

SB Order No. 12 / 2023

No. FS-10/22/2023-FS-DOP
Government of India
Ministry of Communications
Department of Posts
(F.S. Division)

Dak Bhawan, New Delhi – 110001

Dated: 25.05.2023

To
All Head of Circles / Regions

Subject: Revision of Know Your Customer (KYC) / Anti Money Laundering (AML) / Combating the Financing of Terrorism (CFT) norms in respect of POSB – Reg.

Master Circular No. 1 on AML/CFT norms applicable for Small Savings Schemes has been circulated in SB Order No. 14/2012 dated 09.10.2012.

2. Department Economic Affairs, Ministry of Finance has notified Govt. Savings Promotion General Rules 2018 (GSPR 2018) and National Savings Schemes Rules 2019 which have been implemented from 18.12.2019. GSPR 2018 prescribes the mandatory documents and other optional documents to be obtained from the depositors.
3. After implementation of CBS, the process of reporting of transactions has also got changed.
4. Further, in order to comply with the guidelines of Financial Intelligent Unit – India (FIU-IND) and Financial Action Task Force (FATF), it has been decided to issue revised guidelines on AML/CFT norms to be followed in the post offices in respect of National (Small) Savings Schemes and accordingly, Master Circular No. 2 of KYC / AML / CFT norms is attached herewith. This will supersede all previous orders issued on the subject.
5. Appendix I of POSB (CBS) Manual (Corrected up to 31.12.2021) is amended and the contents of Master Circular No. 2 which is attached herewith shall be the amended text.

6. This may be circulated to all the Offices for information and necessary actions.
7. This is issued with the approval of competent authority.

Encl: As above.

Yours faithfully



(T C VIJAYAN)
Asst. Director (SB-I)

Copy to:-

1. Sr. PPS to Secretary (Posts)
2. PS to Director General Postal Services.
3. PPS/ PS to Addl. DG (Co-ordination)/Member (Banking)/Member (O)/Member (P)/
Member (Planning & HRD)/Member (PLI)/Member (Tech)/AS & FA
4. Addl. Director General, APS, New Delhi
5. Chief General Manager, BD Directorate / Parcel Directorate / PLI Directorate
6. Sr. Deputy Director General (Vig) & CVO) / Sr. Deputy Director General (PAF)
7. Director, RAKNPA / GM, CEPT / Directors of all PTCs.
8. Director General P & T (Audit), Civil Lines, New Delhi
9. Secretary, Postal Services Board/ All Deputy Directors General
10. All General Managers (Finance) / Directors Postal Accounts / DDAP
11. The Under Secretary, MOF (DEA), NS-II Section, North Block, New Delhi.
12. The Joint Director & HOD, National Savings Institute, ICCW Building, 4 Deendayal
Upadhyay Marg, New Delhi-110002.
13. All recognized Federations / Unions / Associations
14. Guard File



(T C VIJAYAN)
Asst. Director (SB-I)

Master Circular No. 2 - Know Your Customer (KYC) / Anti Money Laundering (AML)/ Combating of Financing of Terrorism (CFT) Norms

Introduction

1.1 Know Your Customer (KYC) Norms/Anti Money Laundering (AML) Measures/Combating Financing of Terrorism (CFT)/Obligations under PMLA, 2002 (amended from time to time)

The objective of KYC/AML/CFT guidelines is to prevent money laundering or terrorist financing activities by use of Post Office Savings Bank intentionally or unintentionally by criminal elements. KYC procedures also enable to post office Savings Banks to know/understand their customers better which in turn help them manage their risks prudently.

1.2 Definition of Customer

For the purpose of KYC policy, a customer is defined as:

- An individual that maintains an account and/or has a cash certificate or has a business relationship with the Post Office Savings Bank.
- An individual on whose behalf the account is maintained (i.e beneficial owner).

