



From the Director's Desk

Cooperative – a tool to survive for the downtrodden

In the face of systemic exclusion and economic exploitation, cooperatives emerge as a vital structural alternative for the “downtrodden”—marginalized groups such as small-scale producers, women in the informal economy, and low-income workers. We may call the cooperative model as a survival mechanism that leverages collective bargaining and democratic control. Through the analysis of modern success stories such as Amul and the Mondragon Corporation, the study illustrates how pooling resources can dismantle cycles of poverty. A cooperative is an autonomous association of people who unite voluntarily to meet common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Often described as a “survival mechanism for the downtrodden,” cooperatives allow individuals with limited means—such as small farmers, artisans, and low-income workers—to pool their resources to overcome poverty and exploitation.

Why Cooperatives Support the Downtrodden

- **Protection from Exploitation:** By eliminating middlemen and profit-seeking investors, cooperatives ensure that benefits remain within the community.
- **Economies of Scale:** Small-scale producers can buy inputs (like seeds or raw materials) in bulk and market their products collectively, achieving cost savings typically reserved for large corporations.
- **Financial Inclusion:** Credit cooperatives provide affordable loans to members who are often rejected by traditional banks, protecting them from high-interest moneylenders.
- **Democratic Empowerment:** Each member has one vote, regardless of their financial contribution, giving marginalized individuals a direct say in their economic future.

Key Types and Their Impact

Type	Purpose for Marginalized Groups	Example
Producer	Protects small farmers and artisans from market exploitation by pooling production.	Amul (Dairy)
Credit	Provides low-interest loans and encourages a culture of saving among the poor.	PACS (India)
Consumer	Supplies essential goods at fair prices by buying directly from wholesalers.	Local Co-op Stores
Worker	Creates stable jobs where workers own the business and share the profits.	Mondragon (Spain)

Despite these benefits, cooperatives often face challenges such as limited capital, political interference, and a lack of professional management skills.

The Cooperative: A Lifeline for the Downtrodden

In an era dominated by global conglomerates and cutthroat competition, the “downtrodden”—those marginalized by poverty, lack of education, or social status—often find themselves excluded from the benefits of a free-market economy. For these individuals, the cooperative is not just a business model; it is a vital means of survival. A cooperative is a voluntary association of people who join forces to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise.

Breaking the Cycle of Exploitation

The primary reason cooperatives serve as a survival mechanism is their ability to eliminate exploitation. In traditional capitalist structures, the “downtrodden” (such as small-scale farmers or unskilled labourers) are often at the mercy of middlemen and moneylenders. These intermediaries buy products at rock-bottom prices and sell essential goods or credit at usurious rates.

By forming a cooperative, members bypass these middlemen. For example, a dairy cooperative allows small farmers to pool their milk, process it, and sell it directly to consumers. This ensures that the profit—which would have otherwise gone to a private distributor—stays in the pockets of the producers.

Strength in Numbers: Economies of Scale

Individually, a poor person has no bargaining power. They cannot afford to buy raw materials in bulk, nor do they have the logistics to reach distant markets. Cooperatives create “economies of scale.” By pooling their meagre resources, members can purchase seeds, fertilizers, or tools at wholesale prices. Collectively, they can also afford modern machinery or storage facilities (like cold storage for crops) that would be impossible to acquire alone. This shared infrastructure transforms a group of struggling individuals into a competitive economic unit.

Financial Inclusion and Security

For the downtrodden, the lack of capital is a massive barrier. Traditional banks often view the poor as “high-risk” and deny them loans. This forces the marginalized into the hands of predatory moneylenders, leading to a cycle of debt.

Credit cooperatives or “Credit Unions” solve this by encouraging small, regular savings among members. These funds are then lent back to members at fair interest rates. This financial autonomy allows a street vendor to buy a cart or a weaver to buy a loom without falling into



a debt trap, effectively providing a safety net that the state or private sector often fails to provide.

Democratic Empowerment and Social Dignity

Beyond economics, cooperatives offer something equally crucial: dignity. In a cooperative, the rule is “one member, one vote,” regardless of how much capital a person contributes. This stands in stark contrast to a corporation where power is proportional to wealth.

For someone who has been historically silenced or marginalized, having an equal say in the management of an enterprise is a transformative experience. It builds leadership skills, fosters a sense of community, and empowers the individual to realize that they are not a passive victim of their circumstances, but a co-owner of their destiny.

