and is not intrusive, and. **Any other information from the customer shall be sought separately with his / her consent and after opening the account.**

A list of the nature and type of documents/information that shall be relied upon for customer identification is given in Annexure-I.

At the time of opening of the account, the branch should obtain –

- a) “Officially Valid Documents” as applicable as per the category of the customer
- b) 2 passport sized recent photographs for affixing them to the account opening form and specimen signature card/pass book.
- c) Specimen signature of the customer in the presence of a verifying official.
- d) Instructions of the customers regarding mode of operation.
- e) Nomination in case of individual accounts, if not specifically refused the facility by the customer
- f) Details of accounts of the customer with other bank/s (if any)
- g) Permanent Account Number (PAN) of the customer given by Income Tax authorities or declarations as applicable. Online verification of PAN number should be done.

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 his/her signature and date. The above documents/data would help to establish the identity of the person opening the account. However, for preparing risk profile of the customer, some additional details may be required such as business / employment details, source of income, annual income, assets owned, personal details such as qualification, marital status, etc. As already mentioned above, such additional information shall however be sought which is relevant to the perceived risk, is in conformity with the guidelines issued in this regard and is not intrusive. Besides, such additional information **shall be sought separately with his / her consent and after opening the account.**

No account shall be opened where the branch is unable to apply appropriate customer due diligence measures i.e. branch is unable to verify the identity and / or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data / information furnished to the branch. Branches should also consider closing existing accounts under similar situations.

Decision for closure of the such accounts shall be taken at Head Office level and such account shall be closed only after obtaining approval of Head Office and also after giving due notice to the customer explaining the reasons for such a decision.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

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.

Under following circumstances / occasions, a customer shall be permitted to act on behalf of another person / entity, an account shall be permitted to be operated by a mandate holder or permitted to be opened by an intermediary in fiduciary capacity;

- a) Accounts operated by power of attorney holders on the strength of duly registered PA wherein identity of the PA holder is verified by the bank.
- b) Accounts operated as per mandate of the account holder, who has tendered the mandate before the bank officials and wherein identity of the mandate holder is verified by the bank.

Before opening a new account, branch should ensure 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.

Risk Categorization

Branches should categorize every customer into any of the following three categories;

- a) Low Risk
- b) Medium Risk
- c) High Risk

For categorization of the customer, branch should prepare a profile for each new customer which shall contain information relating to customer's identity, location, social / financial status, nature of business activity, mode of payments, volume of turnover, his clients' business and their location etc. However, while preparing customer profile, only such information shall be sought from the customer, which is relevant to the risk category.

1 Low Risk Customers

For the purpose of risk categorization, 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, shall be categorized as low risk. **In case of low risk customers, only the basic requirements of verifying the identity and location of the customer shall be met.** In case a customer categorized as low risk is unable to submit the KYC documents due to genuine reasons, she/he shall submit the documents to the branch within a period of six months from the date of opening account.

2 Medium Risk Customers

Customers that are likely to pose a higher than average risk but lower than high risk to the bank shall be categorized as medium risk.

3 High Risk Customers

Customers especially those engaged in cash intensive businesses and for whom the sources of funds are not clear and who are likely to pose a higher risk to the bank shall be



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

categorized as high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. Bank shall apply enhanced and intensive 'due diligence' measures for high risk customers. **For illustrative examples of Low, Medium and High Risk customers, refer Annexure II.**

The list is however only illustrative and not exhaustive. The branches may categorize the customers according to the risk perceived by them while taking into account the above aspects. For instance, a salary class individual who is generally to be classified under low risk category may be classified otherwise based on the perception of the Branch/Office. Bank shall adopt combination of automatic and manual classification of customers for risk categorization, based on the availability of data in CBS. Bank shall undertake system-generated risk categorization on the basis of data fields available in the system on half yearly basis. System shall assign provisional risk categorization based on the system provided parameters. Branches shall review the same and make suitable modification/revision, if need be, based on remaining indicators as covered in the policy. Risk Categorization of customers shall be based on combination of all the applicable parameters. Among the applicable parameters, highest risk grade will be assigned as overall Risk for the customer.

Periodical review of risk categorization of customers shall be undertaken once in every six months. Such review for the first half of the financial year i.e. April to September shall be undertaken in succeeding November, and for the second half the financial year i.e. October to March in succeeding May in every financial year.

In addition to what has been indicated above, bank shall take steps to identify and assess its Money Laundering (ML) / Terrorist Financial (TF) risk for customers, countries and geographical areas as also for products/ services/transactions/delivery channels. In this regard, bank shall use for guidance in our own risk assessment, the Report on Parameters for Risk-Based Transaction Monitoring (RBTM) as specified in Know Your Customer (KYC) Norms / Anti- Money Laundering (AML) standards.

While implementing customer acceptance policy, branches should ensure that banking services are not denied to general public, especially to those who are financially or socially disadvantaged.

2. Customer Identification Procedure

Customer Identification Procedure shall be carried out at different stages, i.e., while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity / veracity or the adequacy of the previously obtained customer identification data. **Customer identification means** identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. Sufficient information necessary to establish the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship shall be obtained to the satisfaction of the bank. **A list of the nature and type of documents/information that shall be relied upon for customer identification is given in Annexure-I.**

For customers that are natural persons, the branch shall obtain sufficient identification data to verify the identity of the customer, his/her address / location, and also his/her recent photograph. For customers that are legal persons or entities, the branch shall –

- (i) Verify the legal status of the legal person / entity through proper and relevant documents;
- (ii) 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;



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

(iii) Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

Unique Customer Identification Code (UCIC)

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. UCIC helps the bank to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers. We have taken steps to create **CIF or Customer Information File as a process for customer identification.**

CIF-A computerized file that stores all pertinent information about a bank customer's personal and account information. The Customer Information File (CIF) allows the bank to view its customer accounts by relationship and not strictly by account type. For example, information such as credit relationships, account ownership information, accounts owned etc are included. It is updated as often as daily in order to ensure accuracy. **CIF of the customer is the Unique Number for that customer and it serves the purpose of Unique Customer Identification Code (UCIC).** Before creating a new CIF for any customer for opening any new account, branch should first verify that the same customer has not an existing CIF in the CBS system. If a customer has already been allotted a CIF, the new account(s) must be opened under the existing CIF only. No separate CIF should be created for him/her. For finding out the existing CIFs of all existing customers, "CIF-deduplication" utility is provided under Intranet to the branches, which must be used before opening any new account for any customer. Utility for knowing the customers already having multiple CIFs in the system is also provided to the branches. Branches should check up the reports provided under this utility on daily basis and undertake the exercise of keeping only one CIF for one customer by linking of additional CIFs created in the system for the same customer to a single CIF and deactivating all other CIFs.

Whenever there is suspicion 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 (CDD) shall be carried out before opening an account. When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained customer identification data, due diligence measures shall be reviewed including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship.

Opening of a new account should be authorised only by the Manager/ Senior Manager in charge of the branch. In larger branches, however, Officer-in-Charge of the Branch shall authorise opening of new account subject to fulfillment of other conditions. The basic requirement of Customer identification Procedure is that the Incumbent has to be satisfied by himself or herself that the prospective customer is who he/she claims to be. In other words, the exact identity of the person who appears physically to match with the Proof Of Identity. The next step is to ensure that sufficient information as envisaged by the Bank's guidelines while opening the account has been gathered. This may be on the nature of the business that the customer expects to undertake and any expected or predictable pattern of transactions.

