



SyndicateBank

ANTI-MONEY LAUNDERING POLICY

INTERNATIONAL DIVISION

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**ANTI-MONEY
LAUNDERING POLICY**

A guide to the prevention of money laundering-2004

SYNDICATEBANK

International Division, Mumbai

SYNDICATEBANK

Anti-Money Laundering Policy Statement

To our valued Correspondent Banks:

SyndicateBank, a leading Public Sector Bank in India has great culture and highest order of regulatory compliance. It has systems to comply with established laws and regulations in order to protect the good name and reputation, reduce the likelihood of becoming a victim of fraud or illegal activity and ensure safe and sound business practices for our customers.

In keeping with our Mission, Values and Policy, we strictly observe laws of the Land and refuse to aid those who attempt to evade them.

We are committed to assisting our Correspondent Banks in the prevention of money laundering and the purpose of this Handbook is to furnish broad frame work of Anti-Money Laundering Policy of our Bank that:

- ◆ Creates an understanding of what money laundering is and how to detect suspicious transactions / activities and deter money launderers from using our institution to move illegal funds
- ◆ Helps you appreciate anti-money laundering laws and regulations in force in our Bank
- ◆ Makes you aware of our responsibilities in complying with the regulations

This policy should serve our interest in ensuring compliance with the local as well as International Laws on "Money laundering" besides providing awareness and comfort to our correspondents on our ability and willingness to respect the international laws and address common concerns.

We thank you for your co-operation,

With regards



(D. C. Pai)
GENERAL MANAGER

Syndicate Bank Anti-Money Laundering Policy

November 1, 2004

CONTENTS

I	INTRODUCTION	5
1)	DEFINITION	5
a)	PLACEMENT	5
b)	LAYERING	5
c)	INTEGRATION	6
II	NEED FOR THE POLICY	6
III	KNOW YOUR CUSTOMER (KYC) GUIDELINES	7
IV	CEILING AND MONITORING OF CASH TRANSACTIONS.....	9
V	RISK MANAGEMENT & MONITORING PROCEDURE	9
1.	INTERNAL CONTROL SYSTEM.....	9
2.	TERRORIST FINANCE	10
3.	INTERNAL AUDIT / INSPECTION	10
4.	IDENTIFICATION &REPORTING OF SUSPICIOUS TRANSACTIONS	10
5.	ADHERENCE TO FCRA -1976	10
VI	RECORD KEEPING	11
VII	TRAINING OF STAFF AND MANAGEMENT	11
VIII	ASSESSMENT REVIEW	11
IX	MONEY LAUNDERING REPORTING OFFICER [MLRO].....	12

COMPREHENSIVE POLICY OF SYNDICATEBANK ON ANTI MONEY LAUNDERING

I INTRODUCTION :-

Money Laundering is involvement in any transaction or series of transactions that seeks to conceal or disguise the nature or source of proceeds derived from illegal activities including drug trafficking, armed robbery, tax evasion, smuggling, prostitution, terrorism, arms dealing, fraud, forgery and counterfeiting, bribery and corruption.

Money laundering is a major threat to financial institutions and the economic stability of entire countries. Governments worldwide have introduced legislation to prevent it, including specific money laundering offenses and legally imposed requirements on institutions operating in their jurisdictions.

Money laundering is the world's third largest business.

1. Definition:

Money laundering can be defined as conversion of illegal money into apparently legal money. Illegal money is the resultant of a criminal activity.

The term money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of proceeds of criminal activities thereby avoiding prosecution and conviction. In other words, the dirty money derived by unlawful activities finds its way into the banking system enabling the source/origin to be a legitimate one.

The money laundering process consists of three stages viz.

a. Placement

For criminals this is the most vulnerable step in the 'washing' cycle. This is the physical placement of the criminally derived funds into the financial system

b. Layering:

It is the process whereby money received in the Banking system is transferred among several Banks.

