

CUSTOMER CENTRIC POLICY

2018 - 19

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Chapter I

POLICY ON CUSTOMER SERVICE

“A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favour by giving us an opportunity to do so.” – Mahatma Gandhi

The Bank’s Policy on Customer Service is inspired by the above precious words of the Mahatma and based on the following cardinal principles.

A. Courtesy:

The least that every visitor to a branch- be he a customer or a casual visitor- deserves is courteous behavior from the Bank’s staff. Therefore, first and foremost, every customer shall be extended all due courtesies, whether or not the Bank is in a position to meet his need/s. Every customer who comes in shall be greeted in an appropriate manner with a smile and made to feel comfortable.

All forms of non-face-to-face communication with the customer including telephonic calls and E-mail shall also be courteous. This basic minimum entitlement of every customer shall be unfailingly ensured by every staff member during his/her interactions with customers.

B. Communication:

While communicating with customers on behalf of the Bank either orally or otherwise, employees shall make it a point to identify themselves. They shall also try to follow the 3 Cs of good communication- Correctness, Conciseness and Considerateness. Wherever, channels like E-Mail, SMS etc. are employed for sending communication which is sensitive in nature or which has financial implications, necessary safeguards shall be observed so as not to compromise the interests of either the Bank or the customer.

C. Efficiency and timeliness:

The staff of the Bank shall attend to the needs of the customers promptly and efficiently, ensuring that the time norms laid down by the Bank are followed.

D. Products:

The Bank will strive to be a financial supermarket to the customer so that he can find solutions to all his banking needs under one roof.

E. Information dissemination:

Awareness of branch officials and staff about code of BCSBI 2014 and MSME 2015. Training on importance of treating customer fairly and non-discriminatingly to be imparted to Branch head / branch staff once in two years.

Publicity in the Bank Branches cautioning Public against placing deposits in Dubious Schemes – RBI Notification dated 21st April 2016.

- a. Enhancing awareness on Banking, unscrupulous offers etc. Messages to be incorporated along with advertisements – RBI Circular dated 26th May 2016.
- b. Uniformity in displaying messages educating the Customers in the ATM/Kiosk/Enclosures of the Banks.

F. Display of notice board

Branches shall invariably display Comprehensive Notice Board containing information on Customer Service, Service Charges, and Grievance Redressal etc. The following information shall be displayed in the Comprehensive Notice Boards.

1. Availability of Nomination facility in Deposit Accounts.
2. Key Interest Rates on deposits.
3. Minimum balance requirement of SB Accounts and penalty for non maintenance thereof.
4. KYC documents required for opening of Deposit Accounts.
5. Relaxed KYC requirement for opening of BSBD Accounts and Small Accounts.
6. Contact details of the Official in the Branch whom the Customer may approach in case of grievance.
7. The Name, Address and Contact Number of the Nodal Officers of the Region whom the Customer may approach if his grievance is not redressed at the Branch.
8. Contact details of Banking Ombudsman.
9. Details of PIO and Appellate Authority under RTI Act 2005.
10. Information that Bank's Policies, Schedule of Service Charges etc., is available in a Folder.
11. Facility of Exchange of Soiled and mutilated Notes.
12. Facility of Deposit/Exchange of Coins of all Denominations.
13. Procedure for dealing with the counterfeit notes.
14. Availability of facility for immediate credit of outstation cheques upto a particular amount.
15. Time norms for common transactions.
16. Information that Cheques and Forms filled in Hindi are accepted.
17. Information regarding observance of Customers' Day on 15th of every Month.

G. General Management of the Branches:

To provide excellent Customer Service, the following aspects shall be adhered to with regard to General management of the branches:

- a) Providing infrastructure facilities by branches by bestowing particular attention to providing adequate space, proper furniture (seating etc.), drinking water facilities, sufficient lighting, clean toilets, gum for pasting cut/mutilated currency notes etc., with specific emphasis on pensioners, senior citizens, disabled persons, etc.
- b) Providing entirely separate enquiry counters at their large / bigger branches in addition to a regular reception counter.
- c) Displaying indicator boards at all the counters in English, Hindi as well as in the concerned regional language. Business posters at semi-urban and rural branches of banks should also be in the concerned regional languages.
- d) Posting roving officials to ensure employees' response to customers and for helping out customers in putting in their transactions.
- e) Providing customers with Revised Code of commitment to Customers BCSBI 2014 and Code of Commitment to customers MSME 2015 booklets consisting of all code of commitment to customers in the customer area of the branches. The same is also displayed in our Bank's Website.
- f) As per IBA guidelines, Customer Rights policy was approved by Board and the same has been communicated to branches /offices. The same is also displayed in our Bank's Website.
- g) Information regarding opening of BSBD accounts as per BCSBI guidelines is displayed in the prominent place of Branches. The same is also displayed in our Bank's Website.
- h) Providing customers with booklets consisting of all details of service and facilities available at the bank in Hindi, English and the concerned regional languages.
- i) Use of Hindi and regional languages in transacting business by banks with customers, including communications to customers.
- j) Reviewing and improving upon the existing security system in branches so as to instill confidence amongst the employees and the public.
- k) Wearing on person an identification badge displaying photo and name thereon by the employees.
- l) Periodic change of desk and entrustment of elementary supervisory jobs.
- m) Training of staff in line with customer service orientation. Training in Technical areas of banking to the staff at delivery points. Adopting innovative ways of training / delivery ranging from job cards to roving faculty to video conferencing.
- n) Visit by senior officials from controlling offices and Head Office to branches at periodical intervals for on the spot study of the quality of service rendered by the branches.
- o) Rewarding the Best branches from customer service point of view by annual awards/running shield.

- p) Customer service audit, customer surveys.
- q) Holding customer relation programmes and periodical meetings to interact with different cross sections of customers for identifying action points to upgrade the customer service with customers.
- r) Clearly establishing a New Product and Services Approval Process which should require approval by the Board especially on issues which compromise the rights of the common person.
- s) Appointing Quality Assurance Officers who will ensure that the intent of policy is translated into the content and its eventual translation into proper procedures.
- t) Branches /offices are to ensure that focused attention on single product suitable to the customer i.e. "Niche Selling" is followed while extending customer service to our customers

H. Knowledge:

The staff members manning points of interface with the customers are expected to be fully conversant with the products and services they handle so as to be able to answer any query from customers in a professional manner. They shall also provide the brochures/pamphlets on these products/services to the customers to assist them in making informed decisions. Additionally, the Bank will also display information on its various products, services, procedures and charges inside the branch premises.

I. Going the extra mile for a customer:

All employees should make a conscious effort to assist a customer in finding what he or she needs and in resolving his problem, if there is one. If the solution to a problem does not lie with the Bank, the staff shall to the best of their knowledge and capacity, extend necessary guidance to the customer with regard to the person/authority to be approached for resolution and the manner of doing so.

J. Dress:

All employees of the Bank shall wear attire, which is proper and dignified, and in keeping with the professional appearance that they are expected to project.

Chapter II

POLICY ON CUSTOMER RIGHTS

Customer protection is an integral aspect of financial inclusion. The following comprehensive Customer Rights Policy based on domestic experience and global best practices is brought out to enhance such protection.

The Customer Rights Policy enshrines basic rights of the customers of the banks regulated by the Reserve Bank of India. It spells out the rights of the customer and also the responsibilities of the bank. The Policy applies to all products and services offered by the bank or its agents, whether provided across the counter, over phone, by post, through interactive electronic devices, on internet or by any other method.

1. RIGHT TO FAIR TREATMENT

Both the customer and the financial services provider have a right to be treated with courtesy. The customer should not be unfairly discriminated against on grounds such as gender, age, religion, caste and physical ability when offering and delivering financial products.

In pursuance of the above Right, bank will –

- I. Promote good and fair banking practices by setting minimum standards in all dealings with the customers;
- II. Promote a fair and equitable relationship between the bank and the customer;
- III. Train bank staff attending to the customers, adequately and appropriately;
- IV. Ensure that staff members attend to customers and their business promptly and courteously;
- V. Treat all customers fairly and not discriminate against any customer on grounds such as gender, age, religion, caste, literacy, economic status physical ability, etc.. Bank may, however, have special schemes or products which are specifically designed for members of a target market group or may use defensible, commercially acceptable economic rationale for customer differentiation. Bank may also have schemes or products as part of an affirmative action such as for women or backward classes. Such schemes / products will not tantamount to unfair discrimination. The rationale for such special schemes or terms will be explained by bank wherever required;
- VI. Ensure that the above principle is applied while offering all products and services;
- VII. Ensure that the products and services offered are in accordance with relevant laws and regulations;

While it shall be the endeavor of the bank to provide their customers with hassle free and fair treatment, bank would expect their customers to behave courteously and honestly in their dealings with the bank.

It shall also be the bank's endeavor to encourage their customers to approach the bank's internal grievance redressal machinery and approach alternate forums after exhausting all their remedies under bank's internal grievance mechanism.

2. Right to Transparency, Fair and Honest Dealing

The financial services provider should make every effort to ensure that the contracts or agreements it frames are transparent, easily understood by and well communicated to, the common person. The product's price, the associated risks, the terms and conditions that govern use over the product's life cycle and the responsibilities of the customer and financial service provider, should be clearly disclosed. The customer should not be subject to unfair business or marketing practices, coercive contractual terms or misleading representations. Over the course of their relationship, the financial services provider cannot threaten the customer with physical harm, exert undue influence, or engage in blatant harassment.

In pursuance of the above Right, the bank will –

- i. Ensure complete transparency so that the customer can have a better understanding of what he or she can reasonably / fairly expect from the bank;
- ii. Ensure that the bank's dealings with the customer rest on ethical principles of equity, integrity and transparency;
- iii. Provide customers with clear information about its products and services, terms and conditions, and the interest rates / service charges in simple and easily understandable language, and with sufficient information so that the customer could be reasonably expected to make an appropriate and informed choice of product;
- iv. Ensure that all terms and conditions are fair and set out the respective rights, liabilities and obligations clearly and as far as possible in plain and simple language;
- v. Make known the key risks associated with the product as well as any features that may especially disadvantage the customer to him/her. Most Important Terms and Conditions (MITC) associated with the product or service will be clearly brought to the notice of the customer while offering the product. In general, it will be ensured that such terms will not inhibit a customer's future choice.
- vi. Provide information on interest rates, fees and charges either on the Notice Board in the branches or website or through help-lines or help-desk and where appropriate the customer will be informed directly;
- vii. Display the tariff Schedule on their website and a copy of it will be made available at every branch for customer's perusal. Also will display in its branches a notice about the availability of the Tariff Schedule at the branch;
- viii. Give details, in their Tariff Schedule, of all charges, if any, applicable to the products and services chosen by customer;

- ix. Inform the customer of any change in the terms and conditions through a letter or Statement of Account, SMS or email as agreed by the customer at least one month prior to the revised terms and conditions becoming effective;
- x. Ensure that such changes are made only with prospective effect after giving notice of one month. If the bank has made any change without giving such notice which is favorable to the customer, it will notify the change within 30 days of such change. If the change is adverse to the customer, prior notice of minimum 30 days will be provided and the customer may be provided options, to close the account or switch to any other eligible account without having to pay the revised charge or interest within 60 days of such notice;
- xi. Provide information about the penalties leviable in case of non-observance / breach of any of the terms and conditions governing the product / services chosen by the customer;
- xii. Display on public domain the Banks' Policies on Deposits, Cheque Collection, Grievance Redressal, Compensation and Collection of Dues and Security Repossession;
- xiii. Make every effort to ensure that staff dealing in a particular product is properly trained to provide relevant information to customers fully, correctly and honestly;
- xiv. Ensure to communicate to the applicant within a reasonable time period as decided by the bank about the acceptance / non-acceptance of applications submitted for availing a product / service and convey in writing the reasons for not accepting / declining the application. Such period will be notified in the

- bank's website and also in the application of the particular product or service
- xv. Communicate unambiguously the information about –
 - a. discontinuation of particular products,
 - b. relocation of their offices
 - c. changes in working hours
 - d. change in telephone numbers
 - e. closure of any office or branch- with advance notice of at least 30 days. Also affirms that disclosure of information is an on-going process through the life-cycle of the product / relationship and will be diligently followed by them. Ensure to use all possible channels of communication, including web-site, to ensure that information on all changes is made known to the customer upfront;
 - xvi. Advise the customer at the time of selling the product of the rights and obligations embedded in law and/or banking regulation including the need to report any critical incidents that the customer suspect, discover or encounter;
 - xvii. The bank's staff members shall, when approached by the customer for availing a product or service, provide all relevant information related to the product / service and also provide direction to informational resources on similar products available in the market with a view to enable the customer to make an informed decision;
 - xviii. Not terminate a customer relationship without giving reasonable or contractual prior notice to the customer;
 - xix. Assist the customer in all available ways for managing his/her account, financial relationship by providing regular inputs in the bank's realms such as account statements/passbooks, alerts, timely information about the product's performance, term deposits maturity etc.;
 - xx. Ensure that all marketing and promotional material is clear and not misleading;
 - xxi. Not threaten the customer with physical harm, exert influence or engage in behavior that would reasonably be construed as unwarranted harassment. Ensure adherence only to the normal appropriate business practices.
 - xxii. Ensure that the fees and charges on products/services and its structure are not unreasonable to the customer

3. Right to Suitability

The products offered should be appropriate to the needs of the customer and based on an assessment of the customer's financial circumstances and understanding. In pursuance of the above Right, the bank will –

- i. Ensure that it has a Board approved policy for assessing suitability of products for customers prior to sale;
- ii. Endeavour to make sure that the product or service sold or offered is appropriate to the customer's needs and not inappropriate to the customer's financial standing and understanding based on the assessment made by it. Such assessment will be appropriately documented in the it's records
- iii. Sell third party products only if it is authorized to do so, after putting in place a Board approved policy for marketing and distributing third party financial products;
- iv. Not compel a customer to subscribe to any third party products as a quid-pro-

- quo for any service availed from the bank;
- v. Ensure that the products being sold or service being offered, including third party products, are in accordance with extant rules and regulations;
 - vi. Inform the customer about his responsibility to promptly and honestly provide all relevant and reasonable information that is sought by bank to enable them to determine the suitability of the product to the customer.

4. Right to Privacy

Customers' personal information should be kept confidential unless they have offered specific consent to the financial services provider or such information is required to be provided under the law or it is provided for a mandated business purpose (for example, to credit information companies). The customer should be informed upfront about likely mandated business purposes. Customers have the right to protection from all kinds of communications, electronic or otherwise, which infringe upon their privacy.

In pursuance of the above Right, bank will –

- i. Treat customer's personal information as private and confidential (even when the customer is no longer banking with us), and, as a general rule, not disclose such information to any other individual/institutions including its subsidiaries / associates, tie-up institutions etc. for any purpose unless :
 - a. The customer has authorized such disclosure explicitly in writing
 - b. Disclosure is compelled by law / regulation;
 - c. Bank has a duty to the public to disclose i.e. in public interest
 - d. Bank has to protect its interests through disclosure
 - e. It is for a regulatory mandated business purpose such as disclosure of default to credit information companies or debt collection agencies
- ii. Ensure such likely mandated disclosures be communicated immediately to the customer in writing
- iii. Shall not use or share customer's personal information for marketing purpose, unless the customer has specifically authorized it;
- iv. I shall adhere to Telecom Commercial Communications Customer Preference Regulations, 2010 (National Customer Preference Registry) issued by Telecom Regulatory Authority of India, while communicating with customers.

5. Right to Grievance Redress and Compensation

The customer has a right to hold the financial services provider accountable for the products offered and to have a clear and easy way to have any valid grievances redressed. The provider should also facilitate redress of grievances stemming from its sale of third party products. The financial services provider must communicate its policy for compensating mistakes, lapses in conduct, as well as non-performance or delays in performance, whether caused by the provider or otherwise. The policy must lay out the rights and duties of the customer when such events occur.

In pursuance of the above Right, bank will –

- i) deal sympathetically and expeditiously with all things that go wrong;
- ii) Correct mistakes promptly;
- iii) Cancel any charge that has been applied wrongly and by mistake;
- iv) Compensate the customer for any direct financial loss that might have been incurred by the customer due to its lapses.

The bank will also –

- i. Place in public domain its Customer Grievance Redressal Policy, including the grievance redressal procedure available for the customer;
- ii. Place in public domain the compensation policy for delays / lapses in conducting / settling customer transactions within the stipulated time and in accordance with the agreed terms of contract;
- iii. Ensure to have a robust and responsive grievance redressal procedure and clearly indicate the grievance resolution authority who shall be approached by the customer;
- iv. Make grievance redressal mechanism easily accessible to customers;
- v. Advise the customer about how to make a complaint, to whom such a complaint is to be made, when to expect a reply and what to do if the customer is not satisfied with the outcome;
- vi. Display name, address and contact details of the Grievance Redressal Authority / Nodal Officer. The time limit for resolution of complaints will be clearly displayed / accessible at all service delivery locations;
- vii. Inform the complainant of the option to escalate his complaint to the Banking Ombudsman if the complaint is not redressed within the pre-set time;
- viii. Place in public domain information about Banking Ombudsman Scheme;
- ix. Display at customer contact points the name and contact details of the Banking Ombudsman under whose jurisdiction the bank's branch falls.

Further, the bank will –

- i. Acknowledge all formal complaints (including complaints lodged through electronic means) within three working days and work to resolve it within a reasonable period, not exceeding 30 days (including the time for escalation and examination of the complaint by the highest ranking internal official responsible for grievance redressal). The 30 day period will be reckoned after all the necessary information sought from the customer is received;
- ii. Provide aggrieved customers with the details of the Banking Ombudsman Scheme for resolution of a complaint if the customer is not satisfied with the resolution of a dispute, or with the outcome of a dispute handling process;

In addition, the bank will a) clearly spell out, at the time of establishing a customer relationship, the liability for losses, as well as the rights and responsibilities of all

parties, in the event of products not performing as per specifications or things going wrong. However, the bank will not be liable for any losses caused by extraneous circumstances that are beyond its reasonable control (such as market changes, performance of the product due to market variables, etc.). b) Ensure the customer is refunded without delay and demur, if it cannot show beyond reasonable doubt to the customer on any disputed transaction (along with interest/charges).

Chapter-III

KYC norms/AML measures

1) Objective:

Know your customer (KYC)/Anti Money Laundering (AML)/ Combating of Financing of Terrorism (CFT)

The objective of KYC guidelines is to prevent banks from being used intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC procedure also enables the bank to know/ understand the customers and their financial dealings better and manage the risks prudently.

Through this policy the bank shall ensure that the recommendations of the Damodaran Committee as well as relevant regulatory and other requirements are implemented in letter and spirit. The Board approved policy on KYC/AML/CFT is subject to annual review.

2) Definitions

2.1: Customer:

For the purpose of KYC policy, a 'Customer' may be defined as:

1. A person or entity that maintains an account and/or has a business relationship with the bank;
2. One on whose behalf the account is maintained (i.e. the beneficial owner);
3. Beneficiary of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law,
4. Any person or entity connected with a financial transaction which can pose significant reputation or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

2.2: Designated Director:

"Designated Director" means a person designated by the Bank to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the

Rules and include the Managing Director or a whole time Director duly authorized by the Board of Directors.

2.3: Officially valid Documents:

Officially Valid Document (OVD) Means:

- 1) The Passport
- 2) The Driving License
- 3) The PAN Card
- 4) The Voter identity Card issue by the Election Commission of India.
- 5) Job card issued by NREGA duly signed by an officer of State Government
- 6) Letter issued by the UIDAI containing the details of name, address and Aadhaar No.
- 7) Any other document as notified by the Central Government in consultation with regulator.
 - (i) In respect of low risk category of customers, where simplified measures are applied for verifying the identity of the clients, the following documents shall be deemed to OVD:
 - a) Identity Card with applicant's Photograph issued by the Central/State Government Departments, Statutory / Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial institutions;
 - b) Letter issued by a Gazetted officer, with a duly attested photograph of the person.
 - (ii) Further, where "simplified measures" are applied, for the limited purpose of proof of address, the following additional documents are deemed to be OVDs:
 - 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 Municipality tax paid 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;
 - 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 lease and license agreements with such employers allotting official accommodation;
 - f) Documents issued by the Government departments of foreign jurisdiction and letter issued by Foreign Embassy or Mission in India.