Officially Valid Documents



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

As per RBI's revised guidelines dated 17.07.2014, documents spelt out as "Officially Valid Documents" shall only be accepted for opening of new account. **No discretion to accept any other document for the account opening purpose shall be exercised by the branch official/s.** List of Officially Valid documents required for opening of accounts is given in Annexure – I. **It is implied that proof of address also follows from the "Officially Valid Document" only.**

The information containing personal details like name, address, age, gender, etc., and photographs made available from UIDAI as a result of e-KYC process can also be treated as an 'Officially Valid Document'. Branch shall obtain only one documentary proof of address (either current or permanent) while opening a bank account or 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 bank may take a declaration of the local address on which all correspondence will be made by the bank with the customer. No proof is required to be submitted for such address for correspondence / local address. 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.

There is now no requirement of submitting two separate documents for proof of identity and proof of address. If the officially valid document submitted for opening a bank account has both, identity and address of the person, there is no need for submitting any other documentary proof.

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 shall be accepted as a valid proof of both identity and address.

If the current address is different from the address mentioned in the "Officially Valid Document" submitted by the customer, a simple declaration by him / her about his / her current address shall be obtained, for which no separate proof of address shall be required. Branch should verify the genuineness of "Officially Valid Document/s" (including PAN Card) submitted by customer while opening / activating of account and /or effecting the transactions.

KYC verification of all the members of Self Help Groups (SHGs) is not required while opening the savings bank account of the SHG and KYC verification of only the officials of the SHGs would suffice. No separate KYC verification is needed at the time of credit linking the SHG.

Officially Valid Documents under Government of India notifications

- (a) Job card issued by NREGA duly signed by an officer of the State Government and the letters issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number can now be accepted as an 'Officially Valid Document'.
- (b) E-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules. The information containing demographic details and photographs made available from UIDAI as a result of e-KYC process shall be treated as an 'Officially Valid Document'. However, the individual user



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

has to authorize to UIDAI, by explicit consent, to release her or his identity/address through biometric authentication to the bank branches / business correspondents.

(c) Further, e-Aadhaar downloaded from UIDAI website shall be accepted as an officially valid document subject to the following:

i. If the prospective customer knows only his/her Aadhaar number, the branch shall print the prospective customer's e-Aadhaar letter in the branch directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in paragraph (b) above.

ii. If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, the branch shall print the prospective customer's e-Aadhaar letter in the branch directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in paragraph (b) above; or confirm identity and address of the resident through simple authentication service of UIDAI.

Opening of fresh accounts by customer shall not be insisted for inter-branch transfer of accounts by the customers. KYC once done by one branch shall be valid for transfer of the account within the bank as long as full KYC has been done for the concerned account. The customer shall be allowed to transfer his account from one branch to another branch without restrictions. Existing account at the transfer or branch shall be transferred to the transferee branch without insisting on fresh proof of address and on the basis of a self-declaration from the account holder about his / her current address.

If an existing KYC compliant customer of a bank desires to open another account in same or another branch of our bank, he / she need not submit fresh proof of identity and / or proof of address for the purpose.

Periodical updation of KYC

Periodical updation of KYC information of every customer shall be carried out in the following manner;

Full KYC exercise shall be done every **two years** for high risk customers, every **eight years** for medium risk customers and every **ten years** for low risk customers. Full KYC shall 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. Branch shall not insist on physical presence of low risk customer at the time of periodic updation. Branch shall 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.

Fresh photographs shall be obtained from minor customer on becoming major. The time limits prescribed above would apply from the date of opening of the account / last verification of KYC. Such verification shall be done irrespective of whether the account has been transferred from one branch to another.

As regards non-compliance of KYC requirements by the customers despite repeated reminders by the branch, 'partial freezing' on such KYC non-compliant accounts shall be imposed in a phased manner. Branch shall exercise of option of imposing 'partial freezing', only after issuing due notice of three months initially to the customers to comply with KYC requirement and followed by a reminder for further period of three months. Thereafter, branch shall impose 'partial freezing' by allowing all credits and disallowing all debits with the freedom to close the accounts. If the accounts are still KYC non-compliant after six months of imposing initial 'partial freezing', branch shall disallow all debits and credits from / to the accounts, rendering them inoperative. Further, it would always be open to the bank to close



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

the account of such customers. Meanwhile, the account holders can revive accounts by submitting the KYC documents as per instructions in force.

1.Residential Address Proof

Correct permanent address of persons who have approached the bank should be ensured by obtaining any one document.

- (i) Telephone Bill
- (ii) Bank Account Statement
- (iii) Letter from any recognized public authority
- (iv) Electricity Bill
- (v) Ration Card/Voter's ID
- (vi) Letter from employer(subject to satisfaction of the bank certified copies should be kept with the bank duly verified with the originals.
- (vii)Aadhar Card

The opening of new account should be authorized by Branch Manager/Branch in-Charge. In absence of Branch Manager/Branch-in-Charge, next senior official/supervisor should authorize opening of account. No cheque book should be issued unless all procedures and formalities are completed

Branch shall satisfy itself about the correct and full address along with phone number etc of the prospective customer before opening the account. Address proof by way of valid documents as mentioned in the enclosed Annexure-1 are to be obtained.

The opening of new account should be authorized by Branch Manager/Branch in-Charge. In absence of Branch Manager/Branch-in-Charge, next senior official/supervisor should authorize opening of account. No cheque book should be issued unless all procedures and formalities are completed

2. Photo ID-

Every prospective customer shall produce his photo identification such as Election Card, PAN Card, Identity Card, Driving License, Passport etc.

3. Photograph of the Account holder

At the time of opening the Account, it is mandatory to obtain recent photographs of the depositor/Account holder who are authorized to operate the account. In case of minor, photograph of guardian is to be obtained along with age proof of the minor. In case of Current Account, Photograph of all signatories and also of the person authorized to operate the accounts is to be obtained. The Bank should obtain photograph in respect of Pardanashin women also.

Only one set of Photograph is to be obtained and separate photographs should not be obtained for each category of deposit.The applications for different type of accounts should be properly referenced. Photograph need not be insisted in case of account of staff members. Photographs for saving Bank Accounts and Current Accounts should be obtained compulsorily and should be referred to other category of accounts. The branches may not insist on photographs in case of accounts of staff members only .Photographs cannot be a substitute for specimen signatures. The branches should not ordinarily insist on the presence of account holder for making cash withdrawals in case of 'self' or 'bearer' cheques unless the circumstances so warrant. The branches should pay 'self' or 'bearer' cheques taking usual precautions.

4.PAN No.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

It is necessary to obtain PAN number of the new account holder opening the account with initial deposit of Rs.50000/- and above. Similarly it should be necessarily obtained in case of issuance of draft etc.for Rs.50000/-and above by debit to account or otherwise.

5.Declaration in respect of Current Accounts

A declaration from account holder is to be obtained that he is not enjoying any credit facility with any other Bank or a declaration giving particular of credit facilities enjoyed by him with any other Bank/banks to be obtained. In such case no objection certificate from such banks shall be obtained.