2. Guidelines

2.1 General

All Post Office Savings Banks should keep in mind that information collected from the customer for the purpose of opening of account or purchase of savings certificates is to be treated as confidential and details thereof are not to be divulged for cross selling or any other purposes.

2.2 KYC Policy

Under PMLA provisions, Post Office Savings Bank declares its KYC Policy on the following four elements:

- (a) Customer Acceptance Policy.
- (b) Risk Management
- (c) Customer Identification Procedure.
- (d) Monitoring of Transactions; Record keeping and Reporting.

2.3 Customer Acceptance Policy (CAP)

- (i) No account is opened in anonymous or fictitious name/benami.
- (ii) Not to open an account or close an existing account where the Post Office Savings Bank is unable to apply appropriate Customer Due Diligence measures i.e unable to verify the identity and/or obtain documents required as prescribed due to non-cooperation of the customer or non-reliability of data/information furnished by the customer. **However, the customer should not be harassed and any decision to close the account should be taken by head of the Postal Division by giving suitable notice to the customer.**

2.4 Categorization of Customers i.e. Risk categorization.

2.4.1 All customers according to the amount involved at the time of opening of account or purchase of Savings Certificates or credit into an existing account have been categorized with the perspective of risk involved. The categorization is as under:

(i). Low Risk

Where the customer opens account or applies for purchase of certificates or applies for credit of maturity/prematurity value of any existing savings instrument with an amount up to ₹ 50,000/and balance in all accounts and savings certificates does not exceed ₹ 50,000/-.

(ii). Medium Risk

Where the customer opens account or applies for purchase of certificates or applies for credit of maturity/prematurity value of any existing savings instrument with an amount exceeding ₹ 50,000/- but up to ₹ 10 lakh and balance in all accounts and savings certificates does not exceed ₹ 10 lakh.

(iii). High Risk

Where the customer opens account or applies for purchase of certificates or applies for credit of maturity/prematurity value of any existing savings instrument with an amount exceeding ₹ 10 lakh and balance in all accounts and certificates does not exceed ₹ 10 lakh.

Note 1: Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials. **The accounts related to Politically Exposed Persons (PEPs) residing outside India shall fall under High Risk Category.**

2.5 Customer Identification Procedure: Customer Due Diligence/Know Your Customer (KYC) norms

2.5.1 Following will be the CDD/KYC norms to be followed in case of opening of new accounts/purchase of certificates falling under different types of accounts or Savings Certificates: It is applicable to all types of Savings schemes including Certificates.

a). For all risk-categories

PHOTOGRAPH

- Two (three in case of BO) recent Passport Size Photographs are to be given.
- In case of Joint Account, photograph of all joint holders should be given.

IDENTIFICATION PROOF

- **Aadhaar Number issued by the Unique Identification Authority of India (UIDAI)**
 - o where the Aadhaar Number has not been assigned to an individual, he shall furnish proof of application of enrollment for Aadhaar at the time of opening an account and the account holder shall furnish the Aadhaar number to the Accounts Office within a period of six months from the date of opening of account for linking the account with Aadhaar Number;
- **Permanent Account Number (PAN) or Form 60 as defined in Income Tax Rules, 1962**
 - o If the depositor who has not submitted the Permanent Account Number at the time of opening an account shall submit the same to the Post Office where the account exists, within a period of two months from the date of happening of any of the following events, whichever is the earliest, namely:-
 - (i) the balance at any point of time in the account exceeds fifty thousand rupees; or
 - (ii) the aggregate of all credits in the account in any financial year exceeds one lakh rupees; or
 - (iii) the aggregate of all withdrawals and transfers in a month from the account exceeds ten thousand rupees.

Note: In the event of the failure of the depositor to submit the Permanent Account Number within the specified period of two months, the account shall cease to be operational till the time depositor submits the Permanent Account Number at the post office where the account exists.

