

RBI/2005-06/137

UBD.BPD. PCB. Cir.11 /09.161.00/2005-06

August 23, 2005

The Chief Executive Officers of all
Primary (Urban) Co-operative Banks

Dear Sir,

Know Your Customer Guidelines : Anti-Money Laundering Standards-UCBs

Please refer to our circular UBD.PCB.Cir.30/09.161.00/2004-05 dated December 15, 2004 on the above subject. In terms of the above circular, banks were advised to formulate a customer acceptance policy and customer identification procedure to be followed while opening an account. Banks were also advised to categorize the customers into low, medium and high risk according to risk perceived. The 'Know Your Customer' guidelines also require banks to verify the identity and address of the customer through documents listed in Annex II to the circular.

2. Although flexibility in the requirements of documents of identity and proof of address has been provided in the circular mentioned above yet it has been brought to our notice that a large number of persons, especially, those belonging to low income group both in urban and rural areas are not able to produce such documents to satisfy the bank about their identity and address. This would lead to their inability to access the banking services and result in their financial exclusion. Accordingly, it has been decided to further simplify the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credits in all the accounts taken together is not expected to exceed Rs. 1 lakh in a year.

3. In case a person who wants to open an account is not able to produce documents mentioned in Annexure II of RBI circular dated December 15, 2004, banks may open accounts as described in paragraph 2 above, subject to

a) introduction from another account holder who has been subjected to full KYC procedure. The introducer's account with the bank should be at least six month old and should show satisfactory transactions. Photograph of the customer who proposes to open the account and also his address need to be certified by the introducer.

or

b) any other evidence as to the identity and address of the customer to the satisfaction of the bank.

4. While opening accounts as described above, the customer should be made aware that if at any point of time, the balances in all his/her accounts with the bank (taken together) exceeds Rs. 50,000 or total credits in the account exceeds Rs. 1 lakh, no further

transactions will be permitted until the full KYC procedure is completed. In order not to inconvenience the customer, the bank must notify the customer when the balance reaches Rs. 40,000 or the total credit in a year reaches Rs. 80,000 that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account will be stopped when the total balance in all the accounts taken together exceed Rs. 50,000 or the total credits in the accounts exceeds Rs. 1 lakh in a year.

5. In terms of our circular UBD.PCB.Cir.No.6/09.161.00/2005-06 dated August 3, 2005, banks were advised to open accounts with reduced KYC standards in respect of persons affected by floods to enable them to credit the grant received from the Government. These accounts shall also be treated at par with the accounts opened in terms of this circular. However, the maximum balance in such accounts may be permitted as the amount of grant received from the Government or Rs. 50,000 whichever is more and the initial credit of the grant amount shall not be counted towards the total credit.

6. Banks are advised to issue suitable instructions to their branches for immediate implementation in this regard.

Yours faithfully

(A.K.Khound)
Chief General Manager