6.Joint Accounts:

It shall be ensured that special instructions as regards the operations in the accounts shall be carefully noted in the account opening form. There is no restriction as regards the number of account holders in a joint account. However every request for opening joint accounts must be examined carefully. The purpose of opening the account, nature of business activity and financial position of the account holder need to be seen before opening the account.

In case of any request for addition /deletion of name, proper care is to be taken to ascertain the genuineness of request, verification of signatures etc.The Branch Manager shall take a proper note duly authenticated with the date of change, old set of account opening forms should be attached to new set of forms.

7. Accounts of legal entities or persons

In respect of the customers who are legal persons or entities, following things are to be verified before opening the accounts.

1. Legal status of the entity or legal person through proper and relevant documents.
2. Any person purporting to act on behalf of the legal entity or person is so authorized to do so and the identity of the person.
3. Ownership and control structure of the customer.

Customer Identification Requirements - Indicative Guidelines

a) *Walk-in Customers*

Definition of *Walk-in Customers*

Walk-in-Customer means a Customer desirous of carrying out a transaction with our bank without having account with us. Transaction by walk-in-customers may be in the form of purchase of DD, NEFT/RTGS Remittance, purchase of third-party products such as insurance policies, mutual funds etc. Where the amount of transaction is equal to or exceeds Rs.50000/-, it is necessary to obtain KYC documents (i.e. Officially Valid Documents in proof of identity and address) from a walk-in-customer and to verify the same by the authorized official of the bank.

As per our extant guidelines, no transaction of Rs.50,000/- and above is allowed to a non-customer against cash or otherwise. In case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds Rs. 50000/-, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address shall be verified. However, if a branch has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50000/- the branch shall verify the identity and address of the customer and also consider filing a suspicious transaction report (STR) to FIU-IND. However, in case of for all international money transfer operations, branches should verify the identity of every such customer.

b) *Salaried Employees*

In case of salaried employees, branches should rely on certificate / letter of identity and / or address issued only from corporate and other entities of repute. It should however be verified whether the person issuing such certificate / letter of identity is the competent authority designated by the concerned employer to issue such certificate / letter. Further, in



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

addition to the certificate / letter issued by the employer, branches should insist on at least one of the officially valid documents as provided in the Prevention of Money Laundering Rules (viz. passport, driving license, PAN Card, Voter's Identity card, etc.) for KYC purposes for opening bank accounts of salaried employees of corporate and other entities.

Sole Proprietorship

As per the earlier practice, in terms of the "Master Circular on KYC Norms / Anti-Money Laundering Standards / Combating of Financing of Terrorism / Obligation of banks under PMLA, 2002", banks should call for and verify any of the two documents as mentioned below before opening of accounts in the name of a proprietary concern:

Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST/VAT certificate, certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, **Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities**, registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT, 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 and utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern as required documents for opening of bank accounts of proprietary concerns.

Relaxing such KYC norms, the RBI has allowed (*vide* Circular dated 13th March, 2015) the sole proprietor firms to open accounts in banks by submitting a single proof of their business.

Trust / Nominee or Fiduciary Accounts

There exists the possibility that trust / nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Branch shall determine whether the customer is acting on behalf of another person as trustee / nominee or any other intermediary. If so, receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, shall be insisted on, as also details of the nature of the trust or other arrangements in place shall be obtained.

While opening an account for a trust, branches shall take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined.

In the case of a 'foundation', steps shall be taken to verify the founder managers / directors and the beneficiaries, if defined.

Accounts of non-face-to-face customers

With the introduction of telephonic and electronic banking, increasingly accounts are being opened by banks for customers without the need for the customer to visit the branch. In the case of such customers apart from applying the usual identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon, and if required, additional documents may



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

be called for. In such cases, the bank may require the first payment to be effected through customers account with another bank which in turn adheres to similar KYC standards. In the case of cross-border customers, the bank may 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 system. The bank has not introduced such accounts as yet.

Opening of Current Accounts

Keeping in view the importance of credit discipline for reduction of NPA level of banks, RBI has advised that at the time of opening current accounts, the banks should ensure to receive the following additional information.

1. Insist on declaration from the account holder to the effect that he is not enjoying any credit facility with any other bank; if so, obtain a declaration giving particulars of credit facilities enjoyed by him with any other bank.

2. Ascertain whether the account holder is a member of any other co-operative society/bank, and if so, the full details of credit facility such as nature, quantum, outstanding, due dates etc.

Further in case the customer is already enjoying any credit facility from any other commercial/co-operative bank, the bank should duly inform the concerned lending banks. In the case of consortium finance the bank may inform the consortium leader.

Operation of Bank Accounts & Money Mules

(a) "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 shall be having complicity with the criminals.

(b) 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. Money mules shall be recruited by a variety of methods, including spam emails, advertisements on genuine recruitment web sites, social

networking sites, instant messaging and advertisements in newspapers. When caught, these money mules often have their bank accounts suspended, causing inconvenience and potential financial loss, apart from facing likely legal action for being part of a fraud. 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.

(c) To minimize the operations of such mule accounts, branches shall follow the guidelines on opening of accounts and monitoring of transactions contained in this Master Circular. Branches shall

strictly adhere to the guidelines on KYC / AML / CFT 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.

Bank No Longer Knows the True Identity

In the circumstances when bank believes that it would no longer be satisfied about true identity of the account holder, bank shall also file an STR with FIU-IND.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

SMALL DEPOSIT ACCOUNTS (NO FRILLS ACCOUNTS)

a. 'Small account' means a saving account, where :

i. the aggregate of all credits in a financial year does not exceed Rs. 1,00,000/-;

ii. the aggregate of all withdrawals and transfers in a month does not exceed Rs.10,000/-; and

iii. the balance any point does not exceed Rs.50,000/-.

b. Bank will allow to open a small account on production of self-attested photograph and affixation of signature or thumb impression as the case may be, on the Account Opening Form provided that:

1. The Manager/ Sr. Manager of a branch of the Bank [authorized as "Designated Officer" for the purpose of opening of small accounts], while opening the small account will 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.

Relaxed KYC guidelines for Small Accounts are as follows:

A Small Account can be opened by producing and submitting a copy of

i) NREGA Card or

ii) Aadhaar letter or

iii) Self attested photograph and the prospective account holder has to sign in the presence of the Bank Manager in the account opening form and the Bank Manager has to certify to that effect.

The account opening form

For opening accounts by transfer from other branches, a new set of account opening forms along with the customer profile to be obtained. While transferring accounts from inoperative accounts to live ledger, a new set of account opening Form along with the customer profile to be obtained/ updated. The prospective customer should not be insisted upon for the optional information. Wherever Bank desires to collect any information about the customer for the purpose other than KYC requirement, it should not form part of the account opening form. Such information may be collected separately, purely on a voluntary basis after explaining the objective to the customer and taking customer's express approval for the specific uses to which such information could be put. The aforesaid optional information may not be insisted upon from the existing customers. The information given in the Account Opening Form other than optional information, as mentioned above, are mandatory, as such branches must obtain the same so as to comply with the KYC guidelines.

