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**CENTRAL FINANCIAL CREDIT AND
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KNOW YOUR CUSTOMER STANDARDS AND AML/CFT POLICY



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Preamble

- 1.1 In terms of the Guidelines issued by the Reserve Bank of India on Know Your Customer (KYC) norms, and Anti Money Laundering (AML) measures and combating of financing of Terrorism (CFT) obligations, Banks are required to put in place a comprehensive policy framework covering KYC norms, AML Measures and combating of financing of Terrorism (CFT) obligations.
- 1.2 The Know your customer guidelines issued by the Reserve Bank of India take into account the recommendations made by the Financial Action Task Force (FATF) on AML Standards and on combating financing of terrorism.
- 1.3 The guidelines also incorporate aspects covered in the Basel Committee document on customer due diligence which is a reflection of the International Financial Community's resolve to assist law enforcement authorities in combating financial crimes.
- 1.4 This policy document is prepared in line with the RBI guidelines and incorporate the Society's approach to customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis.
- 1.5 The objective of KYC guidelines is to prevent the Society from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

2. Definition of Money Laundering

- 2.1 Section 3 of the Prevention of Money Laundering (PML) Amendment Act 2012 has defined the "Offence of money laundering" as under:



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2.2 “Whoever 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 including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money laundering”.

2.3 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.

2.4 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.

3. Obligations under Prevention of Money Laundering [PML] Amendment act 2012.

3.1 Section 12 of PML Amendment Act 2012 places certain obligations on every banking company which include:

- (i) Maintaining a record of all transactions, including information relating to transactions covered under (ii), in such a manner as to enable it to reconstruct individual transactions.
- (ii) Furnishing to the Director (FIU) within such time as may be prescribed, information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed.
- (iii) Verifying the identity of its clients in such a manner and subject to such conditions, as may be prescribed.



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- (iv) Identifying the beneficial owner, if any, of such of its clients, as may be prescribed.
- (v) Maintaining record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients.
- (vi) Every information maintained, furnished or verified, save as otherwise provided under any law for the time being in force, shall be kept confidential.
- (vii) The recorded mentioned under (i) to (v) shall be maintained for a period of 5 years after the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later.

3.2 Section 12A of PML Amendment Act 2012 places certain obligations on every banking company which include:

- (i) The Director may call for from any reporting entity any of the records referred to under Sec.12, and any additional information as he considers necessary for the purpose of the Act.
- (ii) Every reporting entity shall furnish to the Director such information as may be required by him under Sec.12 within such time and in such manner as he may specify.
- (iii) Save as otherwise provided under any law for the time being in force, every information sought by the Director under Sec.12 shall be kept confidential.

3.3 This policy document takes note of the obligations of the Society under Sec.12 & Sec.12 A of the Prevention of Money Laundering Amendment Act, 2012, for strict compliance, even though the Society is not yet a Reporting Entity (RE) under PMLA and the rules framed thereunder.



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4. Money Laundering – Risk Perception

4.1 Money laundering activities expose the Society to various risks such as:

4.2 **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.

4.3 **Compliance Risk**

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

4.4 **Operational Risk**

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

4.5 **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.

5. Policy Objectives:

5.1 To prevent the Society from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

5.2 To enable the Bank to know/understand the customers and their financial dealings better, which in turn would help the Bank to manage risks Prudently.

5.3 To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.



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5.4 To comply with applicable laws and regulatory guidelines.

5.5 To take necessary steps to ensure that the concerned staff is adequately trained in KYC/AML procedures.

6. Scope

6.1 This policy is applicable to all branches and all other offices of the Society and is to be read in conjunction with related operational guidelines issued from time to time.

7. Definition of a Customer

7.1 The Society deals with its members only.

7.2 A Member Customer for the purpose of this policy is defined as:

- (i) A person or an entity (only permitted member entities as per the MSCS Act, 2002 and as per the Bye-Laws of the Society) that maintains an account and/or has a Business relationship with the Bank.
- (ii) One on whose behalf the account is maintained i.e. the beneficial owner
- (iii) Beneficiaries of transactions conducted by professional Intermediaries, such as Chartered Accountants, Solicitors etc. as permitted under the law

and
- (iv) Any person or entity connected with a financial transaction which can cause significant reputational or other risks to the Society.