2.4: Person:

As per the terms of PML Act a person includes:

- i) An Individual
- ii) A Hindu Undivided family
- iii) A Company
- iv) A Firm
- v) An Association of persons or a body of individuals, whether incorporated or not
- vi) Every artificial judicial person, not falling within any one of the above persons (I to v)
- vii) Any agency, office or branch owned or controlled by any of the above persons (I to vi)

2.5: Transaction:

“Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- i) Opening of an account
- ii) Deposits, withdrawal, exchange, or transfer of funds in whatever Currency, whether in cash or cheque, payment order or other Instruments or by electronic or other non-physical means:
- iii) The use of a safety deposit box or any other from or safe deposit
- iv) Entering into any fiduciary relationship;
- v) Any payment made or received in whole or in part of any Contractual or other legal obligations; or
- vi) Establishing or creating a legal person or legal arrangement

3. Key Elements of KYC Policy:

Following are four key elements of our KYC policy:

- (a) Customer Acceptance and Customer Severance Policy
- (b) Customer Identification Procedures
- (c) Monitoring of Transactions
- (d) Risk Management

3.1 Customer Acceptance Policy (CAP)

Bank shall develop clear customer acceptance policies and procedures, including a description of the types of customers that are likely to pose a higher than average risk to the Bank and including the following aspects of customer relationship in the Bank.

- (I) No account is opened or maintained in anonymous or fictitious / benami name.
- (II) Parameters of risk perception are clearly defined in terms of the nature of business activity, location of the customer and his clients, mode of payments, volume of turnover, social and financial status, etc. so as to enable the Bank

in categorizing the customers into Low, Medium and High risk ones as detailed in para 3.1.1;

- (III) Documents and other information to be collected from different categories of customers are detailed in annexure-I
- (IV) Bank will not open an account where the bank is unable to apply appropriate customer due diligence measures i.e. bank is unable to verify the identity and /or obtain required documents either due to non-cooperation of the customer or non-reliability of the documents/ information furnished by the customer., Bank may also consider closing an existing account under similar circumstances.
- (V) Circumstances, in which a customer is permitted to act on behalf of another person / entity, shall be clearly spelt out in conformity with the established law and practice of Banking.
- (VI) Bank shall have suitable system in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanction lists circulated by the Reserve Bank.

Adoption of customer acceptance policy and its implementation shall not become too restrictive, which result in denial of banking facility to the members of the general public, especially to those, who are financially or socially disadvantaged.

3.1.1. Risk Perception in respect of Customer:

“Customer risk” in the present scenario refers to the money laundering and terrorist funding risk associated with a particular customer from a Bank’s perspective. This risk is based on risk perception associated with customer profile and level of risk associated with the product and channels used by customer.

For categorizing a customer as low risk, medium risk and high risk, the parameters considered are customer’s identity, social/financial status, nature of business activity, information about the client’s business and their location etc. While considering customer’s identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

No financial sector business is immune from the activities of criminal elements. The level of Money Laundering Risk that Bank is exposed to by a customer relationship depends on:

- 1) Type of the customer and nature of business
- 2) Type of product/service availed by the customer
- 3) Country where the customer is domiciled

Based on the above criteria, the customers are classified into three Money laundering Risk levels as follows:

Low Risk Customers (Level 1 Customer)

Individuals (Other than High Net worth) and entities whose identities and sources of income can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as Low Risk, such as:

- 1) Salaried Employees
- 2) People belonging to lower economic strata of the society
- 3) Government Departments
- 4) Government Owned Companies
- 5) Regulatory and Statutory bodies etc.
- 6) NPOs/ NGOs promoted by United Nations or its agencies.

For the above category, KYC requirement would be the proper identification and verification of proof of address.

Medium Risk Customers (Level 2 customers)

Customers who are likely to pose a higher than average risk to the bank should be categorized as medium risk customers.

For this category, higher due diligence is required, which includes customer's background, nature and location of activity, country of origin, source of funds and his/her client profile, etc. besides proper identification.

The indicative list of Medium Risk customers is furnished hereunder:

- 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 café, IDD call service, phone cards, phone centre
11. Dot-com company or internet business
12. Pawnshops
13. Auctioneers
14. Cash-Incentive Business such as Restaurants, retail shops, parking garages, fast food stores, movie theatres 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.

These types of accounts shall be opened with prior approval of Regional Offices only.

High Risk Customers (Level 3 Customers)

High Risk Customers are those who are engaged in certain professions where money laundering possibilities are high. For this category, higher due diligence is required which includes customer's background, nature and location of activity, country of Origin, sources of funds, his/her client profile, etc besides proper identification . The Bank shall subject such accounts to enhanced monitoring on an ongoing basis.

The indicative list of High Risk Customers is furnished hereunder:

- 1) Trusts, Charities, NGOs and organizations receiving donations
- 2) Companies having close family shareholding or beneficial ownership
- 3) Firms with "sleeping partners"
- 4) Accounts under Foreign Contribution Regulation Act
- 5) Politically Exposed Persons (PEPs)
- 6) Customers who are close relatives of PEPs and accounts of which PEP is the ultimate beneficial owner.
- 7) Those with dubious reputation as per public information available
- 8) Accounts of non- face- to- face- customers etc.
- 9) High Net worth Individuals*
- 10) Non- resident Customers
- 11) Accounts of Cash intensive business such as accounts of Bullion dealers (including sub-dealers) and jewellers

Opening of above type of accounts shall be permitted by Regional Offices only.

* Parameters for defining High Net worth Individuals Customers with any of the following:

- 1) Average balance of Rs.2.00 lakhs and above in SB/NRE SB
- 2) Balance of Rs.10.00 lakh and above in Term deposit, Domestic/NR
- 3) Average balance of Rs.5.00 lakh and above in CA
- 4) Enjoying fund based limits/term loans exceeding Rs.30.00 lakhs
- 5) Salary credit of Rs.1,00,000/ and above in a Super Saving Salary A/C
- 6) Business contribution/ opinion makers/ VIPs such as Head of village/Town/City, Top Executive of Companies etc.

The categorization of customers under risk perception is 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.

The Banks shall prepare a Risk profile of each customer and apply enhanced due diligence measures on High Risk customers. An indicative list of High/Medium risk products, services, Geographies, Locations etc as provide by the IBA are annexed as Annexure-II.

Customer Risk Categorization

As per IBA Working Group guidelines, Bank may choose to carry out either manual classification or automatic classification or a combination of both. Similarly for selecting parameters, Bank may select the parameters based on the available data. Once the parameters are finalized, Bank may choose the appropriate risk rating/scoring models by giving due weightage to each parameter

Bank has adopted combination of manual and automatic classification. Based on the availability of data, Bank shall finalise parameters which are available in the system and the same shall be reviewed annually. 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

Bank shall prepare a profile for all Customers based on risk categorization. The Customer profile may contain information relating to Customer's identity, social/financial status, nature of business activity, information about his client's business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Bank. Risk categorization shall be done based on selection of parameters and assigning suitable risk category

Risk Parameters

The first step in process of risk categorization is selection of parameters, which would determine customer risk.

IBA Core Group on KYC and AML in its guidance note for Banks on KYC/AML/CFT/Obligation of Banks under PMLA 2002 has suggested following indicative parameters which can be used to determine the profile and risk category of Customers:

1. Customer Constitution: Individual, Proprietorship, Partnership, Private Ltd. etc.
2. Business Segment : Retail, Corporate etc
3. Country of residence/Nationality: Whether India or any overseas location/Indian or foreign national.
4. Product Subscription: Salary account, NRI products etc.
5. Economic Profile: HNI, Public Ltd. Company etc.
6. Account Status: Active, inoperative, dormant.
7. Account Vintage: Less than six months old etc.
8. Presence in regulatory negative/PEP/Defaulters/Fraudster lists.
9. Suspicious Transaction Report (STR) filed for the customer.
10. AML alerts.

Other parameters like source of funds, occupation, purpose of account opening, nature of business, mode of operation, credit rating etc can also be used in addition of the above parameters. Bank shall adopt all or majority of these parameters based on availability of data.

Risk rating of Customers:

Bank shall ensure to classify Customers as Low Risk, Medium Risk and High Risk depending on background, nature and location of activity, country of origin, sources of funds and client profile etc.

- A. An Illustrative list of Low/Medium/High Risk Customers, Products, Services, Geographies, etc., based on the recommendations of IBA Working Group on Risk Based Transaction Monitoring is detailed in Annexure II.
- B. Risk rating based on the Deposits/account balance:

Account Types	High	Medium	Low
Only SB*	Rs. 2,00,000/- & above	Rs. 1,00,000/- & above but less than Rs.2,00,000/-	Less than Rs.1,00,000/-
Only Current*	Rs. 5,00,000/- & above	Rs. 2,00,000/- & above but less than Rs.5,00,000/-	Less than Rs.2,00,000/-
Only Term Deposits	Rs. 10,00,000/- & above	Rs. 5,00,000/- & above but less than Rs.10,00,000/-	Less than Rs.5,00,000/-

*Applicable in case of accounts having completed 6 months.

For Current/SB accounts average balance for last 6 months and for Term Deposits principal amount shall be taken for consideration on the date of review.

If a customer is having more than one of the above categories of accounts, highest risk assigned for the above parameter shall be the overall risk for this parameter. Example: A customer having a savings account with average balance of Rs.1,50,000/-(medium) and Term Deposit of Rs.4,00,000/-(low) shall have rating of Medium Risk for this parameter.

Above categorization of the Customer shall be based on all accounts linked to Customer ID irrespective of constitution of account like Joint account, Partnership account etc. However accounts linked to Customer ID where customers do not have any stake in Business/activity need not be clubbed for the above purpose.

- C. Risk Categorization of the customers shall be done according to the risk perceived while taking into account the above aspects. For instance, a salaried class individual who is generally to be classified under low risk category may be classified otherwise based on following illustrative list of parameters considered as "High Risk" such as
- Unusual transaction/behavior (given as Annexure III– Monitoring of Customer Risk Categorization (CRC).
 - Submitted Suspicious Transaction Reports (STR) for Customer.
 - Submitted Cash Transaction Report (CTR).
 - Frequent Cheque returns.
- D. Risk Categorization of customers shall be based on combination of above parameters, i.e., mentioned under A, B & C above. Among the chosen

parameters, highest risk grade will be assigned as overall Risk for the customer. Example: a Travel Agent (Medium risk) with Proprietorship account (low risk) and having Savings account with average balance of Rs.1,50,000/- (medium risk) and Term Deposit of Rs.4,00,000/- (low risk) , shall be assigned with overall rating of "Medium Risk", provided all other conditions mentioned under C above does not necessitate for assigning "High Risk".

Risk categorization of Customers undertaken by the Bank:

Based on the policy/guidance notes of RBI/IBA and also the methodology of Customer Risk Categorisation provided by ORM Department (as detailed under points A, B, C & D above), risk rating has been assigned taking into account the following parameters available in CBS system :

- Customer type.
- Customer profession.
- Type of business.
- Product code.
- Account status
- Account vintage

- Average balance/deposits in SB/Current/Term Deposit accounts

All customer profiles/accounts of NRIs, HNIs, PEPs, NGOs, Trusts, Co-operative Societies, HUF, Exporters, Importers and Accounts having Beneficial Owners shall be invariably categorised as High Risk, irrespective of the lower risk category (low/medium) allotted under other parameters in the Matrix like customer profession, type of business, product code, account status, account vintage and balance in the account.

As per RBI directions, the parameters used for categorising the risk profile of customers should include those named in complaints (from legal enforcement authorities)/frauds. As the system will not identify the customers/accounts named in complaints (from legal enforcement authorities)/frauds, this parameter has not been included in the Risk Categorisation Matrix. Branches are advised to categorise such customers/ accounts under "High Risk" category as and when complaints (from legal enforcement authorities) are received or fraud is reported against the customer/account holder.

Blocked Accounts and Unclaimed deposits shall be categorized as High Risk. As per RBI directions, Blocked account status should be part of the initial categorization of an account at the branch level rather than being part of the review of risk categorization at the central level. Hence, branches are advised to categorize such accounts as High Risk at the time of blocking the account.

Accounts of dealers in jewellery, gold/silver/bullions, diamonds and other precious metals/stones shall be categorised under High Risk.

Under vintage parameter, newly opened CASA accounts which have not completed 6 months shall be categorised as High Risk, except accounts pertaining to staff, ex-staff, pensioners, small accounts, Financial Inclusion and Basic Savings Bank Accounts. However, if the accounts under the above categories are rated as High/Medium risk under any of the other 6 parameters under the risk categorization matrix, such accounts are to be categorized basing on the highest risk category allotted under those parameters.

THE ROLES AND RESPONSIBILITIES OF AUTHORITIES FOR CUSTOMER RISK CATEGORISATION (CRC):

Roles and responsibilities of Branches:

Branches shall review Customer risk categorization based on the risk categorization generated by the system, every six months, as on May and November every year.

Branches may also apply additional alert indicators to address specific risks faced by them.

Roles and responsibilities of ROs and ZOs:

Shall monitor/follow-up process of review/classification/re-classification of Customer risk categorisation.

Shall ensure compliance of Risk categorization at branches every six months.

Shall submit periodical reports on implementation/review of risk categorisation to HO: Audit and Inspection wing

Shall attend/follow-up audit observations/remarks

Audit and Inspection wing at H.O:

Oversee implementation/monitoring and review of risk categorization of customers by putting in place suitable reporting/monitoring mechanism.

Ensure proper maintenance of MIS for customer risk categorization and migration data.

Shall review fixing of parameters available through the system annually. CO: DIT, shall identify the parameters available in the system for risk categorization through the system as per the model suggested in the policy.

Shall review and provide necessary recommendations/directions to strengthen adherence of KYC/AML guidelines.

Shall specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard.

Monitoring/Review of Customer Risk Categorisation(CRC):

Branches shall carry out a review of risk categorization of customers at a periodicity of not less than once in six months i.e., May and November every year. During such review, the risk assigned to an existing customer may undergo change depending on the change in risk parameters of the customer.

Wherever there is suspicion at branch level that a Customer is above low risk, branches should carry out customer due diligence (CDD).

While monitoring of transactions, branches shall arrive at a conclusion whether the transaction is suspicious or not, based on objective parameters for enhanced due diligence. Some of the objective parameters for enhanced due diligence could be

- Customer locations.
- Financial Status.
- Nature of business.
- Purpose of transaction.

In view of the Trade Based Money Laundering (TBML) and Advance remittances scam, FIU-IND has come out with 63 new Red Flag indicators which are to be invariably implemented by Banks

Out of 63 Red Flag Alerts provided by FIU-India, 7 Alerts will be enabled in AML package as per Annexure–IV-a, which are to be monitored by Circle/HO AML teams

The data pertaining to 30 Alerts out of the 63 Red Flag Alerts will be generated from CBS as per Annexure–IV-b, which are to be monitored by the Branches/FXPCs/CO: Manipal wing: Audit and Inspection-KYC and AML Cells

The remaining 26 Red Flag Alerts (as per Annexure–IV-c) have to be monitored offline/manually at Branches/FXPCs/ CO: Manipal Wing: Audit and Inspection-KYC and AML Cells, since these are subjective in nature.

There are 52 alert scenarios incorporated in AML package, which include 7 TBML alerts detailed in Annexure IV-a. The above 63 Red Flag alerts are in addition to the existing 52 online alerts available in AML package and 24 off line alerts

In case any irregularity is observed or any suspicious transaction is identified, Branches/FXPCs/Regional Offices should escalate/report to concerned AML Cell, at HO: Audit and Inspection Department.

3.2 Customer Identification Procedure (CIP)

3.2.1. General

- (a) Customer identification means undertaking Client Due Diligence (CDD) measures while commencing an account based relationship including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. The Bank shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of banking relationship. The bank shall observe due diligence based on the risk profile of the customer in compliance with the extant guidelines in place. Such risk based approach is essential to avoid disproportionate cost to the Bank and a burdensome regime for the customers. Apart from risk perception, the nature of information /documents required would also depend on the type of customer (Individual, corporate, etc)
- (b) The Bank shall have policy approved by the Board which clearly spells out the Customer Identification Procedure to be carried out at different stages:
- 1) While establishing a banking relationship
 - 2) While carrying out a financial transaction
 - 3) When the bank has a doubt about the authenticity or adequacy of the customer identification data it has obtained.
 - 4) When bank sell third party products as agent
 - 5) While selling Bank's own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than Rs.50,000/
 - 6) When carrying out transactions for a non-account based customer, that is a walk in customer, where the amount is equal to or exceeds Rs.50,000/, whether conducted as a single transaction or several transactions that appear to be connected
 - 7) When the Branch has reason to believe that a customer (account based or walk-in) is intentionally structuring a transaction in to a series of transactions below the threshold of Rs.50,000/

“Mandatory” information required for KYC purpose which the customer is obliged to give while opening an account should be obtained at the time of opening the account/during periodic updation.

Other “Optional” customer details/additional information, if any required may be obtained separately after the account is opened only with the explicit consent of the customer.

3.2.2 Customer due Diligence requirements (CDD) while opening accounts

(a) CDD procedure and sharing KYC information with Central KYC Records Registry (CKYCR):

Branches shall capture the KYC information for sharing with CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for Individual and Legal entities as the case may be. Government of India has authorized the Central Registry of Securitization Asset Construction and Security Interest of India (CERSAI) to act as, and to perform the functions of the CKYCR vide gazette Notification dated November 26, 2015.

(A) Account of Individuals:

(i) For opening of accounts of Individuals, branches shall obtain one of the certified copy of an “Officially Valid Document” as mentioned under Para 2.3 containing the details of identity and address, one of the recent photograph and such other documents pertaining to the nature of business and financial status of the customer as may be required by the bank.

(ii) E-KYC services of UIDAI

In order to reduce the risk of identity fraud, document forgery and to have paperless KYC verification UIDAI has launched its e-KYC service. The Reserve Bank of India has directed the Banks to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2007.

The information containing demographic details and photographs made available from UIDAI as a result of e-KYC process (which is in an electronic form and accessible so as to be usable for a subsequent reference) shall be treated as an “Officially Valid Document” under PML Rules.

While using e-KYC services of UIDAI, the individual user (i.e. Prospective Customer) has to authorize the UIDAI, by explicit consent, to release his/her identity /address through biometric authentication to the Bank

branches. The UIDAI then transfers the data of the individual comprising name, age, gender and photograph of the individual, especially to the Bank/Business correspondents, which may be accepted as valid process for KYC verification.

Branches shall accept e-Aadhaar downloaded from UIDAI website as an “Officially Valid Document” subject to the following:

- (a) If, the prospective customer knows only his/her Aadhaar number, the branch shall print the prospective customer’s e-Aadhaar letter directly from the UIDAI portal provided the prospective customer is physically present in the branch/office: or adopt e-KYC procedure.
- (b) If, the prospective customer carries a copy of the e-Aadhaar downloaded from a place /source elsewhere, still the branch shall print the prospective customer’s e-Aadhaar letter directly from the UIDAI portal provided the prospective customer is physically present in the branch/office: or adopt e-KYC procedure: or confirm the identity and address of the resident through the authentication service of UIDAI.

Physical Aadhaar card/letter issued by UIDAI containing details of Name. Address and Aadhaar number received through post and e-KYC process would continue to be accepted as an “Officially Valid Document”.

(III) Introduction of Accounts:

Since introduction from an existing customer is not necessary for opening accounts under PML Act and Rules or the RBI extant instructions, branches shall not insist on introduction for opening of Bank accounts. After passing PML Act and introduction of documents based verification of identity / address of the proposed account holders, the accounts opened with proper documents are considered as acting in good faith and without negligence by the Banks.

(IV) Simplified measures for Proof of Identity:

If, an individual customer does not have any of the OVDs (as mentioned in Para 2.3 as proof of identity, then ‘simplified Measures’ shall be applied in the case of ‘Low Risk’ customers taking into consideration the type of customer, business relationship, nature and value of transaction based on the overall money laundering and terrorist financing risks involved. Accordingly, in respect of low risk category of customers, where simplified measures are applied, it would be sufficient to obtain any one of the documents referred under para2.3 (i), which will be deemed as an OVD for the purpose of proof of identity.

(V) Simplified measures for proof of Address:

The additional documents mentioned under para 2.30(ii) shall be deemed to be OVDs under “simplified measure” for the low risk customer for the limited purpose of proof of address where customers are unable to produce any OVD for the same.

(VI) Account of married woman:

As part of Customer Identification Procedure, while opening / transferring accounts of newly married women and allowing conversion of name & signature in the existing accounts of women upon marriage, Marriage Certificate, Notarized Affidavit or Clear photograph of the wedding and Address proof of the groom etc. along with additional information in prescribed formats are to be obtained.

(VII) Small Accounts:

RBI, vide their circular No.RBI/2010-11/389 DBOD AML.No.77/14.01.001/2010-11 dated January 27, 2011, forwarded a Notification from Government of India, No.14/2010/ F.No.6/2 /2007-E.S. dated December 16, 2010, amending the 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.

The above Government Notification has introduced a new account category under Savings account called ‘Small account’.

A ‘Small account’ means a Savings account in a banking company where:

- a) The aggregate of all credits in a financial year does not exceed 1.00 lakh;
- b) The aggregate of all withdrawals and transfers in a month does not exceed 10,000/-; and
- c) The balance at any point of time does not exceed 50,000/-.