Mandatory Information to be included in the Opening Form

1. Occupation
2. Source Of Funds
3. Monthly Income
4. Annual Turnover
5. Date of Birth
6. Dealing with other Banks
7. Existing Credit facilities

The following information may be collected by the Branch (which is optional) for better customer relationship:-

1. Marital Status
2. Educational Qualification
3. Details regarding Children
4. Information like-
 - a) Owns a car/two wheeler
 - b) have credit card
 - c) Have insurance policy



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

CHECK LIST

Features to be verified and documents that may be obtained from customers

<u>Accounts of individuals</u>	Recent Photograph and (any one document which provides customer information to the satisfaction of the branch)
Legal name and any other names used	Passport PAN card Voter's Identity Card Driving licence Identity card (subject to the bank's satisfaction)
*Correct permanent address	Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of branch/office Telephone bill Bank account statement Letter from any recognized public authority Electricity bill Ration card Letter from employer (subject to satisfaction of the branch)
Accounts of companies	Certificate of incorporation and Memorandum & Articles of Association
Name of the company	Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account
Principal place of business	Power of Attorney granted to its managers, officers or employees to transact business on its behalf
Mailing address of the company	Copy of PAN allotment letter Telephone/Fax Number Copy of the telephone bill
<u>Accounts of partnership firms</u>	Registration certificate, if registered
Legal name	Partnership deed
Address	Power of Attorney granted to a partner or an



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICO BANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

	employee of the firm to transact business on its behalf
Names of all partners and their addresses	Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
Telephone numbers of the firm and partners	Telephone bill in the name of firm/partners
Accounts of Trusts & Foundations	
Names of trustees, Settlers, Beneficiaries and Signatories	Certificate of Registration, if registered, Power of Attorney granted to transact business on its behalf
Name and addresses of the founder, the Manager/directors and the beneficiaries	Any officially valid documents to identify settlers, beneficiaries and those holding Power of Attorney founders/Managers/directors addresses
Telephone/Fax numbers	Telephone Bill

Periodical Review of Customer Profile

The Customer profiles incorporated in the opening forms have to be reviewed once in three years

3. Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures

Branches can effectively control and reduce the risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Branch shall pay special attention to -

(i) All complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

(ii) Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the branch.

(iii) Very high account turnover inconsistent with the size of the balance maintained shall indicate that funds are being 'washed' through the account.

(iv) High-risk accounts shall be subjected to intensified monitoring.

(v) Branches should closely monitor high value transactions in all accounts, taking note of the background of each customer, such as the country of origin, sources of funds, the type of transactions

involved and other risk factors.

(vi) High risk associated with accounts of bullion dealers (including subdealers) & jewelers shall be taken into account to identify suspicious transactions for filing Suspicious Transaction Reports (STRs) to Financial Intelligence Unit - India (FIU-IND).



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

(vii) Review of risk categorization of customers shall be carried out once in six months.

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

(ix) 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. Whenever such instances are noticed, branches should make all efforts to educate the customers and sensitize them over the issue.

(x) Wherever 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 to enhanced monitoring and multiple checks, including calling on such mobile number/land line number seeking confirmation through other modes like e-mail etc.

i. An illustrative checklist for preventing money laundering activities is as under :

(a) 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.)

(b) A customer regularly depositing or withdrawing large amounts by sources of narcotics or where Bank secrecy laws facilitate laundering of money.

(c) 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.

(d) 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.

(e) A customer experiences increased wire activity when previously there has been no regular wire activity.

(f) Loan proceeds unexpectedly are wired or mailed to an offshore Bank or third party.

(g) 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.

(h) 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.

(i) Sending or receiving frequent or large volumes of wire transfers to and from offshore institutions.

(j) Instructing the Bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.

(k) Wiring cash or proceeds of a cash deposit to another country without changing the form of the currency.

(l) Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.

(m) Periodic wire transfers from a person's account/s to Bank haven countries.

(n) A customer pays for a large (international or domestic) wire transfers using multiple monetary instruments drawn on several financial institutions.

(o) 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 travellers cheques.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

(p) 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 noncustomer, when the amount is very large (say over Rs.10lakhs).

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

The Bank is not carrying NRA/NRI business since the Reserve Bank of India did not grant permission to do such business. However Precautions should be taken to wire transfers and other suspicious transactions.

Wire Transfer

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 rapid and secure method for transferring value from one location to another.

High-risk accounts

Branches should pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The branch/office may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions, which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the bank. of origin, sources of funds, the type of transactions involved and other risk factors.

Cash Transactions (Issue of DD/TT/MT/PO, etc.)

Banks are required to issue demand drafts, mail transfers and telegraphic Transfers for Rs.50,000 and above only by debit to customers accounts or against cheques and not against cash.

Applicants (whether customers or not) should furnish permanent (income tax) account number (PAN) on the application for issue of, demand drafts, mail transfers and telegraphic transfers if the amount exceeds Rs. 50,000. In case customer/account holders not having PAN, since their income (from all sources) falls below the income tax exemption limit, the procedures to be adopted is mentioned below.

A declaration in Form No.60 of Income Tax Rules to be obtained (Form being obtained to open the new accounts from the customers not having the PAN). The declaration is to be obtained along with the application Form. The account holder should sign the declaration to be printed on the reverse of the application form.

PROCESS AND PROCEDURES TO MONITOR SUSPICIOUS TRANSACTIONS

Branches are required to record and report all transactions of suspicious nature in deposit, loan and remittance accounts etc, with full details to the Head office.

Transactions of suspicious nature

The procedure to be followed is as under -

The Manager/ Principal officer/Officer -in charge, vested with the authority to open the account, is to ensure compliance with the KYC guidelines. The employee/officer, who has interviewed the customer's to subscribe his signature for having interviewed the prospective customer and the officer, before permitting opening of the account, to satisfy that all aspects of KYC guidelines are complied with. In cash transactions RBI guidelines are required to be strictly complied with and a close watch of individual cash withdrawals and deposit for Rs.10.00 lac and above in deposit, cash credit or overdraft accounts and recording of the transactions in a separate register is to be done.

Threshold limit of transaction



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

At the time of opening of the account, based on customer's profile, a threshold limit of transaction is to be determined. To begin with all transactions up to Rs. 10.00 lac will be exempted from the purview of the scrutiny. Further; it is proposed to have a threshold limit of Rs.50000/- in case of individuals; one month turnover in the case of business enterprise (including business professionals) or Rs. 10.00 lac wherever is lower. These limits are to be reviewed and revised on yearly basis or as requested by the customer from time to time and any transaction beyond this limit should be looked into with extra caution. Activity monitoring to cover all accounts including existing accounts for which profile to be made over a period of time. Branch Managers should use reasonable judgment in determining the suspiciousness of the transaction and the accounts wherein the suspicious transactions were found are to be closely monitored at the branches, so that the documentary evidence upon which a suspicion is aroused is not lost.

A courteous approach in the process is very essential to take care that the customers are not driven away from the Bank.

Reporting system for high value cash/suspicious transaction

Cash transaction of Rs. 10.00 lac and above

Branches are required to record and report all individual cash deposits and withdrawals of Rs. 10.00 lac and above in deposits, cash credit and overdraft accounts etc, at fortnightly intervals to the Head office

Suspicious Transactions

To observe four eyes concept in reporting suspicious transactions at branch level, first dealing officer at the branch will report to the Branch Manager (BM), who will get himself satisfied about existence of a suspicious activity/nature and then report to the Head office for further course of action.