Conclusion

The cooperative movement is a testament to the power of human collaboration. By prioritizing “service over profit” and “people over capital,” it provides a practical framework for the downtrodden to lift themselves out of poverty. While it is not a magic cure for all social ills—requiring transparent management and member loyalty to succeed—it remains one of the most effective tools for inclusive growth and collective survival in the modern world.

Modern Success Stories: From Survival to Global Impact

The theoretical benefits of cooperatives are best illustrated by real-world organizations that have transformed the lives of millions. Two standout examples are **Amul** in India and the **Mondragon Corporation** in Spain.

1. Amul (Anand Milk Union Limited) – India

Perhaps the most famous example of a cooperative lifting the downtrodden is Amul. Before its formation in 1946, dairy farmers in Gujarat were exploited by private traders who bought milk at arbitrarily low prices. Marginalized farmers, often owning only one or two buffaloes, had no way to store their perishable product or reach urban markets.

Under the cooperative model, farmers pooled their milk at local village societies. These societies were linked to a district union that owned processing plants and a national marketing federation.

- **The Impact:** Today, Amul is owned by over **3.6 million dairy farmers**. It turned India from a

milk-deficient nation into the world's largest milk producer. For the landless labourers or the small-scale female farmers, the daily “milk cheque” from the cooperative provides a steady, reliable income that has pulled millions out of extreme poverty.

2. The Mondragon Corporation – Spain

Originating in the Basque region during the mid-1950s—a time of severe economic depression and political repression following the Spanish Civil War—Mondragon began as a small technical school and a worker-owned workshop making paraffin heaters.

Unlike traditional companies where workers are merely employees, Mondragon is a federation of worker cooperatives. The workers are the owners; they elect the management and decide how profits are distributed.

- **The Impact:** It has grown into one of Spain's largest business groups, employing over **70,000 people** across finance, industry, and retail. During economic downturns, instead of laying off the “downtrodden” workers, the cooperative votes to temporarily reduce hours or redistribute workers to other profitable branches. This focus on **job security and social equity** has made the region one of the most resilient and equal economies in Europe.

3. SEWA (Self-Employed Women's Association) – India

While Amul focused on dairy, SEWA organized women in the “informal economy”—street vendors, garment stitchers, and head-loaders who had no legal protections. By forming a cooperative bank and producer cooperatives, SEWA provided these women with the two things they lacked most: **capital and a collective voice**. **Now SEWA has more than 3.5 million members across 20 States.**

- **The Impact:** It has empowered over **2 million women** to bypass moneylenders and gain ownership of their tools and trades, proving that even the most invisible workers can achieve economic independence through the cooperative spirit.

Conclusion

These stories prove that the cooperative is more than a business; it is a shield. Whether it is a farmer in rural India or a factory worker in Spain, the cooperative model provides the structural support necessary for the downtrodden to compete, survive, and eventually thrive in a globalized economy.

ACMART News (January-March, 2026)

RECENT IMPORTANT CIRCULARS ISSUED BY THE RESERVE BANK OF INDIA

- 1) RBI/2025-26/178 DOR.CRE.REC.379/07-02-006/2025-26 Dated January 05, 2026
Reserve Bank of India (Rural Co-operative Banks – Credit Risk Management) – Amendment Directions, 2026
- 2) RBI/2025-26/186 DOR.CRE.REC.387/21-04-018/2025-26 Dated January 05, 2026
Reserve Bank of India (Rural Co-operative Banks – Financial Statements: Presentation and Disclosures) – Amendment Directions, 2026



- 3) RBI/2025-26/203DOR.RET.REC.400/12.01.001/2025-26 Dated January 22, 2026
Reserve Bank of India (Rural Co-operative Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Amendment Directions, 2026
- 4) RBI/2025-26/208DOR.STR.REC.411/21-04-048/2025-26 Dated February 13, 2026
Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026
- 5) RBI/2025-26/208DOR.STR.REC.411/21-04-048/2025-26 Dated February 13, 2026
Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026
- 6) RBI/DOR/2025-26/249DOR.ACC.REC. No.444/21.04.018/2025-26 Dated March 16, 2026
Reserve Bank of India (Rural Co-operative Banks – Financial Statements: Presentation and Disclosures) – Second Amendment Directions, 2026

THE WEST BENGAL STATE COOPERATIVE BANK LTD. / ACMART NEWS

Dr. Krishna Gupta, IAS, Additional Chief Secretary, Cooperation Department, Govt. of West Bengal took the charge of the Special Officer, the West Bengal State Cooperative Bank Ltd. on 13/03/2026.

