



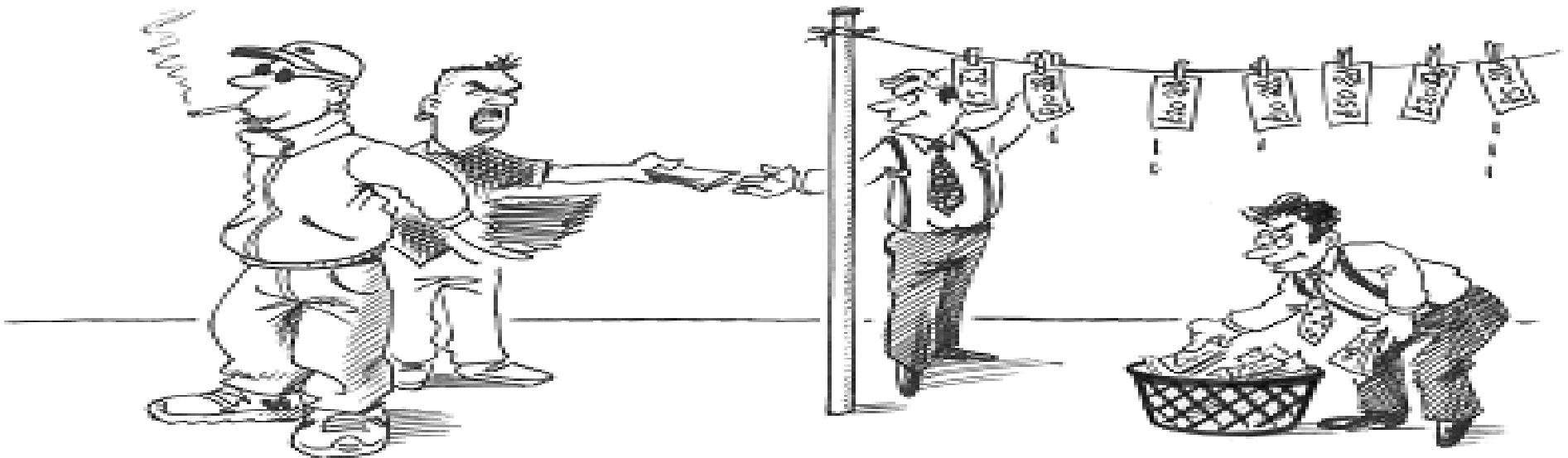
Kyc & Anti Money Laundering

By CA Govind Batra



Introduction – Anti Money Laundering

- Money is key support → criminal activities → Banks are more vulnerable
- Banks to maintain → High Legal, Professional and ethical standards
- Technological Advanced systems → provide wider scope for concealing criminal money → Easy mobility



Global Attention - Money Laundering And its Impact on Banks

- ✓ *European Union Bank of Antigua (1997)*
- ✓ *Riggs Bank of USA*
- ✓ *Bank of Credit and Commerce International*
- ✓ *Equatorial Guinean Funds*



“Money Laundering – A Global Problem”

Money Laundering – Some Methods

Steps in Money Laundering :-

- ❖ **Placement** - Physically placing bulk cash proceeds
- ❖ **Layering** - Separating the proceeds of criminal activity from their origins, through layers of complex financial transactions.
- ❖ **Integration** - Providing an apparently legitimate explanation for the illicit proceeds



Methods for Money Laundering

- **Shell Companies** → Fake companies → Exist only on paper → just meant to create legitimate appearance
- **Front Companies** → Large volume of business → involved in Cash Dealing like Bank, brokerage firms etc.
- **Offshore Banking** → Regulatory controls are few, with tax benefits & secrecy protection Ex. Switzerland, Hong Kong etc
- **Structuring** → keeping cut-off limit lower than fixed for reporting
- **Hawala System** → Undocumented deposits, Withdrawals and Transfers → No paper trail → transferred via Hawala Network

Other Few Techniques commonly used all over the world for Money Laundering

- Deposit Structuring/Smurfing
- Cash Deposits followed by Telegraphic Transfers
- Connected Accounts
- Collection Accounts
- Bank Drafts and Similar Instruments
- Back-to-Back Loans
- Bureaux De Change
- Remittance Services
- Credit and Debit Cards
- International Trade/Trade Finance
- The Gold and Diamond Markets
- Misuse of Non Profit Organisations (NPOs) And Charities



