

## Review

### ANTI MONEY LAUNDERING (AML) / COMBATING FINANCING TERRORISM (CFT) POLICY (kye.)

#### ANTI-MONEY LAUNDERING MEASURES

##### PURPOSE

This policy document gives an overview on the standards issued by the Reserve Bank of India (RBI) on the 'Know your Customer' and 'Anti Money Laundering' for Banking Sectors thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers. The Bank shall adopt all best practices prescribed by the RBI from time to time and shall make appropriate modifications if necessary to this code to conform to the standards so prescribed. This policy is applicable across all business segments of the Bank and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy shall also be corrected with any changes/modifications recommended by RBI from time to time.

##### SCOPE

The scope of this policy extends to all business segments (Retail & Wholesale) of The Pratap Co-Op. Bank Ltd. The Bank is committed for transparency and fairness in dealing with all stake holders and customers in ensuring adherence to all laws and regulations. The Bank ensures that information collected from customers for any purpose will be kept as confidential. The Bank also commits that the information sought from the customer is relevant to the perceived risk and is not intrusive and is in conformity with the guidelines issued in this regards. Any other information from the customer shall be sought from the customer separately with his/her consent and after effective rendering of service. The Bank shall also communicate its KYC norms to the customers.

##### 1. INTRODUCTION

Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy is approved by the Board of Directors.

This policy is applicable to all categories of products and services offered by the Bank.

##### 2. OBJECTIVE

Objective of RBI guidelines is to prevent, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Bank to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Bank to have positive identification of its customers.

##### 1 CUSTOMER ACCEPTANCE POLICY

The Bank shall follow the following norms while accepting and dealing with its customers:

- 1 Customer must be Indian National.

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- 2 Name of the customer should not appear in the list of banned entities as circulated by UNSCR.
- 3 Bank officials must be satisfied as regards KYC due diligence of the customer
- 4 Customer name should not have been included in the list of STR and PMLA submitted to RBI under PMLA.
- 5 In case of customers being PEP or becoming PEP subsequently, it is necessary to take approval of Head Office.

### Key considerations:

- Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, information about the clients' business and their location etc. to enable categorization of customers into low, medium and high risk.
- The customer profile contains information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location etc. The nature and extent of due diligence will depend on the risk perceived by the Bank. However, while preparing customer profile the Bank will seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purpose.
- The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Bank will ensure that the procedure adopted does not result in denial of services to any genuine customers.

### 3. CUSTOMER IDENTIFICATION

Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person. The Bank shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

An effective Customer Identification Program (CIP) is an important part of the effort by the Bank to know its customers. The Bank's CIP is integrated into the AML (Anti Money Laundering) program for the Bank in terms of the Prevention of Money Laundering Act, 2002 and the relevant rules notified there under (PMLA), which contains provisions requiring the business processes to:

- 1 **verify the identity of any Person** transacting with the Bank to the extent reasonable and practicable;
- 2 **Maintain records of the information** used to verify a customer's identity, including name, address and other identifying information.

The Bank will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report

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instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Bank and the customer and the risk profile of the customer.

### 3.1 Required "KYC" due diligence for all customers

The Bank shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Bank. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective businesses, customers and the associated risks. Such standards and procedures shall include, at a minimum, the following elements.

For the purpose of identifying and verifying the identity of customers at the time of opening of account- subject to the conditions that-

- i. The Bank takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements.
- ii. The Bank is satisfied that such is regulated, supervised or monitored with due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- iii. The Bank is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

### Customer Identification Procedure

#### A) Identification

All the customers shall be identified by a unique identification code to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers.

Each business process shall implement procedures to obtain from each customer, prior to transacting, the following information as may be relevant, to that business:

1. Name -procedures require business processes to use reasonable efforts to ensure that the name recorded on the Bank systems as the customer will be exactly the same as (and not merely similar to, or a variation of) the name that appears on any identifying documentation reviewed in said connection;
2. for Individuals -age / date of birth; for a person other than individual (such as corporation, partnership or trust) -date of incorporation;
3. Address including the documentary proof thereof;
  - i. For an individual, a residential or business street address;
  - ii. For a Person other than an individual (such as a corporation, partnership, or trust), the

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principal place of business, local office, or other physical location;

4. Telephone/Fax number/E-mail ID;

5. Identification number:

- i. A taxpayer identification number; passport number and country of issuance; letter issued by Unique Identification Authority of India containing AADHAAR number or residence and bearing a photograph or similar safeguard.

