THE GENERAL MANAGER-OPERATIONS

RENEWAL OF POLICY

The Memorandum submitted by your department for renewal of the policy

"KYC/AML Policy"

was approved by the Board on 28-07-2025 for annual renewal with the Memorandum of Changes submitted.

We return herewith the original Memorandum and the annexures

Board Secretary
Dated: 28-07-2025

MEGHALAYA RURAL BANK
Board
Dept.

Comp

MEGHALAYA RURAL BANK

HEAD OFFICE: SHILLONG

KYC AML POLICY

Version Control

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MEGHALAYA RURAL BANK
KYC/AML POLICY
Last Reviewed on: 03/08/2024
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1. **Preamble:**

In order to prevent Banks and other financial institutes from being used as a channel for Money Laundering (ML)/ Terrorist Financing (TF) and to ensure the integrity and stability of the financial system, efforts are continuously being made both internationally and nationally , by way of prescribing various rules and regulations . Internationally Financial Action Task Force(FATF) , which is a inter governmental body established in 1989, sets standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering , terrorist financing and other related threats to the integrity of the international financial system. As our country is a member of FATF, we are committed to uploading measures to protect the integrity o international financial system.

In India, the Prevention of money –laundering Act, 2002 and the Prevention of Money Laundering (Maintenances of records) Rules, 2005, from the legal framework on Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT). In terms of the provisions of the PML Act, 2002, and the PML Rules, 2005, as amended from time to time by Govt. of India. Bank is required to follow certain customer identification procedures while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions.

Accordingly, in exercise to the powers conferred by section 35A of BR Act, 1949, read with Section 56 of the Act ibid, Sections 45 JA, 45K and 45L of the RBI Act 1934, Section 10(2) read with Section 18 of Payment and settlement systems Act 2007 (Act 51 of 2007), section 11(1) of the Foreign Exchange Management Act 1999, Rule 9(14) of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and all other laws enabling the Reserve Bank in this regard.

KYC compliance is necessary in all the accounts to better understand our customers and to prevent the Bank from being used for money laundering, terrorist activities, etc. It is the responsibility of the Branches to be 100% KYC compliant and any laxity in this regard invites penalties from the regulators. RBI in terms of its updated Master Direction dated 01-04-2021 has specified Know Your Customer (KYC) standards to be followed by banks and measures to be taken in regard to Anti Money laundering (AML) and Combating of Financing of Terrorism (CFT).

2. **KYC Policy:**

The RBI has issued guidelines vide Master circular no: DBR.AML.BC.No 1/14.01.001/2015-16 dated 25/02/2016 (updated on May 04, 2023), for the KYC and AML for all scheduled commercial banks including RRBs. All Banks are directed to strictly comply on the RBI guidelines. Bank will ensure to apply KYC-AML-CFT norms, standards and procedures prescribed by NABARD/RBI/Other regulatory agency in this policy to all prospective / new customers, the same would also be applied to all existing customers without any exception. These guidelines shall also be applicable to all digital Banking Services offered by the Bank. However, the same will not be applying to small accounts refereeing to section 18 of the Act.

Definitions

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

(a) Terms bearing meaning assigned in terms of Prevention of Money- Laundering Act, 2022 and the Prevention of Money- Laundering (Maintenance of Records) Rules, 2005:

I. **'Aadhaar Number'** shall have the meaning assigned to it in clause (a) section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, benefits and Services) Act, 2016 (18 of 2016)

II. **'Act'** and **'Rules'** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

III. **"Authentication",** in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act. 206

IV. **Beneficiary Owner (BO)**

a) Where the customer is a company, the beneficiary owner is the natural person(s), who whether acting alone or together, or through one or more juridical persons, 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 / entitlement to more than 25 per cent of the 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 customer is a partnership firm, beneficial owner is the natural person(s), who, whether acting alone of together or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

c) Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body or individuals.