❖ The Financial Action Task Force (FATF) On AML and Anti-Terrorist Financing (ATF)

- Established at G-7 summit , Paris, 1989
- 40 recommendations on Money laundering , 9 special recommendations on terrorist financing.
- **Objectives of Recommendations**
- Uncover Money Laundering Techniques → Introduce Counter Measures
- Harmonise Anti-money laundering Policies at International Level

❖ AML Measures in India

UN General Assembly → Special session in 1998 → came up to adopt national money laundering legislation → PML bill came to force

Provisions

- Attachment of 'illegally' acquired property
- Acquisition of tainted money kept outside the country
- Extradition of the accused
- Mandating banks to assist tax enforcement authorities





Definition



PMLA 2002 defines the offence of Money Laundering as :-

‘Engaging directly or indirectly in a transaction that involves property, that is proceeds of crime (or) derived from proceeds of crime (or) knowingly **Receiving**, **Possessing**, **Concealing**, **Disguising** , **Transpiring** , **Converting** , **Disposing off** within the territories of India , removing from or bringing into the territory of India the property that is **proceeds of Crime.**’



- Proceeds of Crime
- Transfer of Money
- Washing ‘Dirty’ Money



RBI – Guidelines



- RBI has notified rules prescribing the procedure and manner of maintaining ,reporting information by banks & financial institutions **u/s 12 & 15 of PMLA & sec 51 A of UAPA.**

The guidelines in brief are as follows :

- ❖ Banks should maintain records of -

- All cash transactions of the value of more than Rs 10 lakhs;
- All the series of cash transactions integrally connected to each other that have been valued below Rs 10 lakhs , where such series of transactions have taken place within a month. Except individual transaction below 50000
- All transactions involving receipts by non-profit organisations of value more than Rs 10 lakhs;
- All transactions involving receipts by non- profit organisations of value more than Rs 10 lakhs or its equivalent in foreign currency;
- All cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine, and where any forgery of valuable security has taken place;
- All suspicious transactions, whether or not made in cash.

- Records to be retained for a period of 10 yrs form the date of transaction between the bank and client .
- Record to be maintained in tight security and also to be capable of quickly retrieved.
- An independent evaluation of the bank's KYC guidelines and their implementation → by bank's concurrent/internal auditors.
- Designated list forwarded by RBI under UN security Council Resolution 1267 and UAPA in e-form to be maintained, updated and run for check on given parameters on regular basis for verification.
- The order received u/s 51 A of the UAPA for freezing of assets held should be effected without prior notice to designated individuals/entities.



e) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules

Explanation - Integrally connected cash transactions referred to at (b) above

The following transactions have taken place in a branch during the month of April 2008:

Date	Mode	Dr (in Rs.)	Cr (in Rs.)	Balance (in Rs.) BF - 8,00,000.00
02/04/2008	Cash	5,00,000.00	3,00,000.00	6,00,000.00
07/04/2008	Cash	40,000.00	2,00,000.00	7,60,000.00
08/04/2008	Cash	4,70,000.00	1,00,000.00	3,90,000.00
Monthly summation		10,10,000.00	6,00,000.00	



As per the Chart for Explanation we get the clarification that -

- 1) The Debit transactions because total cash debits during the calendar month exceeds Rs. 10 Lakhs. However , the bank should report only the debit transaction taken place on 02/04 & 08/04/2008. The debit transaction dated 07/04/2008 should not be separately reported by the bank , which less than 50,000/-.
- 2) All the credit transaction in the above example would not be treated as integrally connected, as the sum total of the credit transactions during the month does not exceed Rs. 10 Lakhs and hence credit transaction dated 02, 07 & 08/04/2008 should not be reported by banks.



Reporting Obligation Under PML Act

- Vide RBI circular, Banks are required to make following reports to the FIUIND

1) Cash Transaction Reporting (CTR)

- Cash Transaction → more than rupees Ten Lakhs or equivalent foreign currency
- Report to be submitted on monthly basis by 15th of succeeding month.
- FIU-IND has provided an excel based utility at its website www.fiuindia.gov.in for generation of CTR in electronic format.



2) Counterfeit Currency Reporting (CCR)

- Required to be filed not later than 7 days from the date of occurrence of such transaction in prescribed format
- Should also include transactions where forgery of valuable security or documents has taken place & reported in plain Text.