The purpose of layering is to disassociate the illegal monies from the source and perpetrator of the crime by purposely creating a complex web of financial transactions aimed at concealing any audit trail

c. **Integration**

The stage at which the money is integrated into the legitimate economic and financial system and is assimilated with all the other assets in the system. At this stage it becomes virtually impossible to distinguish between 'respectable' and 'dirty' money

II - **NEED FOR A POLICY :-**

There is growing concern among the international community about the problem of money laundering and potential terrorist financing around the world. Many countries of the world are enacting and strengthening their laws and regulations to stop the money laundering activity. The Anti-money laundering policy specifies statutory duties for credit institutions and other business establishments. The compliance with these duties is intent to supplement the law enforcement authorities' activities, to detect proceeds derived from serious crimes and help to effectively prevent money laundering, terrorist financing, and recycling of illegally obtained money.

The purpose of this policy is to establish the general frame work for the fight against money laundering, terrorism, financial crimes and corruption,

SyndicateBank's objective in eliminating money laundering is an on going basis one and it maintains effective anti money laundering programmes for the bank business.

Syndicate Bank is committed to high standards of anti money laundering compliance. Management as well as employees have adhered to high standards in preventing the use of bank's products and services for money laundering purpose.

The following are the systems and procedures followed in SyndicateBank to protect the bank from being used for money laundering.

- To adhere to the internationally accepted "Know Your Customer" (KYC) policies and procedures in the day to day business.
- To take appropriate action, once suspicious activity is detected, and makes report to designated authorities in accordance with applicable law/ laid down procedures.
- To comply with applicable laws as well as norms adopted internationally by banks and financial institutions as per the recommendations of Financial Action Task Force (FATF)on money laundering.

III - KNOW YOUR CUSTOMER (KYC) GUIDELINES :-

"KYC" is the platform on which the banking system operates to avoid shortcomings in operational, legal and reputation risks to the Institution and the consequential losses by scrupulously following various procedures laid down for opening & conduct of accounts.

The "KYC" guidelines are as follows and they help the institution from using the banking channel for illegal financial activities:

- to detect suspicious activity in a timely manner,
- to promote compliance with all banking laws,
- to promote safe and sound banking practices,
- to eliminate the risk that the bank will be used for illicit activities,
- to reduce the risk of government seizure and forfeiture of a client's loan collateral when the customer is involved in criminal activity,
- to protect the Bank's reputation,
- to minimise frauds,
- to obtain protection under Section 131 of Negotiable Instruments Act,1881,
- to check misappropriations,
- to weed out undesirable customers,
- to avoid opening of accounts with fictitious names and addresses,
- to monitor transactions of suspicious nature.

In line with the Know Your Customer(KYC) guidelines accepted as anti-money laundering measure, a proper introduction of the new customer, a profile on the account is made as part of the account opening procedures. The profile should be prepared by the official opening the account based on data furnished/collected through a structured way.

1. Establishment of true identity of the customers while entering into a business relationship with individual customers, corporate and other legal entities.

Obtaining introductory reference from an existing account holder/ a person known to the Bank or on the basis of document provided by the customer viz. pass port, driving licence, etc shall make the customer identification.

For counter proof of address of the account holder, the electricity bill, telephone bill, ration card, voters' cards may be accepted.

When an existing customer introduces the account, a letter has to be addressed to the customer for expressing thanks for introduction and request for the confirmation of his introduction of new customer.

The execution of documents is to be completed at the branch premises and in the presence of authorised officials and those documents should not be allowed to be taken out for completion of any formalities or for execution.

Wherever it is absolutely necessary to make a exception to the above rule, branches must depute an officer to get documents executed in his presence and place it on record accordingly.

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2. Bank obtains customer profile while entering into relationship which will provide important information like customer's source of funds, customer's source of income and assets and the nature and extent of customer's expected use of the Bank's products and services (transaction profile).

The documents obtained at the time of opening of the accounts help to establish the identity of the person opening the account, but would not be sufficient to prepare a profile of expected activities in the account. To achieve the purpose, the following additional details should be collected while opening the account.