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7.3 General:

- (i) The information collected from the customer for the purpose of opening of account is to be treated as confidential and details thereof are not to be divulged for cross selling or any other like purpose. Bank will ensure that the information sought from the customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued. Bank will seek any other information from the customer separately, after opening the account and with the consent of the customer only.
- (ii) Any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode and issue of traveller's cheque and Travel cards for value of Rupees fifty thousand and above will be effected by debit to the customer's account or against cheques and not against cash payment.
- (iii) Bank will not make payment of cheques/drafts/banker's cheques, if they are presented beyond the period of three months from the date of such instrument, w.e.f 01/04/2012.
- (iv) Bank will ensure that the provisions of Foreign Contribution Regulation Act, 2010, wherever applicable are strictly adhered to.

8. Key Elements of the Policy

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions
- Risk Management

8.1. Customer Acceptance Policy

- (i) Banks should prepare a profile for each new customer, by collecting duly filled up "KYC Data sheet", The CBS software application will do a risk categorization of each customer, using the various parameters of the customer profile as appearing in



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the KYC data sheet, which will be marked in the Core Banking application while creating the customer in the system.

(ii) The customer profile shall contain information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location etc.

(iii) The Society will take a risk based approach, so that the nature and extent of due diligence will depend on the risk perceived by the Society. A risk based approach means conducting the due diligence as per the perceived risk of the customer/potential customer.

(v) As the Society is dealing with Individuals only and no NRIs are its member customer and generally no HNIs will be a member customer of the Society, almost all the member customer will be Low Risk customers. However, in the case of a high risk category customer, the Society should conduct an enhanced due diligence, whereas in the case of a low risk customer, normal due diligence is sufficient.

(vi) The bank will Classify the customers into various risk categories, based on the risk perception and will decide on acceptance criteria for each category of customers.

(vii) The customers will be risk categorized as follows:

- a) Very Low Risk
- b) Low Risk
- c) Medium Risk
- d) High Risk
- e) Very High Risk

(viii) Individuals (other than High Net Worth Individuals) and entities whose identities and sources of wealth can be easily identified and transactions in whose account conform to the known profile will be classified as "Low Risk". For eg, salaried employees, People belonging to lower economic strata of the society.



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- (ix) Customers that are likely to pose a higher than average risk to the bank will be categorized as Medium or High Risk depending on the score of the customer for the parameters, as set up in the CBS application like:
- a) Gender
 - b) Income level
 - c) Occupation
 - d) Line of Business
 - e) Country of residence
 - f) Nationality
- (x) The following types of customers will be risk classified as “High Risk” or “Very High Risk”.
- a) Customers doing Cash intensive business like Bullion dealers, sub dealers and Jewellers.
 - b) Non- resident Customers
 - c) High Net Worth Individuals
 - d) Politically Exposed persons of foreign origin
 - e) Close relatives of PEP and accounts in which a PEP is the ultimate BO.
 - f) Non-face to face customers
 - g) Customers with dubious reputations
- (xi) A review of the risk categorization of the customers should be carried out at a periodicity of not less than once in six months. This will be done based the transaction history of the customer for the last six months on the following parameters:
- a) Value of the cash and other transaction in the account, both debit and credit.
 - b) Velocity of the transactions in the account.
- (xii) The Society will accept customers after verifying their identity as laid down in Customer Identification Procedures detailed under Sec.8.2 of this Policy. Documentation requirements and other information to be collected in respect of



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different categories of customers depending on perceived risk and keeping in mind the requirements of PML Amendment Act, 2010, and instructions/guidelines issued by Reserve Bank of India to RE from time to time. (The Society is not yet an RE)

- (xiii) The Society will not open an account or close an existing account where the Society is unable to apply appropriate customer due diligence measures, i.e., Society 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 Society. The decision by a branch to close an account in such cases should be taken by the Head Office and the Branch shall close the account only after giving due notice to the customer explaining the reasons for such a decision.
- (xiv) The Society will not open accounts in the name of anonymous / fictitious / benami Persons/names.
- (xv) No transaction or account based relationship is undertaken without following the CDD procedure.
- (xvi) The Society will do necessary checks before opening a new account, by way of a search of UN list of terrorists that we are planning to maintain in the CBS software application or any other peripheral application and by way of a search in other public domain, if required, 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 etc.
- (xvii) In occasions when an account is requested to be operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity, the Society will enquire and ascertain the circumstances, in which a customer is permitted to act on behalf of another person/entity and will be clearly spelt out in conformity with the established law and practice of banking.