ADDRESS PROOF - Any one of the following documents

- Aadhaar Number issued by the Unique Identification Authority of India (UIDAI)
- Permanent Account Number (PAN)

If Aadhaar Number or PAN does not contain the present address, any of the officially valid document

- Passport
- Driving License
- Voter's Identity Card issue by Election Commission of India
- Job Card issued by Mahatma Gandhi National Rural Employment Guarantee Act duly signed by an officers of the State Government
- Letter issued by National Population Register containing details of name and address
- If officially valid document does not updated address, any one of the following documents can be accepted.
 - o Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - o Property or Municipal Tax Receipt.
 - o Pension or family pension payment orders issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - o Letter of allotment of accommodation from employer issued by the State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation:

ATTESTATION OF PHOTOCOPY OF DOCUMENTS

- Documents should be self-attested or in case of illiterate depositors, documents should be attested by Gazetted Officer/Sarpanch/ Branch/Sub/Deputy/Assistant/Head/Chief Postmaster(s) or Postman/Gram Dak Sewak Delivery Agent.
- In case of investment through agent, the agent shall also affix his signatures and mention the particulars of his agency on these documents alongside those of the depositor.

OTHER INSTRUCTIONS

1. In case of Joint Account, ID and Address proof of all joint depositors are required.
2. In case of Basic Savings Account, the document proving that the depositor is beneficiary of any Govt. Scheme is mandatory.
3. Proof of age of minor in case of account opened by a minor or on behalf of a minor and Birth Certificate of the Girl Child in case of opening of Sukanya Samriddhi Account is mandatory.
4. A certificate from Superintendent of mental hospital where a person of unsound mind is confined or treated, as the case may be, in case the account is opened on behalf of the person of unsound mind.
5. In case of an account opened on behalf of a minor or a person of unsound mind the KYC documents of the guardian shall be furnished.

b). For High-Risk Categories

In addition to the documents prescribed in para (a) above, Proof of Source of Fund is mandatory in case of High Risk Category.

PROOF OF SOURCE OF FUND

The customer has to submit copy of document showing source of receipt of funds tendered for investment. Any of the following documents may be obtained as Proof of Source of Fund

- (i). Bank / Post Office Account Statement (which reflects the source / receipt of fund)
- (ii). Any one of the Income Tax Returns filed during the last three financial years (which co-relates the investment with the gross income)
- (iii). Sale deed / Gift deed / Will / Letter of Administration / Succession Certificate
- (iv). Any other document which reflects the income / source of fund

Note 1: In case where the account/certificate holder is minor, the norms shall be applicable to the guardian. In case of joint account, the norms will be applied for all the joint account/certificate holders.

Note 2: The customers who are already having updated KYC details in CBS Post Offices are not required to submit photographs and KYC documents along with KYC form for opening of accounts subsequently.

Note 3: Depositor may open account in any post office by submitting the prescribed KYC documents irrespective of his/her area of residence.

2.5.2 Review of Customer Due Diligence / Re-KYC

1. The documents and information collected during the CDD process are required to be kept up-to-date, by undertaking reviews of existing records. For carrying out the review, the following periodicity is prescribed.

Risk Category	Number of years after which the CDD documents and information should be reviewed
Low	Every seven years
Medium	Every five years
High	Every two years

2. Further, CDD is required to be carried out when there is a suspicion of money laundering or terrorist financing, or when there is doubt about the veracity or adequacy of previously obtained customer identification data.

3. As regards existing customers, due diligence should be conducted at appropriate times, such as when a transaction of significance takes place, or when there, is a significant change in the way that the account is operated etc.

4. Where CDD cannot be carried out as prescribed, the account should not be opened or the business relation commenced or the transaction permitted to take place. Further, sending of a Suspicious Transaction Report should be considered.

3. Operating Procedure

3.1 Attestation of KYC Documents

(i). At the time of opening of account or any subsequent transaction, it should be ensured that all KYC documents submitted are as per risk categorization and have been self-attested. In case of illiterate customers, the documents are to be attested by any of the Gazetted Officer or Sarpanch Gram Panchayat or any Postal Staff or Gramin Dak Sewak.