3) Suspicious Transaction Report (STR)

- Should be furnished within 7 days of judging that suspicious transaction.
- The Grounds of suspicion should be accurate, complete , express fully “Why” the transaction is unusual , unjustified, does not have economic rationale or bonafide purpose.



Role of Principal Officer



- ✓ Bank to appoint a Senior management officer designated as Principal Officer → Located at head/corporate office → Responsible for monitoring and reporting of all transactions and sharing all information under law → Maintain close liaison with enforcement agencies , banks → combating financing for terrorism.
- ✓ Ensuring Overall Compliances → timely submission of CTR,STR & reporting counterfeit notes, receipt by Non-profit organisations of values Rupees Ten Lakhs or its equivalent in foreign currency to FIU-IND.
- ✓ The Principal Officer & Staff should timely access to customer identification data and other CDD information, transaction, other records and relevant Data.

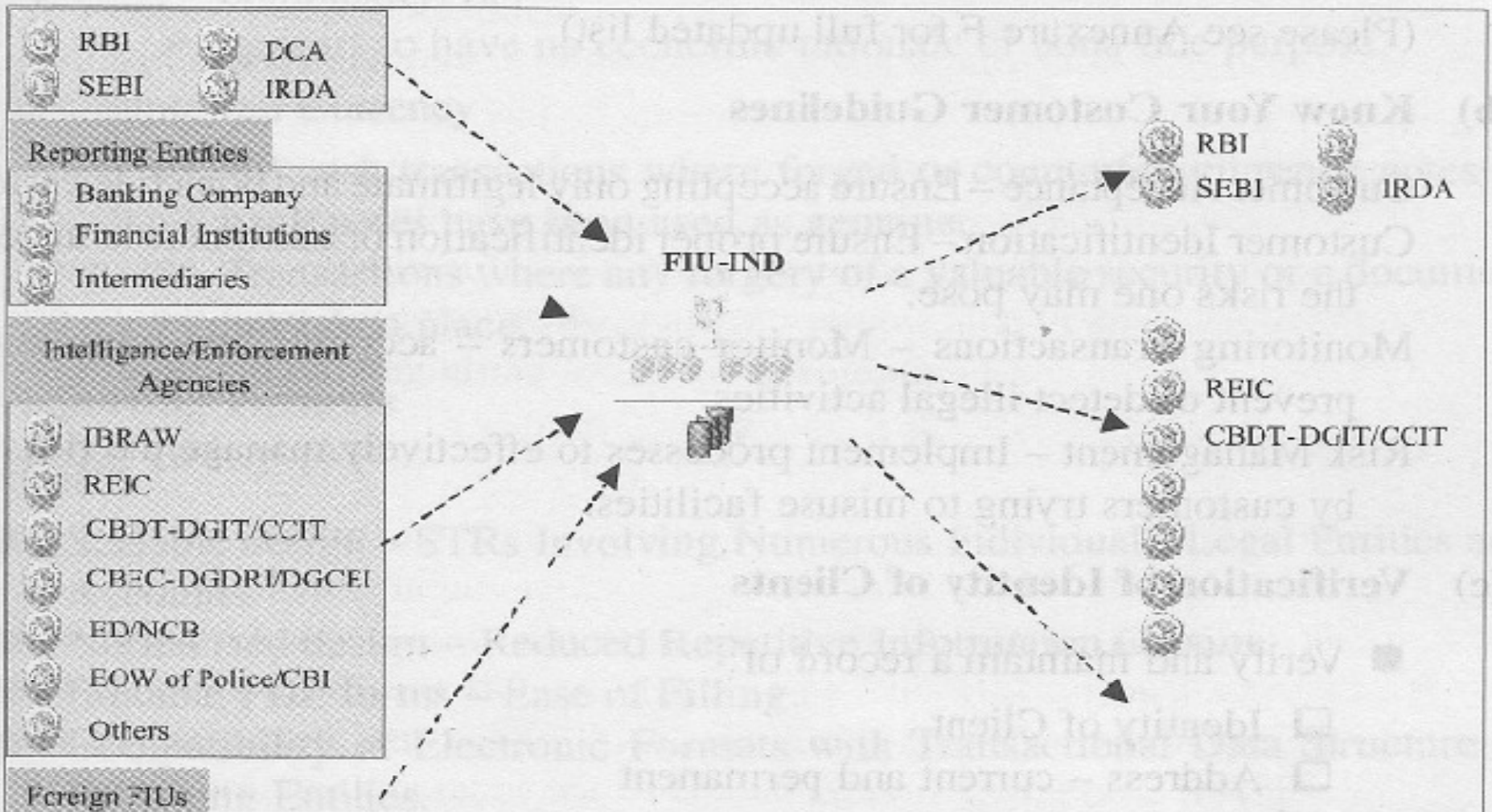
Core functions of FIU-IND

- *Collection of Information*
- *Analysis of Information*
- *Sharing of Information*
- *Act as Central Repository*
- *Coordination*
- *Research & Analysis*



Framework of FIU-IND

Framework





IBA Working Group (Indian Bank's Association)

→ Placed several recommendations relating to AML policy, KYC guidelines, threshold etc.

→ Tools Requirements

- 1) Screen transactions → evolve threshold limits in each customer a/c
- 2) Maintain records of customer profiles, transactions with adequate security and accessibility.
- 3) Audit of all compliance programmes of bank like AML policies & processes , identification & rectification etc.
- 4) Enable submission of CTRs , CCRs, STRs to FIU-IND.

→ Software Packages → many software packages evolving → For Eg. 'Bank Alerts' software for fraud & AML fraud detection.

→ Human Resources → should be quick, smart & proactive → good training programmes on AML & KYC → comprehensive procedural guidelines.

OFFLINE ALERT INDICATORS PROVIDED BY IBA STUDY FOR DETECTION OF SUSPICIOUS TRANSACTIONS AT BRANCHES

Sl. No.	Alert Indicator	Indicative Rule / Scenario
1	CV1.1-Customer left without opening account	Customer did not open account after being informed about KYC requirement
2	CV2.1- Customer offered false or forged identification documents	Customer gives false identification documents or documents that appears to be counterfeited, altered or inaccurate.
