

KNOW YOUR CUSTOMER POLICY



**Birgunj – 13, Adarshnagar, Parsa
Nepal**

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KNOW YOUR CUSTOMERS (KYC)

1. Background

No business is risk free and obviously the Banks/financial institutions are no exception. Furthermore, accepted fact is that risks can never be zeroed but can be mitigated to the minimum level. As such, Banks/Financial institutions are increasingly recognizing the importance of adequate controls mechanism and procedures to be in place so that they know the customers with whom they are dealing and thereby minimize the risks to the best possible extent. Adequate due diligence on new and existing customers is a key part of these control mechanisms. Without this due diligence, banks can become subject to reputational, operational, legal and concentration risks which can result in significant financial cost/loss. Particularly, with the emergence of global terrorism, increasing drug trafficking, money laundering for financing illicit activities and other illegitimate financial transactions, such control procedures have become must for the banks/financial institutions to prevent it from the potential risks.

In this milieu, **Global Bank Limited** has recognized the fact that having a “**Know Your Customer (KYC)**” policy in place is an integral part and prerequisite for the banking business to ensure the proper control mechanism with due diligence and prevent the illegitimate, illicit and unlawful transactions/activities.

2. Introduction

In simple terms, **Know Your Customer (KYC)** policy may be defined as the documented policy guidelines for any organized institutions which enables them to acquire the information pertaining to their customer/clients and the legitimacy of their business/transactions so as to prevent from the potential risks. **KYC** is the [due diligence Policy](#) that [financial institutions](#) must implement to identify their clients and ascertain relevant information as detailed as possible pertinent to doing business/financial transactions with them.

Basically, KYC is a policy implemented to confirm the legitimacy of the transactions done by the customers with the bank. “**Know Your Customer**” policy has become increasingly important globally to prevent [identity theft/conceal](#), [fraudulent transactions](#), [money laundering](#), [terrorist financing](#) and other suspicious/illegitimate transactions/activities. KYC should not be considered as a format to be filled but should be understood as a process to be undergone from the start of a customer relationship to the end.

One main aspect of [KYC](#) is to verify that the customer is not on any [Sanction List](#) of known fraudsters, terrorists or money launderers from all over the world. Besides sanctions lists, there may be other lists of third party vendors that track links between individuals regarded as high-risk owing to negative reports in the media about them or in public records. Also, a key point to note is that KYC is not only a name matching with the saction list and control of them but also monitoring of transactions of a customer against their recorded profile and history in the account(s) and with peers.

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KYC – Global Bank Limited is the policy guideline for our bank promulgated and implemented to identify the clients/customers by ascertaining relevant information of them with due diligence so as to prevent the [identity theft/conceal](#), [fraudulent transactions](#), [money laundering](#), [terrorist financing](#) and other suspicious/illegitimate transactions/activities and do the legitimate and ethical business/financial transactions with them.

3. Objectives of KYC

- a) To protect Banks' reputation and the integrity of banking systems by reducing the likelihood of banks' becoming a vehicle/means for or a victim of financial crime and suffering consequential reputational damage;
- b) To prevent all illegitimate financial/business transactions like concealing of identity of business/transaction or source of fund, money laundering, terrorist financing, drug trafficking activities, unlawful/fraudulent transactions and any other unethical business/transactions.
- c) To constitute an essential part of sound risk management, e.g. by providing the basis for identifying, limiting and controlling risk exposures in assets and liabilities, including assets under management.

4. KYC Process

4.1 Initiation of Relationship: Primarily Branch Managers/Customer Relationship Managers or other designated staff in Customer Service are responsible for interviewing the prospective customer and obtain sufficient information on the reputation of the client, legitimacy of their business and nature and source of activity expected in the account. A business relationship should never be established until and unless the identity of the potential customer is satisfactorily established. In case the potential customer refuses or unwilling to provide the requested information, the relation should not be established. Likewise, if the requested follow-up information is not forthcoming, any relationship already begun should be terminated. Branch Managers/Customer Relationship Managers or designated Staff should not approve new accounts unless proper identity of the account holder is established as per the parameters set out in this policy.

