SOUTH INDIAN Bank
Experience Next Generation Banking

STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

To kindle interest in economic affairs...
To empower the student community...

www.southindianbank.com
Student's Corner

ho2099@sib.co.in

KYC AML CFT - COMPLIANCE IN BANKS

NOVEMBER 2022 | THEME 371

32nd Year of Publication

SIB introduces

Video KYC Account Opening.

Banking Simplified

Aadhaar + PAN Card + Video Call
to open your SIB Video KYC Account

T&C apply

Toll Free (India): 1800-102-9408, 1800-425-1809 (BSNL), Email: customercare@sib.co.in, CIN: L65191KL1929PLC001017

www.southindianbank.com | /thesouthindianbank

"Money laundering is not a victimless crime"
FATF

The "SIB Students' Economic forum" is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is "**KYC AML CFT - Compliance in Banks**"

Introduction

As human beings evolved over time, their preferred medium of exchange also evolved from barter system of exchange of goods, services or precious metals, to the more acceptable concept, called Money. Money today is used both in physical form and digital form, and forms the very basic building block of the economy. Needless to say, an economy without a reliable and safe monetary exchange system is bound to collapse into chaos. All countries today, ensure their sovereign integrity by putting in place a robust monetary system, enabling smooth and regulated Money supply, under the guidance of a regulator, often referred to as the central bank of the country, which is the Reserve Bank of India (RBI) in India.

Money Laundering and Terrorist Financing - Global perspective

Money laundering, is popularly referred to as the process by which proceeds of crime is disguised or camouflaged to hide their illegal origin, usually in 3 stages, viz., placement, layering and integration. Countries realised that proceeds of crimes or criminal acts, such as and not limited to illegal arms sales, smuggling, organised crimes including drug trafficking, human trafficking and prostitution rings, embezzlement, insider trading, bribery, computer based frauds, etc. getting into the financial system, posed a significant social and political risk, and have come together to fight Money laundering and Terrorist financing, through means such as formation of Financial Action Task Force (FATF), in which India is a member since 2010. FATF conducts periodic mutual evaluation for all member countries.

KYC AML CFT – Regulatory and Statutory framework

RBI issues regulatory guidelines on KYC (Know Your Customer), AML (Anti Money Laundering) and CFT (Combating Financing of Terrorism) standards, which are issued in line with FATF recommendations, and Basel Committee on Banking Supervision (BCBS) guidance on Customer Due Diligence (CDD). The RBI Master Direction on KYC, is issued under Prevention of Money Laundering Act 2002 (PMLA) and Prevention of Money Laundering (Maintenance of Records) Rules 2005 (PMLR), giving it a statutory backing.

What is KYC (Know Your Customer)

All banks are required to have a KYC (Know Your Customer) Policy, approved by their Board of Directors, covering the following 4 key elements,

1.	Customer Acceptance Policy	No account shall be opened in anonymous or fictitious or benami name, and/or where bank is unable to apply CDD (Customer Due Diligence) measures, due to non-cooperation by customer, or non-reliability of the information and/or documents submitted by the customer.
2.	Risk Management	Customers shall be categorised as low, medium and high risk category, based on customer's identity, social / financial status, nature of business / activity, location etc., and based on the same periodic updation of KYC shall be undertaken, as per simplified procedures including by way of email confirmation from customer, where there is no change in the profile of the customer.
3.	Customer Identification Procedures	Identification of customers shall be ensured for commencement of an account based relationship and/or for carrying out specified transactions above a particular threshold.
4.	Monitoring of Transactions	Ongoing monitoring to address the AML (Anti Money Laundering) and CFT (Combating Financing of Terrorism) risk, including to prevent Money mule accounts.

Thus banks are required to have adequate knowledge and awareness of their customers, and their transactions, and take necessary steps when they are not in line with the declared profile, source of funds, or regulatory norms. The spirit of the guidelines is to ensure that the banking system is not misused by miscreants.

What is CDD (Customer Due Diligence) and OVD (Officially Valid Document

RBI mandates banks to collect from individual customers, (i) any one of six OVDs (Officially Valid Document), viz., proof of possession of Aadhaar number, Voter's Id, Passport, Driving Licence, NREGA Job card or NPR letter, and (ii) PAN or Form no. 60. RBI also permits opening of Small accounts, with certain transaction related and balance based restrictions, for individuals who are unable to produce an OVD, also to ensure financial inclusion. Separate list of documents and requirements are also mandated by RBI for various types of non-individuals / legal entities, such as proprietorship firm, company, partnership firm, trust, etc. including on identification of authorised signatories and beneficial owners of such entities.