3	WL2.2- Identity documents are not verifiable	Identity documents presented are not verifiable, i.e. foreign documents etc.
4	CV3.1- Address found to be non existent	Address provided by the customer is found to be non existent.
5	CV3.2- Address found to be wrong	Customer not staying at address provided during account opening
6	CV4.2- Difficult to identify beneficial owner	Customer uses complex legal structures or where it is difficult to identify the feneficial owner.

Sl. No.	Alert Indicator	Indicative Rule / Scenario
7	LQ1.1- Customer is being investigated for criminal offences	Customer has been the subject of enquiry from any law enforcement agency relating to criminal offences.
8	LQ2.1- Customer is being investigated TF offences	Customer has been the subject of enquiry from any law enforcement agency relating to TF or terrorist activities.
9	MR1.1- Adverse media report about criminal activities of customer	Match the customer details with persons reported in local media / open source for criminal offences.
10	MR2.1- Adverse media report about TF or terrorist activities of customer	Match the customer details with persons reported in local media / open source for terrorism or terrorist financing related activities.
11	EI1.1- Customer did not complete transaction	Customer did not complete transaction after queries such source of funds etc.
12	EI2.1- Customer is nervous	Customer is hurried or nervous
13	EI2.2- Customer is over cautious	Customer over cautious in explaining genuineness of the transaction.

Sl. No.	Alert Indicator	Indicative Rule / Scenario
14	EI2.3- Customer provides inconsistent information	<p>Customer changes the information provided after more detailed information is required.</p> <p>Customer provides information that seems minimal, possibly false or inconsistent.</p>
15	EI3.1- Customer acting on behalf of a third party	<p>Customer has vogue knowledge about amount of money involved in the transaction.</p> <p>Customer taking instructions for conducting transactions.</p>
16	EI3.2- Multiple customers working as a group	Multiple customers arrive together but pretend to ignore each other
17	EI4.1- Customer avoiding nearer branches	Customer travels unexplained distances to conduct transactions.
18	EI4.2- Customer offers different identifications on different occasions	Customer offers different identifications on different occasions with an apparent attempt to avoid linkage of multiple transactions.
19	EI4.3- Customer wants to avoid reporting	Customer makes enquiries or tries to convince staff to avoid reporting.