4.2 Courteous Conduct: The purpose of **KYC** policy is to establish the identity of the prospective customer and to verify the source of large funds. Normally the Account opening form will have sufficient information for identification of the customer. Just in case the staff feels that additional information is required from a new customer a **KYC Interview** should be conducted in a very polite manner which should not amount to a detective investigation. It must be recognized that trade and commerce in Nepal is still largely cash based and undocumented. Every cash transaction or inability to provide supporting documents should not be automatically viewed as suspicious. In case of doubt, the advice of senior management may be obtained before making any decision.

4.3 In case the identity of a prospective customer cannot be satisfactorily established, the refusal to establish relationship should be conveyed to the senior officials of the department/bank and if necessary a reference can be

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made in this regard to this policy and the instruction issued by the Bank's management, Nepal Rastra Bank and the government.

4.4 Questionnaire: The basic standard questionnaire for interviewing the customer and the required documents as part of KYC process is produced herein below. However, a point to be noted is that the questions laid down in this questionnaire and the documents listed are not the limit but only the basic guidelines to enable the interviewer for obtaining the basic information of the customer. The interviewer may add or reduce the questions/document requirement depending upon the clients/customer as the case may be.

4.4.1 The basic questions to be asked to "Know Your Customer" (KYC) and the basic documents required are as follows:

- What is the main reason for opening this account?
- Current business/profession?
- Location/site of the business/profession (permanent/contact address):
- Likely types of transactions:
- Incoming funds, if any:
- Source of funds: Persons/businesses that send funds to this account?
- Countries they are based in?
- Tentative number of deposits per year?
- Tentative value of deposits per year?
- Outgoing funds, if any:
- Destination of funds: Persons/business that will receive funds from this account?
- Countries they are based in?
- Tentative number of payments per year?
- Tentative value of payments per year?

4.4.2 Basic documents and other requirements to establish the authenticity of the customer are listed herein below under point 5.1 (b).

A checklist is designed incorporating the above questionnaires and the documents required to ensure the effective implementation of KYC thereby enabling the staff concerned to obtain the basic information of the client/customer.

5. Anti Money Laundering Policies and Procedures (AMLPP)

Money laundering, an illegal practice, occurs when financial transactions are made to legalize the illegally obtained money. Or simply saying, the process of converting the black money into white money using the banking channels/transactions or other modes of transactions is regarded as an act of money laundering. The dirty money is cleaned, so to speak, through money laundering. International banks are often used for this purpose.

KYC is part of the policies and procedures to fight and prevent money laundering activities. **AMLPP** have been stated below and should be abided by the all concerned

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officials, departments and branches of **Global Bank Limited**. The employees of **GBL** must be exceptionally vigilant to sense and prevent the money laundering activities and at all time observe the guidelines mentioned herein.

5.1 Account Opening

The decision to open an account for a new customer is an agreement to enter into a legal contract with the customer which creates a very strong legal relation between the customer and GBL, with potentially significant financial consequences. Such decisions are the prime responsibility of GBL's department/Branch heads. Rigorous examination relating to the prospective customer's identity must be executed prior to opening any new account and processing a transaction. Third party's attestation or introduction must be taken as the sole and sufficient justification for opening an account.

The primary and mandatory rule is that every employee in each line of business should always bear in mind the **Know Your Customer (KYC)** principle prior to the opening of an account. Identity of any beneficial owners other than the customer must be ascertained. Particular attention should be given to identify the ownership of accounts and safe deposit facilities. It should be an explicit policy that we cannot accept customers who cannot provide evidence of their identity. Physical meeting with the customer and judgments supported by appropriate documents about the person or legal entity is required.

In general, and in the absence of any specific requirements, the following guidelines are applicable:

- a) All new customers should correctly complete the relevant account opening documents of GBL and furnish all supporting documents as required by the rules and regulations of GBL. The copies of identification documents of the beneficial owners/shareholders/directors/authorized signatures must be verified with the originals.
- b) The prospective individual customers must establish their identities by producing/furnishing the original copy of document such as citizenship certificate or passport or driving license issued by an official authority bearing a photograph of the holder. The identification documents that are easily obtained in any name should not be accepted as the sole means of identification. For prospective individual, corporate and business customers the basic documents and other requirements as listed below evidencing the identity as applicable must be obtained before opening the account.