CLOSURE OF ACCOUNTS

Where the bank is unable to apply appropriate KYC measures due to non furnishing of information and/or non-cooperation by the customer, the bank will consider closing the account after issuing due notice, to the customer explaining the reasons for taking such decision. Such decisions shall be taken by the Incumbent In charge.

4. Risk Management:

While the Bank has adopted a risk based approach to the implementation of this policy, it is necessary to establish appropriate framework covering proper management oversight, systems, controls and other related matters. Bank's Internal Audit of compliance with KYC/AML Policy will provide an independent evaluation of the same including legal and regulatory requirements. Concurrent/Internal Auditors shall specifically check and verify the application of KYC/AML procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be placed before the Audit Committee of the Board at quarterly intervals.

The Principal Officer designated by the Bank in this regard will have overall responsibility for maintaining oversight and coordinating with various functionaries in the implementation of KYC/AML/CFT policy. However, primary responsibility of ensuring implementation of KYC/AML/CFT Policy and related guidelines will be vested with the branches.

Concurrent/Regional Managers/Internal Auditors should check and verify the applications KYC procedures at the branches and their comments thereon to be given in their periodical inspection/ audit reports. Such comments and compliance thereof are to be placed before the Audit Committee and Board on regular interval preferably on quarterly basis.

It is essential that those concerned i.e. front line staff, compliance staff and staff dealing with new customers, fully understand the rationale behind the KYC policies and implement them effectively. Ongoing training and education to all concerned are to be given on need-basis.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

1) Ceiling of cash transactions - Branches to insist upon issuing of drafts, pay-orders for Rs. 50,000/- and above by debiting to customers A/c or against a cheque only. Customer should be asked to furnish PAN. Any doubtful case should immediately be referred to Head Office.

2) Repayment of Term Deposit of Rs.20,000/- or more should be made through account only or by A/c payee pay-order/DD. It is necessary in terms of Section 269 and 276 E of the I. Tax Act.

(a penalty under this act is imprisonment up to 2 years along with a fine equal to the amount of deposit – in case of any violation of this stipulation).

The amount of above stated Rs.20,000/- means-

- a) Deposit amount together with interest thereon is Rs.20, 000/- or more.
- b) The aggregate amount of deposit held by such person either in his name or jointly with any other person on the date of such repayment together with interest of such deposits is Rs.20,000/- or more.

3) Branches should not collect third party "account payee" cheques in the account of co-operative credit societies on behalf of their clients.

4) Duties of the operating staff should be changed periodically.

5) Where large credits or debits are observed immediately within a short period after opening the A/c, confirmation from the collecting bank / issuing bank about the genuineness of the instrument may be obtained whenever necessary.

6) Concurrent auditor should be advised to comment on the statue of compliance of KYC norms/policies and their observations shall be placed before Audit Committee on regular basis.

7) In case of accounts of people of low means, transactions shall be watched carefully and if the transactions / balances exceed the prescribed limit no further transactions to be permitted till full KYC procedure is completed.

8) Bank's staff may be adequately trained on ongoing basis in KYC procedures. KYC policy to be covered as an essential item in each training programme.

9) Personal information collected from the customers for complying KYC norms should not be used for cross selling of other products. Such information should not be supplied to outside agencies as it would amount to breach of customer confidentiality obligations. Branches should adhere to this stipulation very strictly.

5.Training Programme

Training of staff and management

All the operating and management staff should fully understand the need for strict adherence of KYC norms. Hence there should be ongoing training programme so that staff members are adequately trained for their roles and responsibilities in complying with Anti-Money Laundering guidelines and for implementing KYC policies consistently. The training shall review applicable money laundering laws and recent trends in money laundering activity with reference to our Bank's policies and procedures to combat money laundering including how to recognize and report suspicious transactions.

Bank will depute its employees and members of Board of Management for the training programs, of one week duration or more, where at least one or two session is devoted in KYC Standards/AML/CFT measures so that the employees are adequately trained in KYC/AML/CFT procedures. Training is mainly intended to equip the staff members on 'KYC' & 'AML' policy so as to protect the Bank from money laundering activities.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICO BANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Records to be kept of all formal training conducted. These records have to include the names and other relevant details, dates and locations of the training.

CUSTOMER EDUCATION

The front desk staff needs to be specially trained to educate the customers regarding the objectives of the KYC programme.

Introduction of New technologies

Bank will pay special attention to the money laundering threats arising from new or developing technologies and take necessary steps to prevent its misuse for money laundering activities. Bank will ensure that appropriate KYC procedures are duly applied to the customers using new technology.

KYC for the existing accounts

While the KYC guidelines will apply to all new customers, the same would be applied to the existing customers on the basis of materiality and risk. However, transactions in existing accounts would be continuously monitored for any unusual pattern in the operation of the accounts. On the basis of materiality and risk the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards which would establish the identity of the natural / legal person and those of the 'beneficial owners'. Similarly, the Bank will also ensure that term / recurring deposit accounts are subject to revised KYC procedures at the time of renewal of the deposits on the basis of materiality and risk.

5. Internal Control Systems

Duties and responsibilities should be explicitly allocated for ensuring that policies and procedures are managed effectively and that there is full commitment and compliance to an effective KYC programme in respect of both existing and prospective deposit accounts.

Branches should meticulously follow following instructions while effecting payment of Rs. 20,000/-and above in addition to prevailing instructions.

1. The front line staff must insist for signature of the payee on the reverse of the cheque/withdrawal form
2. The payment must be effected under joint signatures: one of the two must be an officer one.
3. Cashier while effecting payment must ensure that the payment is made to a bonafied person,authorized by the drawer of the instrument and must insist for proper identification of payee.

Blank Demand Drafts Cheques, Pay Orders, Credit Advice be treated as security items and branches should take adequate safeguards against their pilferage. They should be balanced daily and held under safe custody. Quarterly certificate about the verification and correctness should be submitted to Head Office duly signed by Branch Manager.Upon receipt of security stock from Head officer, each and every leaf should be checked and be entered in stock register and entries should be signed by the officials of the branch.

The issue of cheque books to account holders should be under overall control of the Branch Manager/officer in charge. Stock of Inventory and balancing be ensured at the opening & closure of the day.The accounts, which are not operated for over a period of two years, should be transferred to separate head and withdrawals from such accounts should be with the approval of branch in charge.Such accounts should be locked and could be operated with the permission of the Branch Manager-In-charge of the Branch where computerization is introduced.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

It should always be ensured that the cheque book numbers appear in the issue register serially, and issued to account holders in chronological order, only against requisition slip/form, following proper procedure. Cheque book should be prepared upon verification of requisition slip/form by officer and entered in the system at the time of delivery.

In case of loss cheque book or other inventory, it should be brought to notice of Head Office immediately. Counter clerk should ensure safe keeping of Draft books, pay Order books, Credit advice books during business hours.

7. Record Keeping

Branch/offices should prepare and maintain documentation on their customer relationships and transactions to meet the requirements of relevant laws and regulations, to enable any transaction effected through them to be reconstructed.

Retention of Records

In terms of the Banking Regulation Act, records such as Account Opening Forms, vouchers, ledgers, registers, etc pertaining to Banking Transactions for specified periods are required to be maintained. In addition, the following documents in respect of accounts, which have been reported for suspicious activities, are required to be retained at the end of business relationship with the customer, which in any case shall not be less than 5 years.