Explanation: Term "body of individuals" includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

d) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any natural person exercising ultimate effective control over the trust through a chain of control or ownership.

V. **"Certified Copy" -** Obtaining a certified copy by the RE shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid documents so produced by the customer with the original and recording the same on the copy of the authorized officer of the RE as per the provisions contained in the Act.

Provided that in case of Non-Resident Indians (NRls) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations 2016 {FEMA 5®} alternatively, the original certified copy, certified by any one of the following, may be obtained.

- Authorised officials of overseas branches of Schedules Commercial Banks registered in India.
- Branches of overseas banks with whom Indian banks have relationships.
- Notary Public abroad.
- Court Magistrate.
- Judge
- Indian Embassy/ Consulate General in the country where the non-resident customer resides.

VI. **"Central KYC Records Registry" (CKYCR)** means an entity defined under Rule 2 (1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

VII. **"Designated Director"** means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV – of the PML Act and the Rules and shall include:

a. The Managing Director or a whole-time Director, duly authorised by the Board of Directors, if the RE is a company.

b. The Managing Partner, if the RE is a partnership firm.

c. The Proprietor, if the RE is a proprietorship concern.

d. The Managing Trustee, if the RE is a trust.

e. A person or individual, as the case may be, who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and

f. A person who holds the position of senior management or equivalent designated as a "Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

Explanation: For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.

VIII. **"Digital KYC"** means the capturing live photo of the customer and officially valid documents or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the RE as per provisions contained in the Act.

IX. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of (2) of the Information Technology Act, 2000 (21 of 2000).

X. **"Equivalent e-documents"** means an electronic equivalent of a document, issued by the issuing authority of such document with the valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

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

XII. **"Non-Profit Organisation" (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 under Section 8 of the Companies Act, 2013.

XIII. **"Officially Valid Document" (OVD)** means the passport, the driving license, proof of possession of Aadhaar number, the Voter's Identity Card Issued by the Election Commissioner of India, Job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

a. Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

b. Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents there of shall be deemed to be OVDs for the limited purpose of proof of address:

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

   ii. Property or Municipal tax receipt.

   iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address.

   iv. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.

c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above.

d. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

XIV. **"Offline verification"** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).

XV. **"Person"** has the same meaning assigned in the Act and includes:

   a. An individual

   b. A Hindu Undivided Family

   c. A Company

d. A firm

e. An association or a body of individuals, whether incorporated or not,

f. Every artificial juridical person, not falling within anyone of the above persons (a to e) and

g. Any agency, office or branch owned or controlled by any of the above persons (at of)

XVI. **"Principal Officer"** means an officer nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.

XVII. **"Suspicious transaction"** means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

a. Give rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule of the Act, regardless of the value involved; or

b. Appears to be made in circumstances of unusual or unjustified complexity; or

c. Appears to not have economic rationale or bona-fide purpose; or

d. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

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

XVIII. A **"Small Account"** means a Savings Account which is opened in terms of sub-rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such accounts are specified in Section 23.

XIX. **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or arrangement thereof.

a. Opening of an account;

b. Deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non- physical means;

c. The use of a safety deposit box or any other form of safe deposits;

d. Entering into any fiduciary relationship;

e. Any payment made or received, in whole or in part, for any contractual or other legal obligation; or

f. Establishing or creating a legal person or legal arrangement.

XX. **"Video based Customer Identification Process (V-CIP)":** a method of customer identification by an official of the RE by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction.

(b) Terms bearing meaning assigned in this Directions, unless the context otherwise requires" shall bear the meanings assigned to them below:

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

II. **"Customer"** means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

III. **"Walk-in-Customer"** means a person who does not have an account-based relationship with the RE, but undertakes transaction with the RE.

IV. **"Customer Due Diligence (CDD)"**means identifying and verifying the customer and the beneficial owner.

V. **"Customer Identification"** means undertaking the process of CDD.

VI. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alias, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers of foreign entities in which U.S. taxpayers hold a substantial ownership interest.

