



## **Know Your Customer -KYC**

### **Information for Customers intending to open bank accounts with us**

As per the Prevention of Money Laundering Act, 2002 and the rules mentioned therein, every banking company, financial institution and intermediary, as the case may be, are required to, at the time of commencement of an account-based relationship and/or carrying out a financial transaction as specified under regulations, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship.

Accordingly, Reserve Bank of India (RBI) has advised banks to follow the (KYC) 'Know Your Customer guidelines', wherein certain personal information of the account opening prospect or the customer is obtained. Objective of doing so is to enable the Bank to have positive identification of its customers. KYC also ensures making reasonable efforts to determine 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 banks to manage their risks prudently. Objective of the KYC guidelines is to prevent banks being used, intentionally or unintentionally by criminal elements for money laundering.

KYC guidelines of RBI mandate banks to collect three type of documents/proofs from their customers.

They are:

- a) Recent Photograph
- b) Proof of identity
- c) Proof of address

Utkarsh Small Finance Bank Limited's (USFB) KYC procedure is in line with the latest RBI guidelines specifying certain mandatory documents as proof of personal identification and address proof.

Account Opening Form provides the nature of documents required and the procedure to be followed for the opening of a new account. You may also log



on to our website [www.utkarsh.bank](http://www.utkarsh.bank) for such information, which is displayed product wise.

Our Branch officials at the Account Opening Desk / Branch Manager will also be able to provide guidance regarding the different types of documents that are acceptable for opening any new account.

We request your kind co-operation in providing the required documents for opening new accounts to enable us to adhere to the KYC policy.

### **For whom Bank should obtain complete KYC?**

For the purpose of the KYC Policy, a Customer is defined as:

- A person or entity that maintains an account and/or has a business relationship with the Bank;
- One on whose behalf the account is maintained (i.e. the beneficial owner);
- Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law;
- Any person or entity connected with a financial transaction, which can pose significant reputation or other risks to the Bank, say, a wire transfer or issuance of a high value demand draft as a single transaction.

### **Why does the Bank ask you for proof of your identity and address?**

The identification of customer is a very critical process, with a view to protect the customer interests by preventing from fraudsters who may use the name, address and forge signature to undertake benami / illegal business activities, encashment of stolen drafts, cheques, dividend warrants, etc. This also helps to safeguard banks from unwittingly used for the transfer/deposit of funds derived from criminal activity or for financing terrorism.

Identification of customers will also help to control financial frauds, identify money laundering and suspicious activities, and for scrutiny / monitoring of large value cash transactions.



### **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 recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering standards and on Combating Financing of Terrorism and enhanced the KYC standards in line with international benchmarks since India is a member of FATF.

### **Is KYC mandatory?**

Yes.

It is a regulatory and legal requirement.

In terms of the guidelines issued from time to time by the Reserve Bank of India (RBI) on Know Your Customer [KYC] Standards – Anti Money Laundering [AML] Measures, all banks are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures.

The Prevention of the Money Laundering Act, 2002 (PMLA) and Rules made there under 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.

### **Anti-Money Laundering-What you must know?**

Money laundering has become a pertinent problem worldwide threatening the stability of various regions by actively supporting and strengthening terrorist networks and criminal organizations. The links between money laundering, organized crime, drug trafficking and terrorism pose a risk to financial institutions globally.

### **What is Money Laundering and Financial Terrorism?**

Money laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with



it such as drugs /arms trafficking, kidnapping and extortion. Financial Terrorism means financial support to, in any form of terrorism or to those who encourage, plan or engage in terrorism. Money launderers send illicit funds through legal channels in order to conceal their criminal origin while those who finance terrorism transfer funds that may be legal or illegal in such a way as to conceal their source and ultimate use, which is to support Financial Terrorism.

**Once KYC requirements are complied with while opening the account, whether the bank can again ask for KYC compliance from me?**

Yes. To ensure that the latest details of customer identification are available, banks have been instructed from time-to-time by RBI to periodically update the customer identification data based upon the risk category of the customers.

Banks create a customer profile based on details about the customer like social/financial status, nature of business activity, information about his clients' business and their location, the purpose and reason for opening the account, the expected origin of the funds to be used within the relationship and details of occupation/employment, sources of wealth or income, expected monthly remittance, expected monthly withdrawals etc. When the transactions in the account are observed not consistent with the profile, the bank may ask for any additional details / documents as required.

**Periodic Updation of KYC documents as per RBI Guidelines:**

According to the Reserve Bank of India's (RBI's) guidelines on KYC (Know Your Customer) norms, banks are required to periodically update identification data of their customers, including the customer's photograph, proof of identity and proof of address. Updating KYC details regularly also ensures the security of your accounts, to keep your Bank Account compliant with RBI's KYC guidelines. It is necessary for each customer to update the Bank about his/her latest communication details.