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Know Your Customer & Anti Money Laundering

- CUSTOMER AWARENESS

What are Money Laundering and Terrorist Financing?

Money laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with an apparently legal source.

Financing of terrorism is the financial support, in any form, of terrorism or those who encourage, plan or engage in terrorism. Sources of terrorism may or may not be legitimate. The two activities are linked because the techniques used to launder money are essentially the same as those employed to conceal the sources and uses of terrorist financing.

What is a Money Laundering offence?

Under the Prevention of Money Laundering Act 2002 (PMLA), whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering.

What is KYC?

KYC is an acronym for "Know your Client/Customer", a term commonly used for the Client Identification Process. KYC enables banks to know / understand their customers and their financial dealings to be able to both manage its risks and also serve the customers better.

Is KYC mandatory?

Yes. It is both a regulatory and legal requirement. As per the guidelines issued by the Reserve Bank of India (RBI) on 29th November 2004 on Know Your Customer [KYC] Standards – Anti Money Laundering [AML] Measures, banks are required to put in place a comprehensive policy framework covering KYC Standards and AML Measures. The PMLA that came into force from 1st July 2005 requires Banks, Financial Institutions and Intermediaries to ensure that they follow certain minimum standards of KYC and AML as laid down in the Act and the "rules" framed there under.

When would the bank undertake verification of identity of clients?

As per PMLA, banks are required to verify the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status at the time of opening an account or executing any transaction with it.

What proof of identity would I need to provide to the bank?

The best identification documents are those, which are issued by a Government Authority, which would have a photograph, address and signature. For an individual, documents like Passport, Voter's ID, Driving Licence, Government ID Card, Defence ID Card, Photo PAN Card, Photo Ration Card would be sufficient to establish identity of the customer.

For Non individual accounts, in addition to documents as mentioned for the identity of the individual signatories, the following would be required:

Sole Proprietary Firms, Partnership Firm, Limited & Private Limited Companies, Societies, Trusts, Hindu Undivided Family (HUF) - Sales/Service Tax/Excise Registration, Registration under Shops & Establishments Act, PAN ID/Income Tax(IT) return of the firm, Water/Electricity/Municipal Tax bill in name of Firm, a Partnership Deed for Partnership Firms.

Additionally for Limited & Private Limited Companies- Memorandum and Articles of Association, Certificate of Incorporation, Board Resolution, Copy of the Annual Return filed with the Registrar of Companies to establish the shareholding pattern, Certified copy of Form 32 which is filed with the Registrar of Companies Annual Return to be filed after Annual General Meeting (AGM) to identify the shareholding pattern.

Further for Societies - Certified photocopy of certificate of registration of society with the Registrar of Co-operative Societies or Sub-registrar of Assurances depending on the type of society, Bye laws / Memorandum of Association / Constitution as the case may be, Resolution passed by the Managing Committee / Board / Office bearers as listed out in the Memorandum of Association / Bylaws for opening and the signing instructions to the account, PAN Card / PAN Allotment Letter.

Trust accounts Copy of Trust Deed, Photocopy of Certificate of Registration issued by the Charity Commissioner IT returns and Returns to the Charity Commissioner filed by the Trusts, Resolution passed by the Trustees for opening the account.

For HUF accounts- PAN ID of the HUF

Please note that the above is not an exhaustive list or information but only a snapshot. For further details, please feel free to contact us at our Branches, call us on our Phone Banking Numbers or write to us at info@hsbc.co.in

Who is my contact in the branch for KYC purposes?

Your contact point in the Bank will be your Relationship Manager or the officer who opens your account and who is in touch with you for your transactions.

What does the bank do with the KYC information?

The customer profile information collected by the Bank at the time of opening the account /on an ongoing basis is kept confidential and is not disclosed to any person except when required under the provisions of applicable laws and regulations.

What will happen if I do not provide the required KYC information / documents to the Bank

The Bank will be entitled to refuse to open the account (if you are a prospective customer) or discontinue its relationship with you citing non-providing of KYC information / documents (if you are an existing customer). However, for certain categories of customers who are not able to provide the necessary documents, the Bank will open the account as per the flexibility provided vide RBI DBOD circular no. AML.BC.28/14.01.001/2005-06 dated 23rd August 2005.