(ii). If the account is opened through agent, the agent concerned should also attest the documents by putting dated signatures along with agency number and date of validity in addition to self-attestation or attestation by other means as mentioned in clause (i) for illiterate depositors/holders. In case of Joint Accounts/investments, documents of all joint depositors or holders are required to be submitted.

(iii). It is the duty of BPM/SPM/Supervisor (APM/DPM) to see that all KYC documents are having attestation as per clause (i) and (ii).

3.2 Disposal of Photograph (s)

(i). BPM/SPM/Supervisor (APM/DPM) will attest the photograph(s) after ensuring that the face impression of depositor/holder agrees with the photograph. In case depositor(s) is/are unable to attend post office for opening of account and all documents are submitted through authorized person or in case of investment through agent (in RD/TD/MIS/KVP/NSC only), the photograph should be attested by comparing the same with copy of Photo ID. If the photo on the photocopy is not legible, the agent should be asked to submit either legible copy or the original document. If identity is still not established, depositor may be called for personally in the post office.

(ii). In BO, BPM shall paste one photo in the Specimen Signature Book, one photo on the account opening form and one photo on the KYC form.

(iii). In case of HPO/SO, Supervisor/APM/DPM/SPM shall ensure that one photo is pasted on the Account opening form and one on the KYC form.

3.3 Disposal of copies of KYC Documents

(i). In HPOs/SOs, KYC Documents should be attached with Account opening form. In case of accounts opened at BOs in account with Account office concerned, documents will be received along with account opening form and preserved in the guard file of account opening forms of Account Office itself. The guard files shall remain in the custody of Supervisor (Dy. PM/APM)/SPM concerned.

(ii). In BO, GDSBPM shall take attested copies of KYC Documents or attest the same after verifying with original, and send account opening form and KYC form to Account Office along with KYC documents.

Note 1: SOs/HOs shall send the KYC form to CBS-CPC for scanning the signature and photo on daily basis.

3.4 Comparison of Address

BPM/SPM/Supervisor (APM/DPM) shall ensure that address mentioned in the account opening form is the same as mentioned in the address proof document.

3.5 Comparison of name

BPM/SPM/Supervisor (APM/DPM) shall ensure that name of depositor mentioned in the account opening form is the same as mentioned in the Identity proof document.

3.6 Recording of receipt of KYC Documents

BPM/SPM/Supervisor (APM/DPM) shall record in writing under dated signatures on Account Opening Form or Purchase application as "KYC Documents verified & attached".

3.7 Procedure at the time of subsequent account opening / re-investment

(i). In case of depositor/investor approaching the same post office for another account opening either directly or through agent who has already given CDD/KYC documents, there is no need to take these documents again unless there is change in the KYC details.

(ii). In above cases, the depositor or investor has to write CIF ID / account number or registration number of certificates through which CDD/KYC documents were given earlier. For this, in place of photograph in Account Opening form, the depositor shall write under dated signatures as "KYC Documents already submitted vide CIF ID / Account No./Registration No. _____ dated ____.". If the depositor is carrying the passbook of that

account or certificates in original or photocopy, the BPM/SPM/Postmaster shall verify from these documents, the name and address of the depositor or investor or the BPM/SPM/Postmaster shall verify the name and address of the depositor/investor from Finacle or the Account Opening form or Purchase Application or Ledger or SS Book (in case of BO) and put remark in red ink on the fresh Account opening form that "KYCD already taken and verified" under his/her dated signatures. **If the account/certificates referred are found closed/discharged, fresh KYC documents should be taken only if there is change in the KYC details.**

3.8 When maturity value is credited into savings account

When any depositor or certificate holder requests for credit of maturity value into existing savings account, it should be allowed only after ensuring that concerned savings account was opened with due KYC documents applying risk category as per balance in the account after credit of maturity value. In case a new savings account is opened to credit maturity value, it should be ensured that due KYC documents of appropriate risk category are taken based on the maturity value being credited into the account.