The list of documents that can be accepted as proof of identity and address from customers across various products offered by the Bank be given by Bank and communicated to the branches approving authorities.

### B) Verification

Each branch as a part of the policy will document and implement appropriate risk-based procedures designed to verify that it can form a reasonable belief that it knows the true identity of its customers. Verification of customer identity should occur before transacting with the customer.

- i. Verification through non-documentary methods:

These methods may include, but are not limited to:

- 1 Contacting or visiting a customer;
- 2 Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
- 3 Checking references with other financial institutions; or
- 4 Obtaining a financial statement.

### C) Resolution of Discrepancies

Each branch process shall document and implement procedures to resolve information discrepancies and to decline or cease to do Banking with a customer when it cannot form a reasonable belief that it knows the true identity of such customer or cannot adequately complete necessary due diligence.

### D) Reporting of Suspicious Transaction

Besides, the branches shall have a system of internal reporting of suspicious transactions, counterfeit transactions and cash transactions greater than Rs. 10 lakhs, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

"Suspicious transaction" means a transaction whether or not made in cash which, to a person acting in good

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faith:

- a. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to have no 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.
- e. where the transactions are abandoned by customers on being asked to give some details or to provide documents

Further, the Branch Manager shall furnish information of the above mentioned transactions to the Gen. Manager, Financial Intelligence Unit – India (FIU-IND) at the prescribed address in the formats prescribed in this regard including the electronic filing of reports.

Provided that where the principal officer has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued greater than Rs.10 lakhs so as to defeat the provisions of the PMLA regulations, such Branch Manager shall furnish information in respect of such transactions to the Director Financial Intelligence Unit – India (FIU-IND) within the prescribed time.

In addition, it shall be the duty of the Bank, its designated officers and employees to observe the procedure and manner of furnishing and reporting information on transactions.

### 3.2 Existing Customers

The requirements of the earlier sections are not applicable to accounts opened by existing customers, provided that the business process has previously verified the identity of the customer and the business process continues to have a reasonable belief that it knows the true identity of the customer. Further, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the due diligence measures.

### 3.3 Enhanced Due Diligence

The Bank is primarily engaged in retail finance to end customers and whole sale finance to dealers other loan. It does not deal with such category of customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. The existing credit policies of the Bank in respect of its various businesses ensure that the Bank is not transacting with such high risk customers.

Each Branch Manager shall establish procedures to decline to do business with or discontinue relationships with any customer when the Bank cannot adequately complete necessary Enhanced Due Diligence or when the information received is deemed to have a significant adverse impact on reputational risk.

### 3.4 Simplified measures to verify the identity of the customers

Simplified measures are applied for verifying the identity of customers, the following documents  
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- shall be deemed to be officially valid documents:
  - 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;
  - Letter issued by a gazette officer, with a duly attested photograph of the person;

The simplified measures is applicable to low risk category customers.

### Aadhaar and Pan Card

It would be sufficient to obtain any of the documents mentioned above for low risk category customers.

#### 4. CFT Policy

Our CFT policy included in AML policy which is a set of measures designed to prevent terrorism financing by proper Customer due diligence while Opening of the account, cross checking UN sanction list, Monitoring Transactions, reporting suspicious transaction, and providing training to the staffs. The overall objective is to ensure that the financial system is not used to finance terrorism and to protect the public from the threat of terrorism.

##### 4.1 Assessment of Risk and Procedure

Risk assessment is a critical component of a Pratap banks AML/CFT policy and typically involves the following steps:

1. Identification of risk factors: This involves identifying the key risk factors that may indicate the potential for terrorism financing, such as the customer's business sector, geography, source of funds, and transaction patterns.
2. Mitigation of risk: Based on the results of the risk assessment, the bank will take appropriate measure to mitigate the risks of terrorism financing. These measures may include enhanced due diligence, transaction monitoring, and reporting of suspicious activity.