What if the current Address is different from that in OVD (Officially Valid Document)

RBI has relaxed the norms on Address proof for customers, and permit banks to accept self declared Address from customers whose Aadhaar has been authenticated. Further, in the case of customers who are not Aadhaar holders, RBI permits (a) acceptance of few Deemed OVDs for the limited purpose of proof of address, viz., Utility bill not older than 2 months, Property or Municipal tax receipt, Government / PSU pension orders with address, allotment of accommodation by employers such as Government / PSU / Banks / Listed companies, etc. with the condition that (b) OVD with current address to be submitted within 3 months.

What is the difference between V-KYC, e-KYC, and CKYC

In line with digital transformation the country is going through, RBI also permits banks to open accounts, without the customer visiting any bank branch or a bank official / business correspondent of the bank visiting the customer, such as using V-CIP (Video based Customer Identification Process) / V-KYC / Video KYC, which is treated as a face-to-face on-boarding.

RBI also permits a stripped down digital on-boarding version, using Aadhaar OTP based e-KYC in non-face-to-face mode / Insta, which however comes with certain transaction related and balance based restrictions, besides the requirement to visit the bank branch within one year of account opening, to complete the CDD procedure / biometric e-KYC authentication. As per RBI norms, only one account can be opened by a person using Aadhaar OTP based e-KYC in non-face-to-face mode / Insta, in all banks together. However, Biometric type e-KYC authentication such as used in bank branches or using business correspondents, is treated as face-to-face on-boarding, at par with traditional modes such as by filling account opening form at bank branch.

CKYCR or Central KYC Records Registry is now set up and live, under CERSAI, and customers who are opening new accounts are being issued with a KYC Identifier (CKYCR Id). Though it may take some more time for banks to complete upload for legacy customers, those newly on-boarded customers who have been issued CKYCR Id, can use it to open account with other banks, where there is no change in profile. The advantage being that customers need not carry the physical documents or copies thereof, to bank, to open a bank account, in such cases.

ML TF Risk Assessment

As envisaged under extant RBI guidelines, banks also undertake Money Laundering (ML) and Terrorist Financing (TF) Risk assessment, to ascertain and mitigate the ML TF risk, the bank is exposed to, in the normal course of business.

Reporting to FIU

One of the FATF recommendation was setting up of financial intelligence unit in each country, based on which we have Financial Intelligence Unit-India (FIU-IND), under Ministry of Finance, in India, to whom banks make statutory reporting, including to address the AML CFT risk, as envisaged under PMLA and PMLR.

Money Mule

Money mule accounts, are those which are used to launder proceeds of fraud schemes (e.g., phishing, identity theft) by criminals, who gain illegal access to deposit accounts by recruiting third parties who act as money mules. Banks use transaction monitoring systems, and create awareness, to address the issue, and to prevent and protect gullible public from falling prey to fraudsters and money launderers.

Conclusion

Compliance to KYC AML CFT norms is key for a strong economy, and to prevent illegal activities, such as money laundering and/or terrorist financing, causing harm to the society. The wars against tax evasion and terrorism are waged in the best interest of our country. Let us understand that, as responsible citizens of India, it is the duty of all to ensure that money is utilised for the right purposes and accounted responsibly.

References:

https://www.rbi.org.in

https://fiuindia.gov.in

https://www.fatf-gafi.org

INTERNATIONAL ONLINE MONEY TRANSFER THROUGH INTERNET BANKING

SOUTH INDIAN Bank
Experience Next Generation Banking

Foreign Outward Remittance through SIBerNet Internet Banking

Features

Transaction limit:

Resident SB
Daily limit - USD 10000
Financial year - USD 25000

NRE SB
Daily limit - USD 25000
Financial year - USD 100000

Rate for conversion:

TT selling rate available at that point of time

Available currencies:

USD, EUR, GBP, CAD, JPY, AED, CHF, AUD, SAR, SGD & other 100+ currencies

Timings window:

24x7 for US dollar remittances
10 AM to 3 PM (IST) for other currencies

T&C apply

Purpose of remittance:

Active NRE SB with valid VISA expiry dates — Repatriation from NRE account (S0014)

Auto mailer of SWIFT copy will be sent to the registered email ID of the remitter on completion of transaction.

SIB SUPERFAST GOLD LOAN

You don't have to sell your favourite gold jewellery, when you can pledge it. With South Indian Bank's Superfast Gold Loan, you get the money to meet your different needs, really fast. It is a gold loan tailor-made for the uncertain times we are living in. Go ahead, encash your dreams with SIB Superfast Gold Loan.

- Easy processing
- Tenure up to 12 months
- Attractive interest rate

Wear masks in public spaces. Follow social distancing.

Toll Free (India): 1800-102-9408, 1800-425-1809 (BSNL), Email: customercare@sib.co.in, CIN : L65191KL1929PLC001017
www.southindianbank.com | /thesouthindianbank