1. Customer Profiles
2. Reports made to government authorities concerning suspicious customer activities relating to possible money laundering or other criminal conduct together with supporting documentation.
3. Records of all formal anti money laundering training conducted which include the names and business units of attendees and dates and locations of the training; and
4. Any other document required to be retained under applicable money laundering laws/regulations. All financial transactions records are to be retained at least for 5 years after the transaction has taken place and to be made available for scrutiny of Law enforcing agencies, Audit functionaries as well as Regulators as and when required.

8. Evaluations of KYC guidelines by internal audit and inspection system

An independent evaluation of KYC guidelines for identifying high value transactions would require to be carried out by Concurrent/Regional Managers /Internal Auditors. They would be required to comment on the effectiveness of measures taken by branches/level of implementation of KYC guidelines and prevention of money laundering at branches. A review of the compliance with KYC guidelines at branches in this regard will be put up by Inspection and Audit Department to the Audit Committee of the Board at quarterly intervals along with quarterly review being put up now covering inspection and audit and concurrent audit, etc. for the whole Bank. Further, Concurrent /Regional Managers Internal auditors should specifically scrutinize and comment on the effectiveness of the measures taken by branches in adoption of KYC norms and steps taken by the branch towards prevention of money laundering.

9. DUTIES/ RESPONSIBILITIES AND ACCOUNTABILITY

The Bank employees will conduct themselves in accordance with the highest ethical standards and in accordance with the extant regulatory requirements and laws. Staff and management shall not provide advice or other assistance to individuals who are indulging in money laundering activities. The chain of duties and responsibilities at branches/ controlling offices and accountability are as under and non-compliance of the duties and responsibilities



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICO BANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

arising out of KYC guidelines will lead to fixation of accountability. Dereliction of duty and avoidance of knowledge will lead to examination of staff accountability.

Personnel	Duties/Responsibilities
Officer in Charge of accounts/ Officer vested with the authority to open new accounts	To take KYC related document To interview the potential customer To verify the introductory reference/customer profile. To arrive at threshold limits for each account (new as well as existing) and to exercise due diligence in identifying suspicious transactions. To ensure against opening of accounts in the names of terrorist/ banned organizations. To comply with the guidelines issued by the Bank from time to time in respect of opening and conduct of account. To scrutinize and satisfy himself/herself the information furnished in the account opening form/customer profile/threshold limit are in strict compliance with KYC guidelines before authorizing Opening of account
Principal Officer	To scrutinize and certify the Statement /Register regarding compliance with KYC guidelines and report suspicious transactions to appropriate authority.
Regional Manager/Internal Auditor/ Concurrent Auditor	To verify and record his comments on the effectiveness of measures taken by branches/level of implementation of KYC guidelines. An independent evaluation of the controls for identifying high value transaction should be carried out on a regular basis.
Controlling Authority	Prompt reporting of information regarding suspicious transactions to the law enforcing authority concerned.

Adherence to KYC Guidelines (High, Medium & Low Risk Category) for allotment of lockers / Measures relating to lockers which have remained unoperated.

The Bank Branches should be aware of the risks involved in renting safe deposit lockers. In this connection, Branches are advised to take following measures:

- (i) The KYC assessment for the safe-deposit locker customers (either new or existing), should be done at least to the levels prescribed for medium risk or the risk categories attributable to their bank account, if higher.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICO BANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

(ii) Where the lockers have remained unoperated for more than one and three years for high and medium risk categories respectively, branches should immediately contact the locker-hirers and advise them to operate the lockers or surrender the lockers even if the rents are being paid regularly. In case the locker-hirers still do not operate the locker, branches should consider opening the lockers with the help of police after giving due notice to the locker-hirers.

(iii) Banks should have an explicit policy for taking appropriate action including breaking open the lockers in cases where the rents are not paid by the locker-hirers.

Introduction of New Technologies - Debit Cards

Bank shall pay special attention to any money laundering threats that shall 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. Bank is 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, before issuing cards in respect of the customers including add-on / supplementary cardholders..**

Combating Financing of Terrorism

In terms of PMLA Rules, suspicious transaction shall include, inter alia,

(a) Bank has developed suitable mechanism through appropriate policy framework for enhanced monitoring of transactions, which give rise to a reasonable ground of suspicion that these shall involve financing of the activities relating to terrorism, and accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to FIU-Ind on priority.

(b) 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, the Bank shall update the lists of individuals and entities as circulated by Reserve Bank. The UN Security Council has adopted Resolutions 1988 (2011) and 1989 (2011) which have resulted in splitting of the 1267 Committee's Consolidated List into two separate lists, namely:

I. "Al-Qaida Sanctions List", which is maintained by the 1267 / 1989 Committee. This list shall include only the names of those individuals, groups, undertakings and entities associated with Al-Qaida. The Updated Al-Qaida Sanctions List is available at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml II. "1988 Sanctions List", which is maintained by the 1988 Committee. This list consists of names previously included in Sections A ("Individuals associated with the Taliban") and B ("Entities and other groups and undertakings associated with the Taliban") of the Consolidated List. The Updated 1988 Sanctions list is available at

<http://www.un.org/sc/committees/1988/list.shtml> Both "Al-Qaida Sanctions List" and "1988 Sanctions List" shall be taken into account for the purpose of implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967.

Before opening any new account, branches shall ensure that the name/s of the proposed customer does not appear in the lists. Further, branch shall 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 shall immediately be intimated to RBI and FIU-IND.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

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

1 The Unlawful Activities (Prevention) Act, 1967 (UAPA) has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. Government has issued an Order dated August 27, 2009 detailing the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities. In terms of Section 51A, the Central Government is empowered to 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 and 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.

2. Branches shall strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 (Annex III) and ensure meticulous compliance to the Order issued by the Government.

3. On receipt of the list of individuals and entities subject to UN sanctions (referred to as designated lists) from RBI, bank shall ensure expeditious and effective implementation of the procedure prescribed under Section 51A of UAPA in regard to freezing / unfreezing of financial assets of the designated individuals / entities enlisted in the UNSCRs and especially, in regard to funds, financial assets or economic resources or related services held in the form of bank accounts.

4 .As per the designated list of banks received from RBI in terms of Para 4 of the Order, in regard to funds, financial assets or economic resources or related services held in the form of bank accounts, the Bank shall –

a. 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 (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 with them.

b. In case, the particulars of any of their customers match with the particulars of designated individuals / entities, the bank 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, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011- 23092736. The particulars apart from being sent by post shall necessarily be conveyed on e-mail id: jsis@nic.in c. Bank shall also send by post,

a copy of the communication mentioned in (ii) above to the UAPA nodal officer of RBI, Chief General Manager, Department of Banking Operations and Development, Central Office, Reserve Bank of India, Anti Money Laundering Division, Central Office Building, 13th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 and also by fax at No.022-22701239.

The particulars, apart from being sent by post / fax shall necessarily be conveyed on e-mail id: cgmaml@rbi.org.in d. Bank 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 as the case shall be and to FIU-India. In case, the match of any of the customers with the particulars of designated individuals / entities is beyond doubt, the bank would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post shall necessarily be conveyed on e-mail id: jsis@nic.in f. Bank shall also 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.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Freezing of financial assets

a. On receipt of the particulars as mentioned in paragraph d(ii)) above, 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 bank are the ones listed as designated individuals / entities and the funds, financial assets or economic resources or related services , reported by bank are held by the designated individuals / entities. This verification would be completed within a period not exceeding five working days from the date of receipt of such particulars.

b. In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals / entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned bank branch under intimation to Reserve Bank of India and FIU-IND.

c. The order shall take place without prior notice to the designated individuals / entities.

