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CUSTOMER IDENTIFICATION REQUIREMENTS AND PROCEDURES OF THE COASTAL URBAN COOPERATIVE BANK IN KOLLAM DISTRICT, KERALA

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Abstract:

This paper presents the Customer Identification Requirements and Procedures of The Coastal Urban Co-operative Bank in Kollam district, Kerala. Firstly, to describe briefly the steps of Customer Identification Requirements such as, Trust/Nominee/Fiduciary Accounts, Accounts of firms and companies, Customer account opened by professional intermediaries, Accounts of Politically Exposed persons (PEPs) resident outside India, Accounts of non-face-to-face customers and Correspondent Banking. Secondly, to list out briefly the Customer Identification Procedures such as, the features to be proved and documents that can be gained from customers. The current study is helpful and indicative guidelines to the employees of The Coastal Urban Co-operative Bank in Kollam District, Kerala.

Key Words: Fiduciary Accounts, Professional Intermediaries, Politically Exposed Persons, Correspondent Banking & Accounts of Foundations.

1. Introduction:

The Coastal Urban Co-operative Bank, a bank with a variance developed for the poor fisherman of inshore and coastal line of Kollam was founded by Sri. Raphael. J. Rodriguez (Ex-MLA, Travancore – Cochin Government) in '1950. It was under Banking Regulation Act in 1956 and obtained RBI license. This bank was established with the task of supporting the customers of the fisherman community in their economic schemes such as to attract saving and to make funds for financial contribution to eligible customers. The Coastal Urban Co-operative Bank has completed 68 years of its magnificent presence for increasing the network of business in to through 8 branches and head office. To cater more to our customers, the bank provides a full-fledged scale of service surpassing the nationalised and scheduled bank with new generation banking facility like core-banking, CTS, RTGS, NEFT, etc. Another mile stone of The Coastal Urban Co-operative Bank is on the verge of introducing ATM RuPay Card, Mobile Banking, E-banking and securing IFS code for our customers. Different loan schemes tailor made to suit the need of various customers have been launched by the Bank. The Coastal Urban Co-operative Bank is the only Urban Cooperative Bank in Kerala much advantaged to give abundant micro-finance loans to marginalized division of people to increase their faith and confidence in Kollam Taluk.

The field of operation of The Coastal Urban Cooperative Bank for following branch wise manner:

- ✓ The Coastal Urban Co-operative Bank - Main Branch.
- ✓ The Coastal Urban Co-operative Bank - Thangassery Branch.
- ✓ The Coastal Urban Co-operative Bank - Eravipuram Branch.
- ✓ The Coastal Urban Co-operative Bank - Sakthikulangara Branch.
- ✓ The Coastal Urban Co-operative Bank - Kadavoor Branch.
- ✓ The Coastal Urban Co-operative Bank - Pullichira Branch.
- ✓ The Coastal Urban Co-operative Bank - Anchalummoodu Branch.
- ✓ The Coastal Urban Co-operative Bank - Ramankulangara Branch.

That means the field of operations are in Kollam Taluk, Kollam Corporation, Paravur Municipal Town, Mayyanad, Trikkadavoor, Trikkaruva, Panayam, Perinad, Perayam, Kundara and Trikkovilvattam. And some of the areas in Karunagappally Taluk also, they are; Neendakara, Chavara, Thekkumbhagam and Panmana. The Customer Identification Requirements and Procedures must be helpful to the banking employees of The Coastal Urban Co-operative Bank. They are listed below:

2. Customer Identification Requirements:

Trust/Nominee or Fiduciary Accounts:

There lies the opportunity that trust/nominee or fiduciary accounts may be used to evade the Customer Identification Procedures. The Coastal Urban Co-operative Bank and its branches shall decide whether the customer is stand-in on behalf of additional person as trustee/nominee or any additional intermediary. If so, banks can assert on of reasonable proof of the identity of the mediators and of the persons on whose behalf they are stand-in, as similarly attain aspects of the nature of the trust or additional arrangements in place. While opening an account for a trust, banks shall take sensible defences to prove the identity of the trustees and the letters of trust, beneficiaries, defenders, signatories and grantors. Beneficiary must be identified when they are well-defined. In the case of a 'foundation steps' must be ensured to prove the founder managers and the beneficiaries, if defined.

Accounts of Companies and Firms:

The Coastal Urban Co-operative Bank (CUCB) and its branches must to be alert against business entities being used by individuals as a 'front' for keeping accounts with banks. The CUCB and its branches shall validate the control structure of the entity and define the source of funds and understand the natural persons who have a monitoring interest and who consists the board. These specifications can be mediated following the risk level. E.g. In the case of a public company it will not be needed to identify all the shareholders.

Customer Account Opened by Professional Intermediaries:

When The Coastal Urban Co-operative Bank has a cause to assume that the customer account opened by a professional intermediary is on behalf of a single customer, that customer must be identified. The Coastal Urban Co-operative Bank and its branches can hold 'pooled' accounts controlled by professional intermediaries on behalf of entities like mutual funds or other types of funds, pension funds. And it also maintain 'pooled' accounts managed by chartered accountants /lawyers /stockbrokers for funds kept 'on deposit' or 'in escrow' for a range of customers. Where funds held by the intermediaries are not co-mingled at the bank and there are 'sub-accounts' each of them attributable to a beneficial owner, all the beneficial owners must be recognized. Where, such funds are co-mingled at the bank. The Coastal Urban Co-operative Bank should examine to the beneficial owners. Where the Coastal Urban Cooperative Bank and its branches depend on tie 'customer due diligence' done by an intermediary, they shall satisfy themselves that the intermediary is controlled and looked over and has sufficient systems in place to comply with the KYC requirements. It shall be understood that the vital duty for knowing the customer lies with The Coastal Urban Co-operative Bank.

