

Ref: BRANCH CIRCULAR NO: SOI-1A/09/2006

Date: 20.04.2006

From: Director (Ops)

To: All Branch Managers

Re: A comprehensive guidelines on the procedures of

- (i) Know Your Customer (KYC)
- (ii) Due Diligence of Agents/Introducers under DDS
- (iii) Maintenance of records of High Value Customers

Since implementation of KYC procedure in our organization with effect from 15th July, 2004, we have been providing you from time to time the procedural guidelines for meticulous follow up as and when we are being advised by the R.B.I. On the captioned subjects, we have so far issued the following Circulars, letters and Memos addressing either directly to you all or through the concerned Regional Managers:

- a) Branch Circular No. 12/2004, dated 02.07.2004
- b) HO:Dir(Ops):RMR:(10):Spl:2004, dated 24.11.2004
- c) HO:DGM(A):RMR:10:2005, dated 29.03.2005
- d) HO:Dir(Ops):RMR:10-DDS:2005, dated 29.07.2005
- e) HO:Dir(Ops):10:RMR:2005, dated 08.08.2005
- f) Branch Circular No: SOI-IA/04/2006, dated 15.03.2006
- g) Branch Circular No: SOI-IA/06/2006, dated 22.03.2006

For your ready reference, easy and meticulous follow-up, you will find furnished hereunder a complete set of uptodate guidelines comprising of all the clauses and points which were separately explained in the aforesaid circulars/letters/Memos on the subjects under reference.

I) CAPTION: KNOW YOUR CUSTOMER (KYC)

As per R.B.I. directions, we being a Residuary Non-Banking Company are required to obtain proper introduction of all new depositors under caption "KNOW YOUR CUSTOMER (KYC)" before accepting their deposits and to keep them on records. Accordingly, new proposal forms under all Schemes of the Company in vogue were modified and implemented the procedure with effect from 15th July, 2004 (Ref: Branch Circular No. 12/2004, dated 02.07.2004).

- As per procedure, mentioning of any one number of the following identification proofs of the proposed individual depositor on the respective proposal form is a must. Obtaining photocopy of identification proof together with original (for verification and return of original) is also mandatory.

PAN (Permanent Account Number)/GIR, Ration Card, Driving Licence, Voter Identity Card, Bank Passbook, Passport, Electricity Bill, Telephone Bill.

If any of the depositors, especially those belonging to low income group both in urban and rural areas is unable to produce such documents as furnished hereinabove in compliance to KYC procedure, may be allowed to make deposit of new case if they intend to keep balance not exceeding Rs. 50,000/- in all their accounts taking together and the total credit in all accounts is not expected to exceed Rs. 1,00,000/- only in a year subject to:

- (i) If the proposed depositor is introduced by any one of our existing certificate holders who has been subjected to full KYC procedure. Such introducer's (certificate holder) account with our Company should be at least six months old and should be in force at the time of accepting the proposed new deposits. Photograph of the proposed depositor and also his/her address are to be certified by the introducer under his/her full signature with date, duly mentioning of his/her own certificate number and office code. Such certified photograph with address should be kept attached to the respective proposal form.

Or

- ii) if any other original documentary evidence alongwith photocopy of the same as to the identity and address of the proposed depositor to the satisfaction of the Branch authority is produced. Such photocopies are to be verified with those of originals and kept attached the photocopies to the respective proposal forms after due certification, for future verification by Auditor/Inspector. Such depositors are to be made aware that the moment the balance in all their accounts held with the Company (taken together) exceeds Rs. 50,000/- or total credit in their accounts exceeds Rs. 1,00,000/- in a year, no further transaction will be permitted until the full KYC procedure is completed. In order not to inconvenience the depositor, he/she must be notified when the deposit balance reaches at Rs. 40,000/- or total credit in the accounts (taken together) reaches at Rs. 80,000/-, that appropriate documents for conducting the "KYC" must be submitted, failing which the operations in the account(s) will be stopped at the moment when the total balance in all the accounts taken together exceeds Rs. 50,000/- or the total credit in the accounts exceeds Rs. 1,00,000/- in a year. This is applicable to our all existing savings schemes including DDS (Ref: Branch Circular No. SOI-IA/06/2006, dated 22.03.2006).

- Recording of identification numbers of existing high value certificate holders:

Letters have been sent directly from H.O. to all existing high value certificate holders of the Company with the request to inform their any one of the following identification numbers to the concerned Branch Office under caption "KYC" for due noting in the respective electronic ledger record. You will ensure recording of such identification numbers as advised, immediately on receipt of the same from the respective certificate holders and send confirmation to the Regional Manager as and when asked for.

Voter's I.Card, Bank Passbook, Passport, Driving Licence, Ration Card etc.

- Registration Certificate No., Partnership Deed/agreement, TAN, PAN etc. in respect of the Companies, Firms and other bodies.
- Furnishing of name, signature and code number of the introducing Agent on the proposal form (name, signature and designation of the dealing officer of the Company in case of new business booked under Company's direct code).
- Designated Officer (preferably Branch Accountant/Branch Manager)/Staff will be earmarked, to be responsible for checking completeness/correctness of each proposal form in all respect including verification of identification proofs and also correctness of data entries on the verification screen and for authentication of the O.K. cases for acceptance of deposits. (Ref. Branch Circular No. SOI-IA/04/2006, dated 15.03.2006). They will ensure keeping of the certified photocopies of identification proofs attached to the respective proposal forms.