For Individual Customer:

- Introducer with signature
- Permanent (valid) ID (Passport/Citizenship/Driving License)
- ID number
- Expiry date
- Place of issue
- Date of issue
- Nationality - Date and place of birth

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- Father's/Grand father's name
- Clear photograph
- Clear signature
- Where suspicion is formed about the identity of the customer, the name and address should be further checked by one or more of the following modes:
 - i. Proof of residential address: Requesting sight of recent utility bills (Either of the utility bills such as electricity or telephone or water bills)
 - ii. An original bank statement from a recognized financial company: Bank, Credit Card Company, if possible (verify the current status)
 - iii. Tax transaction>Returns.

For Registered Entities (Company/NGO/INGO/Club/Trust/Society/Associations, etc.):

- Company Registration Certificate
- PAN/VAT registration
- Article of Association
- Memorandum
- Partnership Deed
- By-laws, constitution, copy of special ordinance/statute/law as applicable in case of NGO/INGO and other organized institutions.
- License/permit from concerned govt. authorities to do intended business, if required.
- Extract of Board Minute with mandate for opening and operating the account signed by Board of Directors or certified by the Company Secretary or the Chairman.
- Resolution of partners with the mandate and authority to open and operate the account in case of partnership firm.
- Proprietorship declaration form
- IDs of all authorized signatories as per Board minute or of the Board Directors, if possible.
- In case of entity registered in other country, all documents related to incorporation/registration as listed above should be certified by notary public of that country or Consular Official of Embassy of the related country, or a bank official of internationally reputed banks.

All other documents as deemed necessary depending upon the nature of company/business.

- c) When dealing with agents, intermediaries or consultants, the primary duty of verifying the identity of the underlying customers rests with the agent. However, Global Bank must be satisfied as to the reputation, integrity and honesty of all agents it deals with. It is also necessary to ensure that each agent working with GBL has sufficient internal controls to identify underlying customers and to determine and/or prevent occurrence of money laundering activities.
- d) The customer must provide at least one address, whether business, residential/permanent or correspondence. The postal address (Post box) may be provided but only for mailing purpose. Global bank must be

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satisfied that the use of a Post Box address does not hide the identity of the customer. No “care of” address should be allowed unless Global Bank is satisfied that the use of the “care of” address does not hide the identity of the customer.

- e) All accounts of individual customers must be introduced by the existing customers/account holders of Global Bank. The existing customers/account holders introducing new individual customers must have sound transaction records with Global bank and must take the declaration of knowing the prospective customer. All accounts of new registered entities such as firm, company, associations, clubs, non-government organizations, schools, colleges etc. must be opened by following the guidelines circulated by Global Bank management through memorandum/circulars. If an introducer is member of the staff, s/he should ensure that they know the prospective customer for a reasonable period of time, minimum six months. The staff introducing the account must be aware of the residence, business address of the prospective customer and be able to trace him in case of need. In case, bank found the new introduced customer’s identification and information is incorrect then the introducing customer will be held responsible and the Bank will investigate and may take appropriate action against him.

For prospective customer (particularly personal and commercial) not introduced by an existing customer or a member of the staff, introduction by valued customer of another bank with his signature duly verified by authorized person of the introducer’s bank branch should be obtained.

Notwithstanding what is said herein above, introducer's signature will not be considered mandatory for the initial 1 year to establish the account relationship as being the new bank and in case of suspicion, concerned RMs will thoroughly interview the customer and introduce them.

- f) There should be no anonymous accounts, numbered accounts or accounts in obviously fictitious names.
- g) No account should be opened by post, FAX or Email unless otherwise KYC requirements are fully met and/or the written consent of Global Bank’s management has been received with appropriate justifications. The accounts opened using Internet Banking facility may be opened after duly verifying all required documents. However, the customer must be requested to send original document by mail.
- h) Potential new relationships or transactions (including one-off transactions) that do not appear legitimate should be declined. This includes relationships/ transactions with or on behalf of customers who refuse to provide sufficient verification of their identity.
- i) Where transactions are undertaken for non-account holders (i.e. occasional customers) of the bank, particularly involving large amount of cash, the customer should be asked to produce sufficient evidence of identity both on originating and receiving end. In case of a foreign national, evidence of nationality should be obtained. Identification documents should be treated as part of the transaction documents and retained accordingly.