The detailed procedure for opening ‘Small accounts’ is furnished hereunder:

An individual who desires to open a Small account in a banking company may be allowed to open such an account on production of a self-attested photograph and affixation of signature or thumb print, as the case may be, on the form for opening the account.

Provided that –

1. The designated officer of the bank (Branch head or the next official in his absence), while opening the small account, certifies under his signature that the person opening the account has affixed his signature or thumb print, as the case may be, in his presence;
2. A Small account shall be monitored and ensured that foreign remittances are not credited to such accounts and that the stipulated limits on monthly and annual aggregate of transactions and balance in such accounts are not breached, before a transaction is allowed to take place.
3. A Small account shall remain operational initially for a period of twelve months, and thereafter for a further period of twelve months if the holder of such an account provides evidence before the bank of having applied for any of the officially valid documents within twelve months of the opening of the said account, with the entire relaxation provisions to be reviewed in respect of the said account after twenty four months
4. A Small account shall be monitored and when there is suspicion of money laundering or financing of terrorism or other high risk scenarios, the identity of client shall be established through the production of officially valid documents as referred above and
5. Foreign remittance shall not be allowed to be credited into a small account unless the identity of the client is fully established through the production of officially valid documents as mentioned above.

It is further advised that where a branch has relied exclusively on NREGA job card or Aadhaar letter for opening an account, it should be treated as Small account and shall be subject to all the conditions and limitations prescribed for Small account as above

Difference between Small Account and Basic Savings Bank Account:

A) For Small Accounts, RBI in its notification dated 26.08.2014 has mentioned that those persons who do not have any of the 'officially valid documents' can open "small accounts" with banks.

B) Basic Savings Bank Deposit Account (BSBDA) would be subject to RBI instructions on Know Your Customers (KYC) / Anti Money Laundering (AML) for opening of bank accounts issued from time to time.

It is evident from the above that BSBD Accounts are opened after complying with KYC/AML guidelines. It is therefore requested that those customers who have opened their BSBD Accounts are not asked to seek KYC documents again like customers of small accounts.

(VIII) Accounts of non face-to face customers:

With the introduction of telephone and electronic banking, increasingly banks are opening accounts for customers without the need for customer to visit the bank branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented should be insisted upon and, if necessary, additional documents may be called for. In such cases, branches may also require the first payment to be effected through the customer's account with another bank, which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the branch may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place. As mentioned under the Customer Acceptance Policy, accounts of non-face-to-face customers should be opened only with the permission of the respective Regional Office.

(IX) Accounts of Foreign students studying in India:

Branches shall open accounts of foreign students studying in India under "NRO category" only as they are treated as "Non-Resident".

The opening of the accounts by individual/s of Bangladesh Nationality shall be allowed by the branches, subject to satisfying itself that the individual/s hold a valid VISA and valid residential permit issued by Foreigner Registration Office (FRO)/Foreigner Regional Registration Office (FRRO) concerned.

STUDENTS WITH PAKISTAN NATIONALITY WILL NEED PRIOR APPROVAL OF RESERVE BANK OF INDIA FOR OPENING THE ACCOUNT

Foreign students have been allowed a time of one month for furnishing the proof of local address.

(X) Accounts of Politically Exposed persons (PEPs) resident outside India:

Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions in a foreign country e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials etc. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Branches should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. As mentioned under the Customer Acceptance Policy, accounts of such persons can be opened only with the permission of the respective Regional Office. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The aforesaid norms may also be applied to accounts of the family members or close relatives of the PEPs.

(B) Accounts of persons other than Individuals:

(i) Accounts of Companies and Firms:

Banks need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with banks. Banks should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders.

(ii) Accounts of Trusts/Nominee or Fiduciary Accounts:

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Branches should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, they should insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, branches should 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 should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.

(iii) Accounts of proprietary concerns:

As per RBI Master Circular dated 1.7.2014, Paragraph 2.5(h), the following are the list of documents that shall be provided as activity proof by the proprietary concerns:

1. Registration certificate (in the case of a registered concern),

2. Certificate/license issued by the Municipal Authorities under Shop & Establishment Act, Sales and Income Tax returns,
3. GST certificate,
4. Certificate/Registration document issued by GST/Service Tax/Professional Tax Authorities,
5. License 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,
6. Registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department.
7. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT.
8. 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
9. 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

However, in cases where the Banks are satisfied that it is not possible to furnish two such documents, they would have the discretion to accept only one of those documents as mentioned above as activity proof. In such cases, the Banks, however, would have to undertake contact point verification, collect such information as would be required to establish the existence of such firm, confirm, clarify and satisfy themselves that the business activity has been verified from the address of the Proprietary Concern.

(IV) Accounts of Foreign Portfolio Investors (FPI) for Portfolio Investment Scheme (PIS)

Reserve Bank of India in consultation with Government of India, has decided to simplify the KYC norms in case of FPIs.

1. FPIs have been categorized by SEBI based on their perceived risk profile as detailed in **Annexure - VII**. Such eligible / registered FPIs may approach a Bank for opening a Bank account for the purpose of investment under Portfolio Investment Scheme [PIS] for which, KYC documents prescribed by the Reserve Bank of India [as detailed in Annexure-VIII] would be required. For this purpose, Banks may rely on the KYC verification done by the third party [i.e. the Custodian/SEBI Regulated Intermediary] subject to the conditions laid down in Rule 9 [2] {[a] to [e] }of the Rules.
2. In this regard, SEBI has been requested to advise Custodians/Intermediaries

regulated by them to share the relevant KYC documents with the Banks concerned based on written authorization from the FPIs. Accordingly, a set of hard copies of the relevant KYC documents furnished by the FPIs to the Custodian/Regulated Intermediaries may be transferred to the concerned Bank through their authorized representative. While transferring such documents, the Custodian /Regulated Intermediary shall certify that the documents have been duly verified with the original or notarized documents have been obtained, where applicable. In this regard a proper record of transfer of documents both at the level of the Custodians/Regulated Intermediary as well as at the Bank, under signatures of the officials of the transferor and transferee entities may be kept. While opening bank accounts for FPIs in terms of above procedure, Banks may bear in mind that they are ultimately responsible for the customer due diligence done by the third party [i.e. Custodian/Regulated Intermediaries] and may need to take enhanced due diligence measures, as applicable, if required. Further, Banks are required to obtain undertaking from FPIs or Global Custodian acting on behalf of the FPI to the effect that as and when required, the exempted documents as detailed in **Annexure - VIII** will be submitted.

3. It is further advised that to facilitate secondary market transactions, the Branches may share the KYC documents received from the FPI or certified copies received from a custodian /Regulated Intermediary with other Banks/Regulated market intermediaries based on written authorization from the FPI.
- 4 The provisions of this circular are applicable for both new and existing FPI clients. These provisions are applicable only for PIS by FPIs. In case of FPIs intend to use the Bank account opened under the above procedure for any other approved activities [i.e. other than PIS], they would have to undergo KYC drill as prescribed in RBI Master circular DBOD AML BC No.24/2 Circular No.157-2014-BC-P&D-44/31-05-2014 14.01.001/2013-14 dated July 1, 2013 on Know Your Customer [KYC] norms/Anti-Money Laundering [AML] standards/Combating of Financing of Terrorism [CFT] /Obligation of Banks under PMLA, 2002.

All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies/Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices, etc.

(V) Client Accounts opened by professional intermediaries:

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

(C) Beneficial Ownership:

Rule 9(3) of the Prevention of Money Laundering Rules, 2005 requires that every banking company and financial institution, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity. The term “Beneficial Owner” has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a judicial person.

A judicial person has been defined as an Entity (as a firm), that is not a single natural person (as a human being), authorized by law with duties and rights, recognized as a legal authority having a distinct identity, a legal personality (Also known as artificial person, judicial person, juristic person, or legal person)

The procedure for determination of beneficial ownership as per RBI/Government guidelines is as under:

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

Explanation- for the purpose of this Sub-Clause-

- 1) “Controlling Ownership Interest” means ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company:
 - 2) “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements:
- b) Where the client **is partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more judicial person, has ownership of /entitlement to more that fifteen percent of capital or profits of the partnership:
 - c. Where the client is **an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more judicial person, has ownership of /entitlement to more that fifteen percent of the property or capital or profits of such association or body of individuals:
 - d. Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official:
 - e. Where the client is **a Trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen

- percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership:
- f. Where the client or the owner of the controlling interest is **a company listed on the stock exchange**, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

There exists a possibility that trust / nominee or fiduciary accounts can be used to circumvent the customer identification procedures. In such cases, the Bank shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, bank shall insist on satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. The different categories of beneficiaries should be identified as defined above. In the case of a 'foundation', steps shall be taken to verify the founder managers/directors and the beneficiaries, if defined.

D. Accounts of Non Profit Organizations:

A Non-Profit Organization (NPO) means any entity or organization that is registered as a Trust or a Society under the Societies Registration Act, 1860 or any similar State Legislation or a company registered under section 8 of the companies Act, 2013. All transactions involving receipts by these NPOs of value more than Rs.10.00 lac or its equivalent in foreign currency is to be reported to FIU-IND centrally from Head Office. However, if the Bank has reason to believe that a customer is intentionally structuring a transaction in to a series of transactions below the threshold of Rs.10.00 lacs; the Bank shall consider filing a Suspicious Transaction Report to FID-IND.

E. Accounts operated by Power of Attorney holders/Letter of Authority Holders:

In case of accounts operated by Power of Attorney (POA) Holders/Letter of Authority (LOA) holders, KYC documents shall be obtained from such POA holders/LOA holders and records shall be maintained/ updated in the system.

II. Introduction of New Technologies- Credit Card/Debit card/smartcard/Gift card

Bank shall pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent the same being used for money laundering purposes. The electronic cards (debit card/credit card.etc) issued by the Bank to the customers may be used by them for buying goods and services, drawing cash from ATMs and electronic transfer of funds.

Bank shall ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers. Bank shall ensure full compliance with all

KYC/AML/CFT guidelines issued from time to time, in respect of add-on /supplementary card holders also. Further, where marketing of these cards is done through the service agent, the agents will also to be subjected to due diligence KYC measure.

III) Periodic Review/updation of Customer Identification Data

A) System of periodical updation of customer identification data (including photograph/s) after the account is opened shall be introduced as under:

Branches would need to continue to carry out on-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.

Full KYC exercise will be required to be done at least every two years for high risk individuals and entities.

Full KYC exercise will be required to be done at least every ten years for low risk and at least every eight years for medium risk individual and entities.

the periodicity of updation of documents is to be done along with client's due diligence on annual basis.

It has been decided by RBI to dispense with the requirement of positive confirmation as indicated above, in respect of medium and low risk customers.

Physical presence of the clients may, however, not be insisted upon at the time of such periodic updation.

Fresh photographs will be required to be obtained from minor customer on becoming major.

Do not insist on physical presence of the customer at the time of periodic updating.

Do not seek fresh documents if an existing KYC compliant customer of a bank desires to open another account in the bank.

Do not seek fresh proof of identity and address at the time of periodic updation from the customer who are categorized as 'low risk' in case of no change in status with respect to their identity and address.

Necessary checks shall be applied 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 etc.

Branches shall not open an account where they are 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-co-operation of the customer or non-reliability of the data furnished to the bank. However, it shall be

ensured that no harassment is caused to the customer in the process. Further, decision in such cases should be taken by the branch head only, after taking into consideration all the relevant facts.

Branches may adopt a risk-based approach to KYC requirements. Consequently, there will be circumstances when it will be both necessary and permissible to apply commercial judgment to the extent of the initial identification requirements. Decisions need to be taken on the number of verification parameters within a relationship, the identification evidence required, and when additional checks are necessary. The process of confirming and updating identity and address, and the extent of additional KYC information collected shall be an ongoing process.

Identity generally means a set of attributes which together uniquely identify a natural or legal person.

Identification evidence should usually be verified for:

- The named account holder(s)/the person in whose name an investment is registered;
- Any principal beneficial owner of funds being invested who is not the account holder or named investor (Detailed procedure to be followed is furnished in our Circular No280-2014-BC-P&D-87 dated 08-09-2014).
- The principal controller(s) of an account or business relationship i.e. those who regularly give instructions; and
- Any intermediate parties e.g. where an account is managed or owned by an intermediary.

B) Freezing and Closing of accounts:

- 1) The Branches shall ensure implementation of the well laid guidelines and processes in relation to Customer Severance situations e.g. account closure, loan termination, loan foreclosure etc. The relevant processes for account closure shall be followed in letter and spirit in all possible instances e.g. either customer induced or bank induced.
- 4) In cases of customer induced account closure the bank shall, as a prudent practice, attempt to understand the underlying issues, if any leading to the separation. The Bank shall make all reasonable efforts to retain the customer by eliminating the product / service issues, if any. This shall be used to bridge gaps in process and service, if any.
- 5) Under all circumstances, the bank shall honour the customer's free will and ensure hassle-free closure of account within the framework of extant regulatory guidelines.
- 6) The bank shall carry out review of relationship at regular frequency. In the event customer's account behaviour is in contravention to the extant regulatory guidelines e.g. AML, Transaction pattern not matching with the profile etc., the bank shall take necessary steps to intimate the customer with a request to provide evidences in support of transaction pattern / account behaviour etc. In the event that the customer is unable to provide

appropriate evidences or the customer is not traceable beyond a reasonable time-frame, bank will take steps to cease the relationship by obtaining due internal approvals and by issuing notice. It shall be ensured that there is no tipping off to the customer.

- 7) Drastic measure like closing of accounts is to be taken only after sending out sufficient discernible warning signals to the customers having regard to the level of customer education and public awareness of the subject. In all such cases, where account holders are either not responding over a period of time/not found at the given addresses, branches may take such action as deemed necessary to comply with KYC/AML guidelines without denying basic banking facilities.
- 8) The Bank shall ensure comprehensive implementation of the above policy as well as review of the same at regular interval through Standing Committee on Customer Service, Customer Service Committee of the Board and the Board of Directors. This shall ensure strengthening the framework of Customer Acceptance, Customer Care, Customer Service and Customer Severance.

IV) Miscellaneous:

(A) At par cheque facility availed by Co-operative banks

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

(B) Operation of Bank Accounts and Money Mules

"Money Mules" are third-parties who are recruited by criminals who gain illegal access to deposit accounts, to launder the proceeds of fraud schemes (e.g. phishing and identity theft).

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. 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.

Branches are to strictly adhere to the guidelines (including RBI's Master circular) contained on KYC / AML/ CFT issued from time to time, periodically update the Customer Identification Data after the account is opened and also to monitor the transactions in order to protect themselves & customers from misuse by such fraudsters and to stop/ minimize operations of "Money Mules".

(C) Simplified norms for Self Help Groups (SHGs)

KYC verification of all members of SHG need not be done while opening the SB account of the SHG and KYC verification of all the Office bearers would suffice. As regards KYC verification at the time of credit linking of SHGs, since KYC would have already been verified while opening the SB account and the account continues to be in operation and is to be used for credit linkage, no separate KYC verification of the members or office bearers is necessary.

(D) Walk-in-Customers

All transactions of walk-in customers pertaining to third party products are also subjected to KYC norms/AML measures as applicable to Banks products.

NOTE: In terms of Clause (b) (ii) of Sub-rule (1) of Rule 9 of the PML Rules, 2005, Branches are required to verify the identity of the customers for all International Money Transfer operations.

With regard to reporting of transactions carried out by walk-in-Customers

(E) Issue of Demand Drafts, etc., for more than Rs.50,000/

Any remittance of funds by way of Demand Draft, mail/telegraphic transfer or any other mode and issue of Traveller's cheques for value of Rs.50,000/ and above shall be effected by debit to the customer's account or against cheques and not against cash payment.

Bank shall not make payment of cheques/drafts/pay orders/ banker's cheque if they are presented beyond the period of three months from the date of such instrument.

(F) Unique Customer Identification Code

A Unique Customer Identification Code (UCIC) will help the Bank to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and enable the Bank to have a better approach to risk profiling of customers. Branches are required to strictly avoid creating multiple customer IDs while opening new accounts and in case of existing multiple IDs, branches have to carry out the process of de-duplication.

3.3 Monitoring of transactions:

Ongoing monitoring is an essential element of effective KYC/AML procedures. Branches should exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with customer's profile and source of funds as per extant instructions. The ongoing due diligence may be based on the following principles:

- (1) The extent of monitoring will depend on the risk category of the account. High risk accounts have to be subjected to more intensified monitoring.
- (2) Branches should pay particular attention to the following types of transactions:
 - (a) Large and complex transactions and those with unusual patterns, which have no apparent economic rationale or legitimate purpose.
 - (b) Transactions which exceed the threshold prescribed for specific categories of accounts.
 - (c) Transactions involving large amounts of cash inconsistent with normal and expected activity of the customer.
 - (d) High turnover inconsistent with the size of the balance maintained.
- (3) Bank shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. Such review of risk categorization of customers shall be carried out at a periodicity of not less than once in Six months.
- (4) Branches should closely monitor the transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies. Branches should analyze data in cases where a large number of cheque books are sought by the company; there are multiple small deposits (generally in cash) across the country in one bank account and where a large number of cheques are issued bearing small amounts/dates. Where such features are noticed by the branches and in case they find such unusual operations in their accounts, the matter should be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.
- (5) Supervisors should keep a vigil over the transactions involving huge amounts. Transactions should generally have a bearing with the occupation and /or line of business of the account holders. In case of any doubt necessary enquiries be made with account holders.
- (6) While accepting the cheque for collection, it is to be ensured that the name mentioned in the Challan and name of the beneficiary of the instrument are the same.
- (7) Branches are advised to mandatorily obtain either PAN or form No.60 (if PAN is not available) for opening of accounts and also at the time of accepting cash receipt for Rs.50,000/ and above. If the customer appears to be structuring the transactions in to a series of transactions below the threshold of Rs.50,000/ branches are required to obtain PAN or Form No.60 (if PAN is not available) from the customer. Branches are advised to aggregate the split transactions across the accounts of the same customer to decide on the

matter of obtention of PAN or Form No.60 wherever then aggregate amount of transactions is Rs.50,000/ and above.

- (8) All the staff members are instructed to maintain the standards of good conduct and behavior expected of them and not to involve in any activity that would bring disrepute to the institution and not to advise potential customers on the lines that would be an infringement of the legal process/could facilitate money laundering /could defeat the KYC norms or the norms of the due diligence prescribed by RBI from time to time.

3.4 Risk Management

The inadequacy or absence of KYC standards can subject the Bank to serious customer and counter party risks especially reputational, operational, legal and concentration risks. Reputational Risk is defined as the potential that adverse publicity regarding the Bank's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution.

Operational Risk can be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Legal Risk is the possibility that lawsuits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of the Bank.

Concentration Risk although mostly applicable on the assets side of the balance sheet, may affect the liabilities side as it is also closely associated with funding risk, particularly the risk of early and sudden withdrawal of funds by large depositors, with potentially damaging consequences for the Bank's liquidity. It is worth noting that all these risks are interrelated. Any one of them can result in significant financial cost to the Bank as well as the need to divert considerable management time and energy to resolve problems that arise.

Customers frequently have multiple accounts with the Bank, but in offices located at different places. To effectively manage the reputational, operational and legal risk arising from such accounts, Bank shall aggregate and monitor significant balances and activity in these accounts on a fully consolidated basis, whether the accounts are held as on balance sheet, off balance sheet or as assets under management or on a fiduciary basis.

Branches should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge about the clients, their business and risk profile and where necessary, the source of funds. The Board of Directors of the Bank shall ensure that an effective KYC AML/CFT programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It shall cover proper management oversight, systems and controls, segregation of duties, training of staff and other related matters.

In addition, the following also to be ensured for effectively implementing the AML/CFT requirements:

- (i) Using a risk-based approach to address management and mitigation of various AML/CFT risks.
- (ii) Allocation of responsibility for effective implementation of policies and procedures.
- (iii) Independent evaluation by the compliance functions of Bank's policies and procedures, including legal and regulatory requirements.
- (iv) Concurrent/ internal audit to verify the compliance with KYC/AML policies and procedures.
- (v) Putting up consolidated note on such audits and compliance to the Audit Committee at quarterly intervals.

Bank shall prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the bank.

Bank shall categorise its customers into low, medium and high risk category based on the assessment and risk perception of the customers, identifying transactions that fall outside the regular pattern of activity and not merely based on any group or class they belong to.

The Bank shall have a Board approved policy for risk categorisation and ensure that the same is meticulously complied with, to effectively help in combating money laundering activities. The nature and extent of due diligence, shall be based on the following principles:

- (i) Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily identified, and customers in whose accounts the transactions conform to the known profile, shall be categorised as low risk. Illustrative examples include salaried employees and pensioners, people belonging to lower economic strata, government departments and government owned companies, regulators and statutory bodies, etc.
- (ii) Customers who are likely to pose a higher than average risk shall be categorised as medium or high risk depending on the background, nature and location of activity, country of origin, sources of funds, customer profile, etc. Customers requiring very high level of monitoring, e.g., those involved in cash intensive business, Politically Exposed Persons (PEPs) of foreign origin, shall be categorised as high risk.