Shri Aveek Bhattacharyya, Senior Additional RCS, Govt. of West Bengal took the charge of the Managing Director of the West Bengal State Cooperative Bank Ltd. on 16/03/2026.

Shri S.N.Ghose, DGM, NABARD (Retd.), Former Faculty Member, BIRD, Kolkata and Faculty Member of ACMART, who associated with this institute since 2017, left ACMART on 31/03/2026.

Shri Ganesh Chandra Sarkar, AGM (Retd.) of Canara Bank joined as Faculty Member of ACMART.

PROGRAMMES CONDUCTED UNDER SOFTCOB DURING THE QUARTER ENDED MARCH 2026 AT A GLANCE

Preventive Measures for Deposit Mobilising PACS	7 to 9 January 2026	In House Programme for the PACS Officials
WBCS Acts & Rules	20 to 22 January 2026	In House Programme for the PACS Officials
Preparation of B/S, P/L A/C and Ratio Analysis	28 to 30 January 2026	In House Programme for the PACS Officials
Inspection of PACS	29 to 31 January 2026	On Location Programme for the officials of Banks in collaboration with TGCC Bank Ltd at Haldia
Self-Sustenance through Improved Governance and Management	06 to 07 February 2026	On Location Customised Workshop for the BODs of PACS in collaboration with Burdwan CCB at Burdwan
Self-Sustenance through Improved Governance and Management	10 to 11 February 2026	On Location Customised Workshop for the BODs of PACS in collaboration with Nadia DCCB at Tehatta
Self-Sustenance through Improved Governance and Management	12 to 13 February 2026	On Location Customised Workshop for the BODs of PACS in collaboration with Nadia DCCB at Krishnagar
Preparation of B/S, P/L A/C and Ratio Analysis	16 to 18 February 2026	On Location Customised Programme for the PACS Officials in collaboration with Malda DCCB Ltd. at Malda
NPA & Recovery Management	19-21 February 2026	On Location Customised Programme for the Officials of Banks in collaboration with Malda DCCB Ltd. at Malda



Revival Strategy for Weak Societies	16-18 February	In House Programme for the officials of PACS of Murshudabad District
Business Development, Profit Planning through diversification	23-25 February	On Location Programme for the PACS officials " in collaboration with WBStCB, Coochbehar Regional Office at Bhatibari SKUS Ltd.
Capacity building of FPOs and OFPOs and preparation of Business Plan	24-27 February 2026	In House Programme for the officials of PACS
KYC / AML and Customer Service in Banks	06 th March 2026	In House Workshop for the officials of Banks
Compliance Functions in Banks	07 th March 2026	In House Workshop for the officials of Banks

ABSTRACT OF PROGRAMMES CONDUCTED AT ACMART DURING THE QUARTER ENDED MARCH 2026 (4th Quarter)

PROGRAMMES CONDUCTED		
Under SOFTCOB	Others	Total
14	01	14

NUMBER OF TRAINEES		
Under SOFTCOB	Others	Total
509	48	55

NUMBER OF TRAINEE DAYS		
Under SOFTCOB	Others	Total
1304	48	1352

CATEGORY WISE BREAKUP UNDER SOFTCOB		
INHOUSE	ONLOCATION	CUSTOMISED
07	02	05

ABSTRACT OF PROGRAMMES CONDUCTED AT ACMART UPTO THE QUARTER ENDED MARCH 2026 (TRAINING PROGRAMMES CONDUCTED IN 2025-26)

PROGRAMMES CONDUCTED		
Under SOFTCOB	Others	Total
43	22	65

NUMBER OF TRAINEES		
Under SOFTCOB	Others	Total
1463	667	2130

NUMBER OF TRAINEE DAYS		
Under SOFTCOB	Others	Total
3779	3047	6826

CATEGORY WISE BREAKUP UNDER SOFTCOB		
INHOUSE	ONLOCATION	CUSTOMISED
19	12	12



“KYC & AML: The Backbone of Safe and Responsible Banking”

Ganesh Chandra Sarkar

Faculty, ACMART

Why KYC and AML are Essential in Day-to-Day Banking Operations?