Sl. No.	Alert Indicator	Indicative Rule / Scenario
20	EI4.4- Customer could not explain source of funds	Customer could not explain source of funds satisfactorily.
21	EI5.1- Transaction is unnecessarily complex	Transaction is unnecessarily complex for its stated purpose.
22	EI5.2- Transaction has no economic rationale	The amount or frequency or the stated reason of the transaction does not make sense for the particular customer.
23	EI5.3- Transaction inconsistent with business	Transaction involving movement of which is inconsistent with the customer's business.
24	EI6.1- Unapproved inward remittance in NPO	Foreign remittance received by NPO not approved by FCRA.
25	PC1.1- Complaint received from public	Complaint received from public for abuse of account for committing fraud etc.
26	BA1.1- Alert raised by agent	Alert raised by agents about suspicion.
27	BA1.2- Alert raised by other institution	Alert raised by other institutions, subsidiaries or business associates including cross-border referrals.



KYC



KNOW YOUR CUSTOMER

OBJECTIVES OF KYC



- Weed out the undesirable customers → protect the good ones.
- Banks to Focus on → Business , Good customer relationship → knowing more about client needs & preferences.
- KYC processes to Ensure → Banking operations are safe and clean → help bank personnel to conduct business, with comfort and confidence.

“ IT IS BASIC PRINCIPLE IN BANKING ”



RBI's Approach and Objectives



- ❖ Prevent Banks → from Criminal elements of money laundering activities.
- ❖ Help bank know their customer and their financial transaction better → managing Risks prudently.
- ❖ KYC policies to be laid down → Corporate level → followed by units/branches
- ❖ RBI expects all banks to have → comprehensive key policies → to be mentioned in key areas → ensuring implementation.

Definition of Customer



- Maintains an account → Or has business relationship with 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, and
- One who is connected with a financial transaction which can pose significant reputational or other risks to the bank, say → issue of a high value demand draft as a single transaction.

KYC Policy Key Elements

- *Customer Acceptance Policy;*
- *Customer Identification Procedures;*
- *Monitoring of Transactions; and*
- *Risk Management.*





Customer Acceptance Policy (CAP)

- A) Bank should lay down explicit criteria for acceptance of customers.
 - i) No account is opened in anonymous or fictitious/benami name.
 - ii) Parameters of risk perception should be clearly defined → to enable categorization of customers into low, medium and high risk.
 - iii) Documentation requirements and other information to be collected.
 - iv) Not to open an account or close an existing account where bank → unable to apply appropriate customer due diligence measures.

- v) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with necessary law.
 - vi) Necessary checks before opening a new account → to ensure identity of the customer does not belong from criminal, banned ,terrorist etc.
- B) Banks/FI's should take steps to identify and assess ML/TF risk for their customers, countries and geographical areas → adopting a risk-based approach.
- C) CAP and its “ IMPLEMENTATION ” → must not result in denial of banking services to general public, especially to financially or socially disadvantaged.



Customer Identification Procedure (CIP)

- a) The policy approved by the Board of banks should clearly spell out the Customer Identification Procedure to be carried out at different stages.
- b) Ensuring customer do not have multiple identities within bank → introducing UCIC (unique customer Identification Code)
- c) Customers who are 'natural persons' → verifying the identity of customer properly → photo, address proofs etc.
- d) Introduce a system of periodical updation of customer identification data (including photograph/s)