Whenever there are suspicions of money laundering or financing of activities relating to terrorism or where there are doubts about the veracity of 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 business relationship.

Bank has adopted a risk categorization model as advised by the Indian Banks Association.

The Bank shall take steps to identify and assess the Money Laundering /Terrorism Financing risk for customers, as also for products/ services/ transactions/ delivery channels. Bank shall have controls and procedures in place to effectively manage and mitigate the risk adopting a risk-based approach. As a corollary, Bank shall adopt enhanced measures for products, services and customers with a medium or high risk rating.

4. Correspondent Banking and Shell Bank

Correspondent Banking is the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). These services may include cash / funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable-through-accounts, cheques clearing etc. Bank shall take the following precautions while entering into a correspondent banking relationship:

- (a) Bank shall gather sufficient information to fully understand the nature of the business of the bank including information on management, major business activities, level of AML/CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services, and regulatory/supervisory framework in the bank's home country.
- (b) Such relationships may be established only with the approval of the Board or by a committee headed by the MD & CEO with clearly laid down parameters for approving such relationships, as approved by the Board. Proposals approved by the Committee should be put up to the Board at its next meeting for post facto approval.
- (c) The responsibilities of each bank with whom correspondent banking relationship is established shall be clearly documented.
- (d) In the case of payable-through-accounts, Bank shall satisfy that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking ongoing 'due diligence' on them.
- (e) Bank shall also ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.
- (f) Bank shall be cautious while continuing relationships with correspondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of Financial Action Task Force (FATF) Recommendations.
- (g) Bank shall ensure that its respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

(h) Bank shall not enter into a correspondent relationship with a "shell bank" (i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group).

(i) Bank shall not permit its accounts to be used by shell banks.

5. WIRE TRANSFERS

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

(a) The salient features of a wire transfer transaction are asunder:

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

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

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

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

(b) Wire transfer is an instantaneous and most preferred route for transfer of funds across the globe and hence, there is a need for preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting any misuse when it occurs. This can be achieved if basic information on the originator of wire transfers is immediately available to appropriate law enforcement and / or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by Financial Intelligence Unit - India (FIU-IND) for analysing suspicious or unusual activity and disseminating it as necessary.

The originator information can also be put to use by the beneficiary bank to facilitate identification and reporting of suspicious transactions to FIU-IND. Owing to the potential terrorist financing threat posed by small wire

transfers, the objective is to be in a position to trace all wire transfers with minimum threshold limits. Accordingly, Bank shall ensure that all wire transfers are accompanied by the following information.

(1) Cross-border wire transfers

(i) All cross-border wire transfers must be accompanied by accurate and meaningful originator information.

(ii) Information accompanying cross-border wire transfers must contain the name and address of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number, as prevalent in the country concerned, must be included.

(iii) Where several individual transfers from a single originator are bundled in a batch file for transmission to beneficiaries in another country, they may be exempted from including full originator information, provided they include the originator's account number or unique reference number as at (ii) above.

(2) Domestic wire transfers:

(i) Information accompanying all domestic wire transfers of Rs. 50000/- (Rupees Fifty Thousand) and above must include complete originator information i.e. name; address and account number etc., unless full originator information can be made available to the beneficiary bank by other means.

(ii) If the Bank has reason to believe that a customer is intentionally structuring wire transfers to below Rs. 50000/- (Rupees Fifty Thousand) to several beneficiaries in order to avoid reporting or monitoring, the Bank shall insist on complete customer identification before effecting the transfer. In case of non-cooperation from the customer, efforts shall be made to establish his identity and Suspicious Transaction Report (STR) shall be made to FIU-IND.

(iii) When a credit or debit card is used to effect money transfer, necessary information as (i) above should be included in the message.

(c) Exemptions

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

(d) Role of Ordering, Intermediary and Beneficiary Banks

(i) Ordering Bank

An Ordering Bank is the one that originates a wire transfer as per the order placed by its customer. As Ordering Bank, the Bank shall ensure that qualifying wire transfers contain complete originator information. The Bank shall also verify and preserve the information at least for a period of five years.

(ii) Intermediary Bank

For both cross-border and domestic wire transfers, Bank processing an intermediary element of a chain of wire transfers shall ensure that all originator information accompanying a wire transfer is retained with the transfer. Where technical limitations prevent full originator information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, a record shall be kept at least for five years (as required under Prevention of Money Laundering Act, 2002) as the receiving Intermediary Bank of all the information received from the Ordering Bank.

(iii) Beneficiary Bank

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

6. MAINTENANCE OF KYC DOCUMENTS AND PRESERVATION PERIOD

PML Act and Rules cast certain obligations on the banks with regard to maintenance, preservation and reporting of customer account information. Bank shall take all steps considered necessary to ensure compliance with the requirements of the Act and Rules *ibid*.

6.1 Maintenance of records of transactions

Bank shall have 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), as mentioned below:

- (A) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- (B) series of all 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 exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

(C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

(D) all suspicious transactions whether or not made in cash and by way of—

(i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—

(a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits ,or

(b) travellers cheques ,or

(c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts ,or

(d) any other mode in whatsoever name it is referred to;

(ii) credits or debits into or from any non-monetary accounts such as D-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case maybe;

(iii) money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:— (a) payment orders, or (b) cashiers cheques, or (c) demand drafts, or (d) telegraphic or wire transfers or electronic remittances or transfers, or (e) internet transfers, or (f) Automated Clearing House remittances, or (g) lock box driven transfers or remittances, or remittances for credit or loading to electronic cards, or (i) any other mode of money transfer by whatsoever name it is called;

(iv) loans and advances including credit or loan substitutes, investments and contingent liability by way of— (a) subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitised participation, interbank participation or any other investments in securities or the like in whatever form and name it is referred to, or (b) purchase and negotiation of bills, cheques and other instruments, or (c) foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or (d) letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;

(v) Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

(E) all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;

(F) all purchase and sale by any person, of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case maybe.

Bank shall maintain all necessary information in respect of transactions prescribed under Rule 3 of PML Rules, 2005 so as to permit reconstruction of individual transactions, including the following information:

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it was denominated;
- (c) the date on which the transaction was conducted ;and
- (d) the parties to the transaction.

6.2 Preservation of Records:

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.

(i) 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 customers and their 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) Branches should maintain records of the identity of clients, and records in respect of transactions with its clients referred to in Rule 3, in hard or soft format.

(iv) Bank shall 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 shall, as far as possible, be examined and the findings, at branch as well as Principal Officer level, shall be properly recorded. Such records and related documents shall be made available to help auditors to scrutinize the transactions and also to Reserve Bank / other relevant authorities. These records will be preserved for five years as is required

under PMLA, 2002.

7. COMBATING FINANCING OF TERRORISM(CFT)

The United Nations periodically circulates the following two lists of individuals and entities, suspected of having terrorist links, and as approved by its Security Council(UNSC):

(a) The ISIL (Da'esh) & Al-Qaida Sanctions List includes names of individuals, groups, undertakings and entities associated with the ISIL (Da'esh) /Al-Qaida. The updated ISIL (Da'esh) /Al-Qaida Sanctions List is available at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml.

(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>.

The United Nations Security Council Resolutions (UNSCRs), received from Government of India, are circulated by the Reserve Bank to all banks and FIs. Bank shall update the lists and take them into account for implementation of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, as detailed under para 7.1.

Branches are required to screen customer names with UN List of terrorist individuals/entities before creation of new customer ID/opening of accounts. Branches are required to ensure that the names/s of the proposed customer does not match with that of the UN list of Terrorist individuals/organization/ entities, before opening any new account. Branches are also required to cross check the details of all existing accounts with the updated list and ensure that no account is held by or linked to any of the entities or individuals included in the list maintained for this purpose. If the particulars of any of the account/s have resemblance with those appearing in the list, branches have to verify transactions carried out in such accounts and report those accounts to RBI/Financial Intelligence Unit-INDIA, New Delhi.

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

(a) 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 for 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.

(b) Bank shall strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 (**Annexure V**) and ensure meticulous compliance to the Order issued by the Government.

7.2 Jurisdictions that do not or insufficiently apply the FATF Recommendations

(a) Bank shall 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, Bank shall also consider publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations. Bank shall also 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 FATF Recommendations and jurisdictions included in FATF Statements.

(b) Bank shall examine 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. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions shall, as far as possible be examined, and written findings together with all documents shall be retained and made available to Reserve Bank/other relevant authorities, on request.

8. REPORTING REQUIREMENTS

(a) Reporting to Financial Intelligence Unit-India

(i) In terms of Rule 3 of the PML (Maintenance of Records) Rules, 2005, Bank is required to furnish information relating to cash transactions, cash transactions integrally connected to each other, and all transactions involving receipts by non-profit organisations (NPO means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered (erstwhile Section 25 of Companies Act, 1956) under Section 8 of the Companies Act, 2013), cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine, cross border wire transfer, etc. to the Director, Financial Intelligence Unit-India (FIU-IND) in respect of transactions referred to in Rule 3 at the following address:

**The Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor,
Hotel Samrat, Chanakyapuri, New Delhi-110021. Website
<http://fiuindia.gov.in/>**

(ii) 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 Office Memorandum issued on Reporting Formats under Project FIN net dated 31st March, 2011 by FIU containing all relevant details are available on FIU's website.

(iii) In terms of Rule 8, while furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying mis-represented transaction beyond the time limit as specified in the Rule shall constitute a separate violation. Branches shall take note of the timeliness of the reporting requirements and submit the reports within the timelines.

As a part of transaction monitoring mechanism, Bank shall put in place an appropriate software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of the customers. The software shall be robust enough to throw the alerts for effective identification and reporting of suspicious transactions.

As per Rule 7 of PML Rules, the procedure and manner of furnishing information shall be as under:

(1) The Bank shall communicate to the Director, FIU IND the name, designation and address of the Designated Director and the Principal Officer.

(2) The Principal Officer shall furnish the information referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 to the Director on the basis of information available with the reporting entity. A copy of such information shall be retained by the Principal Officer for the purposes of official record (details of above clauses are furnished under para 6.1).

(3) The Bank shall evolve an internal mechanism having regard to any guidelines issued by regulator, for detecting the transactions referred to in clauses (A),(B),(BA),(C),(D), (E) and (F) of sub-rule (1) of rule 3 and for furnishing information about such transactions in such form as may be directed by its Regulator.

(4) The Bank, its designated director, officers and employees shall observe the procedure and the manner of furnishing information as specified by its Regulator.

(b) Reports to be furnished to FIU-IND:

1. Cash Transaction Reports(CTR)

The 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. 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 of the Bank to FIU- IND in the specified format (Counterfeit Currency Report-CCR) by 15th day of the next month. These cash transactions shall also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form.

(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-IND. 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, banks may generate centralised Cash Transaction Reports (CTR) in respect of branches under Core Banking Solution at one point for onward transmission to FIU-IND, provided the CTR is generated in the format prescribed by FIU-IND.

(vi) A copy of the monthly CTR submitted to FIU-India in respect of the branches is available at the Bank for production to auditors/inspectors, when asked for.

(vii) The instruction on 'Maintenance of records of transactions' and 'Preservation of records' as contained at Para 6 (i) and (ii) respectively are scrupulously followed by the branches.

2. Suspicious Transaction Reports (STR)

(i) While determining suspicious transactions, Bank shall be guided by the definition of suspicious transaction as 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. Bank shall report all such attempted transactions in STRs, even if not completed by the customers, irrespective of the amount of the transaction.

(iii) Bank shall make STRs if there is a reasonable ground to believe that the transaction involve proceeds of crime 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 Suspicious Transaction Report (STR) shall be furnished within 7 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 is received from a branch or any other office. 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, branches may consider the indicative list of suspicious activities contained in Annexure-III.

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

The Bank has implemented centralized processing and submission of STRs on the following lines:

1. Circle Offices shall centrally process the alerts pertaining to their branches and escalate suspicious transactions, if any, to KYC Cell, CO: Audit and Inspection Wing for review and submission of STRs to FIU-IND, Delhi.

2. The Manager-in-charge of BS&IC Section at Circle would be the Anti Money Laundering Officer (AMLO). The Executive overseeing BS&IC Section would be the Money laundering Reporting Officer(MLRO).

3. KYC Cell, RBS & MIS Wing, HO would review the alerts escalated by the Circles as suspicious transactions and submit STRs wherever required to FIU-IND.

4. Non-Profit Organisation

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

5. Cross-border Wire Transfer Report

Cross-border Wire Transfer Report (CWTR) is required to be filed by 15th of succeeding month for all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.

As per recent amendments to Prevention of Money Laundering (PML) Rules, every reporting entity is required to maintain the record of all transactions including the record of all cross border wire transfers of more than Rs.5 lakh or its equivalent in foreign currency, where either the origin or destination of the fund is in India.

In this regard, the 'Transaction Based Reporting Format' (TRF) already developed by FIU-IND and being used for reporting Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and Non-Profit Organizations Transaction Reports (NTRs) shall be used for reporting the Cross Border Wire Transfers by the Bank. The information shall be furnished electronically in the FIN-Net module developed by FIU-IND.

9. GENERAL GUIDELINES:

1) Confidentiality of customer information:

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 the purpose of cross selling etc. Information sought from the customer shall be relevant to the perceived risk and be non-intrusive. Any other information that is sought from the customer shall be called for separately only after the account has been opened, with his/her express consent and in a different form, distinctly separate from the application form. It shall be indicated clearly to the customer that providing such information is optional.

2) Secrecy Obligations and Sharing of Information:

Bank shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

While considering the requests for data/ information from Government and other agencies, Bank shall satisfy itself that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.

The exceptions to the said rule shall be as under:

- a. Where there is a duty to the public to disclose.
- b. The interest of Bank requires disclosure and
- c. Where the disclosure is made with the express or implied consent of the customer.

3) Avoiding hardship to customers:

Branches should keep in mind the spirit of instructions issued by the RBI and avoid undue hardships to individuals who are otherwise classified as low risk customers.

4) Sensitising Customers

Implementation of AML/CFT policy may require certain information from customers of a personal nature or which had not been called for earlier. The purpose of collecting such information could be questioned by the customer and may often lead to avoidable complaints and litigation. Bank shall, therefore, prepare specific literature / pamphlets etc. to educate the customer regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

5) Hiring of Employees

KYC norms / AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse the banking channels. Therefore, Bank shall put in place adequate screening mechanism as an integral part of its personnel recruitment / hiring process.

6) Employee Training

Bank shall have an ongoing employee training programme so that the members of the staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers.

The front desk staff needs to be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of the bank, regulation and related issues shall be ensured.

7) Accounts under Foreign Contribution Regulation Act, 2010(FCRA)

In terms of the Foreign Contribution Regulation Act, 2010, certain categories of individuals and organizations are required to obtain prior permission from the Central Government (Secretary, Ministry of Home Affairs, GOI, New Delhi) to receive "Foreign Contributions" or accept "Foreign Hospitality" and such receipts/acceptance require reporting to the Government.

- Individuals/Organizations who cannot receive foreign contributions : Foreign contributions cannot be accepted by candidate for election, correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper, judge, Government servant or employee of any corporation, member of any legislature, political party or office bearer thereof.
- Individuals/Organizations who can receive foreign contributions: An association having a definite cultural, economic, educational, religious or social programme can receive foreign contribution after it obtains the prior permission of the Central Government or gets itself registered with the Central Government.

Bank shall ensure that the provisions of the Foreign Contribution (Regulation) Act, 2010, wherever applicable, are strictly adhered to.

8) Technology requirements:

The AML software in use at the Bank shall be comprehensive and robust enough to capture all cash and other transactions, including those relating to walk-in customers, sale of gold/silver/platinum, payment of dues of credit cards/reloading of prepaid/travel cards, third party products, and transactions involving internal accounts of the bank.

9) Designated Director on the Board of the Bank:

Bank has nominated the Executive Director overseeing Inspection Wing of the Bank as a Designated Director on the Board of the Bank, as required under the provisions of the PML Rules, 2005, to ensure compliance with the obligations under the Act and Rules. The Designated Director shall oversee the compliance position of AML norms in the Bank.

If the Director, in the course of any inquiry, finds that a reporting entity or its designated director on the Board or any of its employees has failed to comply with the obligations under this Chapter, then, without prejudice to any other action that may be taken under any other provisions of this Act, he may-

- (a) issue a warning in writing; or
- (b) direct such reporting entity or its designated director on the Board or any of its employees, to comply with specific instructions; or
- (c) direct such reporting entity or its designated director on the Board or any of its employees, to send reports at such interval as may be prescribed on the measures it is taking; or
- (d) by an order, levy a fine on such reporting entity or its designated director on the Board or any of its employees, which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.

It shall be the duty of every reporting entity, its Designated Director, officers and employees to observe the procedure and manner of furnishing and reporting information on transactions.

10) Principal Officer

Bank has appointed a Principal Officer. The Principal Officer shall be independent and report directly to the senior management or to the Board of Directors.

Principal Officer is responsible for monitoring KYC/AML compliance at operational units, escalation of suspicious transactions reported by branches through STRs and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, banks and any other

institution which are involved in the fight against money laundering and combating financing of terrorism.

The role and responsibilities of the Principal Officer include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of money Laundering Act, 2002, rules and regulations made there under, as amended from time to time.

The Principal Officer is responsible for timely submission of CTR, STR and reporting of counterfeit notes and all transactions involving receipts by non-profit organisations of value more than rupees ten lakh or its equivalent in foreign currency to FIU-IND.

The Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information.

The Principal Officer under PMLA Act, 2002 shall be the competent authority for fixing the thresholds for generation of AML alerts and the periodicity of reviewing the alerts shall be at half yearly intervals or as and when required.

11) **Need for photographs and address confirmation:**

Pass port size/stamp size photograph of the depositors shall be obtained in case of all Current Accounts, SB accounts and Term Deposits.

In case of joint accounts, partnership accounts, accounts of societies, clubs, associations, public/private limited companies, HUF, trusts, Limited Liability Partnerships etc., and those of minors, photographs of the authorised signatories should be obtained. Photographs of the student account holders should be attested by the school authorities on the reverse.

In case of change in the authorised signatories, photographs of the new signatories are to be obtained duly countersigned by the competent authorities of the concerned institutions/ organisations.

Photograph should be obtained in case of NRI accounts also.

Where the accounts are operated by letters of authority, photographs of the authority holders should be obtained, duly attested by the depositors.

12) **Opening of Current Account with non-consortium banks**

In terms of extant guidelines of lending under consortium, a bank which is not a member of a consortium/syndicate, shall not open current account or extend any banking facility without the concurrence of the consortium/syndicate. This shall be scrupulously complied with.

13) **Sale of third party products:**

When Bank sells third party products as agent, the responsibility for ensuring compliance with KYC/AML/CFT regulations lies with the third party. However, to mitigate reputational risk to Bank and to enable a holistic view of a customer's transactions, branches are advised as follows:

- (a) Even while selling third party products as agents, branches should verify

the identity and address of the walk-in customer.

(b) Branches should also maintain transaction details with regard to sale of third party products and related records for a period and in the manner prescribed in paragraph 6.

(c) Bank's AML software will capture, generate and analyze alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers.

d) Sale of third party products by branches as agents to customers, including walk- in customers, for Rs.50,000 and above must be (a) by debit to customer's account or against cheques and (b) obtention & verification of the PAN given by the account based as well as walk-in customers. This instruction would also apply to sale of bank's own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for Rs. 50,000/- and above.

14) SEBI guidelines on Anti Money Laundering (AML) standards and Combating the Financing of Terrorism (CFT) Obligation of Securities Market Intermediaries under the Prevention of Money Laundering Act-2002

As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and rules notified there under

Pursuant to amendments made to the PMLA and Rules there under, updated guidelines in the context of recommendations made by Financial Action Task force (FATF) on anti-money laundering standards is updated by SEBI. These guidelines have been divided into two parts; the first part is an overview on the background and essential principles that concern combating Money Laundering (ML) and Terrorist Financing (TF). The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/ CFT directives. These guidelines shall also apply to their branches and subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws and regulations permit. When local applicable laws and regulations prohibit implementation of these requirements, the same shall be brought to the notice of SEBI.

The key circulars/ directives issued with regard to KYC, CDD, AML and CFT have been mentioned in Schedule I of the circular issued by SEBI . These directives lay down the minimum requirements and it is emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients. Reference to applicable statutes and reporting guidelines for intermediaries is available at the website of the Financial Intelligence Unit – India (FIU-IND).