Accounts of Politically Exposed Persons (PEPs) Resident outside India:

Politically Exposed Persons are individuals who have been endowed with prominent public responsibilities in a foreign country. E.g. Heads of States or Governments, senior government/ military /judicial officers, senior politicians, senior executives of state-owned corporations, important political party officials, etc. The Coastal Urban Co-operative Bank and its branches shall collect adequate information on any customer/person of this group seeking to develop a connection and check the information available on the person in the public sphere. Banks should verity the identity of the person and seek information about the sources of funds before accepting the Politically Exposed Person (PEP) as a customer. The decision to open an account for PEP shall be taken at a Banks shall also subject such accounts to advanced monitoring on an on-going basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

Accounts of Non-Face-to-Face Customers:

With the introduction of telephone and electronic banking, more and more accounts are being opened by banks for customers without the need for the customer to visit The Coastal Urban Co-operative Bank (CUCB) and its branches. In the case of non-face-to-face customers, apart from applying the common customer identification procedures to alleviate the higher risk involved. Certification of all the forms presented may be insisted upon and if needed, further documents may be called for. In such cases, banks may also need the first payment to be achieved through the customer's account with another bank which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the other trouble of matching the customer with the documentation and the bank may have to depend on third party. Is a regulated and supervised entity and has suitable KYC schemes in place.

Correspondent Banking:

Correspondent banking is the facility of banking services by one bank to another bank. These facilities may include cash/funds management, interactional wire transfers, drawing arrangements for cheques clearing, payable-through-accounts, demand drafts and mail transfers, etc. In The Coastal Urban Co-operative Bank (CUCB) and its branches shall obtain adequate information' to know completely the nature of the business of the respondent/ correspondent bank. Information on the other bank's management, major business purposes, level of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) compliance, purpose of opening the account, Identity of any third party entities that will use the correspondent banking facilities and regulatory/supervisor framework. In the respondent's/correspondent's country may be of special importance. Likewise, banks shall try to ascertain from publicly available in formation whether the other bank has been subject to any money laundering or terrorist financing investigation or regulatory action. While it is required that such connections shall be established only with the recognition of the Board, in ease the Boards of some banks wish to delegate the power to an administrative authority, they may delegate the power to a committee headed by the Chairman of the bank while laying down dear parameters for approving such connections. Proposal approved by the committee should invariably be put up to the Board at its next meeting for post facto approval. The accountabilities of each bank with whom correspondent banking connection is recognized shall be clearly documented. In the case of payable through accounts, the correspondent bank shall be satisfied that the respondent bank has proved the identity of the customers having straight access to the accounts and is undertaking on-going 'due diligence' on them. The correspondent bank shall also make sure that the respondent bank is capable to deliver the relevant customer identification data immediately on demand. The Coastal Urban Cooperative Bank (CUCB) and its branches should be extremely cautious while continuing connections with respondent banks placed in Kerala with poor KYC standards and state identified as 'non-cooperative' in the battle against money laundering and terrorist financing. Banks shall make sure that their respondent banks have anti-money laundering policies and procedures in place and apply advanced 'due diligence' actions for transactions brought out through the correspondent accounts.

3. Customer Identification Procedure:

Features to be Confirmed and Documents that May be Gained from Customers:

S.No	Features	Documents
1	Accounts of individuals legal name and any other names used	(i) Passport, (ii) PAN Card, (iii) Voter's Identity Card, (iv) Driving Licence, (v) Letter from a standard public authority or public servant proving the identity and residence of the customer to the satisfaction of The Coastal Urban Cooperative Bank (CUCB) , (vi) Job Card issued by NREGA duly signed by an officer of the State Government, (vii) The letter issued by the UIDAI or documents gained through e-KYC service of UIDAI containing details of name, address and aadhar number.
2	Correct permanent address	(i) Telephone bill, (ii) Bank account statement, (iii) Letter from some recognized public authority, (iv) Electricity bill, (v) Ration card, (vi) Letter from employer (subject to satisfaction of the bank).
3	Accounts of companies: Name of the company, Principal place of business, Mailing address of the company, Telephone/Fax Number.	(i) Certificate of incorporation and Memorandum & Articles of Association, (ii) Resolution of the Board of Directors to open an account and ID card of those who have authority to activate the account, (iii) Power of attorney granted to its managers, officers or employees to transact business on its behalf. (iv) Copy of PAN allotment letter, (v) Copy of the telephone bill.
4	Accounts of partnership companies: Legal name, Address, Name of all partners and their address, Telephone/ Numbers of the firm and partners.	(i) Registration certificate; if registered, (ii) Partnership deed, (iii) Power of attorney granted to a partner or an employee of the firm to transact business on its behalf, (iv) Any officially valid documents identifying the partners and the persons holding the power of attorney and their addresses, (v) Telephone bills in the name of firm/partners.
5	Accounts of trusts & foundations: Names of trustees, Settlers beneficiaries and signatories, Names and address of the founder, the manager/ directors and the beneficiaries, Telephone/Fax number.	(i) Certificate of registration, (ii) Power of attorney granted to transact business on its behalf, (iii) Any officially valid documents to identity the trustees, settlers, beneficiaries and those holding power of attorney, founders/managers/directors and their address, (iv) Resolution of the managing body of the foundation, (v) Telephone bill.

4. Conclusion:

In The Coastal Urban Co-operative Bank, didn't vary the customer identification requirements and procedures. Further some changes in future, it will make in the Directives of RBI from time to time. The present paper concludes the detailed discussion for the steps for customer identification requirements and the features to be verified & documents that may be gathered from customers. Finally, this paper concludes the helpfulness and revealing guidelines to the employees of The Coastal Urban Co-operative Bank in Kollam district of Kerala state.

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