- i) Details of employment e.g. designation, job specifications, name and address of the employer, length of service etc.
- ii) Details of business, vocation or profession, business turnover expected in the account, sources of funds, nature of business activity.
- iii) Details of income and annual income.
- iv) Details of assets owned, such as house, vehicle, etc.
- v) Other personal details such as qualification, marital status, etc.

The profile would give an idea as to the nature and volume of transactions/ activities to expect in the account as assessed/ envisaged at the time of opening of an account. If the transactions are in variance with the profile of the client is noticed, the account holder should be contacted for further details to the satisfaction of the Bank.

The profiles so obtained are updated periodically depending upon the changes observed in the transactions in the customers' account.

3. Bank obtains photographs of all the new clientele while opening of accounts.

At the time of opening of all new deposit accounts, two-passport size photograph of each depositors including that of the mandate holder/ Power of Attorney holder, if any, should invariably be obtained. The obtaining of photographs is applicable uniformly to all categories of depositors both resident and non- residents, individuals, joint account holders, firms, institutions, trusts, associations, clubs, limited companies etc;

Recent Photographs should be obtained at the time of opening of accounts only and it should be affixed to the account opening form firmly and the depositor should sign it across.

4. Branch manager or officer of the unit of the bank should visit the place of the newly opened account holders in case he has doubts as to the address furnished in the account opening form by the new clientele.
5. The opening of new account should be authorised only by the branch manager and in his absence by the officer in-charge of the branch.
6. The operations in the new accounts shall be under watch for the first six months.

Necessary precautions should be taken when cheque / draft / dividend/refund order/ interest warrants bearing a date of issue prior to the opening of the Account are presented by the account holder for credit of new account. In such cases, the bona-fides of ownership of such instruments should be got satisfied.

While accepting such instruments for collection, the relevant information such as purpose towards which it was received by the account holder, whether he has any previous bank account, and if so, the necessity of opening this account, etc should be gathered.

Caution should be exercised whenever cheques / drafts, for large value, are presented for collection in a newly opened account(s) immediately / within short period of the opening date thereof. This shall be applied in case of inward remittance by way of TTs, & other transactions.

Any instruments for large amount received for collection in the account should put the branch on extra care. Inquiries should be made with the account holders as to the nature of transaction and sources of receipt of such payments.

IV - CEILING AND MONITORING OF CASH TRANSACTIONS :-

1. Travellers cheques, Demand drafts, Mail transfer and Telegraphic transfers for Rs. 50,000/= (approx USD.1100/-) and above are issued only by debit to customer's accounts or against cheques and not against cash. Further, applicants for the above transactions for amount exceeding Rs. 50,000/= are required to affix permanent Income Tax Account Number (PAN).

As per the "KYC", the identity of the customer is to be established and for issue of Demand Drafts etc. for Rs. 50,000/= and above is by debit to account of the purchaser/remitter.

2. SyndicateBank keeps a close watch on cash withdrawals and deposits of Rs. one Million and above in Deposit, Cash Credit or Overdraft accounts and maintains details of these large transactions in a separate register besides keeping the concerned records.
3. SyndicateBank put in place a system for reporting of all cash deposits and withdrawals of Rs. one Million and above as well as transactions of suspicious nature with full details on fortnightly basis to the Controlling Offices. The Controlling Offices shall apprise the Inspection Department, Head Office regarding transactions of suspicious nature.

V - RISK MANAGEMENT & MONITORING PROCEDURE :-

1. **Internal control system:**

SyndicateBank, Inspection Department, H.O. Manipal is the nodal department for monitoring Anti Money Laundering issues like review of transactions of suspicious nature and verifying compliance of guidelines in this regard. The Controlling Offices are ensuring strict compliance of all guidelines relating to Anti Money Laundering policy and also compliance of KYC guidelines in respect of existing and prospective deposit accounts.