VII. **"IGA"** means Inter Governmental Agreement between the Governments of India and the USA to improve International tax compliance and to implement FATCA of the USA.

VIII. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR for individuals and legal entities.

IX. **"Non-face-to-face customers"** mean customers who open accounts without visiting the branch/offices of the Res or meeting the officials of Res.

X. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers profile and source of funds.

XI. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

XII. **"Politically Exposed Persons" (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials etc.

XIII. "Regulated Entities" (REs) means

a. All Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/All Primary (Urban) Co-operative Banks (UCBs)/State and Central Co-operative Banks and any other entity which has been licensed under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred to as "banks"

b. All India Financial Institutions (AIFIs)

c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).

d. All Payment System Providers (PSPs)/System Participants (SPs) and Prepaid Payment

Instrument Issuers (PPI Issuers)

e. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

XIV. **"Shell Bank"** means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.

XV. **"Wire Transfer"** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.

XVI. **"Domestic and cross-border wire transfer":** When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the "originator bank" or "beneficiary bank" is located in different countries such a transaction is cross-border wire transfer.
c)All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made there under, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

The KYC Policy shall include following four key elements:

a. Customer Acceptance Policy

b. Risk Management

c. Customer Identification Procedures(CIP)and

d. Monitoring of Transactions.

3. Customers Acceptance Policy

REs shall frame a Customer Acceptance Policy without prejudice to the generally of the aspect that Customer Acceptance Policy may contain, REs shall ensure that:

a) No account is opened in anonymous or fictitious/benami name.

b) No account is opened where the Bank is unable to apply appropriate CDD measured, either due to non-operation of the customer or non-reliability of the documents / information furnished by the customer.

c) No transaction or account based relationship is undertaken without following Customer Due Diligence (CDD) procedure.

d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation is specified.

e) 'Optional'/ additional information is obtained with the explicit consent of the customer after the account is opened.

f) REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.

g) CDD procedure is followed for all the joint account holders, while opening a joint account.

h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.

i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by the Reserve Bank of India,

j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.

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

However, Customer Acceptance Policy shall not result in denial of banking / financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

4. **Risk Management:**

REs shall have a risk based approach which includes the following:

a. Customers shall be categorized as low, medium and high risk category, based on the assessment and risk perception of the Bank.

b. Risk Categorization shall be undertaken based on parameters such as customer's identity, social / financial status, nature of business activity, and information about the clients' 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.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Bank Association (IBA), guidance note circulated to all cooperative banks by the RBI etc.

5. Re-KYC/Periodic Updation of KYC/Use of BCs by Banks/Notices for Periodic Updation of KYC to customers (As per RBI KYC (Amendment) Directions 2025 dated June 12, 2025 vide RBI Circular No *RBI/2025-26/51 DOR.AML.REC.30/14.01.001/2025-26 dated 12.06.2025)*

Re-KYC/Periodic Updation of KYC: In respect of an individual customer who is categorized as low risk, the bank shall allow transactions and ensure the updation of KYC within one year of its falling due for KYC or upto June 30,2026 whichever is later. The Bank shall subject accounts of such customers to regular monitoring until such period as mentioned above.

Use of Business Correspondent (BC) : The bank may use the services of Banking Correspondents (BCs) for Updation/Periodic updation of KYC. Self declaration from the customer in case in KYC information or change only in the address details may be obtained through authorized BCs of the bank. The bank shall enable its BC systems for recording these self declaration and supporting documents thereof in electronic form in the bank's systems. The bank shall obtain the self-declaration including the supporting documents, if required, in the electronic mode from the customer through the BC, after successful biometric based e-KYC authentication. Until an option is made available in the electronic mode, such declaration may be submitted in physical form by the customer. The BC shall authenticate the self-declaration and supporting documents submitted in person by the customer, and promptly forward the same to the concerned bank branch. The BC shall provide the customer an acknowledgment of receipt of such declaration /submission of documents.

