

Know your customer

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KNOW YOUR CUSTOMER (KYC) NORMS / ANTI-MONEY LAUNDERING (AML) STANDARDS (RECENT UPDATES) Shell Bank: Shell Bank is a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group. Shell banks are not permitted to operate in India. Banks should refuse to enter into a correspondent relationship with a 'shell bank' Money mules: " Money mules" can 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. In a money mule transaction, an individual with a bank account is recruited to receive cheque deposits or wire transfers and then transfer these funds to accounts held on behalf of another person or to other individuals, minus a certain commission payment. Money mules may be recruited by a variety of methods, including spam e-mails, advertisements on genuine recruitment web sites, social networking sites, instant messaging and advertisements in newspapers. When caught, these money mules often have their bank accounts suspended, causing inconvenience and potential financial loss, apart from facing likely legal action for being part of a fraud. Many a times the address and contact details of such mules are found to be fake or not up to date, making it difficult for enforcement agencies to locate the account holder. RBI has advised banks to strictly adhere to the guidelines on Know Your Customer (KYC) norms / Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT) in order to protect themselves and their customers from misuse by such fraudsters. Small

Accounts: 'Small account' means a savings account in a banking company where (i) the aggregate of all credits in a financial year does not exceed rupees one lakh; (ii) the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and (iii) the balance at any point of time does not exceed rupees fifty thousand. The GOI (Ministry of Finance) also expanded the definition of 'officially valid document' for opening 'small accounts' to include job card issued by NREGA duly signed by an officer of the State Government or the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.