3.9 General

In case any post office finds that depositor/investor is not co-operating in furnishing fresh KYC documents in case of any suspicion, the Postmaster will refer the matter to the head of Postal Division who will order closure of Account and intimate the depositor/investor the reasons of taking such decision.

4. Monitoring of Transaction:

4.1 Maintenance of Records of Transactions

4.1.1 All post offices shall maintain the record of all transactions including the record of:-

- (a) Any transaction where cash is accepted and forged or counterfeit currency notes are used or where forgery of valuable Security or documents has taken place.
- (b) Any attempted transaction involving forged or counterfeit currency notes, forged security or document.
- (c) All suspicious transactions, involving deposit withdrawal, transfer of account, solvency certificate/ Indemnity certificate etc. irrespective of the amount of transaction.

4.1.2 Definition of suspicious transaction:

Suspicious Transaction means a transaction defined in clause (i) to (iv) below, including an attempted transaction, whether or not made in cash which, to a person acting in good faith-

- (i) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the schedule to the Act, regardless of the value involved: or
- (ii) appears to be made in circumstances of unusual or unjustified complexity: or
- (iii) appears to have no economic rationale or bonafide purpose; or
- (iv) gives rise to a reasonable ground of suspicion that involves financing of the activities relating to terrorism;

4.1.3 Definition of 'Transaction'

'Transaction' includes deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque/DD/Banker's cheque, payment order or other instruments or by electronic or other non-physical means.

4.1.4 All Long Books, Ledgers, Specimen Signature Books, BO SB/RD/TD Journals, List of Transactions, BO Daily Accounts, Vouchers etc. need to be kept properly arranged at all levels i.e BO/SO/HO including SBCO so that any transaction can be re-constructed to know:

- (a) The nature of transaction
- (b) The amount of transaction
- (c) The date on which transaction was conducted
- (d) Parties to the transaction.

4.2 Reporting of Transactions.

Following types of transactions are to be reported:

4.2.1 Types of transactions

- (a) All **cash** transactions of value more than ₹ 10 Lakh.
- (b) All series of cash transactions which are less than ₹ 10 lakh but are integrally connected and are carried out within one calendar month period and totally exceed ₹ 10 Lakh.
- (c) Any account where cash is accepted and forged or counterfeit currency notes are used or where forgery of valuable Security or documents has taken place.
- (d) Any attempted transaction involving forged or counterfeit currency notes, forged security or document.
- (e) All suspicious transactions, involving deposit, withdrawal, transfer of account, solvency certificate/ Indemnity certificate etc. irrespective of the amount of transaction.

4.2.2 Reporting schedules

(a) Cash Transactions Report (CTR)

Type of Transactions
(a). All cash transactions more than ₹ 10 Lakh.
(b). All series of cash transactions which are less than ₹ 10 lakh but are integrally connected and are carried out within one-month period and totally exceed ₹ 10 Lakh.
Method of Reporting of CTR
a) CEPT CBS-Reports Team will be responsible for generation/preparation of list/report of transactions (deposit/issue/withdrawal/discharge) mentioning nature of transaction, amount, name and address of depositor/holder, date of transaction, place of transaction, PAN No. (if given) of depositor/holder and other details in the format as required for filing of report in Finnet 2.0 of Financial Intelligence Unit – India (FIU-IND), centrally for pan India. Reports Team will be responsible for sending this list/report to DDG (PCO/PMLA) in Directorate on monthly basis by 6 th working day of the subsequent month.