The bank shall update the customer's KYC records and intimate the customer once the records get updated in the system. It is, however, reiterated that the ultimate responsibility for periodic updation of KYC remains with the bank concerned."

Due Notices for Periodic Updation of KYC: The Bank shall intimate its customers, in advance, to update their KYC. Prior to the due date of periodic updation of KYC, the Bank shall give at least three advance intimations, including at least one intimation by letter, at appropriate intervals to its customers through available communication options/ channels for complying with the requirement of periodic updation of KYC. Subsequent to the due date, the bank shall give at least three reminders, including at least one reminder by letter, at appropriate intervals, to such customers who have still not complied with the requirements, despite advance intimations. The letter of intimation/ reminder may, inter alia, contain easy to understand instructions for updating KYC, escalation mechanism for seeking help, if required, and the consequences, if any, of failure to update their KYC in time. Issue of such advance intimation/ reminder shall be duly recorded in the Bank's system against each customer for audit trail. The Bank shall expeditiously implement the same but not later than January 01, 2026.

6. <u>Customer Identification Procedure(CIP)</u>

REs shall undertake identification of customers in the following cases:

a. Commencement of an account based relationship with the customer.

b. Carrying out any international money transfer operations for a person who is not an account holder of the bank.

c. When there is a doubt about the authenticity or adequacy of the customer identification date it has obtained.

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

e. Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.

f. When the Bank has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

g. Res shall ensure that introduction is not to be sought while opening accounts.

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

a. Records of the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.

b. Adequate steps are taken by the Bank to satisfy itself that the copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon without delay.

c. The third party is regulated, supervised or monitored for, and has measured in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

d. The third party shall not be based in a country or jurisdiction assessed as high risk.

e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measured, as applicable, will be with the Bank.

7. Customer Due Diligence (CDD) Procedure:

Customer Due Diligence (CDD) Procedure in case of individuals

For undertaking CDD, REs shall obtain the following from an individual while establishing an account-based relationship or while with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

(a) The Aadhaar number where,

i. He is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2015); or

ii. He decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or

(aa) The proof of possession of Aadhaar number where offline verification cannot be carried out; or

(ab) The proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address, and

(b) The Permanent Account Number or the equivalent e-document thereof or Form No. 60 as customer in Income Tax Rules, 1962, and

(c) Such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as maybe required by the RE.

Provided that where the customer has submitted,

i. Aadhar number under clause (a) above to a bank or to a RE notified under first proviso to sub-section (1) of Section 11A of the PML Act, such bank or RE shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the RE.

ii. Proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the RE shall carry out offline verification.

iii. An equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues there under and take a live photo as specified under Annex I.

iv. Any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the RE shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as maybe notified by the Government for a class of REs, instead of carrying out digital KYC, the RE pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, REs shall apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the RE and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. REs shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain in details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the RE and shall be available for supervisory review.

Explanation 1: RE shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

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

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

Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

i. There must be a specific consent from the customer for authentication through OTP.

ii. The aggregate balance of all the deposit accounts of the customer shall not exceed Rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete,

iii. The aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.

iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.

v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 16 is to be carried out.

vi. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed,

vii. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other RE. Further, while uploading KYC information to CKYCR, REs shall clearly indicate that such accounts are opened using OTP based e-KYC and other Res shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

viii. REs shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

REs may undertake live V-CIP, to be carried out by an official of the RE, for establishment of an account relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:
i. The official of the RE performing theV-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:

- Banks can use either OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification. Further, services of Business Correspondence (BCs) may by used by banks for aiding the V-CIP.
- REs other than banks can only carry out Offline Verification of Aadhaar for identification.

ii. RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PRAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority,

iii. Live location of the customer (Geo tagging) shall be captured to ensure that customer is physically present in India,

iv. The official of the RE shall ensure that photograph of the customer in the Aadhaar / PAAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar. PAN shall match with the details provided by the customer,

v. The official of the RE shall ensure that the sequence and/or type of question during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded,

vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not order than 3 days from the date of carrying out C-CIP.

vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process,

viii. RE shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audio visual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RE shall carry out the liveliness check inorder to guard against spoofing and such other fraudulent manipulations.

ix. To ensure security, robustness and end to end encryption, the REs shall carry out software and security audit and validation of the V-CIP application before rolling it out.

x. The audiovisual interaction shall be triggered from the domain of the RE itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for the purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved,

xi. Res shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.

xii. REs are encouraged to take assistance of the latest available technology, including Artificial Intelligence (Al) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the RE.

xiii. RE shall ensure to redact or black out the Aadhaar number in terms of Section16.

xiv. BCs can facilitate the process only at the customer end and as already stated above, the official at the other end of V-CIP interaction should necessarily be a bank official. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

Notwithstanding anything contained in Section 16 and as an alternative thereto, in case an individual who desires to open a bank account, banks shall open a 'Small Account', which entails the following limitations:

i. The aggregate of all credits in a financial year does not exceed rupees one lakh.

ii. The aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and

iii. The balance at any point of time does not exceed rupees fifty thousand.

Provided that this limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurements.

Further, small accounts are subject to the following conditions:

a. The bank shall obtain a self-attested photograph from the customer.

b. The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

Provided that where his individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

c. Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.

d. Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not .breached, before a transaction is allowed to take place.

e. The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnished evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.

f. The entire relaxation provisions shall be reviewed after twenty four months.

g. Notwithstanding anything contained in clauses (e) and (f) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.

h. The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high risk scenarios, the identity of the customer shall be established as per Section 16.

i. Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established as per Section 16.

CDD Measures for Sole Proprietary Firms

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

In addition to the above, any two of the following documents or the equivalent e-documents thereof as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

a. Registration certificate

b. Certificate/licenseissuedbythemunicipalauthoritiesunderShopandEstablishmentAct; c. Sales and income tax returns;

d. CSTA/AT/GST certificate (provisional/final);

e. Certificate/registration, document issued by Sales Tax / Service Tax / Professional Tax authorities;

f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or License/Certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.

g. 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.

h. Utility bills such as electricity, water, landline telephone bills, etc.

In cases where the REs are satisfied that it is not possible to furnish two such documents, Res may, at their discretion, accept only one of those documents as proof of business/activity.

Provided that REs undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

CDD Measures for Legal Entities

For opening an account of a Company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

a. Certificate of incorporation.

b. Memorandum and Articles of Association.

c. Permanent Account Number of the Company.

d. A Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.

e. Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.

For opening an account of a Partnership Firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

a. Registration Certificate

b. Partnership deed

c. Permanent Account Number of the partnership firm

d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transfer on its behalf.

For opening an account of a Trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

a. Registration certificate

b. Trust deed

c. Permanent Account Number or Form No.60 of the trust

d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

a. Resolution of the managing body of such association or body of individuals.
b. Permanent Account Number or Form No. 6 of the unincorporated association or a body of individuals.
c. Power of attorney granted to transaction its behalf.
d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and.
e. Such information as may be required by the RE to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/ partnership firms shall be included under the term 'unincorporated association'.

Explanation: Term 'body of association' includes societies.

For opening accounts of Juridical Persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents or the equivalent e-documents thereof shall be obtained:

a. Document showing name of the person authorized to act on behalf of the entity;

b. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and

c. Such documents as maybe required by the RE to establish the legal existence of such an equity/juridical person.

Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of sub-rule(3) of Rule9 of the Rules to verify his/her identity shall be undertaken keeping in view the following:

a. Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity or any shareholder or beneficial owner of such companies.

b. In cases of trust/nominees or fiduciary accounts whether the customer is acting on behalf of another person as trustees/ nominees or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

On-going Due Diligence

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

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

a. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose;

b. Transactions which exceed the thresholds prescribed for specific categories of accounts;

c. High account turnover inconsistent with the size of the balance maintained;

c. Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

The extent of monitoring shall be aligned with the risk category of the customer.