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- (xviii) Society will Strive not to inconvenience the members, especially those who are financially or socially disadvantaged. In order to avoid disproportionate cost to the Society and a burdensome regime for the customers, a risk based approach has been followed in the KYC Guidelines issued.
- (xix) While opening accounts of Politically Exposed Persons (PEPs), branches should obtain prior sanction from Head Office.
- (xx) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (xxi) 'Optional'/additional information shall be obtained with the explicit consent of the customer after the account is opened.
- (xxii) DD Procedure is followed for all the joint account holders, while opening a joint account.
- (xxiii) Society will take steps to identify and assess their ML/TF risk for customers, countries and geographical areas as also for products/ services/ transactions/delivery channels, and to put in place controls and procedures, duly approved by the board, to effectively manage and mitigate the ML/TF risk, adopting a risk-based approach. Bank would thus adopt enhanced measures for products, services and customers with a medium or high risk rating. In this regard,
- (xxiv) Society shall use for guidance in the risk assessment, the Report on **Parameters for Risk-Based Transaction Monitoring (RBTM) dated March 30, 2011 issued by Indian Banks' Association on May 18, 2011** as a supplement to their guidance note on Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards issued in July 2009.

8.2. Customer Identification Procedures

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



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

8.2.2 Being satisfied means that the branch and the concerned officers must be able to satisfy the competent authorities that **due diligence was observed based on the risk profile of the customer** in compliance with the extant guidelines in place.

8.2.3 Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, society etc.).

8.2.4 For customers that are natural persons, the branches should obtain sufficient identification data to verify the identity of the customer, address/location, and also recent photograph.

8.2.5 For customers that are legal persons or entities, the branches should:

- (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;
- (iii) Understand the ownership and control structure of the customer and determine the natural persons who ultimately control the legal person, viz., Beneficial Owner.

8.2.6 The Customer Identification Procedures are to be carried out at the following stages:

- (i) While establishing a banking relationship ie an account based relationship
- (ii) While carrying out a financial transaction



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- (iii) When the Society has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data

- (iv) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.

- (v) When the Society has reason to believe that a is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

- (vi) While doing KYC updation- apply client due diligence measures to existing clients at an interval of two/eight/ten years in respect of high/medium/low risk clients respectively

8.2.7 While undertaking customer identification, REs shall ensure that:

Decision-making functions of determining compliance with KYC norms shall not be outsourced

8.2.8 Introduction shall not be sought while opening accounts

8.2.9 For determination of BO, the procedure advised by Government of India as communicated in RBI circular shall be followed by the Society.

8.2.10 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, branches should carry out full scale customer due diligence (CDD) before opening an account

8.2.11 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



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previously obtained customer identification data, branches should review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship.

- 8.2.12 If an existing KYC compliant customer desires to open another account with the same branch, there shall be no need for a fresh CDD exercise. KYC exercise once done by one branch of the society should be valid for transfer of the account within the Society as long as full KYC has been done for the concerned account and the same is not due for periodic updation and a self-declaration from the account holder about his/her current address is obtained in such cases.
- 8.2.13 In the event of change in this address due to relocation or any other reason, customers may intimate the new address due to relocation or any other reason, customers may intimate the new address for correspondence to the society within two weeks of such a change.
- 8.2.14 Branches should intimate their customers that in the event of change in address due to relocation or any other reason, they should intimate the new address to the bank within two weeks of such a change. While opening new accounts and while periodically updating KYC data, an undertaking to this effect should be obtained. In case it is observed that the address mentioned as per 'proof of address' has undergone a change, branches shall ensure that fresh proof of address is obtained within a period of six months.
- 8.2.15 The customers shall not be required to furnish an additional Officially Valid Document(OVD), if the OVD submitted by the customer for KYC contains both proof of identity and proof of address. If the address on the document submitted for identity proof by the prospective customer is same as that declared by him/her in the account opening form, the document may be accepted as a valid proof of both identity and address. If the document submitted for proof of identity does not



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contain address details, then the customer will have to submit another officially valid document which contains address details.

8.2.16 Individuals who change their name due to marriage or otherwise, and the 'Officially Valid Document' (OVD) issued in the original name, which is not updated due to various reasons, still show the maiden/ previous name faced difficulties while opening new bank accounts or during periodic updation exercise or incorporating the name change in the existing accounts. As per the amendments, customers can submit a copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' in the existing name of the person even if there is change in the name subsequent to its issuance, while establishing an account based relationship or while undertaking periodic updation exercise or incorporating the name change in existing accounts.