In today's increasingly interconnected financial ecosystem, banks are no longer mere custodians of deposits and facilitators of credit. They play a vital role in safeguarding the integrity of the financial system. Two foundational pillars that support this responsibility are Know Your Customer (KYC) and Anti-Money Laundering (AML) practices. These are not just regulatory requirements but essential operational tools that ensure transparency, trust, and security in everyday banking activities.

What is KYC?

KYC means Know Your Customer. It is a process by which banks:

- Identify the customer
- Verify identity
- Verify address
- Understand nature of business
- Assess risk category

KYC ensures:

- The customer is genuine
- The money is genuine
- The transaction is genuine

Under RBI guidelines, KYC is mandatory before opening:

- Savings Account
- Current Account
- Loan Account
- Any financial relationship

Every bank must have a KYC policy. The Board of Directors of the bank, or any committee to which the power has been delegated shall duly approve the KYC policy of the bank. The KYC policy shall include following four key elements:

- a) Customer Acceptance Policy.
- b) Customer Identification procedure.
- c) Monitoring of Transactions.
- d) Risk Management.

A) Customer Acceptance Policy:

Under the customer acceptance policy, the following aspects are to be taken care while establishing customer relationship in the Bank:

1) not open any account in an anonymous or fictitious / benami name.

(2) Open no account where it is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or unreliability of the documents / information furnished by the customer. The bank shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.

(3) not undertake a transaction or commence an account-based relationship without the CDD procedure.

(4) specify the mandatory information to be sought for KYC purposes while opening an account and during the periodic updation.

(5) obtain additional information, where its internal KYC Policy has not specified such information requirement, with the explicit consent of the customer.

(6) apply the CDD procedure at the UCIC level. Thus, if an existing KYC-compliant customer of a bank desires to open another account or avail of any other product or service from the same bank, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.

(7) follow the CDD Procedure for all the joint account holders, while opening a joint account.

(8) clearly spell out the circumstances in which a customer is permitted to act on behalf of another person / entity.

(9) put in place a suitable system to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists indicated in Chapter IX of these Directions.

(10) verify the Permanent Account Number (PAN) (if obtained) from the verification facility of the issuing authority.

(11) verify the customer's digital signature on the equivalent e-document (if obtained) as per the provisions of the Information Technology Act, 2000 (21 of 2000).

(12) verify the Goods and Services Tax (GST) number from the search / verification facility of the issuing authority, where the GST details are available.

13) open the accounts with relaxed KYC guidelines, titled Small Accounts wherein the customer shall open the account by production of a self-attested photograph and affixation of signature or thumb impression, as the case may be, on the Account Opening form. The designated Bank Official, while opening the small account, should certify under his signature that the person opening the account has affixed his signature or thumb impression as the case may be, in his presence.

14) A 'Small Account' means a savings account which is opened in terms of sub-rule (5) of rule 9 of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are as follows:

- the aggregate of all credits in a financial year does not exceed rupees one lakh;
- the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
- the balance at any point of time does not exceed rupees fifty thousand.

Further, small accounts are subject to the following conditions:

(i) The bank shall obtain a self-attested photograph from the customer.

(ii) The designated officer of the bank certifies under their signature that the person opening the account has affixed their signature or thumb impression in their presence.

(iii) The bank shall open such accounts only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that it does not credit foreign remittances to the account.

(iv) The bank shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before it allows a transaction to take place.

(v) The account shall remain operational initially for a period of 12 months which the bank can extend for a further period of 12 months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first 12 months of the opening of the said account.

(vi) The bank shall review the entire relaxation provisions after 24 months.

B) Customer Identification Procedure (CIP)

Through customer identification procedure branches must collect and verify the following documents before establishing any banking relationship:

- Aadhaar
- PAN
- Voter ID
- Passport
- Driving License

Verify through:

- Original documents
- CKYCR
- Official Valid Documents (OVD)

The bank shall undertake identification of customers in the following cases:

(1) Commencement of an account-based relationship with the customer.



- (2) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- (3) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (4) Selling third-party products as agents, selling its own products, payment of dues of credit cards / sale and reloading of prepaid / travel cards and any other product for more than ₹50,000.
- (5) Carrying out transactions for a non-account-based customer, i.e., a walk-in customer, where the amount involved is equal to or exceeds ₹50,000, whether conducted as a single transaction or several transactions that appear to be connected.
- (6) When the bank has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of ₹50,000.
- (7) The bank shall ensure it does not seek introductions while opening accounts.