Explanation: High Risk Accounts have to be subjected to more intensified monitoring.

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

c. The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

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

Periodic Updation

Periodic updation shall be carried out at least in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

a) Res shall carry out

i. CDD, as specified in Section 16, at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.

ii. In case of Legal entities, RE shall review the documents sought at the time of opening of account and obtain fresh certified copies.

Provided, REs shall ensure that KYC documents, as per extant requirements of the Master Direction, are available with them.

b) REs may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/ holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.

c) REs shall ensure to provide acknowledgement with date of having performed KYC updation.

d) The time limits prescribed above would apply from the date of opening of the account / last verification of KYC.

In case of existing customers, RE shall obtain the Permanent Account Number or equivalent e-documents thereof or Form No. 60, by such dates as may be notified by the Central Government, failing which RE shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporary ceasing operations for an account, the RE shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, RE shall include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e- document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with a RE gives in writing to the RE that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, RE shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicants to the customer.

Explanation: For the purpose of this Section, "temporary ceasing of operations" in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the RE till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

Enhanced and Simplified Due Diligence Procedure

Enhanced Due Diligence

Accounts of non-face-to-face customers (other than Aadhaar OTP based on-boarding): REs shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face-to-face customers.

Accounts of Politically Exposed Persons (PEPs)

A. Res shall have the option of establishing a relationship with PEPs provided that:

a. Sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP.

b. The identity of the person shall have been verified before accepting the PEP as a customer.

c. The decision to open an account for a PEP is taken at a senior level in accordance with the REs Customer Acceptance Policy.

d. All such accounts are subject to enhanced monitoring on an on-going basis.

e. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship.

f. The CDD measures as applicable to PEPs including enhanced monitoring on an ongoing basis are applicable.

These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

Client accounts opened by professional intermediaries**:**

Res shall ensure while opening client accounts through professional intermediaries, that:

a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.

b. REs shall have option to hold 'pooled[5] accounts managed by professional intermediaries on behalf of clients like mutual funds, pension funds or other type of funds.

c. REs shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the RE.

d. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of RE, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of RE, the RE shall look for the beneficial owners.

e. REs shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary as a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.

f. The ultimate responsibility for knowing the customer lies with the RE.

B. <u>Simplified Due Diligence</u>

<u>Simplified norms for Self Help Groups (SHGs)</u>

a. CDD of all the members of SHG shall not be required while opening the savingbank account of the SHG.

b. CDD of all the office bearers shall suffice.

c. Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.

8. Record Management:

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

a. Maintain all necessary records of transactions between the Bank and the customer, both domestic and international, for at least five years from the date of transactions;

b. Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

c. Make available the identification records and transaction data to the competent authorities upon request;

d. Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005)

e. Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transactions, including the following:

i. The nature of the transactions;

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

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

iv. The parties to the transaction.

f. Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly wherever required or when requested by the competent authority; &

g. Maintain records of the identity and address of their customer, and records in respect of transaction referred to in Rule 3 in hand or soft format.

9. Reporting Requirements to Financial Intelligence Unit-India:

RE shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to the Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the REs for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

The reporting formats and comprehensive reporting format guide, prescribed / released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its websites shall be made use of by REs which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those REs, whose all branches are not fully computerised, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerised and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU- IND on its website http://fiuindia.gov.in.

While furnishing information to the Director, F1U-OND, delay of each day in not reporting transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. Res shall not put any restriction on operations in the accounts where an STR has been filed. Res shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any point.

Robust software, throwing alerts when the transactions are inconsistent with risk categorization and undated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

10. Requirements/ Obligations under International Agreements:

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

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 2, 2021.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time shall also be taken note of. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967.