8.2.17 As per the amendments in PMLA Rules 2013 banks should depend on documents which are identified as Officially Valid Documents for identifying individual customers and proof of address should follow from such Officially Valid Documents only. Later RBI had provided additional relaxations for the limited purpose of 'proof of address' in the case of low risk customers. In cases where the prospective 'low risk customers' are unable to produce any Officially Valid Documents' for the proof of address, branches can accept the additional documents mentioned below without compromising on the customer identification guidelines.

- a) Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- b) Property or Municipal Tax receipt;
- c) Bank account or Post Office savings bank account statement;
- d) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;



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- e) Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
- f) Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.

8.2.18 KYC PERIODIC UPDATION

8.2.18.1 Branches should introduce a system of periodical updation of customer identification data, by way of obtaining fresh customer identification documents, including photographs, after the account is opened. The periodicity of such updation should not be less than once in ten years in case of low risk category customers and not less than once in eight years in case of medium risk and two years in the case of High Risk categories. This periodical updation should be done by the Parent branch.

8.2.18.2 With a view to easing difficulties faced by common persons while opening bank accounts and during periodic updation, RBI simplified the KYC guidelines on periodic updation requirements. Branches need not seek fresh proofs of identity and address at the time of periodic updation, from 'low risk customers' in case of no change in status. A self-certification by the customer to that effect should suffice in such cases. Branches do not insist on physical presence of the 'low risk' customers, in case of change of address they could merely forward a certified copy of the document (proof of address) by mail/post etc.

8.2.18.3As regards noncompliance of KYC requirements by the customers despite repeated reminders by branches, the branches should impose 'partial freezing' by allowing all credits and disallowing all debits on such KYC non-compliant in a phased manner. Ie., after giving due notice of three months initially to the



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customers to comply with KYC requirement and followed by a reminder for further period of three months.

8.2.19 For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Society may rely on customer due diligence done by a third party, subject to the following conditions:

- a) Necessary information of such customers' due diligence carried out by the third party is immediately obtained by the Society.
- b) Adequate steps are taken by banks to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Society.

8.2.20 **UCIC**

- a) RBI advised that 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. This can be achieved by introducing a unique identification code for each customer. The Unique Customer Identification Code (UCIC) will help banks to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable banks to have a better approach to risk profiling of customers.



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- b) Banks were also advised to initiate steps for allotting UCIC to all their customers while entering into any new relationships for individual customers to begin with. UCIC should be allotted to all customers while entering into new relationships.
- c) Branches should strictly follow the UCIC concept while creating new customers in the system.
- d) The Society is committed to bring the legacy customers also under one customer ID.

8.2.21 CDD Procedure in case of Individuals

8.2.21.1 Branches shall obtain the following documents from an individual while establishing an account based relationship:

- (a) one certified copy of an OVD as mentioned at Section 3(a)(vi) of Chapter I, containing details of identity and address;
- (b) two recent photograph

Provided that information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.

8.2.22 An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in **Annex-I** to this Policy. It is clarified that permanent correct address, as referred to in Annex-I, means the address at which a person usually resides and can be taken as the address as mentioned in one of the officially Valid documents or any other document accepted by the bank for verification of the address of the customer.



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8.2.23 The indicative list furnished in **Annex – I**, is not an exhaustive list.

8.2.24 During the periodic review, if the ‘low risk’ category customer for whom simplified procedure is applied, is re-categorized as ‘moderate or ‘high’ risk category, then the branch shall obtain one of the six OVDs listed in Annex I of the policy for proof of identity and proof of address immediately.

8.2.25 In the event such a customer fails to submit such an OVD, branch shall initiate action as envisaged in Section 39 of the policy.

8.2.26 Quoting of PAN:

8.2.26.1 Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. If a PAN Card is available, photocopy of the PAN Card or Forwarding Letter of the PAN Card should be obtained.

8.2.26.2 Any person who does not have a permanent account number and who enters into any transaction in which quoting of PAN is mandatory, shall make a declaration in Form No. 60/61 as the case may be giving therein the particulars of such transaction. The Copy of Form No 60/61 so received shall sent the Jurisdictional Commissioner of Income Tax (Central Information Branch) on a half yearly basis.