C) Monitoring of transactions::

One of the most critical aspects of AML is ongoing transaction monitoring. Banks continuously analyse customer transactions to identify deviations from normal behaviour. For example, sudden large cash deposits, frequent transfers to high-risk jurisdictions, or unusual account activity may indicate suspicious behaviour. Early detection allows banks to take preventive action, such as freezing accounts or reporting to regulatory authorities, thereby protecting the financial system. We must monitor the following transactions on day to day basis :

- Unusual transactions
- Sudden heavy cash deposits
- Frequent large fund transfers
- Activity not matching profile

D) Periodic Up-dation of KYC/Risk categories::

The bank shall adopt a risk-based approach for periodic updation of KYC ensuring that it keeps the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. However, the bank shall carry out periodic updation at least

- once in every **two years** for high-risk customers,
- once in every **eight years** for medium risk customers and
- once in every **10 years** for low-risk customers from the date of opening of the account / last KYC updation.

Notwithstanding the provisions given above, in respect of an individual customer who is categorised as low-risk, the bank shall allow all transactions and ensure the updation of KYC within one year of its falling due for KYC or up to June 30, 2026, whichever is later.

Use of Business Correspondent (BC) by banks for Updation / Periodic Updation of KYC: The bank may obtain a self-declaration from the customer in case of no change in KYC information or change only in the address details through an authorised BC of the bank. The bank shall enable its BC systems for recording these self-declarations and supporting documents thereof in electronic form in the bank's systems.

Record Management

The bank shall take the following steps regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules. The bank shall,

- (i) maintain all necessary records of transactions between the bank and the customer, both domestic and international, for **at least five years from the date of transaction;**
- (ii) preserve the records pertaining to the identification of the customers and their addresses, obtained while opening the account and during the course of business relationship, for at least five years after the business relationship has ended;

CONCEPT AND DEFINATION- Know Your Customer- As per RBI directions-2025

- 1) '**Know Your Client/Customer (KYC) Identifier**' means the unique number or code that the Central KYC Records Registry assigns to a customer.

A customer can obtain his KYC Identifier through the following ways:

In the process of opening an account, once the customer's KYC Identifier is generated by CKYCR and provided to the bank, the latter shall share the same with the concerned customer. The customer can also access his KYC Identifier on CKYCR Portal (www.ckycindia.in).

2) Beneficial Owner (BO)

(a) **Where the customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has / have a controlling ownership interest or who exercises control through other means.

- 'Controlling ownership interest' means ownership of / entitlement to more than 10 percent of the shares or capital or profits of the company.
- 'Control' shall include the right to appoint the majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

(b) **Where the customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person(s), has / have ownership of / entitlement to more than 10 percent of capital or profits of the partnership or who exercises control through other means.

(c) **Where the customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has / have ownership of / entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

(d) **Where the customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

3) '**Customer**' means a person who is engaged in a financial transaction or activity with the bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

4) '**Walk-in Customer**' means a person who does not have an account-based relationship with the bank, but undertakes transactions with the bank.

5) '**Customer Due Diligence (CDD)**' means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

6) '**Customer Identification**' means undertaking the process of CDD.

7) '**FATCA**' means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

8) '**IGA**' means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.

9) '**Non-face-to-face customers**' means customers who open accounts without visiting the branch / offices of the bank or meeting the officials of the bank.

10) '**On-going Due Diligence**' means regular monitoring of transactions in accounts to ensure that transactions are consistent with the bank's knowledge about the customers, customers' business and risk profile, the source of funds / wealth.

11) '**Video based Customer Identification Process (V-CIP)**': an alternative method by which an authorised official of the bank conducts customer identification with facial recognition and customer due diligence. This process involves a seamless, secure, live, informed- consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information which



the customer furnished, through independent verification and by maintaining an audit trail of the process.

12) **Simplified Due Diligence for Self Help Groups (SHGs):** i) The bank shall not require CDD of all the members of an SHG while opening the savings bank account of the SHG. ii) The CDD of all the office bearers shall suffice. iii) The bank may undertake CDD of all the members of an SHG at the time of credit linking of SHGs. 13) **'Central KYC Records Registry' (CKYCR) means** an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

CDD Measures for Sole Proprietary firms:

For opening an account in the name of a sole proprietary firm, the bank shall carry out the CDD of the individual (proprietor) and obtain any two of the following documents as proof of business / activity in the name of the proprietary firm:

- (1) Registration certificate including Udyam Registration Certificate (URC) issued by the Government.
- (2) Certificate / licence issued by the municipal authorities under Shop and Establishment Act
- (3) Sales and income tax returns
- (4) CST / VAT / GST certificate
- (5) Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities
- (6) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT.
- (7) Utility bills such as electricity, water, landline telephone bills, etc.