##### 4.2 Risk Assessment Procedure in CFT POLICY

1. Identification of risk: This involves identifying the types of risk associated with terrorism financing, such as money laundering, fraud, and other criminal activities.
2. Monitoring and review: The risk assessment process is regularly reviewed and updated to ensure that it remains effective and relevant.
3. Reporting: The results of the risk assessment is reported to senior management and relevant stakeholders to ensure that they are aware of the risks and the measures taken to manage them.





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Report	Description	Due Date
CTR	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.	15th day of the succeeding month
	All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month	
CCR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions	
NTR	All transactions involving receipts by non-profit organizations of value more than Rs. Ten lakhs or, its equivalent in foreign currency	Not later than seven working days on being satisfied that the transaction is suspicious.
STR	All suspicious transactions whether or not made in cash	

## 5. RECORDS RETENTION

Each business process shall document and implement appropriate procedures to retain records of KYC due diligence and anti-money laundering measures. The business process shall implement, at a minimum, the following procedures for retaining records:

- Transactions for which records need to be maintained:**
  - All cash transactions of the value of more than Rs. 10 lakhs or its equivalent where such series of transactions have taken place within a month and the monthly aggregate exceeds rupees ten lakhs.
  - All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.
  - All suspicious transactions whether or not made in cash.
- Information to be preserved:**



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The information required to be preserved with respect to the above transactions are the nature of transactions, amount, date of transaction and the parties to the transaction.

### c. Periodicity of retention:

The following records shall be retained for a minimum period of seven years after the related account is closed:

- The customer identification information and residence identification information including the documentary evidence thereof
- All other necessary records pertaining to the transactions that could be produced as evidence for prosecution of persons involved in criminal activity

Further, a description of the methods used to verify customer identity as well as a description of the resolution of any discrepancies in verification shall be maintained for a period of at least Seven years after such record was created.

The above records shall be made available to the competent authorities upon request.

## 6. RISK CATEGORISATION

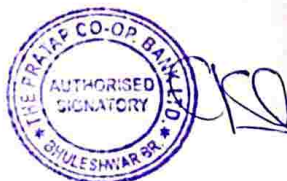
The Bank shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorization and due diligence of customers will be carried out on-going basis with respect to the Bank in relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.

The Bank shall have a system in place for periodical updation of customer identification data after the account is opened. The periodicity of such updation shall be not less than once in ten years in case of low risk category customers and not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high risk category customers.

All the customers under different product categories are categorized into low, medium and high risk based on their profile.

## 7. MONITORING OF TRANSACTIONS

The Bank caters to various segments of customers, the retail segment loans where the monthly payment is through ECS, PDC or ACH on the due dates agreed with the customer during the acquisition / disbursal process. In case of frequent defaults and subsequent payment in cash, these





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accounts can be flagged off on the system as low, medium or high risk.

### 8. RISK MANAGEMENT

Branch Manager from time to time will carry on the necessary quality checks to ensure that the KYC policies and Procedures are adhered to from time to time.

The Branch Manager shall also from time to time also update the Chief Executive Officer any lapses if identified during the customer acquisition process as a part of the risk policy.

### 9. Applicability to branches

#### Appointment of Designated Director / Principal Officer

The Chief Executive Officer, will be the designated authority who is responsible for ensuring overall compliance as required under PMLA Act and the Rules.

Balasaheb Uttam Varkhade is designated as Principal Officer who shall be responsible for furnishing of information to FIU-IND.

### 10. COUNTERFEIT CURRENCY REPORT (CCR)

A separate Counterfeit Currency Report should be filed for each incident of detection of Counterfeit Indian currency. If the detected counterfeit currency notes can be segregated on the basis of tendering person, a separate CCR should be filed for each such incident. These transactions should be reported to Director, Financial Intelligence Unit, India by the 15<sup>th</sup> day of the succeeding month. In the event any fake or counterfeit note is detected by branch staff, despite taking all precautions; then it must be noted in a cash register separately. Reporting of the case with full details like name of customer, amount, denomination, and date-must be reported by collections manager to Head Office.

### 11. SOURCING RULES

- Branch Manager shall, at the time of customer acquisition or executing any transaction, verify the record of identity, signature proof and proof of current address or addresses including permanent address of the customer.
- It is necessary that Branch manager verifies the photocopy of the KYC documents with the originals and certifies on the Form, the fact of having verifying the same under his/her signature (Original Seen & Verified – OSV).
- It is necessary to ensure that the identity of the customer / director / partner / authorized



signatory does not match with any entity with known criminal background or with banned entities available on United Nations website. Customer name should be checked against the negative list provided by United Nations Security Council (UNSC).