The copy of the Notification is annexed to the note and the same is also available in SEBI website <http://www.sebi.gov.in>. Branches and Administrative offices should go through SEBI circular for full details.

Chapter IV

Automated Risk Review of Customers

As per IBA Working Group guidelines, Banks may choose to carry out either manual classification or automatic classification or a combination of both for risk classification of customers. Similarly for selecting parameters, Bank may select the parameters based on the available data. Once the parameters are finalized, Bank may choose the appropriate risk rating/scoring models by giving due weightage to each parameter.

Bank shall adopt combination of manual and automatic classification. Based on the availability of data, Bank shall finalise parameters which are available in the system and the same shall be reviewed once in 6 months. 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.

Bank shall prepare a profile for all Customers based on risk categorization. The Customer profile may contain information relating to Customer's identity, social/financial status, nature of business activity, information about his client's business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Bank. Risk categorization shall be done based on selection of parameters and assigning suitable risk category.

A. Risk Parameters

The first step in process of risk categorization is selection of parameters, which would determine customer risk.

IBA Core Group on KYC and AML in its guidance note for Banks on KYC/AML/CFT/Obligation of Banks under PMLA 2002 has suggested following indicative parameters which can be used to determine the profile and risk category of Customers:

1. Customer Constitution: Individual, Proprietorship, Partnership, Private Ltd. etc.
2. Business Segment : Retail, Corporate etc
3. Country of residence/ Nationality: Whether India or any overseas location/Indian or foreign national.
4. Product Subscription: Salary account, NRI products etc.
5. Economic Profile: HNI, Public Ltd. Company etc.
6. Account Status: Active, inoperative, dormant.
7. Account Vintage: Less than six months old etc.
8. Presence in regulatory negative/ PEP/ Defaulters/ Fraudster lists.

B. Risk rating of Customers:

Bank shall ensure to classify Customers as Low Risk, Medium Risk and High Risk depending on background, nature and location of activity, country of origin, sources of funds and client profile etc.

A. Risk rating based on the Deposits/account balance:

Account Types	High	Medium	Low
Only SB*	Rs. 2,00,000/- & above	Rs. 1,00,000/- & above but less than Rs.2,00,000/-	Less than Rs.1,00,000
Only Current*	Rs. 5,00,000/- & above	Rs. 2,00,000/- & above but less than Rs.5,00,000/-	Less than Rs.2,00,000
Only Term Deposits	Rs. 10,00,000/- & above	Rs. 5,00,000/- & above but less than Rs. 10,00,000/-	Less than Rs.5,00,000

*Applicable in case of accounts having completed 6 months.

For Current/SB accounts average balance for last 6 months and for Term Deposits principal amount shall be taken for consideration on the date of review.

If a customer is having more than one of the above categories of accounts, highest risk assigned for the above parameter shall be the overall risk for this parameter. For ex: A customer having a savings account with average balance of Rs.1,50,000/-(medium) and Term Deposit of Rs.4,00,000/-(low) shall have rating of Medium Risk for this parameter.

Above categorization of the Customer shall be based on all accounts linked to CUST ID irrespective of constitution of account like Joint account, Partnership account etc. However accounts linked to CUST ID where customers do not have any stake in Business/activity need not be clubbed for the above purpose.

B. Risk categorization of the customers shall be done according to the risk perceived while taking into account the above aspects. For instance, a salaried class individual who is generally to be classified under low risk category may be classified otherwise based on following illustrative list of parameters considered as "High Risk" such as:

1. Unusual transaction/behavior
2. Submitted Suspicious Transaction Reports (STR) for Customer.
3. Submitted Cash Transaction Report (CTR).
4. Frequent Cheque returns.
5. Minor.

C. An Illustrative list of Low/Medium/High Risk Customers, Types, Profession, Business, Products, Status ,Vintage etc., based on

available data in the system for Risk Based rating of customer is detailed as under:

Assignment of risks under selected 7 parameters under the matrix adopted by the bank:

1. RISK RATING FOR CUSTOMER TYPE:

S No	FLG_CUST_TYP	TXT_CUST_TYP	Risk Type
1	i	194-A Banking Co BR Act 1949(10)	LOW
2	m	194-A Deposit in the name of any Court	LOW
3	l	194-A Exemption to a TRUST u/s 12AA	HIGH
4	k	194-A Fin Corpn est by central/state/Pro	HIGH
5	n	194-A Ins Co estd under LIC Act1956(31)	HIGH
6	p	194-A Oth Instns notified uner I.T. Act	HIGH
7	o	194-A UTI under UTI Act 1963(52)	HIGH
8	b	ANTIQUÉ DEALERS - ENTITES	HIGH
9	a	ANTIQUÉ DEALERS - INDIVIDUALS	HIGH
10	A	Association	HIGH
11	B	Banks	LOW
12	d	CASINO	HIGH
13	r	Charities	HIGH
14	C	Clubs	HIGH
15	D	Committee	HIGH
16	E	Co-operatives/Committees	HIGH
17	e	Dealer in Precious Metal or Stones	HIGH
18	c	DEALERS IN ARMS	HIGH
19	F	Foreign Government / Banks	HIGH
20	G	Foreigners	HIGH
21	H	Government Body	LOW
22	q	HNI (High Networth Individuals)	HIGH
23	l	HUF(Karta)	HIGH
24	J	Institutions viz Universities	LOW
25	K	Insurance Companies	HIGH
26	j	Joint Liability Groups(JLG)	MEDIUM
27	L	Joint Sector	MEDIUM
28	M	Local Body	LOW
29	8	MONEY MULES : OPERATION OF BANK	HIGH

S No	FLG_CUST_TYP	TXT_CUST_TYP	Risk Type
		ACCOUNTS	
30	9	MONEY SERVICE BUERAUS	HIGH
31	g	Motor Accident Claim Tribunal MACT	LOW
32	7	MULTI LEVEL MARKETING AGENCIES(MLM)	HIGH
33	u	NFFP(Non Face to Face Persons)	HIGH
34	O	Non-Banking Finance Companies	MEDIUM
35	N	Non-Government Organization	HIGH
36	P	Non-Resident Indian	HIGH
37	2	NRI with TDS of 10.00%	HIGH
38	3	NRI with TDS of 12.50%	HIGH
39	4	NRI with TDS of 15.00%	HIGH
40	5	NRI with TDS of 20.00%	HIGH
41	1	NRI with TDS of 7.50%	HIGH
42	Q	Official Liquidator / Receiver	HIGH
43	Z	Others	LOW
44	R	Partnership	MEDIUM
45	t	PEP (Politically Exposed Persons)	HIGH
46	6	POLITICALLY EXPOSED PERSONS -RES OUTSIDE	HIGH
47	S	Private Sector Company	HIGH
48	T	Public Sector Undertakings	LOW
49	f	Real Estate Business	HIGH
50	V	Resident Indian	LOW
51	Y	Self Help Group (Female)	LOW
52	X	Self Help Group (Male)	LOW
53	h	Self Help Group (Mixed)	LOW
54	U	Sole Proprietor	LOW
55	s	Sole Proprietor-Concern	LOW
56	W	Trust	HIGH

2. RISK RATING FOR CUSTOMER PROFESSION:

S No	TXT_PROFESS_CAT	TXT_PROFESSION	Risk Type
1	1	Accountant	MEDIUM

2	2	Agriculture and Allied Activities	LOW
3	3	Architect	MEDIUM
4	4	Artisan and Craftsman	LOW
5	5	Artist	LOW
6	6	Banker	LOW
7	7	Builder-Apartments	HIGH
8	8	Business	MEDIUM
9	9	Caterers	LOW
10	10	Civil Servant	LOW
11	11	Cleric	LOW
12	12	Consultant	MEDIUM
13	13	Defence	LOW
14	14	Doctor	MEDIUM
15	15	Engineer	MEDIUM
16	16	Ex-Serviceman	LOW
17	17	Horologist	LOW
18	18	Horticulturist	LOW
19	19	House-Wife	LOW
20	20	Industrialist	HIGH
21	21	Information Technology	HIGH
22	22	Interior Decorator	LOW
23	23	Journalist	HIGH
24	24	Lawyer	MEDIUM
25	25	Literature	LOW
26	26	Magistrate	LOW
27	27	Management Consultant	HIGH
28	28	Medical Practitioner	MEDIUM
29	99	Miscellaneous	LOW
30	29	Nursing	LOW
31	30	Pharmacist	LOW
32	31	Pilot	LOW
33	56	POLITICIAN	HIGH
34	32	Real Estate Services	HIGH
35	33	Retail trader	MEDIUM
36	34	Retired Employee	LOW
37	35	Scientist	MEDIUM
38	36	Secretary	MEDIUM
39	38	Self-Employed	LOW
40	37	Self-Help Groups	LOW
41	39	Service - Central Government	LOW
42	40	Service - Multinational	HIGH
43	41	Service - Private Sector	HIGH
44	42	Service - Public Sector	LOW
45	43	Service - State Government	LOW
46	44	Services - Others	LOW
47	45	Services - Securities and	HIGH

		Portfolio Mgmt	
48	46	Share Cropper	HIGH
49	47	Small Scale Industrialist	MEDIUM
50	48	Sportsperson	LOW
51	49	Student	LOW
52	50	Surveyor	LOW
53	51	Teacher	LOW
54	52	Transport Operator	MEDIUM
55	53	Unemployed	LOW
56	54	Weavers	LOW
57	55	Wholesale Trader	HIGH

3. RISK RATING FOR TYPE OF BUSINESS:

S No.	COD_BUSINESS_C AT	TXT_BUSINESS	RISK TYPE
1	1	Agriculture & Allied Activities	LOW
2	2	Construction	HIGH
3	3	Electricity & Water	LOW
4	4	Exports	HIGH
5	5	Finance	HIGH
6	6	Imports	HIGH
7	7	Manufacturing	MEDIUM
8	8	Mining & Quarrying	HIGH
13	99	Miscellaneous	LOW
9	9	Public Utilities & Services	LOW
10	10	Retail Trade	MEDIUM
11	11	Transport	MEDIUM
12	12	Wholesale Trade	HIGH

4. RISK RATING FOR PRODUCT CODE

SL No.	PRODUCT CODE	DESCRIPTION	RISK TYPE
1	101	CURRENT ACCOUNT METRO-URBAN	LOW
2	102	CA (SBI)	LOW
3	103	CA(NATIONALISED BANKS)	LOW
4	104	CA(CO-OP BANKS)	LOW
5	105	CA(RRBS)	LOW
6	106	CA (OTHER BANKS)	LOW
7	107	CA-EEFC-USD	HIGH
8	108	CA-EEFC-GBP	HIGH
9	109	CA-EEFC-EURO	HIGH
10	110	CA-RFC-USD	HIGH
11	111	CA-RFC-GBP	HIGH
12	112	CA-RFC-EURO	HIGH
13	113	SYND FLEXI CURRENT ACCOUNTS	HIGH
14	114	CA - ADMN	LOW

		OFFICES/BRANCHES	
15	115	CA-COLLECTION ACCOUNT	LOW
16	116	CA(SBI ASSOCIATES)	LOW
17	117	CA-RFC(DOMESTIC)-USD	HIGH
18	118	CA-RFC(DOMESTIC)-GBP	HIGH
19	119	CA-RFC(DOMESTIC)-EURO	HIGH
20	120	CA-EEFC-CHF	HIGH
21	126	LD -LOANS ON DEPOSIT	LOW
22	201	SAVINGS BANK METRO-URBAN	LOW
23	202	SAVINGS BANK - STAFF	LOW
24	203	SAVINGS BANK - PENSION	LOW
25	204	SAVINGS BANK - NRE	HIGH
26	205	SAVINGS BANK - NRO	HIGH
27	206	SB - RFC - USD	HIGH
28	207	SB-RFC-GBP	HIGH
29	208	SB - RFC - EURO	HIGH
30	209	SAVINGS BANK - SSKN	LOW
31	210	SAVINGS BANK - SSKC	LOW
32	211	SB - CAPITAL GAINS	MEDIUM
33	212	SB - FOREIGN NATIONALS	HIGH
34	213	SAVINGS BANK - NRE_SyndJr.Millionaire	HIGH
35	214	PREMIUM SAVINGS ACCOUNT	LOW
36	215	SPL PREMIUM SAVINGS ACCOUNT	MEDIUM
37	216	MULTI CITY SB ACCOUNT	LOW
38	217	SUPER PREMIUM SAVINGS BANK ACCOUNT	MEDIUM
39	218	SAVINGS BANK - SALARY	LOW
40	219	SAVINGS BANK - STUDENTS	LOW
41	220	SAVINGS BANK RURAL-SEMIURBAN	LOW
42	221	SAVINGS BANK SYND SAMANYA	LOW
43	222	SB - SYNDVIDYARTHI	LOW
44	223	SYNDSHAKTHI SAVINGS BANK	LOW
45	224	SB - NATIONAL RURAL EMP GUARANTEE PROG	LOW
46	225	SAVINGS BANK GENERAL PURPOSE SMART CARD	LOW
47	226	SYND DEFENCE OFFICERS PREMIUM SAVINGS AC	LOW
48	227	SYND DEFENCE OFFICERS SAVINGS ACCOUNT	LOW

49	228	SYND DEFENCE JAWAN SAVINGS ACCOUNT	LOW
50	229	SAVING-CUM-OD-FI	LOW
51	230	SYND NAVARATNA	LOW
52	231	SAVINGS BANK - SYND BALA SHAKTHI	LOW
53	232	BASIC SAVINGS BANK DEPOSIT-SMALL ACCOUNT	LOW
54	233	SyndPrivilege SB Tab Banking	LOW
55	234	SYND SMARTGEN	LOW
56	235	SYND SMARTSHE	LOW
57	236	TD POOLING ACCOUNT	HIGH
58	237	SYND SMARTSHE - STAFF	LOW
59	238	SAVINGS BANK-SyndJr.Millionaireupto10	LOW
60	239	SAVINGS BANK-SyndJr.Millionaire_abv10	LOW
61	240	SB S S P	LOW
62	241	SB SCHOLARSHIP -DBT	LOW
63	251	RECURRING DEPOSIT	LOW
64	252	RECURRING DEPOSIT - NRE	HIGH
65	253	CUMULATIVE DEPOSIT (OLD)	LOW
66	254	RECURRING DEPOSIT FINANCIAL INCLUSION	LOW
67	255	SYND RD Plus	LOW
68	256	RECURRING DEPOSITSyndJrMillionaire	LOW
69	257	RD_SyndJrMillionaire - NRE	HIGH
70	258	SYND RD Plus - NRE	HIGH
71	280	COLLECTION ACCT-RESTRUCTURED LOANS	HIGH
72	291	CMS - TALLY COLL - CURRENT QTR	HIGH
73	292	CMS - TALLY COLL - EARLIER QTR	HIGH
74	293	CMS - TALLY PAY - CURRENT QTR	HIGH
75	294	CMS - TALLY PAY - EARLIER QTR	HIGH
76	295	CMS - TALLY OBC	HIGH
77	296	CMS - BRANCH COLLECTION ACCOUNT	LOW
78	297	CMS - BRANCH PAYMENT ACCOUNT	LOW
79	301	CA-EXTENSION COUNTER ACCOUNT	LOW
80	302	CA-INTER BRANCH ADJ	LOW

		ACCOUNT	
81	303	SYND SILVER CURRENT ACCOUNT	HIGH
82	304	SYND GOLD CURRENT ACCOUNT	HIGH
83	305	SYND PLATINUM CURRENT ACCOUNT	HIGH
84	306	MULTI CITY CORPORATE ACCOUNT	HIGH
85	307	CURRENT ACCOUNT RURAL-SEMIURBAN	LOW
86	308	CA-PROJECT OFFICE-USD	HIGH
87	309	CA -VOSTRO	HIGH
88	310	GOVT. TRANSACTION ACCOUNTS	LOW
89	311	VISA LORO ACCOUNTS	HIGH
90	312	CASHTREE LORO ACCOUNTS	HIGH
91	313	SALARY BILL	LOW
92	314	STATIONERY IN TRANSIT	LOW
93	315	SYNDFLEXI PREMIUM CURRENT ACCOUNT	HIGH
94	316	NOSTRO MIRROR ACCOUNTS	HIGH
95	317	CA-COLLECTION ACCOUNT (NEW)	LOW
96	318	Settlement A/c of BCA	LOW
97	319	CURRENT A/C - SKCC CUSTOMERS	LOW
98	320	REVERSE CHARGE-SERVICE TAX PAYABLE	LOW
99	321	SYND FLEXI SUPER CURRENT ACCOUNT	HIGH
100	322	POOLING A/C FOR BC	LOW
101	323	NPCI COLLCECTION ACCOUNT	LOW
102	324	NPCI AEPS (COLLECTION) ACCOUNT	LOW
103	325	CURRENT ACCOUNT - NRO	HIGH
104	401	FDST(FIXED DEPOSIT UPTO 6 MONTHS)	LOW
105	402	FD(FIXED DEP 6 MONTHS AND ABOVE)	LOW
106	403	SSDQ(SOCIAL SECURITY DEPOSIT QTY)	LOW
107	404	SSDM (SOCIAL SEC. DEPOSIT-MONTHLY)	LOW
108	405	VCC (VIKAS CASH CERTIFICATE)	LOW
109	406	SUVIDHA (SYNDICATE SUVIDHA DEPOSIT)	HIGH

110	407	SCSDQ (SENIOR CITIZEN SEC DEP. QTY)	LOW
111	408	QMD (QUICK MONEY DEPOSIT)	HIGH
112	409	SYNDICATE FLOATING RATE DEPOSIT	MEDIUM
113	410	FD (FIXED DEP -ABOVE 10 YEARS)	HIGH
114	411	VCCL (VCC ABOVE 10 YEARS)	HIGH
115	412	SYNDIFLOAT	MEDIUM
116	413	FIXED DEPOSIT (NO INTEREST)	HIGH
117	414	SCSDM (SEN CITIZEN SEC DEP-MNTLY)	LOW
118	415	SSDQL(SSD ABOVE 10 YEARS- QUARTERL)	HIGH
119	416	SSDML(SSD - MONTHLY - ABOVE 10 YRS)	HIGH
120	417	VCCO (VCC - OLD)	HIGH
121	418	418 FD-SWEEP OUT/IN 180days	MEDIUM
122	419	419 FD(STF)-SWEEP OUT/IN 180 days	MEDIUM
123	420	FD(BELOW Rs.1000-FIXED DEP)	LOW
124	421	421 FD-SWEEP OUT/IN 1year 1day	MEDIUM
125	422	422 FD(STF)-SWEEP OUT/IN 1year 1day	MEDIUM
126	423	423 FD(SR.CTZN)SWEEP OUT/IN 180days	MEDIUM
127	424	424 FD(SR.CTZN)-SWEEP OUT/IN 1YR-1D	MEDIUM
128	425	SYND CORPORATE SUVIDHA DEPOSIT SCHE	HIGH
129	426	FD-SWEEP OUT/IN 3years	MEDIUM
130	427	SYND 400 PLUS	LOW
131	428	SYND 500 PLUS	LOW
132	429	FD-SWEEP OUT/IN 45days	MEDIUM
133	430	FD-SWEEP OUT/IN 1 Crore	HIGH
134	431	FD-NRE (FIXED DEPOSIT - NRE)	HIGH
135	432	SSDQ - NRE (SSD QUARTERLY - NRE)	HIGH
136	433	SSDM-NRE (SSD MONTHLY - NRE)	HIGH
137	434	VCC NRE (VIKAS CASH CERTI - NRE)	HIGH
138	435	435 FD-SWEEP OUT/IN 5000 1Y1D	MEDIUM
139	436	PIGMY FIXED DEPOSITS	LOW

		(Pay out)	
140	437	PIGMY VIKAS CASH CERTIFICATE(Comp)	LOW
141	438	FD-SWEEP OUT/IN 7 to 14 days	MEDIUM
142	439	Synd Rahat (Delhi Region only)	MEDIUM
143	440	SYND 555	LOW
144	441	FD NRO (FIXED DEPOSITS - NRO)	HIGH
145	442	SSDQ-NRO(SSD QRTLY NRO)	HIGH
146	443	SSDM-NRO(SSD MONTHLY NRO)	HIGH
147	444	VCC-NRO (VIKAS CASH CERT-NRO)	HIGH
148	445	FD-SWEEP OUT/IN 7 to 91 days - NHA1	MEDIUM
149	446	SWEEP OUT 1 YR SYND FLEXI SUPER	MEDIUM
150	447	SYND DISHA - DOMESTIC	LOW
151	448	SYND DISHA NRE	HIGH
152	449	SYND DISHA - NRO	HIGH
153	450	SYND SMARTGEN VCC	LOW
154	451	FD-NRSR(FIXED DEPOSIT NRSR)	HIGH
155	452	SSDQ-NRSR (SSD QRTLY NRSR)	HIGH
156	453	SSDM-NRSR(SSD MTHLY NRSR)	HIGH
157	454	VCC-NRSR(VIKAS CASH CERT-NRSR)	HIGH
158	455	SyndTaxShield (PAYOUT)	LOW
159	456	SyndTaxShield (COMPOUNDED)	LOW
160	457	FD(FIXED DEP 1 CRORE AND ABOVE)	HIGH
161	458	VCC (VCC 1 CRORE AND ABOVE)	HIGH
162	459	SUVIDHA DEPOSIT 1 CRORE AND ABOVE	HIGH
163	460	SYND 500	LOW
164	461	FD- NRNR(FIXED DEPOSIT - NRNR)	HIGH
165	462	SSDQ-NRNR(SSD QTLY NRNR)	HIGH
166	463	SSDM - NRNR (SSD - MTLY - NRNR)	HIGH
167	464	VCC - NRNR (VIKAS CASH CERT NRNR)	HIGH
168	465	EEFC TD - USD	HIGH