Preservation of records / Cash and Suspicious transactions reporting to Financial Intelligence Unit- India (FIU-IND)

Section 12 of the PMLA, 2002 casts certain obligations on the banking companies in regard to preservation and reporting of customer account information. Banks are, therefore, advised to go through the provisions of PMLA, 2002 and the Rules notified there under and take all steps considered necessary to ensure compliance with the requirements of Section 12 of the Act *ibid*.

a) Maintenance of records of transactions

Bank shall introduce a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules, 2005, as mentioned below:

i. All cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;

ii. All series of cash transactions integrally connected to each other which have been individually valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate value of such transactions exceeds Rupees Ten Lakhs or its equivalent in foreign currency;

Explanation - Integrally connected cash transactions referred to at (ii) above

The following transactions have taken place in a branch during the month of April 2015:

Date	Mode	Dr (in Rs.)	Cr (in Rs.)	Balance (in Rs.) BF -
8,00,000.00				
02/04/2008	Cash	5,00,000.00	3,00,000.00	6,00,000.00
07/04/2008	Cash	40,000.00	2,00,000.00	7,60,000.00
08/04/2008	Cash	4,70,000.00	1,00,000.00	3,90,000.00
Monthly Summation		10,10,000.00	6,00,000.00	

iii. As per above clarification, the debit transactions in the above example are integrally connected cash transactions because total cash debits during the calendar month exceeds Rs. 10 lakhs

iv. All transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency [Ref: Government of India Notification dated November 12, 2009- Rule 3,sub-rule (1) clause (BA) of PML Rules]



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

v. All cash transactions where forged or counterfeit currency notes or banknotes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction and

vi. All suspicious transactions whether or not made in cash and by way of as mentioned in the

Rules.

vii. All the credit transactions in the above example would not be treated as integrally connected, as the sum total of the credit transactions during the month does not exceed Rs.10 lakh and hence credit transaction dated 02, 07 & 08/04/2008 shall not be reported by bank.

(b) Information to be preserved

Bank is required to maintain all necessary information in respect of transactions referred to in PML Rule 3 to permit reconstruction of individual transaction, including the following information:

i. the nature of the transactions;

ii. the amount of the transaction and the currency in which it was denominated;

iii. the date on which the transaction was conducted; and

iv. the parties to the transaction.

(c) Maintenance and Preservation of Records

i) Bank is required to maintain the records containing information of all transactions including the records of transactions detailed in Rule 3 above. Bank shall take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, in terms of PML Amendment Act 2012 notified on February 15, 2013, bank shall 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 amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

ii) Bank shall ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, 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 as required under Rule 10 of the Rules *ibid*. The identification records and transaction data shall be made available to the competent authorities upon request.

iii) In paragraph 2.13 of this Master Circular, banks have been advised to pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. It is further clarified that the background including all documents / office records / memorandums pertaining to such transactions and purpose thereof shall, as far as possible, be examined and the findings at bank as well as Principal Officer level shall be properly recorded. Such records and related documents shall be made available to help auditors in their day-to-day work relating to scrutiny of transactions and also to Reserve Bank / other relevant authorities. These records are required to be preserved for ten years as is required under PMLA, 2002.

(d) Reporting to Financial Intelligence Unit – India

i. In terms of the PMLA Rules, banks are required to report information relating to cash and suspicious transactions and all transactions involving receipts by non-profit organisations of value more than rupees ten lakh or its equivalent in foreign currency to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in
Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat, Chanakyapuri,
Website - <http://fiuindia.gov.in/>

Explanation : Government of India Notification dated November 12, 2009- Rule 2 sub-rule (1) clause (ca) defines Non-Profit Organization (NPO). 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 25 of the Companies Act, 1956.

ii. The earlier prescribed multiple data files reporting format has been replaced by a new single XML file format. FIU-IND has released a comprehensive reporting format guide to describe the specifications of prescribed reports to FIU-IND. FIU-IND has also developed a Report Generation Utility and Report Validation Utility to assist reporting entities in the preparation of prescribed reports. The OM issued on Reporting Formats under Project FINnet dated 31st March, 2011 by FIU containing all relevant details are available on FIU's website. In this regard, a reference is also invited to circulars

DBOD.AML.BC.No.39/14.01.001/2012-13 and DBOD.AML.BC.No.49/14.01.001/2012-13 dated September 7, 2012 and October 11, 2012 respectively. Accordingly, bank shall carefully go through all the reporting formats prescribed by FIU-IND.

iii. FIU-IND have placed on their website editable electronic utilities to enable banks to file electronic CTR / STR who are yet to install/adopt suitable technological tools for extracting CTR / STR from their live transaction data base. It is, therefore, advised that in cases of banks, where all the branches are not fully computerized, the Principal Officer of the bank shall cull out the transaction details from branches which are not yet computerized and suitably arrange to feed the data into an electronic file with the help of the editable electronic utilities of CTR / STR as have been made available by FIU-IND on their website <http://fiuindia.gov.in>. However, in case of our Bank, all the branches are computerized. In terms of instructions contained in paragraph 2.3(b) of this Master Circular, branches are required to prepare a profile for each customer based on risk categorization. Further, vide paragraph 2.13(d), the need for periodical review of risk categorization has been emphasized. It is, therefore, reiterated that branches, as a part of transaction monitoring mechanism, are required to put in place an appropriate software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers. It is needless to add that a robust software throwing alerts is essential for effective identification and reporting of suspicious transaction.

Various Reporting Formats

a) Cash Transaction Report (CTR)

While detailed instructions for filing all types of reports are given in the instructions part of the related formats, bank shall scrupulously adhere to the following:

i. The Cash Transaction Report (CTR) for each month shall be submitted to FIU-IND by 15th of the succeeding month. Cash transaction reporting by branches to their controlling offices shall, therefore, invariably be submitted on monthly basis (not on fortnightly basis) and bank shall ensure to submit CTR for every month to FIU-IND within the prescribed time schedule.

ii. All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine shall be reported by the Principal Officer to FIU-IND in the specified format not later than seven working days from the date of occurrence of such transactions (Counterfeit Currency Report - CCR). These cash transactions shall also include transactions where forgery of valuable security or documents has taken place and shall be reported to FIU-IND in plain text form.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

iii. While filing CTR, details of individual transactions below Rupees Fifty thousand need not be furnished.

iv. CTR shall contain only the transactions carried out by the bank on behalf of their clients/customers excluding transactions between the internal accounts of the bank.

v. A summary of cash transaction report for the bank as a whole shall be compiled by the Principal Officer of the bank every month in physical form as per the format specified. The summary shall be signed by the Principal Officer and submitted to FIU-India.