8,2,26,3 If the minor/junior is not having income chargeable to tax, and has not yet obtained a PAN Card, the PAN of the Parent/guardian of the minor should be obtained. If the parent/guardian of the Minor is also not having PAN, Form No.60/61 signed by the Parent/guardian, with whose income the income of the minor is to be clubbed for Income Tax purpose, should be obtained. In that case the identification documents of the Parent/Guardian should also be obtained, as it is required to fill up Form No.60/61.

8.2.27 Accounts of non-face-to-face customers:



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8.2.27.1 The customer should visit the branch in person to create the customer/open the first account, along with the required customer identification documents.

8.2.27.2 The requirement of physical presence for creating the customer/opening the first account may be waived by Head Office, on request by the Branch with justification.

8.2.27.3 All the customer identification documents presented should be either presented in original or should be certified by the prescribed authority.

8.2.27.4 If the branch is relying on third party certification of customer identification documents, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

8.2.27.5 The first payment to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face to face customers.

8.2.28 **Operation of Bank Accounts & Money Mules**

8.2.28.1 Money Mules” are used to launder the proceeds of fraud schemes (*e.g.*, phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties to act as “money mules.” In some cases, these third parties may be innocent while in others they may be having complicity with the criminals.

8.2.28.2 In a money mule transaction, an individual with a bank account is recruited to receive cheque deposits or wire transfers and then transfer these funds to accounts held on behalf of another person or to other individuals, minus a certain commission payment. Money mules may be recruited by a variety of methods, including spam e-mails, 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



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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.

8.2.28.3 The operations of such mule accounts can be minimised if branches strictly follow the guidelines on opening of accounts and monitoring of transactions.

8,2,29 Bank No Longer Knows the True Identity:

In the circumstances when a branch believes that it would no longer be satisfied that it knows the true identity of the account holder, the society should take steps to sever the Relationship in consultation with and due approval of Head Office.

8.3. Monitoring of Transactions

8.3.1 Monitoring of transactions will be conducted taking into consideration the risk profile of the account.

Explanation: High risk accounts have to be subjected to more intensified monitoring.

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

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

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

- a) Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or viable lawful purpose.



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- b) Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose will be subjected to detailed scrutiny.
- c) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- d) High account turnover inconsistent with the size of the balance maintained.

8.3.5 After due diligence at the appropriate level in the Bank, transactions of suspicious nature and/or any other type of transaction notified under PML Amendment Act, 2010 will have to be reported to Head Office, so as to consider severing the relationship after a thorough review of the relationship.

8.4 Risk Management

8.4.1 The Board of Directors of the bank is responsible and committed to ensure that an effective KYC programme is put in place in the bank by establishing appropriate procedures and to ensure their effective implementation to achieve full compliance of KYC/AML/CFT guidelines of RBI in letter and spirit.

8.4.2 The Machinery for implementing the KYC Programme consists of:

8.4.3 Board of Directors

Tasked with appropriate KYC/AML policies from time to time and Direction and Advise on compliance of KYC/AML/CFT guidelines

8.4.4 Audit Committee of the Board

- Tasked with the oversight of KYC/AML Compliance
- Review of KYC Inspection reports and status of rectification
- Identifying compliance threats

8.4.5 Central AML Cell

- Transaction Monitoring



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- KYC/AML Inspection Reports
- Train the staff on KYC/AML guidelines

8.4.6 Inspection & Vigilance Department

Conducting Regular, Concurrent and Special KYC audits

8.4.7 Compliance Function

- Evaluating and ensuring adherence to the KYC policies and procedures based on KYC Inspection reports, feedback by the branches.
- Independent evaluation of the bank's own KYC/AML/CFT policies and procedures vis-à-vis legal and regulatory requirements.

9. Customer Education:

- a) The Society recognizes the need to spread awareness on KYC, Anti Money Laundering measures and the rationale behind them amongst the customers and shall take suitable steps for the purpose.
- b) Society will prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme.
- c) The front desk staff will be specially trained to handle such situations while dealing with customers.

10. Introduction of New Technologies – Credit Cards/Debit Cards/ Smart Cards/Gift Cards/Mobile Wallet/ Net Banking/ Mobile Banking/RTGS/ NEFT/ECS/IMPS etc.

- (i) Society will pay special attention to the money laundering and financing of terrorism threats arising from new or developing technologies, including internet banking that might favour anonymity, and take necessary steps to prevent its misuse for money laundering activities.
- (ii) It shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies.



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- (iii) Society will ensure that appropriate KYC Procedures are duly applied to the customers using the new technology driven products.
- (iv) Agents and NBCs used for marketing shall also be subjected to due diligence and KYC measures.

