

LIC of India Staff Co-operative Urban Bank Ltd.

KYC Policy

Consent to be included

POLICY FRAME WORK ON KNOW YOUR CUSTOMER
AND ANTI-MONEY LAUNDERING MEASURES

In pursuance of the master circular forwarded along with Ref.No.DBR.AML.BC No.81/14.01.001/2015-16 dt.25.02.2016, relating to KYC Direction 2016 and updated from time to time, the Director Board in its meeting held on 18/05/2024 vide Res. No.XI resolved to make necessary addition & alteration with existing KYC Policy, incorporating the CKYC norms also. The policy is called the KYC & Anti-money Laundering Policy of the LIC of India Staff Co-operative Bank Ltd.

KYC norms were introduced as a part of Anti Money Laundering Measures as well as Combating of financing of Terrorism in the country

Main objectives are:

- a) Prevent Financial Frauds
- b) Identify money laundering and suspicious activities
- c) Scrutiny/Monitoring of large value transactions.
- d) Ensure that banking system is not unwittingly used for transfer or deposit of funds derived from criminal activities or for financing of terrorism.

Customer

Customer is a person or entity that open and maintain an account and has a business relationship with the Bank and on whose behalf the account is maintained.

I. Customer Acceptance Policy

- i) No account is opened in anonymous or fictitious/benami name(s)
- ii) Necessary documents should be collected from applicants regarding proof of name, address and Identity.

- iii) Not to open an account or close an existing account where the bank is unable to verify the identity and or obtain documents required as per KYC norms.
- iv) Clear cut instructions regarding account operating mandate may be collected while opening accounts in the name of Trusts, Firms etc. All other documents as per the existing law may also be collected in these cases.
- v) Necessary checks may be done before opening a new account so as to ensure that the identity of the customers doesn't match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.
- vi) Separate profile may be collected from each applicant containing information relating identity, social status, nature of business activity etc. The customer profile is a confidential document and details contained there are not divulged for cross selling or any other purposes.
- vii) The adoption of Customer Acceptance Policy and its implementation is not become too restrictive and must not result in denial of Banking Service to general public, especially to those who are financially or socially advantaged.
- viii) Any other documents that may satisfy the Bank for the purpose.

II. Customer Identification Procedure

While opening accounts Bank should obtain sufficient identification documents/data to verify the identity and address of the customer. Following documents may be accepted for the same.

- 1) Recent Photographs
- 2) Passport
- 3) Pan Card
- 4) ID Card issued by the Election Commission of India
- 5) Driving License
- 6) Aadhaar Card
- 7) Utility Bill
- 8) Any other documents that may satisfy the Bank for the purpose

While opening accounts in the name of Trusts and companies etc proper resolutions, power of Attorney if any shall also be obtained.

If the Utility Bill required for address verification are not in the name of the person wanting to open an account, the Bank may be obtained an identity document and a utility bill of the relative (wife, son, daughter, father, mother etc) living along with the perspective customer along with declaration from the relative that the said person wanting to open an account is a relative and is staying with him/her.

Bank introduced a system of periodical updating of customer identification data (including photograph) after the account is opened once in ten years in case of low risk category customers and not less than once in 2 and 8 years in case of high and medium risk category respectively.

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

To further ease the process, the information containing personal details like name, address, age, gender, etc., and photographs made available from UIDAI as a result of e-KYC process can also be treated as an 'Officially Valid Document'.

Since migrant workers, transferred employees, etc., often face difficulties while submitting a proof of current address for opening a bank account, such customers can submit only one proof of address (either current or permanent) while opening a bank account or while undergoing periodic updation. If the current address is different from the address mentioned on the proof of address submitted by the customer, a simple declaration by her/ him about her/ his current address would be sufficient..

If the customer does not have any of the 'officially valid documents' mentioned above, but if is categorized as 'low risk' by the banks, then she/ he can open a bank account by submitting any one of the following documents:

- (a) 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;

(b) letter issued by a gazette officer , with a duly attested photograph of the person.

Once KYC is done by one branch of the bank, it is valid for transfer of the account to any other branch of the same bank. The customer would be allowed to transfer her/ his account from one branch to another branch without restrictions and on the basis of declaration of his/ her local address for communication

In case a customer categorized as low risk is unable to submit the KYC documents due to genuine reasons, she/ he may submit the documents to the bank within a period of six months from the date of opening account.