2. **Terrorism Finance :**

The Bank has put in place a system for circulating the list of terrorist entities notified by the Government of India/Reserve Bank of India advising its units to exercise caution if any transaction is detected in respect of such entities. The units of Bank have been advised to keep such list in proper custody and verify the same in order to determine whether a person/organization involved in a prospective or existing business relationship appears on such a list.

3. **Internal Audit/Inspection:**

The concurrent auditors are scrutinising the transactions with special reference to Anti Money Laundering issues and provide report and comments regularly on

- a. Effectiveness of the measures taken by the branch regarding adoption of KYC norms.
- b. Effectiveness of the steps taken towards prevention of money laundering.
- c. Evaluation and comments on the controls at the units of bank for identifying high value transactions.
- d. Confirm that the transactions related to foreign exchange conducted by the unit are bonafide and are as per the internal guidelines/instructions issued by the Bank vis-à-vis FEMA provisions of Reserve Bank of India.

4. **Identification and reporting of suspicious transactions :**

Branches and Controlling Offices shall ensure reporting of transactions of suspicious nature to the appropriate law enforcement authorities designated under the relevant laws governing such activities and also to the Head Office. The Inspection Department shall place these sensitive matters before the Audit Committee of the Board on a quarterly basis.

5. **Adherence to Foreign Contribution Regulation Act (FCRA) 1976:**

Guidelines are already in place to the units of the bank advising them to open accounts or collect cheques in favour of organizations which are registered under the Act with Ministry of Home Affairs, Government of India and obtaining a certificate to this effect from the organization. Bank units are maintaining a separate account for this purpose and exercise extra caution while dealing with such accounts.

Units have also been advised to exercise due care to ensure compliance and desist from opening accounts in the name of banned organizations and those without requisite registration with Ministry of Home Affairs, Government of India.

VI - RECORDING KEEPING :-

As per the guidelines of Reserve Bank of India, banks have to prepare and maintain documentation on their customer relationships and transactions to meet the requirements of relevant laws and regulations and to enable any transactions effected through them to be reconstructed. In the case of wire transfer transactions, the records of electronic payments and messages must be treated in the same way as other records in support of entries in the account. All financial transactions records are required to be retained for at least 5 years after the transaction has taken place and should be available for perusal and scrutiny of audit functionaries as well as regulators as and when required. The units of Bank are following the guideline scrupulously in this regard.

VII - TRAINING OF STAFF AND MANAGEMENT :-

Syndicate Institute of Bank Management, our Apex Training Institute at Manipal, has evolved course content for imparting training to operating and management staff to fully understand the need for strict adherence of KYC norms and complying with Anti Money Laundering guidelines consistently. Other units of the training wing of the bank also have sessions on KYC in all the training programmes.

The training is a regular process of dissemination of providing latest information to the members of the institution to upgrade their knowledge in the field of banking and its related subjects "KYC" norms and "anti-money laundering". Our Bank is providing the training in this regard very effectively to update the knowledge of the staff members.

The units of training department of the Bank are imparting the knowledge about prevention of money laundering transactions and normal care to be exercised. The training module includes:

- Meaning of money laundering
- Anti- money laundering requirements
- Legal burden in case of non-adherence to the requirements under anti-money laundering
- Precautions while opening of accounts and adequate procedure to identify the account openers.
- Identification of suspicious transactions
- Reporting system of suspicious transactions
- Case studies on anti-money laundering

VIII ASSESSMENT AND REVIEW :-

SyndicateBank conducts assessment of AML policies and procedures on a periodic basis to ensure that the compliance programmes continue to function effectively.

IX - MONEY LAUNDERING REPORTING OFFICER :-

Our Bank has already nominated one of the senior executives as MLRO

The details of the MLRO is as under:

Designation	:	MLRO & GENERAL MANAGER (Audit & Inspection)
Address	:	Syndicate Bank Audit & Inspection Department Head Office, Manipal 576104 Udupi District, Karnataka State, India.
Phone No.	:	91-0820-2570898 9845368653 (Mobile)
e-mail Address	:	hoins@syndicatebank.net