11. Combating Financing of Terrorism

- (i) In terms of PMLA Rules, suspicious transaction should include transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. Branches are, therefore, advised to have ongoing, enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to FIU-IND through Central AML cell.
- (ii) 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 circulates these to all banks and financial institutions. AML central cell should ensure to update the lists of individuals and entities as circulated by Reserve Bank in the AML software application.
- (iii) Both “Al-Qaida Sanctions List” and “1988 Sanctions List” are to be taken into account for the purpose of implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967.

12. Unlawful Activities (Prevention) Act, 1967

12.1 Freezing of Assets under Section 51A:

- 12.1.1 The Society will strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 and ensure meticulous compliance to the Order issued by the Government.



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

12.1.3 The details of the two lists are as under:

- (a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at <https://www.un.org/sc/suborg/sites/www.un.org.sc.suborg/files/1267.pdf>
- (b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <http://www.un.org/sc/committees/1988/list.shtml>.

12.1.4 Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

13. Jurisdictions that do not or insufficiently apply the FATF Recommendations

- i The Society will take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement. In addition to FATF Statements circulated by Reserve Bank of India from time to time, the society will also consider publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations.
- ii The Society will give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the



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FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The process referred to in Section 13(i) & (ii) do not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

- iii The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

13.1 Maintenance and preservation of records:

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules.

- i. In terms of PML Amendment Act 2012 notified on February 15, 2013, banks should maintain for at least five years from the date of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
- ii. Branches should 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 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. The identification



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- records and transaction data will be made available to the competent authorities upon request.
- iii. Branches will pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background including all documents/office records/memorandums pertaining to such transactions and purpose thereof.
 - iv. Branches should Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005).
 - v. Branches should maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (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.
 - vi. 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,
 - vii. Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

14. Employee's Training/Employee's Hiring

A) Employees' Training:



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On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy and procedures. All employee training programmes will have a module on KYC Standards and AML Measures. The focus of the KYC/AML Training sessions shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education.

B) Hiring of Employees

The Society will put in place adequate screening mechanism as an integral part of recruitment / hiring process of personnel.

15.Review of the Policy

The policy will be reviewed at yearly intervals or as and when considered necessary by the Board.

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ANNEX – I

(a) DOCUMENTS TO BE OBTAINED FROM INDIVIDUALS FOR ID PROOF:

<u>PROOF REQUIRED FOR WHAT</u>	<u>NAME OF THE DOCUMENT TO BE OBTAINED</u>
1) Legal Name	(i) passport (ii) driving license (iii) Permanent Account Number (PAN) Card (iv) Voter's Identity Card issued by Election Commission of India
2) Any other names used	(v) job card issued by NREGA duly signed by an officer of the State Government
3) Address proof	(vi) letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number
Telephone/Mobile phone/email ID	or any document as notified by the Central Government in consultation with the regulator.

E- KYC

RBI vide Circular No. DBOD.AML.BC. No. 44/14.01.001/2013-14 dated 02.09.2013, approved e-KYC service as a valid process for KYC verification under the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Thus, the information containing the demographic details and the photographs made available from UIDAI as a result of the e-KYC process (which is in an electronic form and accessible so as to be usable for a subsequent reference) may be treated as an 'Officially valid document' under the PMLA Rules.

Accordingly, branches may accept e-Aadhaar downloaded from the UIDAI website as an officially valid document subject to the following:

- (i) If the prospective customer knows only his/her Aadhaar Number, the Society may print the prospective customer's e-Aadhaar Letter, directly from the UIDAI portal; or adopt the e-KYC procedure as mentioned in the circular reference no. DBOD.AML.BC.No.44/14.01.001/2013-14 dated 02.09.2013.



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- (ii) If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, branches may print the prospective customer's e-Aadhaar letter in the bank directly from the UIDAI portal; or adopt the e-KYC procedure as mentioned in the circular reference no. DBOD.AML.BC.No. 44/14.01.001/2013-14 dated 02.09.2013 or confirm the identity and address of the resident through simple authentication service of UIDAI.
- (iii) Physical Aadhaar Card/Letter issued by UIDAI containing details of name, address and Aadhaar Number received through post and the e-KYC procedure as mentioned in the circular reference no. DBOD.AML.BC.No. 44/14.01.001/2013-14 dated 02.09.2013 would continue to be accepted as an 'Officially Valid Document'.