High risk Customers

Full KYC in atleast two years

Medium Risk Customers

Full KYC in atleast eight years

Low Risk customers

Full KYC in atleast ten years



Customer Due Diligence

Trust But Verify

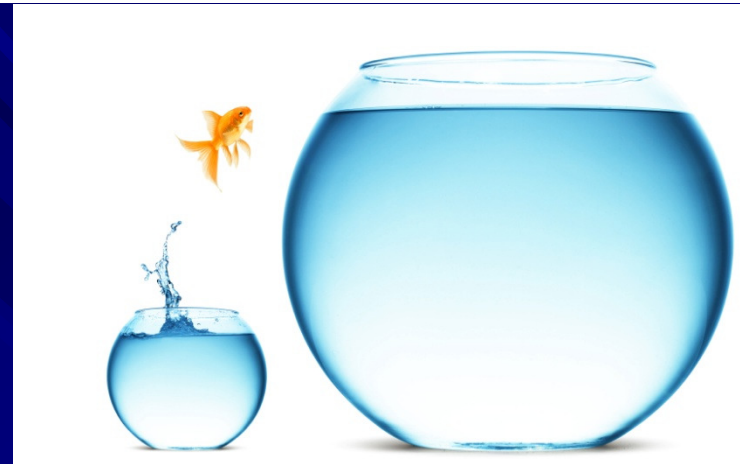
- As per Rule 9 (1A) of the PML Rules, the main focus is to identify the identity the beneficial owner of every entity and accordingly the CDD i.e. Customer due diligence level is decided.
 - **Types of CDD -**
 - 1) Basic Due Diligence → Collection & verification of ID , Address Proof etc in case of low risk customers.
 - 2) Simplified Due Diligence → to establish identity of customer → less stringent than basic in case small deposit customers.\
 - 3) Enhanced Due Diligence → Additional due diligence measures over basic
- When Bank is unable to apply Due Diligence Measures bank must not establish business relationship or carry out any banking transaction with customer → whether to report to FIU-IND should be considered.



Monitoring of Transactions

- The policy and procedures should clearly help parameterising the type and size of normal and abnormal transactions in customer account.
- Special attention on Complex, unusually large transaction.
- Should ensure that there is no 'structuring' i.e. manipulation in size of transaction.
- Transaction that involve large cash amount inconsistent with customer's normal activity.
- Verifying high account turnover inconsistent with the balance maintained or income declared → illegal fund washing.
- High Risk account subject to intensified monitoring.
- Record to be maintained for transaction involving 10 lakhs and above.
- Developing internal monitoring system to report suspicious transaction.
- Risk categorisation should be reviewed periodically at least once in 6 months.

Risk Management



- Proper management oversight, systems and controls, segregation of duties ,training → for effective KYC programme and implementation.
- Devising procedure for creating risk profiles of customers → applying various anti money laundering measures.
- Bank's Compliance and internal audit departments → important role in evaluating and ensuring adherence to KYC policies.
- KYC compliance to be put to the Bank's boards periodically.
- Threats in the New technology Products → IT enabled AML efforts

Customer Risk Categorisation



- Risk associated with particular customer from Bank's perspective.
- Vide RBI's master circular on KYC, Bank requires to categorize customers into Low, Medium & High risk categories
- The Guidelines further requires the Bank to carry out a review of risk categorisation of customers at the periodicity of not less than once in six months
- Examples of :- High Risk Categories customer are
 - 1) NRI
 - 2) HNI
 - 3) Trust
 - 4) Charity
 - 5) NGOs
 - 6) Co's with closed shareholding structure
 - 7) Firm with sleeping Partner
 - 8) PEF
 - 9) Non Face to Face customer etc
- Transaction monitoring Process Linked according to CRC – Higher the risk , more the monitoring – Lower the risk , Lower the monitoring .



Customer Identification Requirements –Indicative Guidelines for →



- Walk in Customers → Non account holder → transactions equal to or more than Rs. 50,000/- (one or several linked) → customer's identity and address should be verified → suspicious cases → filing STR to FIU-IND
- Salaried Employees → banks to rely on certificates/letters of identity and/or address issued from corporate & other entities → also bank to insist on one officially valid document as per PMLA (PAN, passport etc.) or utility bills for KYC purposes.
- Trust/Nominee or Fiduciary Accounts → can be used to circumvent the customer identification procedures → banks to insist on receipt of satisfactory evidence of the identity of intermediaries, person on whose behalf they are acting, nature of trust etc. → verify trustees, beneficiaries, grantors, protectors, settlors → In case of foundation → founder members/directors, beneficiaries

- **Accounts of companies and firms** → Chances of Business entity used by individuals → examine the control structure of Entity, determine source of fund & identify natural person in control and mgmt. → these things to be moderated according to risk perception
- **Client accounts opened by professional intermediaries** → Client a/c opened by professional intermediaries → 'pooled accounts' on behalf of entities like mutual funds , pension funds etc. → co-mingles accounts → banks to look through beneficial owner → if relied on CDD (customer due diligence) report of other supervising authority but responsibility of KYC requirement lies on bank.
- **Accounts of Politically Exposed Persons (PEPs) resident outside India** → PEPs – politically exposed persons who are entrusted with prominent public functions in foreign country e.g. Head of States or Govt., senior politician etc. → Bank to check & verify those person's public domain available → account opening to be dealt at senior level → existing customer or beneficiary becoming PEP → obtain senior mgmt. approval → Appropriate risk management procedure .

