Demonetization Vis-à-vis Bank Audits

WELCOME TO THE MEMBERS OF

The Institute of Chartered Accountants Of India

Nagpur Chapter

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DEMONETIZATION
ELEPHANT AND SIX BLIND MEN

DEMONETIZATION

OR

REMONETIZATION

POLITICS

OR

ECONOMICS

S>H>O>R>T TERM PAIN

LONG TERM GAIN

Financial Intelligence Unit – India
(FIU-IND)

- FIU-IND was set by the Government of India on 18th November 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.
- FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes.
- FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

KYC

- The Government of India has notified six documents as **'Officially Valid Documents' (OVDs)** for the purpose of producing proof of identity. These six documents are
- 1.Passport,
- 2.Driving Licence,
- 3.Voters' Identity Card,
- 4.PAN Card,
- 5.Aadhaar Card
- 6.NREGA Job Card.
- One needs to submit any one of these documents as proof of identity.
- If these documents also contain address details, then it would also be accepted as 'proof of address.
- If the document submitted by depositor for proof of identity does not contain address details, then depositor will have to submit another officially valid document which contains address details.

Small Accounts

- The 'Small Accounts' have certain limitations such as:
- balance in such accounts at any point of time should not exceed Rs.50,000
- total credits in one year should not exceed Rs.1,00,000
- total withdrawal and transfers in a month should not exceed Rs.10,000
- Foreign remittances cannot be credited to such accounts.

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Reserve Bank's guidelines on know your customer

By Sudhakar Atre

CURRENT demonetisation drive has evoked a great interest about banking among common people. One area among them is 'Know Your Customer' (KYC) guidelines for bank accounts.

It is a process by which banks obtain information about the identity and address of the customers. This process helps to ensure that banks' services are not misused. The KYC procedure is to be completed by the banks while opening accounts and are also required to periodically update their customers' KYC details which is a part of their ongoing due diligence on bank accounts.

To open a bank account, one needs to submit a 'proof of identity and proof of address together with a recent photograph.

The Government of India has notified six documents as 'Officially Valid Documents' (OVDs) for the purpose of producing proof of identity. These six documents are passport, driving licence, voters' identity card, PAN card, Aadhaar card and NREGA job card.

Guest Column

One needs to submit any one of these documents as proof of identity. If these documents also contain address details, then it would also be accepted as 'proof of address'. If the document submitted by depositor for proof of identity does not contain address details, then depositor will have to submit another officially valid document which contains address details.

Depositor can still open a bank account known as 'small account' by submitting recent photograph and putting signature or thumb impression in the presence of the bank official. But there is difference between such 'small accounts' and other accounts as the 'small accounts' have certain limitations such as:

a) Balance in such accounts at any point of time should not exceed Rs 50,000.

b) Total credits in one year should not exceed Rs 1 lakh.

c) Total withdrawal and transfers in a month should not exceed Rs 10,000.

d) Foreign remittances cannot be credited to such accounts.

Such small accounts remain operational initially for a period of 12 months and thereafter, for a further period of 12 months if the holder of such an account provides evidence to the bank of having applied for any of the officially valid documents within 12 months of the opening of such account.

If somebody do not have any of the officially valid document, to have a bank account, which is not subjected to any limitations as in the case of 'small accounts' then a normal account can be opened by submitting a copy of any one of the following documents as Proof of Identity (PoI): (i) Identity card with person's photograph issued by Central/ State Government departments, statutory/ regulatory authorities, PSUs, scheduled commercial banks and public financial institutions; or

(ii) Letter issued by a Gazetted officer, with a duly attested photograph of the person. For proof of address, one may submit the following documents:

a) Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); property or municipal tax receipt; b) Bank account or post office savings bank account statement; c) Pension or family pension payment orders (PPOs) issued to retired employees by Government departments or PSUs, if they contain the address; d) Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. e) Similarly, leave and license agreements with such employers allotting official accommodation; and f) Documents issued by Government departments of foreign jurisdictions or letter issued by foreign embassy or mission in India.

In case of change of name a copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid documents' in the prior name of the person is to be furnished for opening of account in cases of persons who change their names on account of marriage or otherwise.

Aadhaar card is accepted as a proof of both identity and address.

There is a provision of electronic KYC. e-KYC is possible only for those who have Aadhaar numbers. While using e-KYC service, you have to authorise the Unique Identification Authority of India (UIDAI), by explicit consent, to release your identity/ address through biometric authentication to the bank branches/ business correspondent (BC).

The UIDAI then transfers your data comprising your name, age, gender and photograph electronically to the bank. It is possible to transfer an account from one branch to another branch of the same bank and there is no need to undergo KYC exercise again for such transfer.

However, if there is a change of address, then you will have to submit a declaration about the current address.

In case of opening an account in another bank, however, you will have to undergo know your customer (KYC) exercise afresh. Customers who are minors have to submit fresh photograph on becoming major.

(The author is a freelance writer on banking)

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- TMDEX-RECEIPT REPORT
- 2000
- 1000
- 500 NEW
- 500 OLD

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Verification of newly opened accounts,
- particularly accounts opened without PAN card
- Proper record keeping of SBNs collected under exchange

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Scrutiny of **STAFF ACCOUNTS** particularly for abnormal cash deposits during the period from 10.11.2016 onwards
- Special emphasis on cash deposits in accounts of **SUB-STAFF**.
- Any transactions of Rs.1 LAC and above routed through staff accounts. Whether clarification sought from the staff? If yes, whether the clarification of the staff was satisfactory? If not, whether the branch has reported the matter to Higher Authority?

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Whether any irregular transaction reflects negligence, violation of rules, involvement etc., on the part the staff? If yes, please specify the instances.

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Abnormal spurt in CASA deposits of branch – Irregularities noticed, if any
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Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Cash transaction in Sundry Deposit / Sundry Credit/Suspense Debits.
- Check for cash receipts in suspense accounts and further transactions thereof.
- Reasons for keeping such cash deposited in SBNs in Sundry account.Whether branch has reported the same as cash receipts under SBNs.

Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Acceptance of SBNs against issue of Payslips / DDs / RTGS / NEFT.
- In case of large value RTGS of Rs.50,0000 and above made by cash, if any, whether the KYC of the remitter is ensured?
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Check list for Concurrent Auditors for inspection of transactions during the demonitisation drive

- Insurance products sold accepting SBNs directly.
- Sale of Other Third Party Products accepting SBNs directly.