

Presentation at CUTS & US Embassy, Capacity Building Workshop

Banking Requirements & Compliance

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Needs of a Non-Profit from its Banking Operations

- Need to comply with banking norms as laid down by RBI & MHA.
- Need to have a robust control system over banking operations
- Need to maximise gainful use of idle funds

COMPLIANCE

REQUIREMENTS

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At CUTS / USAID Capacity Building Workshop, American Embassy, New Delhi
21st Sep'2018

KYC – Know Your Customer

- ❑ Legislative Framework : Reserve bank of India Act 1934, Banking Regulation Act 1949, Prevention of Money Laundering Act 2002, Bankruptcy & Insolvency Act 2017
- ❑ KYC consists of ensuring correct IDENTITY & ADDRESS of the bank customer
- ❑ Purpose – Banks are not used intentionally or otherwise for Bank laundering purposes.
- ❑ Principle – no account is opened/operated where bank is unable to apply customer due diligence (CDD).
- ❑ Need to be complied with at the time of opening of Bank Account and updation from time to time

*cont'd.....***KYC – Know Your Customer**

- ❑ Main KYC documents : Non-Profit Organisation (NPO) – Registration Certificate, Trust Deed/MoA, Resolution, Power of Attorney for person to transact on behalf of NPO, Identity Proof of such person (Aadhar Number or Proof of Enrolment of Aadhar, Voter Card, PAN No., etc)
- ❑ Aadhar Number is mandatory in case of opening new account, however same is not necessary for existing customers. Pending final SC judgment.
- ❑ If a customer is already KYC compliance no further need to undertake CDD for opening another bank account.

Compliance with FCRA related Banking regulations

- ❑ All funds rec'd from foreign sources to be deposited in FCRA Designated Bank accounts.
- ❑ No mixing of funds between FCRA & Non-FCRA.
- ❑ Only PFMS compliant banks as declared by FCRA Dept to have designated bank account (Presently around 58 such banks)
https://fcraonline.nic.in/fc_bank_list.aspx
- ❑ Validation of all Designated & Utilisation Bank accounts through FC6.
https://fcraonline.nic.in/home/PDF_Doc/fc_circular_11092017.pdf
- ❑ All FCRA expenditures above Rs 20,000/- to be incurred through cheque / banker's draft.
- ❑ Opening of Utilisation Accounts permitted in any bank as long as FCRA Dept intimated through FC6.
- ❑ All FCRA interest to be disclosed as FC through FC4.

CONTROLS

ENHANCING ACCOUNTABLE USE & SECURITY OF FUNDS

Internal Controls

- ❑ Proper Delegation of Authority, which enhances accountability & minimises risks in making expenditures
- ❑ Laying down of proper system of Financial Management for ensuring payments are made only for those costs of goods/ services actually rec'd by the organisation.
- ❑ Instituting an effective Internal Audit process, which apart from other areas verifies payments being made to only those payees as recorded in the books of accounts.

Safety of Funds

- ❑ Regular Bank Reconciliations – at least monthly
- ❑ Exercising proper control over blank chequ leaves.
- ❑ Ensuring no misuse of password during online banking.
- ❑ Exercising proper control over SMS msgs rec'd (most important for avoiding / minimising frauds)
- ❑ Custody & Monitoring of FD Receipts.

INVESTMENTS

PERMISSIBLE

Investment Modes for Charitable Entities (S.11(5))

- (i) Deposits in Scheduled bank & Coop Banks (i.e. SBs/CAs/FDs)
- (ii) Post Office Savings Bank Account (4%)
- (iii) Certificates of small saving schemes issued by GoI (Example: National Savings Scheme, India Vikas Patra, Kisan Vikas Patra)
- (iv) Investment in units of UTI / UTI (AMC)
- (v) Investments in Security for money issued by GoI or a State Govt
- (vi) In debentures of a company where interest is fully guaranteed by GoI or State Govt
- (vii) Deposits with IDBI Investment / deposit in any Public Sector Co. (Stock owned by Govt)

cont'dInvestment Modes ...(S.11(5))

- (viii) Investment in bonds / Deposits in any financial corporation providing long term finance for industrial development and approved by GoI
- (ix) Investments in bonds / Deposits issued by an Indian public company for providing long-term finance for construction / purchase of residential houses
- (x) --- Ditto ---- for Urban Infrastructure
- (xi) Immovable property

cont'dInvestment Modes ...(S.11(5))

(xii) Any other mode as prescribed :

- Units issued under Mutual Fund registered under SEBI or regulations made thereunder (S.23D)
- Investment by acquiring equity shares of a depository
- Investment in stock exchanges under specific conditions
- Investment in specified incubatee companies
- Investment in shares of National Skill Development Corporation
- Investment in debt instruments issued by any Infrastructure Finance co.
- Investment in Sovereign Gold Bond Scheme (Rule 17C)

□ Investment to be made within 6 months of the end of the previous year. (Form 10)

Benefits of a sound Treasury Management Function

- ❑ Better control over transactions
- ❑ Enhances Accountability
- ❑ Maximizing Returns in a secure & legal manner

Questions ?
