

# Regulatory Issues & Importance of KYC

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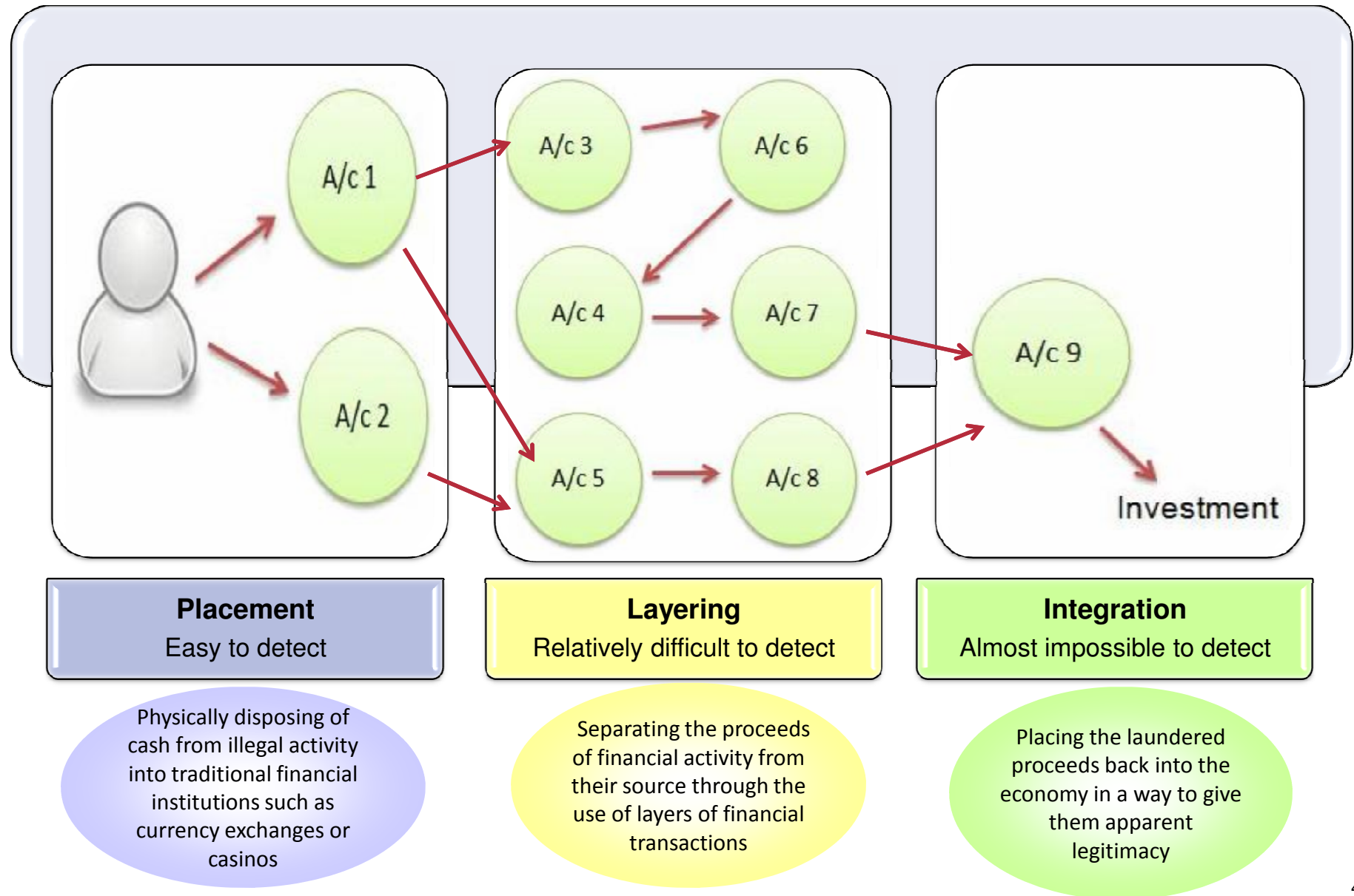
- Risk-based Due Diligence & Program Quality
- Gaps between the Customer information required to achieve satisfactory KYC and the information available within the system
- Technology Based Solutions
- Changing Dynamics
- Innovation In KYC