III. Monitoring of Transactions

A close continuous and compulsory monitoring of the Transactions on the accounts is one of the important aspects of the KYC policy. If any extraordinary transactions are noticed in the operation of an account such as abnormal increase in the volume of deposits, increased frequency in the remittances and withdrawal of accounts etc. Such accounts have to be closely monitored. The bank may ask for production of any documents or evidence substantially to verify the genuineness of such transactions.

Details of all transactions of Rs. 5 lakh and above and all transactions should be recorded in a separate ledger in our branch and the same may be reported to Head Office on or before 5th of the next month.

Transactions of suspicious nature and any other type of transactions notified under section 12 of PML Act 2002 may also be reported from branch

to Head Office on or before 5th of the next month. All cash transactions of Rs. 10 lakhs and above are reported to FIU in every month. Our Bank should strictly file CTR and STR Report to FIU- INDIA.

Bank shall put in place a system of periodical review of risk categorization of accounts and the review for applying enhanced due diligence measures. Such review of risk categorization of customers shall be carried out at periodicity not less than once in six months.

IV. Risk Management

Our Branch Manager, Authorized officers of Head Office and Chief Executive officer of the Bank should ensure that K.Y.C policies and procedures are managed effectively. Necessary steps may be taken at Head Office level to examine the details received from branch and also ensure that the policies are strictly followed by the branches. Periodical review of risk categorization of customers and updating of existing customer profiles shall be completed in a time bound manner

V. On-going Due Diligence

1. Bank 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.

2. Without prejudice to the generality 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.
 - d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.
3. 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 at least once in six months, and the need for applying

enhanced due diligence measures shall be put in place.

- (b) 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.

- VI. Periodic updation shall be carried out at least once 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) Bank shall carry out

i. PAN verification from the verification facility available with the issuing authority and

ii. Authentication of Aadhaar Number already available with the Bank with the explicit consent of the customer in applicable cases.

iii. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.

iv. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar, except from individuals who are categorised as 'low risk'. 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.

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

b) For non Direct Benefit Transfer (non-DBT) beneficiary customers, the Regulated Entities (REs) shall obtain a certified copy of any OVD containing details of his identity and address along with one recent photograph. (Section 16 of the amended MD)

c) The Bank shall ensure that the customers (non-DBT beneficiaries) while submitting Aadhaar for Customer Due Diligence, redact or blackout their Aadhaar number in terms of sub-rule 16 of Rule 9 of the amended PML Rules.(Section 16 of the amended MD)

d) In case OVD furnished by the client does not contain updated address, certain deemed OVDs for the limited purpose of proof of address can be submitted provided that the OVD updated with current address is submitted within 3 months. (Section 3(a) ix of the amended Master Direction (MD)

e) For non-individual customers, PAN/Form No. 60 of the entity (for

companies and Partnership firms - only PAN) shall be obtained apart from other entity related documents. The PAN/Form No. 60 of the authorised signatories shall also be obtained.(Section 30-33)

f) For existing bank account holders, PAN or Form No. 60 is to be submitted within such timelines as may be notified by the Government, failing which account shall be subject to temporary ceasing till PAN or Form No. 60 is submitted. However, before temporarily ceasing' operations for an account Bank shall give the customer an accessible notice and a reasonable opportunity to be heard.(Section 39 of the amended MD)

A. Enhanced Due Diligence

Accounts of non-face-to-face customers: Bank shall ensure that the first payment is to be effected through the customer's KYC-complied account with another Bank, for enhanced due diligence of non-face-to-face customers.

Accounts of Politically Exposed Persons (PEPs)

A Bank 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 Bank' Customer Acceptance Policy;
- (d) All such accounts are subjected 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 on-going basis are applicable.

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

Besides these all guide lines issued by RBI and Government of India from time to time regarding KYC and AML measures may be strictly followed by the bank.

VIII. Principal Officer: - Bank should appoint a senior management officer to designated as principal Officer who will be located at the Head office of the Bank and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the prescribed law.

This officer will be responsible for timely submission of CTR/STR and reporting of counter feit notes to FIU-INDIA. The principal Officer will also oversee and ensure overall compliance with the regulatory guidelines on KYC/AML/CFT issued from time to time and obligation under the PML Act 2002,rules®ulations there under as amended from time to time.