169	466	EEFC TD - GBP	HIGH
170	467	EEFC TD - EURO	HIGH
171	471	RFC-TERM-DEPOSIT-USD	HIGH
172	472	RFC-TERM-DEPOSIT-GBP	HIGH
173	473	RFC-TERM-DEPOSIT-EURO	HIGH
174	474	RFC-TERM-DEPOSIT-USD	HIGH
175	475	RFC-TERM-DEPOSIT-GBP	HIGH
176	476	RFC-TERM-DEPOSIT-EURO	HIGH
177	477	RFC-TERM-DEPOSIT-AUD	HIGH
178	478	RFC-TERM-DEPOSIT-CAD	HIGH
179	481	FCNR(B)-USD	HIGH
180	482	FCNR(B)-GBP	HIGH
181	483	FCNR(B)-EURO	HIGH
182	484	FCNR(B)-USD 12Months	HIGH
183	485	FCNR(B) - AUD	HIGH
184	486	FCNR(B)-CAD	HIGH
185	491	FD-CAPITAL GAINS UPTO 6 MONTHS	MEDIUM
186	492	FD - CAPITAL GAINS - ABOVE 6 MONTHS	MEDIUM
187	493	VCC - CAPITAL GAINS	MEDIUM
188	494	CERTIFICATE OF DEPOSITS	HIGH
189	495	SYND DISHA FD - DOMESTIC	LOW
190	496	SYND DISHA FD - NRE	HIGH
191	497	SYND DISHA FD - NRO	HIGH
192	498	SYND SMARTSHE	LOW
193	499	FD UPTO 90 DAYS - ACTUAL DAYS	LOW
194	500	FD 91 TO 364 DAYS - ACTUAL DAYS	LOW
195	501	FCNR(B) FCNR SPL -USD	HIGH
196	502	FCNR(B) FCNRSPL - GBP	HIGH
197	503	FCNR(B) FCNRSPL - EURO	HIGH
198	504	FCNR(B) FCNRSPL - AUD	HIGH
199	505	FCNR(B) FCNRSPL - CAD	HIGH

5. RISK RATING FOR ACCOUNT STATUS:

SL NO	DESCRIPTION	RISK
1	REGULAR	LOW
2	INOPERATIVE	MEDIUM
3	DORMANT	HIGH
4	UNCLAIMED	HIGH
5	BLOCKED	HIGH

6. RISK RATING FOR ACCOUNT VINTAGE (Applicable to operative accounts only):

SL.NO.	DESCRIPTION	RISK
1	LESS THAN 6 MONTHS OLD	HIGH
2	6 MONTHS TO LESS THAN 12 MONTHS	MEDIUM
3	12 MONTHS AND ABOVE	LOW

7. RISK RATING BASED ON THE DEPOSITS/ACCOUNT BALANCE:

Account Types	High	Medium	Low
Only SB*	Rs. 2,00,000/- & above	Rs. 1,00,000/- & above but less than Rs.2,00,000/-	Less than Rs.1,00,000/-
Only Current*	Rs. 5,00,000/- & above	Rs. 2,00,000/- & above but less than Rs.5,00,000/-	Less than Rs.2,00,000/-
Term Deposits**	Rs. 10,00,000/- & above	Rs. 5,00,000/- & above but less than Rs. 10,00,000/-	Less than Rs.5,00,000/-

*Applicable to accounts which have completed 6 months.

** For current/SB accounts average balance amount and for Term deposits, principal amount shall be taken for consideration on the date of review.

ILLUSTRATION – 1

Suggested Assignment of Risks- Illustration for single accounts:

	Customer type	Customer Profession	Type of Business	Product code	Account Status	Account balance	Account vintage (Months)	Total Risk Rating*
I	Individual	Service	Salaryed	SB Gen	Operative	100000/-	9 months	
Risk rating	Low	Low	Low	Low	Low	Low	medium	Medium
II	proprietor	Sole practitioner	Others	CA Gen	Inoperative	100000/-	36 month	
Risk rating	Low	Medium	Low	Low	Medium	low	low	Medium
III	NRI	Misc	Others	FCNR	Operative	400000/-	24 month	
Risk rating	High	Low	Low	High	Low	Low	Low	High
IV	Company	Multilevel marketing	Others	Flexi premium CA	operative	1000000 0/-	15 month	
Risk rating	Medium	High	Low	Medium	Low	High	Low	High

***Total risk will be assigned based on the highest risk carried by any of the cited parameters.**

ILLUSTRATION II

Assignment of Risks for customers with multiple accounts/products under single Cust id-illustration:.

	Prod Name	A/c Balance	Cust. Type	Cust. Profession	Type of businesses	Account status	Accounting tag	Total Risk rating	Final Risk rating
Parameters	SB Gen	50000	Individual	Farmer	Agriculture	Operative	15 month		
Risk for parameters	Low	Low	Low	Low	Low	Low	Low	Low	
Parameters	CA Gen	30000	Individual	Agriculture	Agriculture	Operative	7 old		
Risk for	Low	Medium	Low	Low	Low	Low	Medium	Medium	High*
Parameters	TD & RD	10000	Individual	Agriculture	Agriculture	Operative	NA		
Risk Rating	Low	High	Low	Low	Low	Low	NA	High	

*based on highest risk rating carried by the parameters

Procedure for categorization of risk:

1. Categorization of risk is done based on the information furnished in Annexure I and the respective codes are to be allotted to the accounts in the CBS system.
2. The automated risk review of the customers is done once in 6 months as at the end of June and December every year.
3. The reports of risk categorization are to be made available to the branches for further review and modification of risk if necessary can be done at branches based on the information available with them. The details of High risk, Medium risk and low risk customers which are available in the Manual of Instructions are furnished below for immediate reference.

A. HIGH RISK who are engaged in certain professions where money-laundering possibilities are high. The indicative List of High risk customers is furnished hereunder:

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 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 Appendix (C))
8. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which a 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/Travellers' Checks/ Money Transmission/Check Cashing/Currency Dealing or Exchange.
23. Business accepting third party checks (except supermarkets or retail stores that accept payroll checks/cash pay roll 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.
29. Correspondent Banks.

Opening of above type of accounts shall be permitted by Regional Offices only.

B. MEDIUM RISK:

The indicative List of Medium risk customers is furnished hereunder:

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 café, IDD call service, phone cards, phone centre
11. Dot-com company or internet business
12. Pawnshops
13. Auctioneers
14. Cash-Incentive Business such as Restaurants, retail shops, parking garages, fast food stores, movie theatres 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.

* These types of accounts shall be opened with prior approval of Regional Offices only

C. LOW RISK:

All the customers who are not High/ Medium Risk customers are low risk customers.

1. These are the type of customers whose identity and source of wealth can be easily identified and the transactions in whose accounts by and large conform to the known profile.
2. Salaried employees whose salary structures are well defined

3. People belonging to low economic strata of the society whose accounts show small balances and low turnover.
4. Government Departments and Government owned companies, regulators and statutory bodies etc.,
5. Customers who are employment-based or with a regular source of income from a known source which supports the activity being undertaken (this applies equally to pensioners or benefit recipients, or to those whose income originates from their partners' employment).
6. Customers with long term and active business relationship with the Bank (who are not coming under High / Medium Risk).
7. NPOs / NGOs promoted by United Nations or its agencies.

Chapter – V

Complaints and Grievances Redressal

1. INTRODUCTION

In the present scenario of competitive banking, excellence in customer service is the most important tool for sustained business growth. Customer complaints are part of the business life of any corporate entity. This is more so for banks because banks are service

organizations. As a service organization, customer service and customer satisfaction are the prime concerns of our bank.

Our Bank believes that providing prompt and efficient service is essential not only to attract new customers, but also to retain existing ones. This policy aims at minimizing instances of customer complaints and grievances through proper service delivery and review mechanism and to ensure prompt redressal of customer complaints and grievances.

The Bank's policy on grievance redressal follows the under noted principles:

- Customers be treated fairly at all times.
- Complaints raised by customers are dealt with courtesy and on time.
- Customers are fully informed of avenues to escalate their complaints/ grievances within the organization and their rights to alternative remedy, if they are not fully satisfied with the response of the bank to their complaints.
- Branches/ROs shall pay special attention to complaints emanating from rural areas and those relating to lending to priority sector including loans under Government's Poverty Alleviation Programmes.
- Bank will treat all complaints efficiently and fairly as they can damage the bank's reputation and business if handled otherwise.
- The bank employees must work in good faith and without prejudice to the interests of the customer.

In order to make bank's redressal mechanism more meaningful and effective, a structured system needs to be built up towards such end. Such system would ensure that the redressal sought is just and fair and is permissible within the given frame -work of rules and regulation. The policy document is made available at all branches. The concerned employees have been made aware about the complaint handling process.

1.1. The customer complaint arises due to –

- a) The attitudinal aspects in dealing with customers.
- b) Inadequacy of the functions/arrangements made available to the customers or gaps in standards of services expected and actual services rendered.

The customer is having full right to register his complaint if he is not satisfied with the services provided by the bank. He can give his

complaint in writing, orally, over telephone, through Toll Free Voice Mail or through the Complaints Box in Bank's website.

If the customer's complaint is not resolved within given time or if he is not satisfied with the solution provided by the bank, he can approach Banking Ombudsman with his complaint or other legal avenues available for grievance redressal.

2. INTERNAL MACHINERY TO HANDLE CUSTOMER COMPLAINTS / GRIEVANCES

2.1. Customer Service Committee of the Board:

This sub-committee of the Board will be responsible for formulation of a Comprehensive Deposit Policy incorporating the issues such as the treatment of operations in the account on death of the holder of that account, the product approval process and the annual survey of depositor satisfaction and the triennial audit of such services. The Committee will also examine any other issues having a bearing on the quality of customer service rendered. This Committee will also review the functioning of Standing Committee on Customer Service.

2.2. Standing Committee on Customer Service:

The Standing Committee on Customer Service will be chaired by the Managing Director / Executive Director of the Bank. Besides, the Committee will have three senior Executives and two External Members drawn from the public as Members. The Committee will have the following functions:

- Evaluate feedback on quality of customer service received from various quarters. The committee will also review comments/feedback on customer service and implementation of commitments in the Code of Bank's Commitments to Customers received from BCSBI.
- The Committee will be responsible to ensure that all regulatory instructions regarding customer service are followed by the bank. Towards this, the committee would obtain necessary feed-back from Regional managers/ functional heads.
- This committee also will consider unresolved complaints/grievances referred to it by other functionaries and also complaints related to non-compliance with the Code of Bank's Commitments to Customers.
- The Committee will submit report on its performance to the customer service committee of the board at quarterly intervals.

2.3. Nodal Officer and other designated officials to handle complaints and grievances:

The General Manager –Business Strategy Planning & MIS

department, Corporate Office, Bangalore will be the Nodal Officer at Corporate Office to receive complaints from customers / VIPs / Reserve Bank of India / Ministry of Finance, etc. A Complaint Cell at Corporate Office will monitor the receipt and speedy redressal of complaints.

The Regional Heads will be Nodal Officers for their respective Regions to receive the complaints from various customers and will have to redress the complaints / grievances addressing appropriate letter to the complainant. The Regional Offices shall designate an Executive in Scale IV as Complaint Redressal Officer to assist the Nodal Officer (Regional Head).

At branch level, the Branch Head will have to receive the complaints irrespective of the mode – whether in person or otherwise including those found in the Complaint Box and will have to acknowledge the same to the complainant and redress the complaint and inform the same to Regional Office, by following the procedure laid down in this regard.

2.3. Internal Ombudsman/ scope of work

As advised by the Reserve Bank of India, **Internal Ombudsman system was introduced** in our Bank with effect from 01.08.2015 for enabling and ensuring proper speedy resolution of customer complaints by an independent arbitrator within the bank.

As per the Internal Ombudsman scheme the arrangement, 'Internal Ombudsman' is internal to the Bank and there is no requirement for the complainant to separately access the Internal Ombudsman. The Internal Ombudsman Scheme has since been reviewed by the RBI w.e.f 03.09.2018. As per the revised Internal Ombudsman Scheme-2018, Customer complaints which are partly or wholly rejected by the Bank should also be escalated to the Internal Ombudsman within 2 weeks of receipt of complaint for a final decision.

Scope of work of the Internal Ombudsman:

- Examining all customer complaints which are partly or wholly rejected by the Bank.
- Ensuring that such complaints are escalated within 2 weeks of receipt and a final decision is conveyed to the customer within 30 days from the receipt of complaint.
- Analyzing the pattern of complaints and suggest means to address the root cause of complaint of different nature.
- The views/decisions of the Internal Ombudsman should be

incorporated in the replies to the complaint lodged with the Banking Ombudsman

3. MANDATORY DISPLAY REQUIREMENTS

The Bank will be providing at the branches –

- A Complaint/Suggestion Box for lodging complaints
- The name, address and contact number of the Nodal Officers of the Regions for receiving complaints and suggestions.
- Name and address of the Banking Ombudsman of that area.
- Name, address and contact number of the Code Compliance Officers of the Regions.
- Code of Bank's Commitments to Customers / Fair Practice code.
- Toll Free numbers: 1800 208 3333 and 1800 3011 3333
- Information regarding observance of Customers 'Day on 15th of every month.
- Comprehensive Notice Board containing information on Customer Service, Service Charges, Grievance Redressal, Other Services and Information available in booklet form.

4. RESOLUTION OF GRIEVANCES

Branch Manager will be responsible for the redressal of complaints/grievances in respect of customer service by the branch. He would be responsible for ensuring closure of all complaints received at the branches. It is his foremost duty to see that the complaint be resolved completely to the customer's satisfaction. If the branch manager feels that it is not possible at his level to solve the problem, he will have to refer the case to Regional Office for guidance. Similarly, if Regional Office finds that they are not able to solve the problem such cases will have to be referred to the Nodal Officer at Corporate Office.

4.1 Resolution of grievances in respect of Pensioners covered under National Pension System.

As per the Pension Fund Regulatory and Development Authority (PFRDA) Redressal of Subscriber Grievance Regulations, 2015, following policies have been incorporated in the Grievance Redressal Policy of the Bank.

Sl. No.	Policy	Guidelines in respect of Pensioners covered under National Pension System
i)	Grievance redressal policy	1. Every intermediary under the National Pension System and any other pension scheme regulated by the Authority shall follow the grievance redressal policy as laid down

Sl. No.	Policy	Guidelines in respect of Pensioners covered under National Pension System
		<p>under these regulations. In case of National Pension System, the National Pension System Trust shall lay down detailed guidelines and procedures for a two level grievance redressal policy for intermediaries and other entities with minimum conditions as referred to in regulation 4 and shall be responsible for the overall grievance management system. The two levels for the grievance redressal shall comprise a senior management level officer to be designated as Grievance Redressal Officer for compliance of the requirements laid down in such policy. In addition, every branch or authorized office or centre other than the central office, head office, corporate office or principal office of the intermediary dealing with National Pension System shall also have an officer nominated as the Grievance Redressal Officer for that office or centre.</p> <ol style="list-style-type: none"> 2. Any other pension scheme regulated by the Authority shall also provide for a two level grievance redressal policy approved by its board or decision making body. 3. All such grievance redressal policies for National Pension System and for other pension schemes regulated by the Authority shall be filed with the Authority or National Pension System Trust as the case may be, by the intermediary or entity or person governed by the provisions of the Act and placed prominently in public domain. 4. The National Pension System Trust shall be required to monitor and periodically conduct review and perform oversight on the grievance management system in respect of schemes under the National Pension System. The National Pension System Trust shall, forward to the Authority, reports on its review and oversight, within such period as may be specified by the Authority.
ii)	Filing of grievance redressal policy	<p>The grievance redressal policy to be filed in all cases with the Authority or the National Pension System Trust needs to adhere to the following minimum conditions, namely:-</p> <ol style="list-style-type: none"> a) Every intermediary under the National Pension System and any other pension

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		<p>scheme regulated by the Authority shall designate a senior management level officer as Grievance Redressal Officer for compliance of the requirements laid down in such policy. In addition, every branch or authorized office or centre other than the central or head or corporate or principal office dealing with National Pension System or any other pension scheme regulated by the Authority shall also have an officer nominated as the Grievance Redressal Officer for that office or centre;</p> <p>b) Every intermediary under the National Pension System and any other pension scheme regulated by the Authority shall have a clearly defined system and procedure for receiving, registering, acknowledging and effectively disposing off of grievances received in a prompt and fair manner;</p> <p>c) Every intermediary under the National Pension System and any other pension scheme regulated by the Authority must inform a subscriber at the commencement of relationship with the subscriber and at such other time when the information is likely to be required by the subscriber, of –</p> <ol style="list-style-type: none"> <li data-bbox="778 1249 1377 1429">I. the subscribers' right to seek redressal of any complaints, through the redressal mechanism as specified under these regulations; and <li data-bbox="778 1473 1377 1686">II. the processes followed by the intermediaries under the National Pension System and other pension scheme regulated by the Authority, to receive and redress complaints from subscribers; <p>d) The grievance redressal policies would need to conform to the benchmarks and standards as laid down or amended by the Authority from time to time. These benchmarks may include <i>inter alia</i> resolution time for a grievance, service</p>

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		<p>quality, manner of receiving grievances, number of outstanding grievances against intermediaries under the National Pension System or any other pension scheme and any other matters which in the opinion of the Authority, are relevant for redressing such grievances;</p> <p>e) Details of turnaround times shall be clearly laid down in the two level grievance redressal policy to be filed with the Authority by the Intermediaries or respective Government or any other entity governed by the provisions of the Act;</p> <p>f) Every two level grievance redressal policy to be filed with the Authority shall be placed in the public domain and preferably displayed in Hindi, English and other applicable regional languages in its office by each intermediary under the National Pension System and by any other pension scheme regulated by the Authority.</p>
iii)	Turnaround Times	<p>1. There shall be two types of turnaround times, namely:—</p> <ol style="list-style-type: none"> i. The turnaround times for provision of services as applicable to,- ii. the intermediaries other than Government nodal offices or PAOs or Pr AOs or DTOs or DTAs or DDOs, which shall be in accordance with the service level agreements or other relevant agreements, memorandum of understandings, offer documents or circulars issued by the Authority from time to time. <p><i>Explanation.</i>- For the purpose of this clause, the abbreviations “PAOs”,</p>

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		<p>“Pr.AOs”, “DTAs”, “DTOs” and “DDOs” shall stand for Pay and Accounts Offices, Principal Accounts Offices, Directorate of Treasury and Accounts, District Treasury Offices and Drawing and Disbursing Officers under the Central Government or analogous offices under the Central Government or central autonomous bodies which interact with the central recordkeeping agency on behalf of the subscribers for the purpose of National Pension System. Further, the abbreviations “DTAs”, “DTOs” or “DDOs” shall stand for Directorate of Treasury and Accounts, District Treasury Office and Drawing and Disbursing Officer under the State Government or analogous offices under the State Government or State autonomous bodies which interact with central recordkeeping agency on behalf of the subscribers for the purpose of National Pension System;</p> <p>iii. Government nodal offices or PAOs or PrAOs or DTAs or DTOs or DDOs, which shall be in accordance with the circulars or guidelines issued by the Authority, National Pension System Trust or the Central Government or the concerned State Government from time to time on registration of subscribers, incorporating change or modification in subscriber details, timelines for remittance of National Pension System contributions including legacy contributions, compensation of loss to the subscribers due to delay of such remittance and any other related issue to protect the interest of the subscribers; and.</p> <p>iv. The turnaround time for the grievance redressal in accordance with regulation 6.</p>