(II) CAPTION : DUE DILIGENCE OF AGENTS/INTRODUCERS UNDER DDS

As per directives of R.B.I. communicated to us through their letter No. RBI/2004-05/320-DNBS (PD) CL. No. 46/02.02 (RNBC)/2004-05, dated 30.12.2004, we have modified the Application Forms for engagement of Agents and Introducers under DDS duly incorporating the provisions for obtaining of their (a) Age proof certificate, (b) proof of educational qualification and (c) Identification proof, such as, copy of PAN Card/Voter's Identity Card/Ration Card/Driving Licence/Passport alongwith each application form in order to maintain the process of due diligence in respect of the Agents/Introducers under DDS as an extension of the KYC procedure.

You have to ensure that photocopies of all the documentary proofs are duly verified with those of the originals by a designated officer and certified as "Verified with Original" under his/her seal and signature. The employee responsible for checking correctness/completeness of the application form will put his/her signature on the face of each application form after thorough verification. He/she will also be responsible for keeping attached all the certified photocopies of documentary proofs to the respective application form for future verification by the Auditor/Inspector.

(III) CAPTION : MAINTENANCE OF RECORD OF HIGH VALUE CUSTOMERS

In order to monitor transaction of a suspicious nature, R.B.I. has directed us to maintain a separate computerized record Register at all Branches for keeping transaction records of such depositors having deposited/withdrawn Rs. 10 lakhs and more against one Endowment Certificate under our F.D. or R.D. Schemes. In case of F.D., depositors falling under the said category can be easily identified at the time of accepting deposits. But in case of R.D., the moment the accumulated deposit amount of a particular certificate account reaches the benchmark of Rs. 10 lakhs, details of such transactions are to be recorded in the said separate Register.

One set of distinct photocopies of the respective proposal forms alongwith supporting documents of such depositors are also to be maintained in a separate file at the Branch and one set of such documents to be sent to H.O. in order to make them readily available before the regulatory and investigating authority, when demanded. The records of such transactions should be retained for at least 10 years after the transactions have taken place. (Ref. Branch Circular No. 12/2004, dated 02.07.2004).

IV) IMPLICATIONS FOR NON-OBSERVANCE

According to R.B.I. Circular, all the operating and management staff, authorized to check the proposal forms for acceptance of deposits and application forms for engagement of DDS Agents/Introducers, should be fully aware of the implication and understand the need for strict adherence to the aforesaid norms. All the aforesaid guidelines of Reserve Bank of India were issued under the Prevention of Money Laundering Act 2002. Money laundering poses a serious threat not only to Indian financial system but also to the integrity and sovereignty. Therefore, non-compliance of

the aforesaid guidelines/instructions will attract penalties which may include imprisonment and fine under provision of relevant RBI Act.

To have a close monitoring by the Regional Managers as well as H.O. Executives on strict compliance of the aforesaid procedures, all Branch Managers are hereby advised to send a monthly compliance report to their respective Regional Managers positively by 2nd of the following month in format 'A' as shown hereunder to enable the Regional Managers to submit their Branch-wise consolidated report to H.O. in format 'B' as shown hereunder, by 7th of the following month. This is mandatory.

FORMAT- 'A'

MONTHLY COMPLIANCE REPORT ON 'KYC' & DUE DILIGENCE

Report for the month of : _____

To: RM/ARMRegion | From :Branch
Unit

Whether KYC norm has been strictly complied with in the month	Whether Due diligence norm in respect of DDS Agents/ Introducers has been strictly complied with	Whether any high value customer is found in this month and transaction recorded separately	If Yes, No. of Customer	Documents sent to H.O. on
Yes/No	Yes/No	Yes/No		

Date:

Signature of Branch Manager

FORMAT-'B'
MONTHLY COMPLIANCE REPORT ON 'KYC' & DUE DILIGENCE

Branch-wise Compliance report for the month of

Region, Unit

Name of Branches	KYC norms maintained. (Write Yes or No)	Due diligence norm in respect of DDS Agents/ Introducers maintained. (Write Yes or No)	Transaction Records of high value customers maintained. (Write Yes or No)	If Yes No. of customers	Documents sent to H.O. on

Signature of RM/ARM/AM-CD I/C, Blr.

All Regional Managers are also hereby requested to ensure strict follow up of obtaining compliance reports from their Branches and submit the consolidated report to H.O. as per above-said schedule.

(B Lahiri)
Director (Ops)

Cc: Managing Director
Cc: President (Fin)
Cc: Gr. Corp. Coordinator
Cc: All General Managers
Cc: All Dy. General Managers
Cc: All Chief Managers
Cc: All Regional Managers/Asst. Regional Manager (W-II)/AM-CD Incharge, Blr.
Cc: Sri S. Bhaumik, Member, SOI Implementation Forum