vi. In case of Cash Transaction Reports (CTR) compiled centrally by banks for the branches having Core Banking Solution (CBS) at their central data centre level, bank shall generate centralized Cash Transaction Reports (CTR) in respect of branches under core banking solution at one point for onward transmission to FIU-IND, provided:

a) The CTR is to be generated in the format prescribed by FIU-IND;

b) A copy of the monthly CTR submitted on its behalf to FIU-India is available at the concerned branch for production to auditors / inspectors, when asked for; and

c) The instruction on 'Maintenance of records of transactions'; 'Information to be preserved' and 'Maintenance and Preservation of records' as contained above in this Master Circular at Para 2.24 (a), (b) and (c) respectively are scrupulously followed by the bank. However, in respect of branches not under CBS, the monthly CTR shall continue to be compiled and forwarded by the branch to the Principal Officer for onward transmission to FIU-IND. This is not applicable for our Bank as all our branches are under CBS.

b) Suspicious Transaction Reports (STR)

i) While determining suspicious transactions, bank shall be guided by definition of suspicious transaction contained in PMLA Rules as amended from time to time.

ii) It is likely that in some cases transactions are abandoned / aborted by customers on being asked to give some details or to provide documents. It is clarified that branches shall report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

iii) Bank shall make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and / or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

iv) The STR shall be furnished within seven days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report. These STRs will be further approved by a Committee of 3 General Managers, and submitted to FIU-IND within 7 days of such approval from the Committee. Such report shall be made available to the competent authorities on request.

v) In the context of creating KYC / AML awareness among the staff and for generating alerts for suspicious transactions, banks shall consider the indicative list of suspicious activities contained in Annex-E of the 'IBA's Guidance Note for Banks, January 2012'. The Indicative List of Alert Indicators to report suspicious transactions / attempted transactions is enclosed at Annexure IV, and a list of Examples of STRs received at FIU-IND is also enclosed at Annexure-V.

vi) Bank shall not put any restrictions on operations in the accounts where an STR has been made. Bank and its employees shall keep the fact of furnishing of STR strictly confidential, as required under PML Rules. It shall be ensured that there is no tipping off to the customer at any level.

(c) Non-Profit Organization

The report of all transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency shall be submitted every month to the Director, FIU-IND by 15th of the succeeding month in the prescribed format.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragoddcb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Miscellaneous:

Information collected from the customers for KYC compliance should be relevant to the perceived risk, not intrusive and should be treated as confidential. The same is not to be used/divulged for any purpose.

Closure of accounts

Where the bank is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the bank should consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

Review of the Policy

- The Policy will be reviewed as and when considered necessary by the Board.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICO BANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

Annexure – I

Customer Identification Procedure

Officially Valid Documents that shall be obtained from customers

Features	Documents
Accounts of individuals	
Normal Accounts	Any or more of the following which show/s both identity as well as address of the customer; (i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number (vii) Any document as notified by the Central Government in consultation with the regulator It is implied that proof of address also follows from the above documents only.
Simplified KYC for 'Low Risk Customers'	Any of the above and / or any of the following; (i) Identity card with applicant's Photograph issued by Central/State Government departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Bank and Public Financial Institution (ii) Letter issued by a gazette officer, with a duly attested photograph of the person.
Accounts of companies	(i) Certificate of incorporation (ii) Memorandum & Articles of Association (iii) A Resolution of the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact on its behalf; and (iv) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
Accounts of partnership firms	(i) Registration certificate (ii) Partnership deed (iii) An officially valid document in respect of the person holding an attorney to transact on its behalf.
Accounts of trusts & foundations	(i) Registration Certificate (ii) Trust Deed; and (iii) An officially valid document in respect of



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

	the person holding a power of attorney to transact on its behalf.
Accounts of Unincorporated associations or body of individuals	(i) Resolution of the Managing Body of such association or body of individuals; (ii) Power of attorney granted to him to transact on its behalf; (iii) An officially valid document in respect of the person holding an attorney to transact on its behalf; and (iv) Such information as may be required by the branch to collectively establish the legal existence of such an association or body of individuals.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

ANNEXURE II

Illustrative list of Low / Medium / High risk customers

Low Risk Customers

1. Salaried employees whose salary structures are well defined
2. People belonging to lower economic strata of the society whose accounts show small balances and low turnover.
3. Government Departments and Government owned companies
4. Regulators and Statutory bodies, etc.
5. NPOs / NGOs only which are promoted by United Nations or its agencies.

Medium Risk Customers

1. Non-Bank Financial Institution
2. Stock brokerage
3. Import / Export
4. Gas Station
5. Car / Boat / Plane Dealership
6. Electronics (wholesale)
7. Travel agency
8. Used car sales
9. Telemarketers
10. Providers of telecommunications service, internet cafe, IDD call service, phone cards, phone center
11. Dot-com company or internet business
12. Pawnshops
13. Auctioneers
14. Cash-Intensive Businesses such as restaurants, retail shops, parking garages, fast food stores, movie theaters, etc.
15. Sole Practitioners or Law Firms (small, little known)
16. Notaries (small, little known)
17. Secretarial Firms (small, little known)
18. Accountants (small, little known firms)
19. Venture capital companies

High Risk Customers

1. Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267 etc.
2. 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
3. Individuals and entities in watch lists issued by Interpol and other similar international organizations
4. Customers with dubious reputation as per public information available or commercially available watch lists.
5. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk
6. 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



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragodccb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

to different institutions, frequent and unexplained movement of funds between institutions in various geographic locations etc.

7. Customers based in high risk countries / jurisdictions or locations (Refer Annexure-III)
8. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which PEP is the ultimate beneficial owner;
9. Non-resident customers and foreign nationals
10. Embassies / Consulates
11. Off-shore (foreign) corporation / business
12. Non face-to-face customers
13. High net worth individuals
14. Firms with 'sleeping partners'
15. Companies having close family shareholding or beneficial ownership
16. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale.
17. 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
18. Investment Management / Money Management Company / Personal Investment Company.
19. 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.
20. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc
21. Trusts, charities, NGOs / NPOs (especially those operating on a "cross-border" basis) unregulated clubs and organizations receiving donations (excluding NPOs / NGOs promoted by United Nations or its agencies)
22. Money Service Business: including seller of: Money Orders / Travelers' Cheques / Money Transmission / Check Cashing / Currency Dealing or Exchange
23. Business accepting third party checks (except supermarkets or retail stores that accept payroll Checks / cash payroll checks)
24. Gambling / gaming including "Junket Operators" arranging gambling tours
25. 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).
26. Customers engaged in a business which is associated with higher levels of corruption (e.g., arms Manufacturers, dealers and intermediaries.
27. Customers engaged in industries that might relate to nuclear proliferation activities or explosives.
28. Customers that may appear to be Multi-level marketing companies etc.



The Kasaragod District Co-operative Bank Ltd.

Head Office, P.B. No.48, Nayak's Road, Kasaragod, Kerala – 671121

Gram : DICOBANK; FAX : 04994 - 220866; e-mail : kasaragoddcb@bsnl.in

Phone : (04994) 220118; President : 219801,230697; General Manager : 219802,230118

ANNEXURE III

High risk countries / jurisdictions or locations;

Iran, Albania, Kuwait Sudan, Pakistan Uganda, Myanmar Ethiopia, Panama Yemen, Afghanistan Iraq, Papua, New Guinea, Zimbabwe	Democratic People's Republic of Korea (DPRK)	Angola, Lao PDR, Syria, Algeria ,Argentina, Namibia Tajikistan	Ecuador ,Cambodia Nicaragua ,Turkey Indonesia, Cuba
---	--	---	---