

## **Know Your Customer (KYC) – What you must know.**

### **What is KYC?**

Know Your Customer – KYC enables banks to know/understand their customers and their financial dealings to be able to serve them better and prudently manage the risks of Money Laundering and Financing of Terrorism.

### **Why KYC?**

a) To establish the identity of the client. This means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information.

For individuals, Bank will obtain identification data to verify the identity of the customer, his address/location and also his recent photograph. This will be done for the joint holders and mandate holders, as well.

For non-individuals, Bank will obtain identification data to :

- 1) verify the legal status of the legal person/entity
- 2) verify identity of the authorized signatories and
- 3) verify identity of the Beneficial owners/controllers of the account.

b) To ensure that sufficient information is obtained on the nature of employment/business that the customer does/expects to undertake and the purpose of the account.

### **Are KYC requirements new?**

No. KYC requirements have always been in place and Banks have been taking KYC documents in accordance with the guidelines issued by RBI from time to time. RBI has revisited the KYC guidelines in the context of the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering Measures and Combating Financing of Terrorism and enhanced the KYC Standards in line with international benchmarks.

## **Is KYC mandatory?**

Yes. It is a regulatory and legal requirement.

**Regulatory :** In terms of the guidelines issued by the Reserve Bank of India (RBI) on 29<sup>th</sup> November,2004 on Know Your Customer (KYC) Standards and Anti Money Laundering (AML) Measures, all banks are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures.

**Legal :** The Prevention of Money Laundering Act,2002 (PMLA) which came into force from 1<sup>st</sup> July,2005 ( after 'rules' under the Act were formulated and published in the Official Gazette) also requires Banks, Financial Institutions and Intermediaries to ensure that they follow certain minimum standards of KYC and AML, as laid down in the Act and the 'rules' framed there under.

## **When does KYC apply?**

KYC will be carried out at the following stages:

- Opening a new account.
- Opening a subsequent account where documents as per current KYC standards have not been submitted while opening the initial account.
- Opening a Locker facility where these documents are not available with the bank for all the Locker facility holders.
- When the bank feels it necessary to obtain additional information from existing customers based on conduct of the account.
- When there are changes to signatories, mandate holders, beneficial owners etc. KYC will also be carried out in respect of non-account holders approaching the bank for high value one-off transactions.

## **Who is the contact person in the Bank for KYC purposes?**

The contact person in the Bank will be the Branch Manager or the Officer who opens the account and who is in touch with the customer for the transactions in the account.

## **What will happen if the required KYC information/documents are not provided to the Bank?**

The Bank will be entitled to refuse the opening of the account in the case of a prospective customer or discontinue the relationship with the customer in the case of an existing customer, if the required KYC information/documents are not provided.

However, for certain categories of customers who are not able to provide the necessary documents, the Bank will open the account as per the flexibility provided vide RBI DBOD Circular No.AML.BC.28/14.01.001/2005-06 dated 23<sup>rd</sup> August,2005.

**What are the features verified and documents obtained from customers for Customer Identification Procedure under KYC?**

<b>Features</b>	<b>Documents</b>
<p><b>Accounts of Individuals.</b> Legal name and any other names used.</p> <p>Correct permanent address.</p>	<p>(i)Passport (ii)PAN card (iii)Voters identity card (iv)Driving License (v)Identity card (subject to the bank’s satisfaction.) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the bank</p> <p>Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the bank)</p> <p>(any one document which provides customer information to the satisfaction of the bank will suffice)</p>
<p><b>Accounts of Companies.</b></p> <ul style="list-style-type: none"> <li>• Name of the company</li> <li>• Principal place of business</li> <li>• Mailing address of the company</li> <li>• Telephone/Fax number</li> </ul>	<p>(i) Certificate of incorporation and Memorandum &amp; Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers,officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill.</p>
<p><b>Accounts of Partnership Firms.</b></p> <ul style="list-style-type: none"> <li>• Legal name</li> <li>• Address</li> <li>• Names of all partners and their addresses</li> <li>• Telephone numbers of the firm and partners</li> </ul>	<p>(i) Registration certificate,if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners.</p>
<p><b>Accounts of trusts &amp; foundations.</b></p> <ul style="list-style-type: none"> <li>• Names of trustees,settlers,beneficiaries and signatories</li> <li>• Names and addresses of the founder,the managers/directors and the beneficiaries</li> <li>• Telephone/fax numbers</li> </ul>	<p>(i) Certificate of registration,if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees,settlers,beneficiaries and those holding Power of Attorney,founders/managers/directors and their addresses (iv) Resolution of the managing body of the foundation/association (v) Telephone bill.</p>

