

## **Annex E of the 'IBA's Guidance Note for Banks, 2005'**

### **An Indicative List of Suspicious Activities**

#### **Transactions Involving Large Amounts of Cash**

- (i) Exchanging an unusually large amount of small denomination notes for those of higher denomination;
- (ii) Purchasing or selling of foreign currencies in substantial amounts by cash settlement despite the customer having an account with the bank;
- (iii) Frequent withdrawal of large amounts by means of cheques, including traveller's cheques;
- (iv) Frequent withdrawal of large cash amounts that do not appear to be justified by the customer's business activity;
- (v) Large cash withdrawals from a previously dormant/inactive account, or from an account which has just received an unexpected large credit from abroad;
- (vi) Company transactions, both deposits and withdrawals, that are denominated by unusually large amounts of cash, rather than by way of debits and credits normally associated with the normal commercial operations of the company, e.g. cheques, letters of credit, bills of exchange etc.;
- (vii) Depositing cash by means of numerous credit slips by a customer such that the amount of each deposit is not substantial, but the total of which is substantial.

#### **Transactions that do not make Economic Sense**

- (i) A customer having a large number of accounts with the same bank, with frequent transfers between different accounts;
- (ii) Transactions in which assets are withdrawn immediately after being deposited, unless the customer's business activities furnish a plausible reason for immediate withdrawal.

#### **Activities not consistent with the Customer's Business**

- (i) Corporate accounts where deposits or withdrawals are primarily in cash rather than cheques.
- (ii) Corporate accounts where deposits & withdrawals by cheque/telegraphic transfers/foreign inward remittances/any other means are received from/made to sources apparently unconnected with the corporate business activity/dealings.

- (iii) Unusual applications for DD/TT/PO against cash.
- (iv) Accounts with large volume of credits through DD/TT/PO whereas the nature of business does not justify such credits.
- (v) Retail deposit of many cheques but rare withdrawals for daily operations.

#### **Attempts to avoid Reporting/Record-keeping Requirements**

- (i) A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- (ii) Any individual or group that coerces/induces or attempts to coerce/induce a bank employee not to file any reports or any other forms.
- (iii) An account where there are several cash deposits/withdrawals below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

#### **Unusual Activities**

- (i) An account of a customer who does not reside/have office near the branch even though there are bank branches near his residence/office.
- (ii) A customer who often visits the safe deposit area immediately before making cash deposits, especially deposits just under the threshold level.
- (iii) Funds coming from the list of countries/centers which are known for money laundering.

#### **Customer who provides Insufficient or Suspicious Information**

- (i) A customer/company who is reluctant to provide complete information regarding the purpose of the business, prior banking relationships, officers or directors, or its locations.
- (ii) A customer/company who is reluctant to reveal details about its activities or to provide financial statements.
- (iii) A customer who has no record of past or present employment but makes frequent large transactions.

#### **Certain Suspicious Funds Transfer Activities**

- (i) Sending or receiving frequent or large volumes of remittances to/from countries outside India.

- (ii) Receiving large TT/DD remittances from various centers and remitting the consolidated amount to a different account/center on the same day leaving minimum balance in the account.
- (iii) Maintaining multiple accounts, transferring money among the accounts and using one account as a master account for wire/funds transfer.

### **Certain Bank Employees arousing Suspicion**

- (i) An employee whose lavish lifestyle cannot be supported by his or her salary.
- (ii) Negligence of employees/willful blindness is reported repeatedly.

### **Some examples of suspicious activities/transactions to be monitored by the operating staff-**

- Large Cash Transactions
- Multiple accounts under the same name
- Frequently converting large amounts of currency from small to large denomination notes
- Placing funds in term Deposits and using them as security for more loans
- Large deposits immediately followed by wire transfers
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts
- Multiple deposits of money orders, Banker's cheques, drafts of third parties
- Transactions inconsistent with the purpose of the account
- Maintaining a low or overdrawn balance with high activity

### **Check list for preventing money-laundering activities:**

- A customer maintains multiple accounts, transfer money among the accounts and uses one account as a master account from which wire/funds transfer originates or into which wire/funds transfer are received (a customer deposits funds in several accounts, usually in amounts below a specified threshold and the funds are then consolidated into one master account and wired outside the country).
- A customer regularly depositing or withdrawing large amounts by a wire transfer to, from, or through countries that are known sources of narcotics or where Bank secrecy laws facilitate laundering money.
- A customer sends and receives wire transfers (from financial haven countries) particularly if there is no apparent business reason for such transfers and is not consistent with the customer's business or history.
- A customer receiving many small incoming wire transfer of funds or deposits of cheques and money orders, then orders large outgoing wire transfers to another city or country.
- A customer experiences increased wire activity when previously there has been no regular wire activity.
- Loan proceeds unexpectedly are wired or mailed to an offshore Bank or third party.

- A business customer uses or evidences or sudden increase in wired transfer to send and receive large amounts of money, internationally and/ or domestically and such transfers are not consistent with the customer's history.
- Deposits of currency or monetary instruments into the account of a domestic trade or business, which in turn are quickly wire transferred abroad or moved among other accounts for no particular business purpose.
- Sending or receiving frequent or large volumes of wire transfers to and from offshore institutions.
- Instructing the Bank to transfer funds abroad and to expect an equal incoming wire transfer from other sources.
- Wiring cash or proceeds of a cash deposit to another country without changing the form of the currency
  
- Receiving wire transfers and immediately purchasing monetary instruments prepared for payment to a third party.
- Periodic wire transfers from a person's account/s to Bank haven countries.
- A customer pays for a large (international or domestic) wire transfers using multiple monetary instruments drawn on several financial institutions.
- A customer or a non-customer receives incoming or makes outgoing wire transfers involving currency amounts just below a specified threshold, or that involve numerous Bank or travelers cheques
- A customer or a non customer receives incoming wire transfers from the Bank to 'Pay upon proper identification' or to convert the funds to bankers' cheques and mail them to the customer or non-customer, when
  - The amount is very large (say over Rs.10lakhs)
  - The amount is just under a specified threshold (to be decided by the Bank based on local regulations, if any)
  - The funds come from a foreign country or
  - Such transactions occur repeatedly.
- A customer or a non-customer arranges large wire transfers out of the country which are paid for by multiple Bankers' cheques (just under a specified threshold)

A Non-customer sends numerous wire transfers using currency amounts just below a specified threshold limit.