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- j) In respect of one-off transaction not involving an account holder of the bank, such as remittances from another bank, the identity of both the sender/source of funds and the receipts must be established and recorded. While establishing such relationship, it must be ensured that the other party or Bank has & abides by AML & KYC policies.

5.1.1 Personal accounts:

- i. Ownership of all accounts must be identified/established. The branch should not keep anonymous account in fictitious names.
- ii. Occupational and business activities related information must be acquired while obtaining identification of the new customers.
- iii. Introduction of the prospective customer is a key feature of the KYC policy. An existing customer can introduce a customer. However, it must be ensured that the introducer himself has been a good substantive customer of the Bank, at least over a period of last six months and that he has known the prospective customer for a reasonable period of time.
- iv. Positive identification should be obtained from documents issued by the government authorities e.g. Citizenship card, passport, Voter's ID, driving licence, etc. Retain copies of these documents with respective account opening forms.
- v. If the customer's residence or place of business is not in the area served by the branch, ask why customer is opening the account with the branch far from his home/office.
- vi. Follow up with calls/written letter to the customer's residence or place of employment thanking the customer for opening the account which will enable to verify the customer information.
- vii. Large cash deposits or transactions in the account should be questioned with due diligence and respect.
- viii. Consider the source of funds used to open the account. Large cash deposits should be questioned.
- ix. It is preferable that the responsible staff makes a visit to the place of business/employment of the prospective customer (for major relationships, as may be defined from time to time by senior management) to validate the information provided to the Bank. The visit report should be documented utilizing the KYC form (**Appendix E**) and attached to the account Opening Form.
- x. For large accounts, ask the customer for a prior bank reference and write a letter to the bank asking about the customer.

5.1.2 Business Accounts

- i. Business principals should provide evidence of legal/corporate status (e.g. proprietorship, partnership, P. Ltd./Ltd. company, corporation, or association, etc.) while opening business account.
- ii. If the business is not newly incorporated, obtain the reference of the companies' existing bankers, and keep their responses with the account opening form.
- iii. Obtain references preferably from the existing customers of the Branch, and seek confirmation from the referees on the best effort

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- basis. The responses from the referees should be kept with account opening records.
- iv. When circumstance warrant, visual check of the business to verify the actual existence of the business and that the business activity confirms to the turnovers in the accounts.
 - v. Large cash deposits or transactions in the account should be questioned with due diligence and respect. Consider the source of funds used to open the account.
 - vi. Follow up with calls to the customer's business thanking the customer for opening the account. Disconnected phone service warrants further investigation.
 - vii. For large commercial accounts, the following information should be obtained:
 - a. A Financial statement of the business;
 - b. A description of the customer's principal line of business; primary trade area; and
 - c. Whether international transactions are expected to be routine.

5.1.3 Transaction undertaken for non-account holders

Transactions undertaken by the branch for non-account holders e.g. request for telegraphic/fax Transfers or issuance of Demand Draft or the transactions involving large funds into an existing account by persons who do not normally conduct transactions on that account, should be paid special care and vigilance. Transactions involving large sum of cash, (amounts to be advised by management from time to time) or the transactions viewed as unusual once, should be thoroughly investigated and ask to produce evidence of identity from the sources set above and in the case of a foreign national, the nationality should be recorded. Copies of the identification documents should be kept on file. For large outward remittance by deposit of cash over the counter by walk in customer a KYC interview to be conducted to establish the source & purpose of the fund.

6. Record Keeping

Records substantiating the proper identification of customers and documenting their transactions must be made in order to provide both an audit trail and adequate evidence for the appropriate authorities. The following minimum records must be maintained for the relevant statutory or legal retention for at least seven years from the date of closure of the account(s) or for the period specified by the concerned authorities:

- Customers identification documents
- Records in support of transactions of the account, and
- Account ledger entries for seven years
- Records in support of entries e.g. Credit/debt vouchers, deposit slips, cheques etc. for seven years
- Any other documents deemed necessary by Global Bank Limited.

