

Regulatory and Other Measures

JULY 2004

Selected circulars issued by the Reserve Bank of India during July 2004 reproduced below:

Ref. No. UBD. BPD. PCB. Cir. No. 02/09.161.00 / 2004 - 05 dated July 9, 2004

The Chief Executive Officers of all Primary (Urban) Co-operative Banks

“KNOW YOUR CUSTOMER” GUIDELINES - COMPLIANCE

Please refer to our circular UBD No. DS.PCB. Cir 17/13.01.00/2002-03 dated September 18, 2002 on “Know Your Customer Guidelines” to be followed by urban co-operative banks. You were advised vide paragraph 3 of the above circular that in case of any omission in respect of the existing accounts, KYC procedure may be completed at the earliest. Further, vide our circular UBD No. DS. PCB. Cir. 41/09.161.00/2003-04 dated March 26, 2004 on “Know Your Customer Guidelines”, urban co-operative banks were advised to complete the KYC procedure in regard to existing accounts as per the time schedule prescribed therein.

2. In this connection, please refer to paragraph 126 of the Annual Policy Statement for the year 2004-05 relating to “KYC and Privacy of Customer Relationship”, advising the banks that:

- Banks may fully adhere to the KYC policy adopted by their Boards for opening new accounts; they may limit its application to the existing accounts in such cases where the summation of the credit/debit transactions is more than Rs.10 lakh or where the banks suspect any unusual transactions.
- Banks may conduct KYC in all accounts belonging to trusts, intermediaries or where the accounts are operated through a mandate or power of attorney. The KYC procedure may be applied diligently to suit local conditions and should be completed by December 2004.

3. We presume that you have already formulated a KYC policy in consultation with your Board, which should be

adhered to for opening all new accounts. However, with a view to ensuring that existing small account holders are not inconvenienced and the KYC procedure is completed in time, it has been decided that banks may limit the application of KYC procedures to existing accounts where the credit or debit summation for the financial year ended March 31, 2003 is more than Rs. 10 lakh or where unusual transactions are suspected. This process may be completed by December 31, 2004.

4. Urban Cooperative Banks, may however, ensure that KYC procedures are applied to all existing accounts of trusts, companies/firms, religious/charitable organisations and other institutions or where the accounts are opened through a mandated or power of attorney. The KYC procedures may be applied diligently to suit local conditions and completed by December 31, 2004.

Ref. No. UBD. PCB. Cir. No. 6/12.05.01/2004-05 dated July 28, 2004

PLACEMENT OF DEPOSITS BY NON SCHEDULED UCBS WITH ELIGIBLE SCHEDULED UCBS

Please refer to our circular UBD. No. BPD. PCB. Cir. 46/16.20.00/2002-03 dated May 17, 2003, permitting non-scheduled urban co-operative banks (UCBs) to place deposits with eligible scheduled urban co-operative banks. A reference may also be made to our circular UBD No. BPD. PCB.Cir.35/13.05.00/2003-04 date February 27, 2004.

2. We advise that in future you may obtain as at the end of March every year, a certificate from the statutory auditors / Chartered accountants stating that your bank has not placed any deposit with any ineligible bank during the year. The certificate may please be sent to the Regional Office concerned of the UBD every year.

3. In case of doubt as to whether a particular scheduled bank is eligible to accept deposits, you may please contact our Regional Office concerned.