## 12. ANNEXURES

### ANNEXURE -I

#### Indicative list for Risk Categorisation

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk.

Illustrative examples are:

- 1 Salaried employees whose salary structure is well-defined
- 2 People belonging to lower economic strata of the society whose accounts show small balances and low turnover

#### Medium & High Risk Category

Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Illustrative examples are:

- 1 High Net worth Individuals
- 2 Trust, charities, NGO's and Organization receiving donations
- 3 Companies having close family shareholding or beneficial ownership
- 4 Firms with 'sleeping partners'
- 5 Those with dubious reputation as per public information available
- 6 Accounts of bullion dealers and jewelers

### ANNEXURE-II

#### Customer Identification Requirements

##### Trust/Nominee or Fiduciary Accounts

In the case of any application from trust/nominee or fiduciary accounts, the Bank determines whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If in doubt of the persons behind the customer, the Bank may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. Bank takes reasonable precautions to verify the identity of the





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trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories.

### Accounts of companies and firms

Bank needs to be vigilant against business entities being used by individuals as a 'front' for transactions. Bank should examine the control structure of the entity and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. In the case of a public Bank.

### Client accounts opened by professional intermediaries

Where the transaction is with a professional intermediary who in turn is on behalf of a single client, that client must be identified.

## ANNEXURE-III

### Customer Identification Procedure

#### Features to be verified and documents that may be obtained from customers

#### Documents for proof of identity and address required for Individuals

Any two documents, one address proof, one identify proof, one business proof from all account operators from the Officially Valid Document (OVD) is only allowed. They are:

It is implied that proof of address also follows from the above documents only.

A customer shall not be required to furnish separate proof of current address, if it is different from the address recorded in the OVD. In such cases, a declaration from the customer in application form to be taken indicating the address to which all correspondence will be made.

In case of accounts of proprietorship concerns, it has been decided to lay down criteria for the customer identification procedure for account opening by proprietary concerns. Accordingly, apart from following the extant guidelines on customer identification procedure as applicable to the proprietor, Branch manager should call for and verify the following documents before opening of accounts in the name of a proprietary concern:

- a) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Bank Secretaries of India, Indian Medical Council, Food and Drug



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Control authorities, etc.

- b) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. Registration under udhan udyog.
- c) The 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.
- d) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.

Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

### Documents for Identification and verification of Companies

- a) Certificate of incorporation; b) Memorandum and Articles of Association; c) A resolution from the Board of Directors and power of attorney granted to its managers, officers Or employees to transact on its behalf; and d) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

### Documents for Identification and verification of Partnership firms

- a) Registration certificate; b) Partnership deed; and c) An officially valid document in respect of the person holding an attorney to transact on its behalf.

### Documents for Identification and verification of Trusts and Foundations

- a) Registration certificate; b) Trust deed; and c) An officially valid document in respect of the person holding an attorney to transact on its d) behalf.

### Note:

All the customers namely applicant, co applicants and guarantor shall have valid ID and address proof as prescribed above.

### ANNEXURE-IV

#### Illustrative list of activities which would be construed as suspicious transactions

- Activities not consistent with the customer's business, i.e. accounts with large volume of credits whereas the nature of business does not justify such credits.
- Any attempt to avoid Reporting/Record-keeping Requirements/provides insufficient / suspicious information:
- A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.





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- An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.
  - Certain Employees of the Bank arousing suspicion:
  - An employee whose lavish lifestyle cannot be supported by his or her salary.
  - Negligence of employees/willful blindness is reported repeatedly.
  - Some examples of suspicious activities/transactions to be monitored by the operating staff:
  - Multiple accounts under the same name
  - Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
  - There are reasonable doubts over the real beneficiary.
  - Frequent requests for change of address
  - Consecutive 3 times PDC / Cheque bounce and subsequent payment in cash within 7 days
  - Non individual accounts with cash deposits – More than threshold limit
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This Policy Approved in Board Meeting Date: 05.11.2022

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