The procedure laid down in the UAPA Order dated February 2, 2021 shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

a) FATF Statements circulated by Reserve Bank of India from time to time, and publicity available information, for identifying countries which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

b) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The process referred to in Section 55 a and b do not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF Statement,

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

11. <u>Secrecy Obligations and Sharing of Information:</u>

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

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

c) 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.

d) The exceptions to the said rule shall be as under:

   i. Where disclosure is under compulsion of law.

   ii. Where there is a duty to the public to disclose.

   iii. The interest of bank requires disclosure and.

   iv. Where the disclosure is made with the express or implied consent of the customer.

12. <u>CDD Procedure, Sharing KYC information with Central KYC Records Registry (CKYCR) and CKYCR as the first point of reference for establishing Account based relationship with the bank :</u>

a. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) to act as, and to perform the functions of the CKYCR vide Gazette Notification No. SO. 3183 (E) dated November 26, 2015.

b. In terms of provision of Rule 9 (1A) of PML Rules, the Res shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account- based relationship with the customer.

c. OperationalGuidelinesforuploadingtheKYCdatahavebeenreleasedbyCERSAI.

d. REs shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities', as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

e. The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (CBS) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR. SCBs were initially allowed time up- to February 1, 2017, for uploading data in respect of accounts opened during January 2017.

REs other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules ibid.

f. REs shall upload KYC records pertaining to accounts of Legal Entities (LEs) opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules ibid. The KYC records have to be uploaded as per the LE Templates released by CERSAI.

g. Once KYC Identifier is generated by CKYCR, Res shall ensure that the same is communicated to the individual/LE as the case may be.

h. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, Res shall upload / update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of this Master Direction or earlier, when the updated KYC information is obtained / received from the customer.

i. REs shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

j. Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such RE shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not required to submit the same KYC records or information or any other additional identification documents or details, unless:

I. There is a change in the information of the customer as existing in the records of CKYCR

II. The Current Address of the customer is required to be verified,

III. The RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

k. In order to streamline the process of Customer Onboarding/Updation/Periodic Updation of KYC RBI has mandated that the customer's KYC Identifier shall be the first reference point for the purpose of establishing an account based relationship or for verification of identity of customers. Accordingly, while onbarding customer, the REs shall download customers' KYC records online from CKYCR with customer's consent without requiring him/ her to submit the same records again, unless there Is a change in records available with CKYCR. (As per RBI Circular No ***RBI/2025-26/53 DOR.AML.REC.31/14.01.001/2025-26 dated 12.06.2025)***

The processes of onboarding customer and updation/ periodic updation of KYC have been simplified and the same are given below:

A. Face-to-face mode for onboarding the customer

i. Customer may be onboarded in face-to-face mode through Aadhaar biometric based e-KYC authemticating and, in such case, if customer wants to provide a current address, different from the address as per the identity information available in the UIDAI database ((i.e,, Central Identities Data Repository), he may give a self-declaration to that effect to the RE

ii. Further, Digital KYC process is also allowed for customer onboarding.

B. Non-face-to-face (NFTF) modes for onboarding the customer

i. Consent-based onboarding of customer in NFTF mode may be done using Aadhaar OTP based e-KYC authentication which is subject to certain conditions. Further, such account shall be placed umder strict monitoring, and Customer Due Diligence (CDD) procedure shall be completed within a year.

C. Customer onboarding using Video based Customer Identification Process (V-CIP)

i. V-CIP is an alternate method of CDD by an authorised official of the RE by undertaking seamless, secure, live, informed and consent based audiovisual interaction with the customer to obtain identification information required for CDD purpose
ii. V-CIP is treated on par with face-to-face onboarding.