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7. Investigation

A customer's declarations regarding the background to a transaction must be checked for plausibility. It is important to remember that not every explanation offered by the customer can be accepted without scrutiny.

7.1 Undesirable Transactions

Followings are the undesirable transaction that should be avoided:

- i. Payment orders with inaccurate representation of the person placing the order,
- ii. Acceptance of payment remittances from other banks without indication of the name or account number of the beneficiary.
- iii. Use of accounts maintained by the banks for technical reasons such as sundries accounts or transit account or employees' accounts to filter or conceal customer's transactions, etc.
- iv. Maintaining accounts under pseudonyms that are not readily identifiable.
- v. Acceptance and documentation of fictitious collateral for credits granted on trust.
- vi. Providing customer or third parties, at the customers' request, with incomplete or otherwise misleading documents or information in connection with the customers' accounts.

7.2 Suspicious Transactions

This section is intended mainly to highlight situations that may suggest that money laundering is taking place. Sometimes, individual situation/transaction may not suggest the money laundering activity but a combination and sequence of such situations may be indicative of such illicit transaction.

The customer/client shall clarify the economic background and purpose of any transaction of which the form or amount appear unusual in relation to the customer. Examples of suspicious transaction should be recorded/reported as per the format given in **Annex A**.

8. Reporting Procedures

In normal circumstances, it is not easy to identify money laundering related transactions. A common golden rule is **Know Your Customer**. Global Bank must know its customer including the ultimate beneficial owner (if different from the apparent legal owner), its economic background and/or its normal activities. It is through the knowledge about our customer or other give-away signs that may lead to a gut-feeling that a money laundering activity may be taking place.

Mere verifying and collecting the ID of the customer does not amount to "Know Your Customer". The counter staff should use their diligence and prudence to judge the customer and his capabilities and should be alert if there are any unusual transactions, which are not typical and compatible to the customer's background. The staff should try to match the profile of customer with that of the transactions of the customer. The staff should verify in detail the source of funds and the purpose of transactions to satisfy the genuineness of the transaction. Compliance is the responsibility of the

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every employee. Therefore, strict compliance is very much necessary with all laws and regulations.

8.1 When and how should suspicious transactions be reported?

All undesirable and suspicious transaction warrants particular attention.

It is important to note that not all suspicious transactions suggest that a money laundering activity is taking place. However, a combination of such situations may be indicative of a money laundering activity. It is employees' responsibility to ensure that all transactions are handled with due diligence. If it is believed or have a "gut feeling" that a money laundering activity is taking place, without confronting the customer, matter should be immediately reported to the superior (to Head teller/Operation In charge/Customer service officers) by submitting the "Suspicious Transaction report" (**Annex A**). The customer service/Branch Managers, in consultation with management, will investigate and determine whether there is real suspicion. The Internal Audit Department at the corporate office will assist Global Bank management in the investigation. If determined dirty or illegal money Global Bank will inform the concerned government authorities and also cease the transaction. The Chief Executive of Global Bank should be informed about the suspicious transactions and the actions that have been taken. It is imperative that the Chief Executive's consent is obtained prior to initiating any kind of action.

8.2 Code of Conduct of employees

The employees filling the suspicious report must not **Tip Off** and should do so without any prejudice. He/she needs to maintain following code of conduct. He/she:

- Must not inform/warn the customer about the suspicion,
- Must not talk/disclose with other employees and family/friends,
- Must comply with the instructions of the competent authorities and the department head whom he/she had reported,
- Must assist and cooperate with the competent authorities in investigation.

9. Compliance and Training

- a. **Global Bank** management shall be responsible to issue and enforce in-house instructions to comply with the guidelines, including personal training, reporting of suspicious transactions and any other matters relating to the prevention of money laundering.
- b. In order to be effective in the prevention of money laundering and to disseminate new regulations/policies, trainings and regular refresher courses should be given to all employees. Although **Global Bank** management may not be involved in the day-to-day procedures, it is important that they know and understand their statutory duties. Therefore, they should have at least some of general awareness training.