# Universal formula for CIR : CIAAPIAO

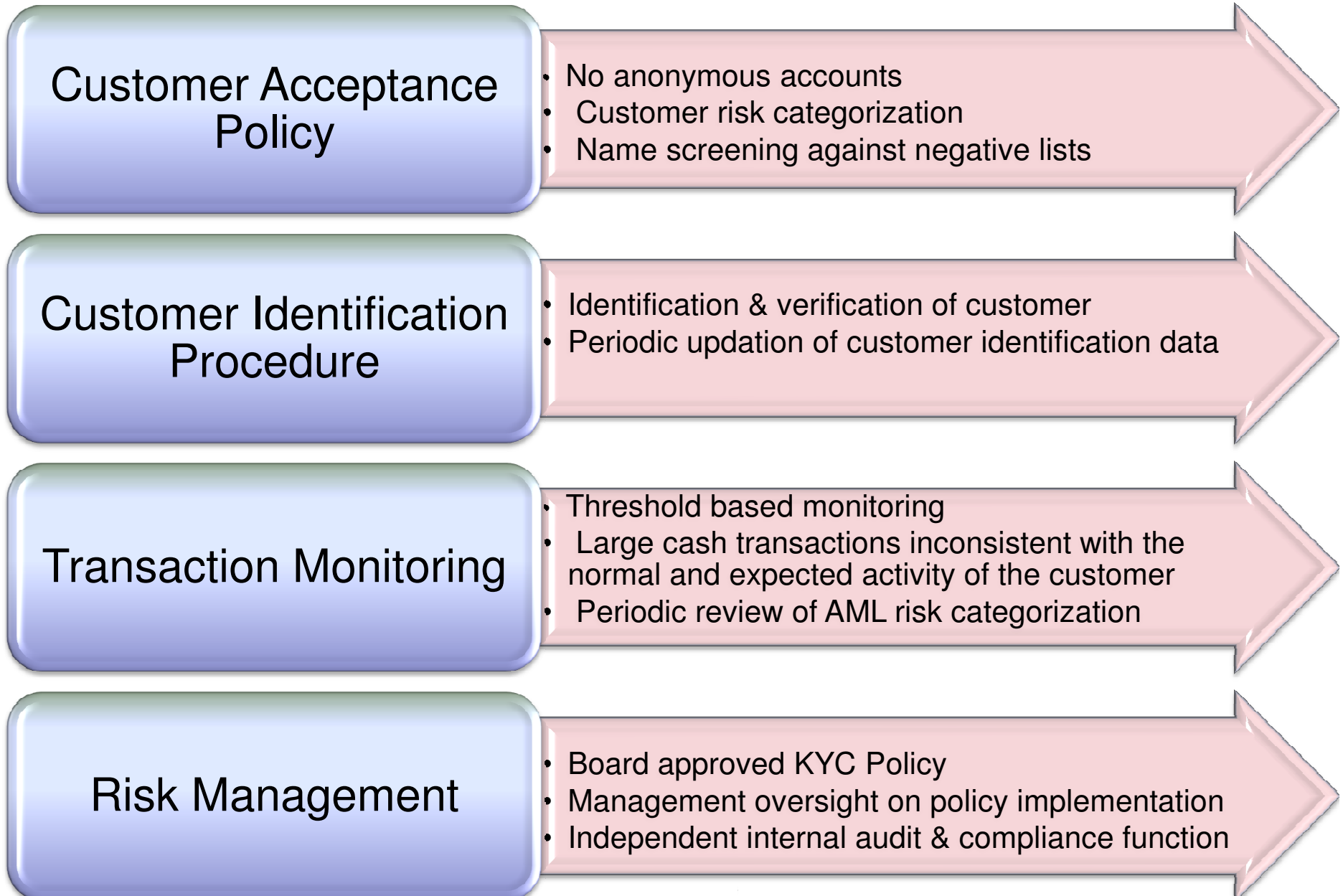


C	• Constitution
I	• Identity of Entity
A	• Address of Entity
A	• Authorization for the account
P	• Photograph of authorized signatories
I	• Identity of the authorized signatories
A	• Address of the authorized signatories
O	• Ownership and Control Structure

# Program Quality & Approach



# Key Elements of Quality Program



'Know your customer' means that the **true identity** of customer is known before a banking relationship is established

KYC needs to be done by asking additional **customer information** and obtaining **documents as approved** under the KYC policy

## Critical Steps :

- Need to verify the **Identity** of **all applicants**
- Verify **originals of all Documents** being provided
- Knowing the place of **Existence**
- Rationale for **Starting** the relationship and **History**
- **Where** and **How** information is **Captured & Mapped**



## Customer Information

- ✓ All customers should be met in person
- ✓ Understand why customer wants to buy our product
- ✓ Know your customer and his business
- ✓ Check if he/ she is:
  - a public figure?
  - b close relatives?
- ✓ Know the source of funds
- ✓ Know the legitimacy of transactions
- ✓ Know the pattern of account activity



What do you really  
know about your  
customers?

- **Multi Level Marketing (MLM) firms:** MLM Companies are misused for defrauding public by luring them into depositing their money with the MLM company by promising a high return.

Such depositors are assured of high returns and issued post-dated cheques for interest and repayment of principal.

This results in fraud on the public and is a reputational risk for bank concerned. MLM firms fall under the restricted segment.

- **Money Mules:** “Money Mules” could be used to launder the proceeds of fraud schemes (e.g., phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties to act as “money mules”.

In some cases these third parties may be innocent while in others they may be having complicity with the criminals.



# Innovation in KYC

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Few big steps

- Unique Customer Identification Code
- eKYC
- Centralized Repository
- Standardization across the country across financial institutions

# Question & Answer Session

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