D. Simplified process of updation and periodic updation of KYC

i. Self-declarations - REs are allowed to obtain self-declaration regarding "no change in KYC infonmation" or "a change only in address details" from customers using digital and mon-digital modes, through customer's email / mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, BCs, etc.
ii. The updation/ periodic updation of KYC records are allowed to be carried out at any branch of the RE with which customer maintains the account.
iii. Aadhaar OTP based e-KYC and V-CIP are permitted for the purpose of updation/ periodic updation of KYC.

iv. The REs have been directed to update customers' KYC information/ records based on the update notification received from CKYCR

13. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).

Under FATCA and CRS, Res shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

a. Register on the related e-filling portal of Income Tax Department as Reporting Financial Institutions at the link https://incometaxindiaefilling.gov.in/postlogin ->My Account->Register as Reporting Financial Institution.

b. Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the scheme prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

c. Develop Information Technology (IR) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H.

d. Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.

e. Constitute a 'High Level Monitoring Committee' under the Designated Director or any other equivalent functionary to ensure compliance.

f. Ensure compliance with updated instructions rules/guidance notes/Press releases / issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the website http://www.incometaxindia.qov.in/Pages/default.aspx. REs may take note of the following:

i. Updated Guidance Note on FATCA and CRS.

ii. A press release on "Closure of Financial Accounts" under Rule 114H(8).

14. Issue and Payment of various instruments:

Payment of cheque/drafts/pay orders/banker's cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made. The instruments will be considered under NI Act will be considered as stale instruments.

15. Operation of Bank Accounts & Money Mules:

The instruments on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimize the operations of "Money Mules" which are used to launder the proceeds of fraud schemes (e.g. phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties which act as "money mules". If it is established that an account opened and operated is that of a Money Mule, it shall be deemed that the bank has not complied with these directions.

16. Introduction of New Technologies–

Bank presently is in process of on boarding new digital initiatives with the changing times like Credit Cards/Debit Cards/Smart Cards / Gift Cards/Mobile Wallet/Net Banking/Mobile Banking / RTGS / NEFT / ECS/IMPS etc.

Adequate attention shall be paid by REs to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/ technologies. Agents used for marketing of credit cards shall also be subjected to due diligence and KYC measures.

17. Correspondent Banking:

Banks shall have a policy approved by their Boards or by a committee headed by the Chairman/CEO/MD to lay down parameters for approving correspondent banking relationships subject to the following conditions:

a. Sufficient information in relation to the nature of business of the bank including information on management, major business activities, level of AML/CFT compliance, purpose of opening the account, identify of any third party entities that will use the correspondent banking services, and regulatory/supervisory framework in the bank's home country shall be gathered.

b. Post facto approval of the Board at its meeting shall be obtained for the proposals approved by the Committee.

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, the correspondent bank shall be satisfied that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking on-going 'due diligence[1] on request.

e. The correspondent bank shall ensure that the respondent bank is able to provide the relevant customer identification data immediately on request.

f. Correspondent relationship shall not be entered into with a shell bank.

g. It shall be ensured that the correspondent banks do not permit their accounts to be used by shell banks.

h. Banks shall be cautious with correspondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations,

i. Banks shall ensure that respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

18. Quoting of PAN

Permanent account number (PAN) or equivalent e-documents thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

19. Selling Third Party Products

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

a. The identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 13 (e) of this Directions.

b. Transaction details of sale of third party products and related records shall be maintained as prescribed in Chapter VII Section 46.

c. AML software capable of capturing, generating and analyzing alerts for the purpose of filling CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.

d. Transactions involving rupees fifty thousand and above shall be undertaken only by: Debit to customers' account or against cheques; and

   Obtaining and verifying the PAN given by the account-based as well as walk-in customers.

e. Instruction at 'd' above shall also apply to sale of Res' own products, payments of dues of credit cards/sale and reloading of prepaid / travel cards and any other product for rupees fifty thousand and above.

20. Hiring of Employees and Employees Training :

Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place. On-going employee training programme shall be put in place so that the members of 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 shall be specially trained to handle issues arising from track of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML-CFT policies of the RE, regulation and related issues shall be ensured

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