- **Accounts of non face-to-face customers** → increasing telephone and electronic banking → customer does not visit bank → apart from usual identification procedure → Certification of all the documents presented to be insisted → First payment to be insisted from another bank which, in turn, adheres to similar KYC standards → cross border customers → rely on third party certification/introduction → should be regulated by adequate KYC system.
- **Accounts of proprietary concerns** → with usual customer identification procedure banks should call for and verify –
Proof of the name, address and activity of the concern like registration certificate (in case of registered concern) , certificates/ license , ITR , CST/VAT certificate , License issued by the registering authority like Certificate of Practice issued by ICAI , ICSI , Indian Medical Council etc. → Banks may also accept IEC (Importer Export Code) issued by DGFT → utility bills such as electricity , water and landline telephone bills in the name of proprietary concern



KYC For Small Deposit Account

RBI vide its circular no DBOD.NO.AML.BC.28/14.01.001/2005-06 dtd. 23 Aug '05 has simplified KYC procedure for opening accounts for low income group --Intended for customers not maintaining Balance above Rs. 50,000/- in all accounts taken together and credit in all accounts not expected to exceed Rs. 1,00,000/-. Bank can open account to the above after following conditions -

1) Introduction from another account holder who has been subjected to full KYC procedure. The Introducer's account should be more than 6 months old → Photograph of Customer who proposes to open account to be certified by introducer.

Or

2) Any other Evidence to establish the identity and address of the customer to the satisfaction of Bank.

- ✓ Customer should be aware of his account limits.
- ✓ Bank to notify the customer about the reach of prescribed balance levels of customer account → Proper documents to be submitted.



Customer Identification Requirements

–Indicative Guidelines →



- Introduction not mandatory for opening accounts
- Acceptance of Aadhaar Letter / e-KYC service(online aadhaar authentication) of UIDAI for KYC purposes
- Acceptance of NREGA job card as KYC for normal accounts
- Shifting of bank accounts to another centre – Proof of Address
- Opening of of SB a/c of SHG and credit linking
- Bank account of foreign students studying in INDIA
- Student of Pakistan Nationality needs permission of RBI

Prerequisite for an Introducer



- The Introducer must know the applicant.
- Introduction by an account holder at the same bank is ideal
- The Introducer must be responsible person , and acceptable to branch
- Desirable that Introducer should have operated his/her account satisfactorily , before introduction of customer
- Introduction of account showing adverse features should not be accepted
- Introducer should have been introduced properly when he opened account
- Preferable to obtain introducer's signature in person under concerned officer
- If not then signature to be verified carefully; can even visit introducer's place or obtain a letter in reply to confirmation of introduction.
- When Introducer is same bank's a/c holder then → signature to be attested with bank records of the introducer
- Oral introduction not acceptable.
- Desirable if Branch official informally talks about the new applicant to the introducer



Safeguards →

- ✓ If Telephone number furnished → to be called at infrequent intervals and the respondent identified.
- ✓ Verify antecedents of the prospective customer in normal course.
- ✓ A letter of thanks may be sent → checking whether delivered to the correct person.
- ✓ In case Applicant has furnished employee ID card, letter from Employer etc. → confirmation to employer can be asked directly.
- ✓ Not possible to visit all applicant's residence → random calls to medium – high risk category customer.

Photographs →

- ✓ Opening New account → 2 passport size photograph of each applicant , photograph of 'Pardanashin' women depositor to be obtained
- ✓ To be affixed on account opening form → part of signature , thumb impression on the photo and rest on form → presence of Officer
- ✓ Round rubber stamp of bank to be affixed on part of photo and form

New Accounts :-

- ✓ May be affixed with 'New account' stamp → Installing alerts in System
- ✓ All operations in all such new accounts subjected to scrutiny.
- ✓ Attention of Branch manager/Deputy manager may be drawn while passing cheques for stipulated amt. in the new account.
- ✓ Transaction of Large amount in newly opened → With Alertness
- ✓ Strict Compliances of KYC to be ensured by officer concerned.
- ✓ ***Precautions may be taken when cheques, drafts, refund order , dividend and interest warrants bearing a date prior to the opening of the account are to be collected. In such cases, the genuine ownership of such instruments may be ascertained. Where large amount /cross border collections are involved, the branch may try to refer to the drawer of the cheques/drafts.***
- ✓ Deposit of other instruments in newly opened accounts to be checked –
 - A new account receives credit of small amount → withdrawal of Large amount to be studied with Extra Care
 - Caution in case of Large value transaction
 - A/c payee cheque not to be accepted in account other than named payee

