

KYC, Compliance, and Banking Ethics: Professional Standards

Foundational protocols for secure and ethical banking operations

Defining KYC and Regulatory Necessity

Understanding the 'Know Your Customer' framework

- **What is KYC?**

  A mandatory process to identify and verify the identity of customers to prevent money laundering and criminal abuse of financial systems.

- **Risk Mitigation**

  Systematically assessing customer risk profiles to proactively prevent financial crime.

- **Regulatory Compliance**

  Ensuring strict adherence to RBI Master Directions on KYC requirements.

- **Operational Integrity**

  Maintaining a transparent and verifiable audit trail for all customer accounts.

Documentation and Identity Verification

Mandatory documents for customer onboarding

Document Type	Purpose	Reliability Status
PAN Card	Tax compliance & financial trail	Mandatory
Aadhaar Card	Proof of Identity (POI) & Address	OVD (Officially Valid Document)
Passport/Voter ID	Alternative POI/POA	Permitted

Compliance Protocol: All documents must be verified against original copies during the onboarding process to ensure authenticity.

AML Basics and Suspicious Transactions

Core Pillars and Identification Criteria



Customer Due Diligence (CDD)

Implementing rigorous, ongoing monitoring of accounts to understand client behavior.



Record Keeping

Retaining comprehensive transaction logs for a mandatory period of 5–10 years for audit trails.



Reporting

Diligently identifying and escalating suspicious activities to the FIU-IND.



Structuring

Breaking down large transactions into smaller amounts to bypass reporting thresholds.



Inconsistent Activity

Observing sudden, unexplained spikes in transaction volume or frequency.



Third-Party Payments

Flags for payments from unrelated third-party entities lacking legitimate business justification.

Data Privacy and Customer Confidentiality

Protecting sensitive financial information



- **The Foundation of Trust**

  Customer information is for banking use only, with strict adherence to data protection laws preventing unauthorized disclosure of PII.

- **Best Practices**

  Never share credentials (OTPs/PINs), ensure end-to-end data encryption, and limit access to a strict 'need-to-know' basis.

Fraud Awareness and Ethical Sales

Maintaining integrity in financial services

Feature	Ethical Sales	Mis-selling
Primary Driver	Needs-based	Target-based
Customer Focus	Financial well-being	Sales quotas
Consent	Explicit & informed	Opaque or coerced
Risk Alignment	Matches risk appetite	Ignores suitability

Summary of Key Takeaways

The core pillars of professional banking - Recap of Module 8

Foundations of Professional Banking



Compliance

KYC and AML serve as the primary lines of defense for the entire financial system.



Documentation

Ensure accuracy by utilizing only RBI-approved OVDs for all customer identity verifications.



Integrity

Ethical sales practices and explicit customer consent are essential for lasting relationships.



Vigilance

Protect sensitive customer data and report suspicious activity immediately to ensure institutional security.

PROFESSIONAL EXCELLENCE IS BUILT ON ADHERENCE TO THESE CORE PRINCIPLES.

Upholding these standards protects both the institution and the customer.