

KNOW YOUR CUSTOMER (KYC) NORMS

Abridged Version



1. INTRODUCTION

1.1 In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India, as notified by the Government of India, and guidelines issued by the Reserve Bank of India, the Regulated Entities (REs), i.e. Banks, are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. The Banks are required to take steps to implement the provisions of the Act and Rules, including operational instructions issued in pursuance of such amendment(s). Additionally, the Financial Action Task Force (FATF) which is an inter-governmental body established in 1989 by the Ministers of its member jurisdictions, 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. India, being a member of FATF, is committed to upholding measures to protect the integrity of international financial system.

1.2 Accordingly, the Tamilnad Mercantile Bank Ltd. has put in place a comprehensive Policy on Know Your Customer (KYC) norms, Anti-Money Laundering (AML) measures and Combating the Financing of Terrorism (CFT) measures, framed in line with the RBI's Master Direction – "Know Your Customer (KYC) Direction, 2016 (as updated from time to time)" and the Bank's approach to KYC, AML and CFT issues.

2. OBJECTIVE, SCOPE AND APPLICATION

2.1. The primary objective of the KYC/AML Policy of the Bank is to prevent the Bank from being used, intentionally or unintentionally, by criminal elements for money laundering or financing of terrorism.

2.2. The provisions of this Policy are applicable across all portfolios and all the branches of the Bank. The KYC policy document has been incorporated with all additions and amendments as advised by the Reserve Bank Of India from time to time and reviewed by our Board of Directors annually.

3. KEY ELEMENTS OF THE POLICY

The KYC/AML Policy of the Bank contains the following key elements:

- (a) Customer Acceptance Policy (CAP)
- (b) Customer Identification Procedures (CIP)
- (c) Transaction Monitoring (TM)
- (d) Risk Management (RM)

4. CUSTOMER DUE DILIGENCE (CDD) PROCEDURE IN CASE OF INDIVIDUALS

4.1 Branches have to obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity:

a) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962 and

b) Recent Photograph; and

c) the Aadhaar number where,

i. the customer 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 2016);

or

ii. Customer decides to submit his Aadhaar number voluntarily for identification purposes and consents to undergo authentication

OR

Proof of possession of Aadhaar number or any Officially Valid Document (OVD-mentioned below) or the equivalent e-document thereof containing the details of his identity and address and

d) any other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-document thereof as may be required by the Business / Operation Units, to complete requisite CDD and also for the purpose of risk categorization and transaction monitoring.

List of OVDs:

- i. Passport,
- ii. the Driving License,
- iii. Proof of possession of Aadhaar Number,
- iv. the Voter's Identity Card issued by the Election Commission of India,
- v. Job Card issued by NREGA duly signed by an officer of the State Government and
- vi. Letter issued by the National Population Register containing details of name and address.

5. CUSTOMER DUE DILIGENCE PROCEDURE IN CASE OF NON-INDIVIDUALS

For opening accounts of non-individuals (entities), identification information of individuals, who are Proprietor(s) / Partner(s) / Beneficial Owner(s) / Authorized Signatories shall be obtained, as detailed in para 4.

Besides prescribed application forms and photographs of persons who will be operating the account, documents as per different Entity Types (i.e., Proprietorship, Partnership, Trust, Companies, Unincorporated association of Individuals etc.) are required for such accounts.

6. PERIODIC UPDATION

Periodic updation of KYC documents (or Re-KYC) shall be carried out as per the risk-category wise periodicities prescribed by the RBI in Master Direction on KYC (as updated from time to time).

7. SECRECY OBLIGATIONS AND SHARING OF INFORMATION

- (a) Branches have to 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, banks shall satisfy themselves 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.

8. KYC/AML Policy of Tamilnad Mercantile Bank covers various other aspects such as:

- a) Money Laundering and Terrorist Financing Risk Assessment
- b) Enhanced due diligence
- c) Simplified due diligence
- d) Identification of Beneficial Owner
- e) CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)
- f) KYC non-compliant/ KYC discrepant accounts
- g) Accounts through V-CIP (Video Customer Identification Process)
- h) Identification of Politically Exposed Persons (PEPs)
- i) Furnishing information & maintenance of records of transactions
- j) Preservation of records
- k) Reporting requirements to Financial Intelligence Unit – India
- l) Monitoring of transactions