(b), Suspected Transaction Report (STR)

Type of Transactions
(a) Any account where cash is accepted and forged or counterfeit currency notes are used or where forgery of valuable Security or documents has taken place
(b) Any attempted transaction involving forged or counterfeit currency notes, forged security or document.
(c) All Suspicious
(d) transactions, involving deposit withdrawal, transfer of account, solvency certificate/Indemnity certificate etc. irrespective of the amount of transaction.
Method of Reporting of STR
a) In-charge of every departmental post office will be personally responsible for preparation of list of transactions (deposit/issue/withdrawal/discharge) mentioning nature of transaction, amount, name and address of depositor/holder, date of transaction, place of transaction, PAN No. (if given) of depositor/holder and nature/reason of suspicion in detail and will be responsible for sending this list to the Head of the Division (by name) on the very same day.
b) The Head of the Division will be personally responsible for sending post office wise list of such transactions of his division to head of circle (by name) on the very same day of the receipt of STR from PO.

- c) The Head of the Circle will be responsible for sending the consolidated post office-wise list of such STRs to DDG(PCO), PMLA (by name) at Directorate by **on the very same day of receipt of STR from D.O. who will in turn make report to FIU-IND.**

Note 1: - It is likely that in some cases transactions are abandoned/ aborted by customers on being asked to give some details or to provide documents. All such attempted transactions should also be reported like STRs irrespective of the amount of the transaction and even if the transaction is not completed by the customer.

Note 2: - Circle Nodal Officers should close all the CTR/STR alerts in SAS-AML 7.1 daily on real time basis.

Note 3: - *Circles shall keep the fact of furnishing STR strictly confidential, It shall be ensured that there is no tipping off to the customer at any level.*

5. Record Keeping

5.1 All long books and List of Transactions either available in hard copy or in soft copy should be preserved for 5 years.

5.2 All ledger cards or account details either available in hard or soft copy, Account Opening Forms with CDD/KYC documents and SS Books should be preserved for 5 years after closure of the account.

5.3 All account closure vouchers are to be preserved for 5 years from the date of closure of accounts.

5.4 All purchase application forms along with KYC/CDD documents should be preserved for 5 years after discharge of certificates.

6. Guidelines for the existing POSB Accounts / Savings Certificates holders opened / issued before the issue of this order

(a). If a depositor has already opened an account / purchased certificate and has not submitted his/her Aadhaar number to the Post Office where the account exists, the depositor shall do so within a period of six months with effect from the 1st day of April, 2023, and in the event of failure of the depositor to submit the Aadhaar number within the specified period of six months, account shall cease to be operational till the time the depositor submits the Aadhaar Number to the Accounts Office.

(b). If the depositor who has not submitted the Permanent Account Number at the time of opening an account shall submit the same to the Post Office where the account exists,

within a period of two months from the date of happening of any of the following events, whichever is the earliest, namely:-

- (i) the balance at any point of time in the account exceeds fifty thousand rupees;
or
- (ii) the aggregate of all credits in the account in any financial year exceeds one lakh rupees; or
- (iii) the aggregate of all withdrawals and transfers in a month from the account exceeds ten thousand rupees.


Note: In the event of the failure of the depositor to submit the Permanent Account Number within the specified period of two months, the account shall cease to be operational till the time depositor submits the Permanent Account Number at the post office where the account exists.

(c). All other CDD/KYC norms, procedure and mentioned in the paragraph (3) above are applicable to the existing accounts / certificates. Post Office shall obtain KYC documents for existing accounts if already not available.

(d). CDD/KYC documents are also required to be taken for the existing accounts / certificates in case of Transfer of account, revival of silent account or when depositor's signatures not matched with existing specimen signature.

(e). CDD/KYC documents are also required to be taken afresh in the existing accounts or certificates when there is a suspicion of money laundering or terrorist financing or when there is doubt about the veracity or adequacy of previously obtained customer identification data or where there is doubt over identity of the depositor/investor.

(f). All instructions related to records keeping mentioned in the paragraph (5) above shall be applicable to existing accounts/certificate.


(T.C.VIJAYAN)
AD(SB-I)