10. Monitoring

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The guidelines on policies and procedures are to be monitored by the concerned departments and branches of Global Bank on ongoing basis and on a periodic basis by the internal Audit Department. Non-adherence to the guidelines and any doubt on customer transaction must be reported to the concerned authority or **Global Bank** management without loss of time.

So as to strengthen the monitoring and prevent the money laundering activities an appropriate training to the employees shall be provided regularly and the policies and procedures shall be amended on a need basis. Any amendment, partly or wholly, shall remain the integral of this KYC.

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Annex: A

SUSPICIOUS TRANSACTION REPORT

(To be forwarded to Chief Executive)

Branch/ Department : _____

Name of Customer : _____

Account Number : _____

Details of Suspicious Transaction			
Amount (Dr/Cr)	Date	Source	Destination (for fund transfer only)

Reason(s) for Suspicion

Other Relevant Information

Name of Reporting Employee : _____

Position : _____

Signature : _____

Date : _____

Name of Supporting Officer : _____

Signature : _____

Annex: B

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Name of Customer : _____

Account Number : _____

Amount & Currency : _____

I understand that I am making this declaration for my own protection as well as for the protection of the bank.

Purpose:

Customer's Signature

Date

For Office Use Only:

Attested by:

Name/Position:

Signature:

Date:

Annex: D

NON- COOPERATIVE & WATCH-LIST COUNTRIES

A) NON- COOPERATIVE COUNTRIES

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- Bahamas
- Cayman Islands
- Cook Island
- Dominica
- Israel
- Lebanon
- Liechtenstein
- Marshall Islands
- Nauru
- Niue
- Panama
- The Philippines
- Russia
- St. Kitts & Nevis
- St. Vincent & The Grenadines

B) WATCH-LIST COUNTRIES

- Antigua and Barbuda
- Belize
- Bermuda
- Cyprus
- Gibraltar
- Guernsey
- Ile of Man
- Mauritius
- British Virgin Islands
- Jersey
- Malta
- Monaco
- Saint Lucia
- Samoa

KYC REVIEW CHECKLIST

Annex: E

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Account Number:	(as per the Documents) :			
	Account Title	(as per the System) :		
The client is residential?	Yes	No	From High Risk Country?	Yes No
Occupation/Business			Consider High Risk?	Yes No
Proper Residential Address Disclosed?			Yes	No
Acceptable Documents submitted by the client to verify residential address?			Yes	No
Power of Attorney/Mandate given?			Yes	No
Have you obtained identification of third party signatory (e.g. mandatee)			Yes	No
Residential address of third party signatory verified?			Yes	No
Relationship between main account holder and third party signatory established?			Yes	No
What is the relationship between main account holder and third party signatory?				
Sources of fund?			Source of fund from High risk countries	Yes No
Anticipated Volume/frequency of Transaction			Do you consider this as High Risk?	Yes No
Purpose of account Opened?			Do you consider this as High Risk?	Yes No
Who is the Beneficial Owner/Nominee?			Do you consider this as High Risk?	Yes No
Have you collected and verified all documents with the original?			Yes	No
The concerned RM's consent to submit the remaining required document, in case of non submission?			Yes	No
List of the document which is not submitted so far:				
1. 2. 3. 4.				
Agreed date after which the Concerned RM agreed to close the account in case the pending documents were not submitted by the client:				
Date:				
As per the points mentioned above Please recommend your suggestion to categorize the account as :			High Risk	Medium Risk Low Risk

If you consider the account is to be considered as High Risk Account:

5. Have you fully understood the source of the wealth/fund of the customer and are you fully satisfied with the explanation submitted ?

If yes, write down the details of the wealth/fund of the client:

1. Threshold limit:

2. Throughput limit:

3. Sources fund explored:

4. Second verification of Identification:

5. Verification of address:

6. Any other important information deemed necessary:

Any Other comment you think worth mentioning about the client for the purpose of KYC:

Staff designated for
Account Opening

Operations Head of the
Branch / Unit

Approved by
Manager Branch/ Unit Head