CDD Measures for Legal Entities

For opening an account of a company, the bank shall obtain certified copies of each of the following documents or the equivalent e-documents thereof:

- (1) Certificate of incorporation
- (2) Memorandum and Articles of Association
- (3) PAN of the company
- (4) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.

CDD Measures for Partnership firm

For opening an account of a partnership firm, the bank shall obtain the certified copies of each of the following documents or the equivalent e-documents thereof:

- (1) Registration certificate
- (2) Partnership deed
- (3) PAN of the partnership firm
- (4) the names of all the partners and
- (5) address of the registered office, and the principal place of its business, if it is different.

CDD Measures for a Trust

For opening an account of a trust, the bank shall obtain the certified copies of each of the following documents or the equivalent e-documents thereof:

- (1) Registration certificate
- (2) Trust deed
- (3) PAN or Form No. 60 of the trust
- (4) the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust
- (5) the address of the registered office of the trust;

What is AML?

AML means Anti-Money Laundering. Money laundering means converting illegal money into legal money. Money laundering generally happens in three stages:

- Placement
- Layering
- Integration

These stages are recognized globally, including by the Financial Action Task Force (FATF) and followed in India under the Reserve Bank of India (RBI) guidelines and Enforcement Directorate (ED) investigations.

1. **PLACEMENT** – “Putting Dirty Money into the Financial System” Placement is the first stage where illegally obtained money (cash from crime) is introduced into the banking or financial system. At this stage, the criminal tries to move physical cash away from the crime scene.

- Common Methods of Placement :
- Depositing large cash amounts into bank accounts
- Breaking large cash into smaller deposits (Structuring / Smurfing)
- Using multiple accounts in different names
- Purchasing demand drafts, money orders
- Buying high-value items (gold, property, insurance policies)
- Using shell companies
- Example

Suppose a person earns ₹50 lakh from illegal activities. He deposits ₹9.5 lakh multiple times in different branches to avoid detection. This is placement.

2. **LAYERING** – “Making the Money Difficult to Trace”

Layering is the process of moving money around multiple times to hide its origin. This stage creates confusion and breaks the audit trail.

- Common Methods of Layering::
- Multiple fund transfers between accounts
- Wire transfers to foreign countries
- Investment in stocks, crypto, or mutual funds
- Creating fake invoices and fake business transactions
- Using shell companies and benami accounts
- Buying and selling assets repeatedly
- Example: Money deposited in Kolkata is transferred to Mumbai; Then sent to Dubai, Then invested in a company, Then transferred back as “consultancy income”. This is layering.

3. **INTEGRATION** – “Making Dirty Money Look Clean”

Integration is the final stage where the laundered money comes back into the economy as apparently legitimate income. Now the money looks legal.

- Common Methods of Integration:
- Investing in real estate
- Setting up businesses
- Luxury purchases
- Fake loan repayments
- Showing profits from shell companies.
- Example

The criminal now buys: Flats, Luxury cars, Hotels, Agriculture land on paper, it shows as business profit or investment return. This is integration.

Enhancing Customer Confidence and Reputation:

A bank that follows strict KYC and AML norms earns the confidence of customers, investors, and regulators. Customers feel secure knowing that their funds are protected and that the institution operates with integrity. In contrast, weak compliance can lead to reputational loss and erosion of trust. Thus, in everyday banking, KYC and AML practices play a vital role in maintaining the credibility of the institution.

Conclusion:

KYC and AML are integral to the smooth functioning of day-to-day banking operations. They are not merely regulatory obligations but strategic tools that protect banks from risks, ensure compliance, and uphold the integrity of the financial system. From verifying customer identity to monitoring transactions and preventing financial crimes, these measures form the backbone of responsible banking. In an era of rapid digital transformation and evolving financial threats, the importance of KYC and AML continues to grow, making them indispensable for sustainable and secure banking operations.



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In-house programme on
Compliance Functions in Banks
During 7th March, 2026

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