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iv)	Turnaround times for grievance redressal	<ol style="list-style-type: none"> 1. An acknowledgement shall be sent to the complainant within three working days of the receipt of the grievance by the concerned entity so identified for the purpose. The acknowledgement shall contain the name and designation and contact details of the officer who shall be dealing with the grievance received. 2. The complainant shall be provided with a unique grievance number for future reference for every grievance registered. The grievance redressal proceedings of the complaint shall be deemed to have commenced on the first date of receipt of the grievance by an intermediary. 3. In case the complaint received does not pertain to the intermediary to which the same has been lodged, the complaint shall be transferred to the concerned intermediary within three working days, under intimation to the complainant. 4. Where the intermediaries under National Pension System or any other pension scheme regulated by Authority has resolved the complaint, within three working days, it may communicate the resolution along with the acknowledgement to the complainant. 5. Every grievance shall be disposed off within a period of thirty days of its receipt and a final reply shall be sent to the complainant, containing details of resolution or rejection of the complaint, with reasons thereof recorded in writing. 6. The intermediary under National Pension System or any other pension scheme regulated by Authority, while disposing off the complaint, shall inform the complainant the manner in which he or she may pursue the complaint, if dissatisfied with such resolution or rejection, as the case may be. 7. If the complainant is not satisfied with the redressal of this grievances or if it has not been resolved by the intermediary by the end

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		<p>of thirty days of the filing of the complaint, he may escalate the grievance to the National Pension System Trust in accordance with the provisions contained in regulation 10. If the grievance remains unresolved after its receipt at the National Pension System Trust, on the expiry of a period of thirty days from the receipt thereof, the complainant may file a representation with the Ombudsman to be appointed by the Authority under these regulations for redressal of the grievances of the complainant, within such period as has been specified for the purpose:</p> <p>Provided that provisions of this sub-regulation, shall not apply where the complaint is directly in relation to a grievance against the National Pension System Trust and no other intermediary:</p> <p>Provided further that where the complaint is directly against the National Pension System Trust and no other intermediary, the National Pension Trust shall resolve the grievance of the subscriber in the manner and within the period specified under this regulation [except under sub-regulation (7) and if the grievance remains unresolved, the complainant may file an appeal with the Ombudsman to be appointed by the Authority under these regulations for redressal of the grievances of the complainant, within such period as has been specified for the purpose.</p> <p>8. Any intermediary under the National Pension System and any other pension scheme regulated by the Authority is required to maintain records of each complaint received by it and the measures taken by it for its redressal.</p> <p>9. The intermediary under the National Pension System and other pension scheme regulated by the Authority is also required to submit periodic reports to the National Pension</p>

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		<p>System Trust or Authority as may be specified from time to time.</p> <p>10. Any failure on the part of intermediary under National Pension System or any other pension scheme to follow the above-mentioned procedures and time-frames shall involve such penalties or other actions as may be imposed or taken by the Authority in accordance with the provisions of the Act, in addition to any compensation that may be required to be paid to the subscriber by such intermediary.</p>
v)	Closure of grievance	<p>A grievance shall be considered as disposed off and closed in any of the following instances, namely:—</p> <ol style="list-style-type: none"> a) when the intermediary or entity regulated by Authority has acceded to the request of the complainant fully; b) where the complainant has indicated in writing, its acceptance of the response of the intermediary or entity regulated by the Authority; c) where the complainant has not responded within forty-five days of the receipt of the written response of the intermediary or entity regulated by the Authority; d) where the Grievance Redressal Officer has certified under intimation to the subscriber that the intermediary or entity regulated by the Authority has discharged its contractual, statutory and regulatory obligations and therefore closes the complaint; e) where the complainant has not preferred any appeal within forty-five days from the date of receipt of resolution or rejection of the grievance communicated by the intermediary or entity regulated by the Authority or the National Pension System Trust, as the case may be; f) where the decision of the Ombudsman in appeal has been communicated to such complainant: <p>Provided that the closure shall not be applicable where the Ombudsman or the Authority, as the</p>

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		case may be has allowed filing of the appeal, beyond the specified period.
vi)	Categorisation of complaints	Categorisation of complaints as may be specified by the Authority from time to time shall be adopted by the intermediaries or any entity under National Pension System or any other pension scheme regulated by the Authority and incorporated in their systems.
vii)	System Requirements	The grievance redressal policies provide for automated systems to enable online registration, tracking of status of grievances by the complainants and generation of periodical reports as may be specified by the Authority. The system is also designed to integrate seamlessly with the Authority's system in the manner as maybe specified by the Authority from time to time.
viii)	Escalation of Grievance to National Pension System Trust	<p>A. Any subscriber whose grievance has not been resolved within thirty days from the date of receipt of the grievance by the intermediary, or who is not satisfied with the resolution provided by any intermediary under the National Pension System (other than National Pension System Trust) shall register a grievance with the National Pension System Trust, against such intermediary. The National Pension System Trust shall follow up the grievance with the concerned intermediary for redressal of the subscriber grievance. The National Pension System Trust shall call for the resolution of the subscriber grievance and respond to the subscriber within thirty days from the date of receipt of the grievance under this sub-regulation, about the resolution of the grievances.</p> <p>The subscriber whose grievance has not been resolved by the intermediary within thirty days from the date of submission of the grievance to the National Pension System Trust , or who is not satisfied with the resolution provided by the National Pension System Trust shall prefer an appeal to the Ombudsman against the concerned intermediary or entity.</p> <p>B. Nothing contained in sub- regulation (1) shall</p>

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		apply to a grievance which is directly against the National Pension System Trust, and it shall be resolved by the National Pension System Trust in accordance with the provisions of regulation 6.

4.2 TIME FRAME:

The complaint received will have to be looked into/examined and grievance redressed to the satisfaction of the complainant. The complaint received at the branch should be analyzed and redressed within shortest possible time, and in any case not later than 7 days.

The complaint received at Regional Office is to be forwarded to Branch and after getting the clarification and confirmation of redressal, a letter to be sent to the complainant within 15 days of receipt of the complaint.

The complaint forwarded by the Nodal Officer at Corporate Office to the Regional Office to be redressed immediately and letter of redressal sent to the complainant under copy to the Nodal Officer within 15 days of receipt of the same at the Regional Office.

In case of complaints which may need longer time for examination/redressal of issues involved, a suitable letter acknowledging the complaint to be addressed to the complainant immediately.

Closure of Complaint:

- a) If the customer is satisfied and gives a letter of satisfaction, the complaint is treated as closed, subject to reporting to the competent authority/controlling office.
- b) If the complaint has originated from any of the Govt Depts./Authorities and the same is redressed to the satisfaction of the concerned Dept/authority (Irrespective of complainant being satisfied) the complaint may be treated as closed.
- c) If the case/ suit in the court is decided infavour of the Bank, the complaint is treated as closed.
- d) If the complainant expires, the complaint is treated as closed.
- e) The Bank may also take a unilateral decision to close the complaint, when the complainant is not satisfied even after providing all the required information as per the guidelines.
- f) The complaint stands closed when the complainant withdraws the complaint.
- g) If the complainant fails to produce the required information/documents with in the specified time fixed by the bank, the complaint is treated as closed after giving due notice.

- h) Complaints which are rejected/ partially redressed are closed after obtaining approval of Internal Ombudsman.

Competent authority to close the complaint:

If the complaint is received against the employees/Branch/ ROs. The deciding authority to close the complaint will be one notch higher than the complaint receiving authority.

5. INTERACTION WITH CUSTOMERS

The bank recognizes that customer's expectation/requirement/grievances can be better appreciated through personal interaction with customers by bank's staff. As for the bank the feedback from customers would be valuable input for revising its product and services to meet customer requirements.

All Heads of Branch and Regional Heads shall observe Customer Day on the 15th of every month at their office between 3 p.m. and 5 p.m. If 15th happens to be a Saturday/holiday, 'Customer Day' shall be observed on the succeeding working day.

A Notice regarding the availability of the Branch/Office Heads from 3 p.m. to 5 p.m. on the 15th of each month or the next working day, if 15th happens to be a Saturday/holiday, shall be prominently displayed on the Notice Board.

6. SENSITIZING OPERATING STAFF ON HANDLING COMPLAINTS

We are dealing with people and hence difference of opinion and areas of friction can arise. With an open mind and a smile on the face we should be able to win the customer's confidence. The staff will be properly trained for handling complaints. The sessions on Customer Service, Communication Skills, are being included in the curriculum of different training programmes. The Nodal Officer, the General Manager- BSP & MIS department will be responsible for the smooth functioning of internal machinery for handling complaints/grievances and will ensure that the system operates smoothly and efficiently at all levels. He will also be providing full feedback on training needs in customer service related areas to HO: HR Department and SIBM, Manipal.

Chapter VI

COMPENSATION POLICY

Introduction

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the Bank's endeavor to offer services to its customers with best possible utilization of its technology infrastructure. The Compensation Policy of the Bank is designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques / instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc.

The policy is based on the principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the Bank

compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the Bank. By ensuring that the customer is compensated without having to ask for it, the Bank expects instances where the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the Bank which can be measured directly and as such the commitments under this policy are without prejudice to the right of the Bank to defend its position before any forum duly constituted to adjudicate banker-customer disputes.

1. Unauthorized / Erroneous Debit:

If the Bank has raised an unauthorized / erroneous direct debit to an account, the entry will be reversed immediately on being informed of the unauthorized / erroneous debit, after verifying the position. In case the unauthorized / erroneous debit has resulted in financial loss to the customer due to balance in the account going below the minimum balance for earning interest on Savings Bank deposit or payment of additional interest to the Bank in a loan account, the Bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized / erroneous debit, the Bank will compensate the customer upto 10% of the amount of the returned cheque or the amount of debit instruction, both however subject to monetary ceiling of ₹1 lakh (cumulative if more than one cheque / debit instruction are involved) only if the amount of the cheque / debit instructions would have been covered by the balance in the account but for unauthorized / erroneous debit.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit.

In case, the verification involves a third party or where verifications are to be done at overseas centers, the Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association

Internet Banking/Mobile Banking:

Reversal of Erroneous/Unauthorised/Fraudulent debits arising on internet Banking/ Mobile Banking /Phishing related transactions:

For cases where the Bank has acted in good faith, in normal day to-day conduct of business, but the customer has either acted fraudulently or inadvertently compromised his internet Banking/ Mobile Banking security details (i.e. ID, Passwords, etc) or acted without reasonable care, which includes not taking steps to protect computer/ Mobile device used for internet Banking/ Mobile Banking from hackers, key loggers, virus/malware etc., Bank/Customer will be bound by clause No. 12.6 of the revised Code of Bank's Commitment to Customers, which stipulates that –

“If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, which result in losses, you may be responsible for them.”

2. ECS direct debits/other debits to accounts, NECS, NEFT and RTGS transactions.

The Bank will undertake to carry out ECS debit and other debit instructions of customers in time. In the event the Bank fails to meet such commitments, customer will be compensated to the extent of any financial loss he/she would incur on account of delay in carrying out the instructions/failure to carry out the instructions.

Such compensation may be equivalent to the interest calculated on the amount to be debited, for the delayed period, at applicable Savings Bank rate, with minimum of Rs. 100/-, subject to a maximum of Rs.1,000/-.

The Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the Bank. In the event the Bank levies any charge in violation of the arrangement, the Bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

Though the Bank is not issuing Credit cards without written request of the recipient, yet, where it is established that the Bank had issued and activated a Credit card without written consent of the recipient, the Bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per RBI guidelines in this regard.

Uniformity in penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions:

In terms of the NEFT / NECS / ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, member banks need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Any delays in doing so attract penal provisions specified therein. In order to ensure standardisation of the benchmark rate used and bring in uniformity in penal provisions across the retail payment products, RBI has made the following modifications:

2.1 NECS / ECS-Credit

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged."

2.2 NEFT/RTGS

In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds' transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI Repo Rate plus two per cent for the period of delay for credit to the beneficiary's a/c. In the event of delay in return of the funds' transfer instruction for any reason whatsoever, the destination bank shall refund the amount together with interest at the current RBI Repo Rate plus two per cent till the date of refund."

2.3. During the NEFT/RTGS operating hours, originating banks should endeavor to put through the requests for NEFT/RTGS transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours (from the business hours next day), from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same.

2.4. In terms of the RBI ECS (Credit Clearing) procedural guidelines, which clearly stipulate that if a destination bank branch is not in a position to credit a particular transaction for reasons like "Account Closed/ transferred"; "No such Accounts"; "Account description does

not tally"; etc., it should report the same and forward it to the Service Branch/ Main Branch on the same settlement day.

3. Payment of Cheques after Stop Payment instruction:

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the Bank will reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under para 1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

4. Foreign Exchange Services:

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the Bank would not be able to ensure timely credit from overseas Banks. It is the Bank's experience that time for collection of instruments drawn on Banks in foreign countries differs from country-to-country and even within a country, from place to place.

The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated.

The compensation in such cases will be worked out as follows:

- a. i. Savings Bank rate for the period of delay beyond 7 days from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated (45 days) as the case may be in collection of outstation cheques. Where the delay is beyond 14 days, interest will be paid at the rate applicable to Term Deposit for the respective period.
- ii. In case of extraordinary delay, i.e., delay exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- iii. In the event the proceeds of cheque under collection were to be credited to an overdraft /loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- b. Compensation for any possible loss on account of adverse movement in foreign exchange rate.

Payment of Interest for delayed credits (Foreign Inward Remittances):

Compensation as per FEDAI rule will be paid. At present, FEDAI rule 4.5 provides for compensation at 2% above the Saving Bank rate for delay in paying or sending intimation, as the case may be, to the beneficiary in 2 working days from the date of receipt of credit advice / Nostro statement..

5. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the Bank's Policy on Collection of Cheques / Instruments, which is reproduced below for information:

(A) Payment of Interest for Delayed Collection of Local Cheques

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection of local instruments in case there is delay in giving credit beyond the time period mentioned here below. Such interest shall be paid without any demand from customers in all types of accounts.

Interest for delayed collection of local cheques/ instruments shall be paid at the following rates:

Domestic instruments:

- (i) Savings Bank rate for the period of delay beyond three working days in collection of local cheques (Holidays are to be excluded for the purpose of reckoning the stipulated collection period).
- (ii) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
- (iii) In case of extraordinary delay. i.e., delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- (iv) In case the proceeds of cheque under collection were to be credited to an overdraft / loan account of the customer, interest will be paid at the rate applicable to overdraft /loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to overdraft / loan account.

B. Payment of Interest for delayed Collection of Outstation Cheques:

As part of the Compensation Policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned in the Bank's Policy on Collection of Cheques / Instruments. Such interest shall be paid without any demand from

customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
- c) In case of extraordinary delay. i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In case the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only to instruments sent for collection within India.

C. Cheques / Instruments lost in transit / in clearing process or at paying Bank's Branch:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying Bank's Branch, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and take necessary steps to ensure that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the Compensation Policy of the Bank, the Bank will compensate the account holder in respect of instruments lost in transit in the following way:

- a. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b. In addition, the Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c. The Bank would also compensate the customer for any

reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a Bank / Institution who would charge a fee for issue of the duplicate instrument.

6. Issue of Duplicate Draft and compensation for delays.

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of corresponding period will be paid as compensation to the customer for such delay.

7. Violation of the Code of Bank's Commitment to Customers by the Bank's agent:

In the event of receipt of any complaint from the customer that the Bank's representative / courier or Direct Selling Agent has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, Bank shall take appropriate steps to investigate the complaint, redress the grievance of the customer within 7 days from the date of receipt of the complaint and if need be, by compensating him/her suitably.

8. Transaction of "at par instruments" of Co-operative Banks:

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonor of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks with us unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment / delayed payment of cheques in the absence of adequate funding arrangement.

9. Lenders liability; commitment to borrowers:

The bank has adopted the principles of lenders of liability. In terms of the guidelines for lenders liability, and the Code of Bank's commitment to customers adopted by the bank, the Bank would return to the borrowers all the securities/ documents/ title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to mortgage property at the hands of the bank the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount as decided by the Bank.

10. Force Majeure

The Bank shall not be liable to compensate customers for delayed

credit if some unforeseen event (including but not limited to civil commotion, strike, bundh, sabotage, accident, fires, natural disasters or those other “Acts of God”, war, damage to the Bank’s facilities or of its correspondent Bank(s), absence of the usual means of communication or all types of transportation etc.) beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters.

11. ATM Failure

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer’s account within 7 days from the date of receipt of the complaint, bank shall pay compensation of ₹100/- per day to the aggrieved customer.

This compensation shall be credited to the customer’s account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. Details of charge back in case of ATM transaction by a customer of the bank when he uses other Bank ATM would be included.

12. Delayed payment of pension / pension arrears:

Pensioners should get their pension, hike in Dearness Relief/ Allowance etc., announced by Government in succeeding month’s pension payment itself. In case there is delay in disbursement of pension / pension arrears to the pensioners/ non- state resident pensioners in terms of the guidelines cited above, such aggrieved pensioners are to be compensated for the delayed period beyond the due date, at a fixed interest rate of 8% per annum on such delays, subject to review by RBI as considered appropriate.

This compensation shall be credited to the pensioner’s account automatically without any claim from the pensioner, on the same day when the Branch affords the credit for revised pension/ pension arrears in respect of such delayed pension payments made.

13. Disputed transactions of Debit Card/Fraudulent debits Arising on ATM/Debit Cards/POS/E-Commerce transactions:

The Revised Bank’s compensation policy on disputed transactions of our Bank’s Debit Card transactions/ fraudulent debits arising on ATM/Debit Cards/POS/E-Commerce transactions for the year 2016.-2017 is as follows :

“Where neither the Bank nor the customer is at fault, and the fraud is due to skimming/hacking/phishing etc., Bank shall compensate the customers as Bank’s reputation is at stake”

14. Timeline for payment of compensation

The amount of compensation for deficiencies in various categories of Banking Services as mentioned in this Policy should be paid to the

customers within 15 (fifteen) days after the deficiency is acknowledged.

15. Customers' responsibility

15.1. Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following "Do's and Don'ts" issued by the Bank, until the Bank has been notified by the customer.

15.2 Customer acts fraudulently and/or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse

16. Disclaimer clause

Notwithstanding anything contained here above, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonor of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) Delays on account of non-functioning of business due to factors beyond the control of the bank the period covered by such events shall be omitted for calculation of delay etc.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator, Government and matter put on hold due to stay.

17. Amendment/ Modification of the Policy

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavor to review the Policy at annual intervals.

ANNEXURE- I

Customer Identification Procedure-Features to be verified and Documents that may be obtained from Customers:

Features	Documents
Accounts of individuals	
Proof of Identity and Address	1) Passport 2) Driving License 3) PAN Card 4) Voter Identity card issued by ECI. 5) Job card issued by NREGA duly signed by an officer of State Government. 6) Letter issued by the UIDAI containing details of name, address and Aadhaar number.
Accounts of companies	
	a) Certificate of incorporation; b) Memorandum and Articles of Association; c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and d) An officially valid KYC document in respect of managers, officers or employees holding an attorney to transact on its behalf. e) PAN number of the Company.

Accounts of partnership firms	
	<p>a)Registration certificate. b)Partnership deed; and c) An officially valid KYC document in respect of the person holding an attorney to transact on its behalf. d) PAN number of the Firm</p>
Accounts of trusts	
	<p>a) Registration certificate. b) Trust deed. c) An officially valid KYC document in respect of the person holding a power of attorney to transact on its behalf. d) PAN number of the Trust.</p>
Accounts of Unincorporated Association or body of individuals	
	<p>a) Resolution of the managing body of such association or body of individuals; b) Power of attorney granted to him to transact on its behalf; c) An officially valid document in respect of the person holding an attorney to transact on its behalf; and</p>
	<p>d) Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals. e) PAN number of the Unincorporated Association or body of individuals.</p>
<i>Accounts of Government or its Departments, Societies, Universities and Local Bodies like Village Panchayats.</i>	
	<p>i. Document showing name of the person authorized to act on behalf of the entity; ii. Officially Valid Documents for proof of identity and address in respect of the person holding a power of attorney to transact on its behalf and iii. Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.</p>
Accounts of Proprietorship Concerns	
Proof of name, address and activity of the concern	Apart from customer identification procedure as applicable to the proprietor any two of the following documents in the name of the proprietary concern would suffice:

	<ul style="list-style-type: none"> (i) Registration certificate (in the case of a registered concern) (ii) Certificate / licence issued by the Municipal authorities under Shop & Establishment Act, (iii) Sales and income tax returns (iv) CST / VAT certificate (v) Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities (vi) Licence / certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. (vii) 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.
	<ul style="list-style-type: none"> viii) Importer Exporter Code (IEC) issued to the Proprietary concern by the office of DGFT/Licence/Certificate of practice issued in the name of the Proprietary concern by any professional body incorporated under a statute. <p>Though the default rule is that any two documents mentioned above should be provided as activity proof by a Proprietary concern, in cases where the branches are satisfied that it is not possible to furnish two such documents, they would have the discretion to accept only one of those documents as activity proof. In such cases, the branches, however, would have to undertake contact point verification, collect such information as would be required to establish the existence of such firm, confirm, clarify and satisfy themselves that the business activity has been verified from the address of the proprietary concern.</p>
Accounts of Limited Liability Partnerships	
Proof of name, address and activity of the concern	<ul style="list-style-type: none"> (I) certified copy of incorporation documents filed with Registrar of Companies (II) Certificate issued by the Registrar of Companies (III) Copy of the LLP Agreement signed by all the Partners. In case, there is no LLP agreement Schedule I of the LLP Act signed by all the partners Will prevail. (IV) An officially valid document in respect of the person Holding an attorney to transact on its behalf (V) PAN number of the firm

Relaxation for Accounts of low risk customers	
<p>'Simplified measures' may be applied in the case of 'Low risk' customers taking into consideration the type of customer, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved.</p>	<p>Additional documents deemed to be OVDs for the purpose of proof of identity where simplified measures are applied:</p> <ul style="list-style-type: none"> (i) identity card with applicant's Photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions; (ii) letter issued by a gazetted officer, with a duly attested photograph of the person.
	<p>For the limited purpose of proof of address, the following additional documents are deemed to be OVDs where simplified measures are applied:</p> <ul style="list-style-type: none"> (a) Utility bill which is not more than two months old of any service provider (electricity, telephone, postpaid 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; (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 Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.
<p>Branches to obtain only the documents as mentioned above and not to accept any other document for KYC purpose.</p>	

ANNEXURE- II

List of Low/Medium/High risk Customers based on the recommendations of IBA Working Group.