Cash Transactions :-

- ✓ Deposits and Withdrawals of Rs 10 Lakhs and above, needs monitoring .
- ✓ In case of 'Suspicious transaction' discuss with customer ask explanation
- ✓ A separate register to record the details of cash deposit/withdrawal above 10 Lakhs to be maintained
- ✓ Relevant information to be reported → to controlling office → fortnightly
- ✓ In case of no suspicious transaction → Submit **NIL** report statement .
- ✓ Controlling Office may quickly scrutinize and look for major irregularity
- ✓ Register to be available to inspecting officials of bank & RBI
- ✓ Sizeable cash transaction not necessary to be for money laundering → Proper study to be of the size, frequency ,source , nature etc. to be done

Non-Profit Organisations:-

- ✓ Monitor transaction involving receipts by non-profit organisations of value more than Rs 10 lakhs or its equivalent
- ✓ A banker who knows his/her customer is quite likely to recognize activities not in tune with customer's profile.

NRI Accounts – Monitoring

- ✓ The dealing officials should be fully conversant with the provisions of the foreign Exchange Management Act, 1999 (FEMA) relating to the opening and operations of an NRI account.
- ✓ Proper KYC process should precede the opening accounts
- ✓ Before opening the account, it should be ensured that the applicant is not in any 'violators' list or in organisation banned by RBI
- ✓ When the account is opened at a foreign location, it should be done by accredited office.
- ✓ Copies of documents like passport ,visas, social security number and employment documents when sent to the Indian branch should be properly authenticated by the branch abroad.
- ✓ Foreign currency notes should not be accepted for deposit to the account except when tendered by the non resident itself.
- ✓ The branch personnel should invite Non resident to branch whenever in India.
- ✓ The bank should seek information on large/too frequent transaction in NRI accounts.

Identification Parameters



Transaction not consistent with the customer's usual business some

Examples –

- Frequent cash deposits/withdrawal in corporate accounts. Excessive cash transactions.
- Corporate accounts where deposits/withdrawals are made by various modes from/to apparently unconnected sources/destination
- Applications in cash for DD/TT/PO etc.

Incomplete/non-disclosure of data by customer

- Customer's reluctance to provide information needed for a mandatory reporting.
- Customer declining to proceed with a transaction when informed of the need to report such transaction.
- Attempts to cajole/coerce bank staff from not reporting.
- Refusal to furnish financial when required.

Unusual Activities

- Size, volume & Frequency of transaction not in line with recorded customer/transaction profile
- Zigzag Pattern of transaction
- Funds received from countries with a known history of money laundering.
- Frequent large deposits of cash, with the currency sections bearing labels of different banks.

Suspicious Fund Transfer activities

- Sending/receiving large amounts of cross-border remittance, frequently.
- Receiving large DD/wire transfers from various centers ; remitting the pooled amount to a different account/centre on the same day, leaving minimum balance in the account.
- Remittances to/from offshore institutions.
- Wiring cash proceeds of a deposit account to another country, without changing the currency.



Bank employee behavioural styles arousing suspicion

- Lavish Style
- Avoidance of long leave/vacation
- Repeated negligence in the observance of rules
- Depositing money on behalf of customers , frequently.

- Some Measures that banks can adopt are:
 - 1) **Employee Discipline** - Employees should not discuss bank procedures and policies with customers

 - 2) **Confidentiality of Circulars** – Internal circulars on frauds should be extremely confidential and employees should avoid furnishing full details to any customer.





Important points to Note –

- Unexpected changes in the pattern of transaction within long established accounts may reveal valuable information → monitoring of bank accounts necessary.
- Further enquiries of the customer might be made to verify suspicion
- In the case Study the account executive had made the following intelligent moves :-
 - Noticing the new pattern of cash deposit
 - Noticing the use of several proximate branches
 - Understanding that import of second-hand electrical goods from South Africa to the UK looked a bit incongruous
 - Enquiry through a polite customer service offer
 - Reporting the transaction when he had a doubt