APPENDIX – A

Low Risk	Medium Risk	High Risk
<ol style="list-style-type: none"> 1. Cooperative Bank 2. Ex-staff, Govt./ Semi Govt. Employees 3. Illiterate 4. Individual 5. Local Authority 6. Other Banks 7. Pensioner 8. Public Ltd. 9. Public Sector 10. Public Sector Bank 11. Staff. 12. Regional Rural Banks 13. Govt./Semi-Govt. Local Body 14. Cooperative Society 15. Senior Citizens 16. SelfHelp Groups 	<ol style="list-style-type: none"> 1. Gas Station 2. Car / Boat / Plane Dealership 3. Electronics (wholesale) 4. Travel agency 5. Used car sales 6. Telemarketers 7. Providers of telecommunications service, internet café, IDD call service, phone cards, phone center 8. Dot-com company or internet business 9. Pawnshops 10. Auctioneers 11. Cash-Intensive Businesses such as restaurants, retail shops, parking garages, fast food stores, movie theaters, etc. 12. Sole Practitioners or Law Firms (small, littleknown) 13. Notaries (small, little known) 14. Secretarial Firms (small, little known) 15. Accountants (small, little known firms) 	<ol style="list-style-type: none"> 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 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 Appendix C) 8. Politically exposed persons (PEPs) of foreign origin, Customers who are close relatives of PEPs and accounts of

<p>16. Venture capital companies 17. Blind 18. Purdanashin. 19. RegisteredBody. 20. CorporateBody 21. JointSector 22. Partnership</p>	<p>which a PEP is the ultimate beneficial owner;</p>	<p>9. Non-resident Customers and foreign nationals 10. Embassies /Consulates 11. Off-shore (foreign) corporation/business 12. Non face-to-face Customers</p>
<p>23. Private Bank 24. Private Limited Company 25. Unregistered body. 26. Proprietorship.</p>		<p>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. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians etc. 20. 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) 21. Money Service Business: including seller of: Money Orders / Travelers’ Cheques / Money Transmission / Cheque Cashing / Currency Dealing or Exchange 22. Business accepting third party cheques (except supermarkets or retail stores that accept payroll cheques/cash payroll cheques) 23. Gambling/gaming including “Junket Operators” arranging gambling tours</p>

		<p>24. 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).</p> <p>25. Customers engaged in a business which is associated with higher levels of corruption (e.g., Arms manufacturers, dealers and intermediaries).</p> <p>26. Customers engaged in industries that might relate to nuclear proliferation activities or explosives.</p> <p>27. Customers that may appear to be Multi level marketing companies etc.</p> <p>28. Customers dealing in Real Estate business (transactions need to be monitored with enhanced due diligence).</p> <p>29. Associations/Clubs</p> <p>30. Foreign Nationals.</p> <p>31. NGO.</p> <p>32. Overseas Corporate Bodies.</p> <p>33. Bullion dealers and Jewelers (subject to enhanced due diligence)</p> <p>34. Pooled accounts.</p> <p>35. Other Cash Intensive business.</p> <p>36. Shell Banks – Transactions in corresponding banking.</p> <p>37. Non-Bank Financial Institution</p> <p>38. Stockbrokerage</p> <p>39. Import /Export</p> <p>40. Executors/Administrators</p> <p>41. HUF.</p> <p>42. Minor.</p> <p>43. Accounts under Foreign Contribution Regulation Act.</p>
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The above categorization of customers under risk perception is only illustrative and not exhaustive.

APPENDIX – B

High / Medium Risk Products and Services

Branches / Offices are required to pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes. Presently a variety of Electronic Cards are used by customers for buying goods and services, drawing cash from ATMs, and for electronic transfer of funds. Branches should ensure that appropriate KYC procedures are duly applied before issuing the Cards including Add-on / Supplementary Cards to the customers.

Indicative list of High / Medium Risk Products and Services

1. Electronic funds payment services such as Electronic cash (e.g., stored value and pay roll cards), funds transfer (domestic and international)etc.
2. Electronic banking
3. Private banking (domestic and international)
4. Trust and asset management services
5. Monetary instruments such as Travelers' Cheque
6. Foreign correspondent accounts
7. Trade finance (such as letters of credit)
8. Special use or concentration accounts
9. Lending activities, particularly loans secured by cash collateral and marketable securities
10. Non-deposit account services such as Non-deposit investment products and Insurance
11. Transactions undertaken for non-account holders (occasional Customers)
12. Provision of safe custody and safety deposit boxes
13. Currency exchange transactions
14. Project financing of sensitive industries in high-risk jurisdictions
15. Trade finance services and transactions involving high-risk jurisdictions
16. Services offering anonymity or involving third parties
17. Services involving banknote and precious metal trading and delivery
18. Services offering cash, monetary or bearer instruments; cross-border transactions, etc.

APPENDIX – C

High / Medium Geographic risk

Branches/offices are required to prepare a profile for all new customers based on risk categorization, taking into account the location of the customer and the customer's clients as well as factors such as the nature of business activity, mode of payments, turnover and customer's social and financial status including location of his business activity and to exercise due diligence based on the bank's risk perception.

The customer should be subjected to higher due diligence if following criteria falls under "high-risk" geographies

- Country of nationality(individuals)
- Country of residential address(individuals)
- Country of incorporation (legal entities)
- Country of residence of principal shareholders / beneficial owners (legal entities)
- Country of business registration such as branch/liaison/project office
- Country of source of funds
- Country of the business or correspondence address
- Country with whom customer deals (e.g. 50% of business – trade, etc.)

Apart from the risk categorization of the countries, branches/offices should categorize the geographies/locations within the country on both Money Laundering (ML) and Financing Terrorism (FT) risk.

Indicative List of High / Medium Risk Geographies

Countries/Jurisdictions

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

Locations

1. Locations within the country known as high risk for terrorist incidents or terrorist financing activities (e.g. sensitive locations/cities and affected districts)
2. Locations identified by credible sources as having significant levels of criminal, terrorist, terrorist financing activity.
3. Locations identified by the bank as high-risk because of its prior experiences, transaction history, or other factors.

NOTE:

Risk assessment should take into account following risk variables specific to a particular customer or transaction:

- The purpose of an account or relationship
- Level of assets to be deposited by a particular customer or the size of transaction undertaken.
- Level of regulation or other oversight or governance regime to which a customer is subjected to.
- The regularity or duration of the relationship.
- Familiarity with a country, including knowledge of local laws, regulations and rules as well as structure and extent of regulatory oversight.
- The use of intermediate corporate vehicles or other structures that have no apparent commercial or other rationale or increase the complexity or otherwise result in lack of transparency.

ANNEXURE-III

Monitoring of Customer Risk Categorisation (CRC):

Customer Behaviour Indicators which may lead to migration of Risk categorization to “High Risk” are as follows:

- Customers who are reluctant in providing normal information while opening an account, providing minimal or fictitious information or when applying to open an account, providing information that is difficult or expensive for the Bank to verify.
- Customer expressing unusual curiosity about secrecy of information involved in the transaction.
- Customers who decline to provide information that in normal circumstance would make the customers eligible for banking services.
- Customer giving confusing details about a transaction.
- Customer reluctant or refuses to state a purpose of a particular large/ complex transaction/source of funds involved or provides a questionable purpose and / or source.
- Customers who use separate tellers to conduct cash transactions or foreign exchange transactions.
- Customers who deposit cash/ withdrawals by means of numerous deposit slips/ cheques leaves so that the total of each deposits is unremarkable, but the total of all credits/ debits is significant.
- Customer’s representatives avoiding contact with the branch.
- Customer who repays the problem loans unexpectedly.
- Customers who appear to have accounts with several banks within the same locality without any apparent logical reason.
- Customer seeks to change or cancel a transaction after the customer is informed of currency transaction reporting/ information verification or record keeping requirements relevant to the transaction.
- Customers regularly issue large value cheques without balance and then deposits cash.
- Sudden transfer of funds from unrelated accounts through internet (or such other electronic channels) and subsequent quick withdrawal through ATM.

Transactions involving large amounts of cash:

- Exchanging an unusually large amount of small denomination notes for those of higher denomination.
- Purchasing or selling of foreign currencies in substantial amounts by cash settlement despite the customer having an account with the bank.
- Frequent withdrawal of large amounts by means of cheques, including traveler’s cheques.
- Frequent withdrawal of large cash amounts that do not appear to be justified by the customer’s business activity.
- Large cash withdrawals from a previously dormant/ inactive account, or from an account which has just received an unexpected large credit from abroad.

- Company transactions, both deposits and withdrawals that are denominated by unusually large amounts of cash rather than by way of debits and credits normally associated with the normal commercial operations of the company e.g. cheques , letters of credit , bills of exchange etc.
- Depositing cash by means of numerous credit slips by a customer, such that the amount of each deposit is not substantial, but the total of which is substantial.

Transactions that do not make Economic Sense:

- Customer having multiple accounts with the bank, with frequent transfers between different accounts.
- Transactions in which amounts are withdrawn immediately after being deposited, unless the customer's business activities furnish plausible reasons for immediate withdrawal.

Activities not consistent with the customer's business:

- Corporate accounts where deposits or withdrawals are primarily in cash rather than cheques.
- Corporate accounts where deposits and withdrawals by cheque / telegraphic transfers/ foreign inward remittances/ any other means are received from / made to sources apparently unconnected with the corporate business activity/ dealings.
- Unusual applications for DD/ TT/ PO/NEFT/RTGS against cash.
- Accounts with large volume of credits through DD/ TT/ PO/NEFT/RTGS whereas the nature of business does not justify such credits.
- Retail deposit of many cheques but rare withdrawals for daily operations.

Attempts to avoid reporting/ record- keep requirements:

- A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- Any individual or group that coerces/ induces or attempts to coerce/ induce a bank employee not to file any reports or any other forms.
- An account where there are several cash deposits /withdrawals below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customers intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

Unusual Activities

- An account of a customer who does not reside / have office near the branch even though there are bank branches near his residence/office.
- A customer who often visits the safe deposit area immediately before making cash deposits, especially deposits just under the threshold level.
- Funds coming from the list of countries / centres, which are known for money laundering.

Customer who provides insufficient or suspicious information

- A customer / company who is reluctant to provide complete information regarding the purpose of the business, prior banking relationships, officers or directors or its locations.
- A customer / company who is reluctant to reveal details about its activities or to provide financial statements.
- A customer who has no record of past or present employment but makes frequent large transactions.

Certain suspicious funds transfer activities:

- Sending or receiving frequent or large volumes of remittances to/from countries outside India.
- Receiving large TT/ DD/ NEFT/ RTGS remittances from various centres and remitting the consolidated amount to a different account / centre on the same day leaving a minimum balance in the account.
- Maintaining multiple accounts, transferring money among the accounts and using one account as a master account for wire / fund transfer.

ANNEXURE IV-a

Alerts Enabled in the AML Package

S.No.	Alert No	Red Flag	Stage
1.	1	Inward remittance followed by immediate withdrawal/transfer to other accounts	Account
2.	5	Use of multiple accounts by customer; or accounts operated for a very short period and used for advance remittances only	Account
3.	8	Wire transfer accounts opened and closed within a very short period of time	Account
4.	35	Remittances to or from high risk jurisdictions	Jurisdiction
5.	38	Amount of money transfer carried out by natural persons and legal entities are multiples of 100/1,000/10,000/1,00,000 USD/EUR/National Currency	Payment
6.	41	Structuring of transactions to avoid threshold reporting	Payment
7.	42	Structuring of transactions to avoid submission of Bill of Exchange (Remittance amounts kept just below the threshold of USD 1,00,000 or equivalent value	Payment

ANNEXURE – IV-b

Reports to be generated from CBS:

SI no	Alert No	Red Flag	Stage
1	7	Multiple cash deposits in one country followed by immediate ATM withdrawal in another country	Account
2	9	Funds received but goods not exported –advance for exports	Advance
3	10	Funds sent out but goods not imported – advance for imports	Advance
4	11	Advance for supply of goods is a major part/percentage of the total value of goods	Advance
5	13	Goods not supplied within reasonable timeframe	Advance
6	15	Underlying goods involved in the trade transaction are of sensitive nature; trade of similar items by a group of firms from the same overseas supplier (many to one) or vice-versa	Consignment
7	20	High proportion of high seas sales/merchanted trades	Consignment
8	21	Transactions involving third parties which may not be contract parties (consignee and remitter are different)	Counterparties
9	22	Payments/fund transfers made through economic/exchange centers even when account is held with financial institutions	Counterparties
10	24	Unknown counterparties to a trade transaction	Counterparties
11	25	Non resident's payments to companies/natural persons who have accounts with offshore banks	Counterparties
12	26	Trade activity done from port which is far from the importer/exporter's base location. Example: importer is in Surat and goods imported through a remote port in Assam	Location
13	33	Export/import documents are not submitted and account behavior of the customer appears to be suspicious	Documentation
14	34	Import payments being made against old bills after lapse of considerable period of time from import of goods, without appropriate justification and documentation	Documentation
15	37	Circuitous route of shipment/shipment of goods inconsistent with normal geographic trade	Jurisdiction
16	39	Originator's bank uses cover payment when wiring funds to beneficiary's bank	Payment
17	43	Customer selling items on a commercial website and receiving money via internet payment service provider	Payment
18	44	Originator/beneficiary information missing in wire transfers	Payment

19	45	Foreign currency exchange transaction by non residents over a short period of time where transfers are affected through non banking remittance systems	Payment
20	46	Use of repeatedly amended or frequently extended letters of credit without reasonable justification or for reasons like changes of beneficiary or location	Payment
21	47	Accounts funded by negotiable instruments (such as travelers" cheques, cashier's cheques, etc) in round denominations	Account
22	48	Importer of goods not from the same country from where wire (payment of import)originated	Counterparties
23	49	Foreign bases importing entity with accounts in exporting country receiving payments from locations outside the area of its customers base	Counterparties
24	51	Carousel transactions – repeated importation and exportation of same high value commodity	Consignment
25	52	Service locations or descriptions of services that ate inconsistent with the letter of credit	Services
26	53	Booking of ticket abroad and subsequent cancelling and payment made to third party	Services
27	55	Forex for medical treatment as per prescribed limit but availed multiple times from multiple ADs	Services
28	58	A customer deviates significantly from its historical pattern of trade activity (i.e., in terms of markets, monetary value, frequency of transactions, volume or merchandise type)	Account
29	59	Transacting parties appear to be affiliated conduct business out of a residential address, or provide only a registered agent's address	Customer
30	62	Payment terms or tenor are inconsistent with the type of goods	Documentation

ANNEXURE – IV-c

Alerts to be monitored offline/manually

SI No	Alert No	Red flag	Stage
1	2	Wash sales or round trip sales – Accounts debited and then immediately credited or vice versa for related purchase/sale	Account
2	3	Client is involved in high risk or cash intensive business such as money remitting	Account
3	4	Sudden increase in cash deposits of clients involved in high risk business	Account
4	6	Little or no withdrawal from account for business purposes/no recurrent business expenses	Account
5	12	Amount of advance is not in line with normal international trade for the kind of goods	Advance
6	14	Consignment size is unreasonable compared to customer profile/capacity/size of business	Consignment
7	16	Underlying goods or services not in line with customer's profile and declared business	Consignment
8	17	Transaction not in line with normal international trade for the given kind of goods and parties involved	Consignment
9	18	Transactions related to acquisition or sale of intangibles like PIN, e-codes, specialized software etc.	Consignment
10	19	General trading company making payments for purchase of goods that it does not usually purchase/sell/trade in	Consignment
11	23	Related party transactions including transfer pricing	Counterparties
12	27	Description of goods provided is vague	Documentation
13	28	Prima facie the documents submitted look suspicious	Documentation
14	29	Substantial inconsistencies between the information originally supplied and that contained in the documents	Documentation
15	30	Suspected discrepancies between description of goods on transport document vis-a-vis invoice/other documents	Documentation
16	31	Unnecessary complex transactions that lack economic sense	Documentation
17	32	Over/under/multiple invoicing, apparently suspect (apparently fraudulent/fake) documents	Documentation

18	36	Goods transshipped through high risk jurisdiction for no apparent reason	Jurisdiction
19	40	Originator of transfer not able to provide documents on source of the money	Payment
20	50	Packing inconsistent with the commodity or shipping method	Consignment
21	54	Hiring of services which are not in accordance with company requirement	Services
22	56	Value and/or total quantity of goods is not easily ascertainable	Valuation
23	57	Significant discrepancies appear between the value of goods or services reported on the invoice and fair market value	Valuation
24	60	The LC contains non standard clauses or phrases or has unusual characters	Documentation
25	61	LC contains non-standard clauses or phrases or has unusual characteristics	Payment
26	63	Frequent change in payment instruction at the last minute	Payment

Annexure- V

Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967.

1. In respect of funds, financial assets or economic resources or related services held in the form of bank accounts, the RBI would forward the designated lists to the banks. The RBI would issue necessary guidelines to banks, requiring them to:-

(i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Govt. 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.

(ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks 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 should necessarily be conveyed one-mail.

(iii) The banks shall also send by post a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the state/ UT where the account is held and Regulators and FIU-IND, as the case maybe.

(iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks 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 should necessarily be conveyed one-mail.

(v) The banks shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted, as per the prescribed format.

2. On receipt of the particulars referred to in para 1 (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by the banks are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

3. 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 respective Regulators and FIU-IND. The UAPA nodal officer of IS-I Division of MHA shall also forward a copy thereof to all the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic assets or economic resources or related services available for the benefit of the

designated individuals/entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA nodal officer of IS-I Division of MHA shall also forward a copy of the order under Section 51A, to all Directors General of Police/Commissioners of Police of all states/UTs for initiating action under the provisions of Unlawful Activities (Prevention) Act. The order shall take place without prior notice to the designated individuals/entities.

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

4. IS-I Division of MHA would electronically forward the designated lists to the UAPA nodal officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable properties in their respective jurisdiction.

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

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

7. A copy of this reference should be sent 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 would necessarily be conveyed on e-mail. MHA may have the verification also conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.

8. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under Section 51A of the UAPA would be issued within 24 hours, by the nodal officer of IS-I Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA nodal officer of the State/UT. The order shall take place without prior notice, to the designated individuals/entities.

9. Further, the UAPA nodal officer of the State/UT shall cause to monitor the transactions/accounts of the designated individual/entity so as to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the schedule

to the order or any other person engaged in or suspected to be engaged in terrorism. The UAPA nodal officer of the State/UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State/UT for also initiating action under the provisions of Unlawful Activities (Prevention) Act.

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

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

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

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

13. Upon receipt of the requests by these nodal officers from the UAPA nodal officer of IS-I Division, the procedure as enumerated at paragraphs 1 to 9 above shall be followed. The freezing orders shall take place without prior notice to the designated persons involved.

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

14. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, 14. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence, in writing, to the concerned bank, Registrar of Immovable Properties and the State/UT nodal officers.

15. The banks, Registrar of Immovable Properties and the State/UT nodal officers shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 1(ii) above within two working days.

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

Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

16. All Orders under section 51A of Unlawful Activities (Prevention) Act, relating to funds, financial assets or economic resources or related services, would be communicated to all banks through respective Regulators, and to all the Registrars performing the work of registering immovable properties, through the State/UT nodal officer by IS-I Division of MHA.

Regarding prevention of entry into or transit through India

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

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

Procedure for communication of compliance of action taken under Section 51A.

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