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## CUSTOMER ACCEPTANCE POLICY

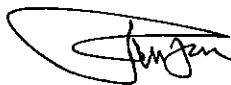
November, 2019

**Premier Bank**  
service first



**Anti-Money Laundering & Combating Financing of Terrorism Division**  
The Premier Bank Limited  
Head Office, Dhaka.

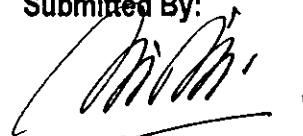
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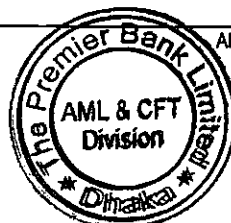
**Submitted By:**



(Sami Karim)

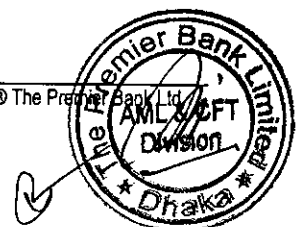
DMD & CAMLCO

**APPROVED BY BOARD OF DIRECTORS OF THE BOARD ON NOVEMBER 27, 2019**



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## CUSTOMER ACCEPTANCE POLICY

### **01. Introduction:**

Customers are important for survival of banking business. No customer, no banking. Increasing competition is forcing banks to pay more attention to satisfy customers. Our motto is to extend our best services to the customers. But it is equally important to bear in mind that sometimes customers pose the risk of money laundering and financing of terrorism to the financial institutions particularly banks. So the inadequacy or absence of Customer Acceptance Policy (CAP) can result in serious reputational, legal and compliance risks.

In our country, commercial bank does not open accounts or deal with customers of unknown identity or have fictitious or imaginary names. Bank will accept only those clients whose identity is established by conducting due diligence appropriate to the risk profile of the client. Collecting sufficient information about the customer before the account relationship is established is considered as the most effective defense against being used as the medium/conduit to launder the proceeds of crime and to finance the terrorism through bank accounts.

The Premier Bank Ltd. realizes the need for a well-defined customer acceptance policy to ensure prompt and inclusive services to all customers within the regulatory frame work as well as defined guidelines of the bank. Adequate due diligence on new and existing customers is a key part of CAP.

Pursuant to the above legal bindings as well as Section 2 & 3 of the BFIU Circular No. 19 dated 17/09/2017 issued by BFIU, Bangladesh Bank and concerning to international standards, this Customer Acceptance Policy has been developed.

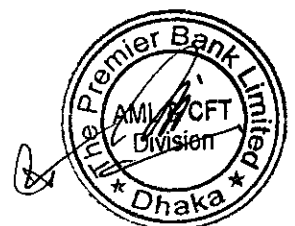
### **02. Objectives and application of the policy:**

The primary objective of the policy is to prevent our bank from being used by illegal or criminal elements for money laundering or terrorist financing activities as appended under.

- To lay down explicit criteria for acceptance of customers.
- To establish procedures to verify the bona-fide identification of individuals/ non individuals for opening of accounts.
- To enable the bank to know/understand the customers and their financial dealings better which would help the bank to manage risks prudently.
- To reduce the effective legal and reputational risk of the bank as well as Anti Money Laundering risks.
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable AML laws and laid down procedures.

This policy is applicable to all domestic/ foreign branches/offices/off-shore banking unit/subsidiaries of the bank and is to be read in conjunction with related operational guidelines/circulars issued from time to time.

### **03. Definition of Customer:**



**A customer is defined as:**

A person or entity that maintains an account and / or has a business relationship with the Bank/Fis.

- One on whose behalf the account is maintained (i.e. the beneficial owner); Beneficial owner means the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is conducted and exercise ultimate effective control over a juridical person.
- Beneficiaries of transactions conducted by professional intermediaries, such as stock brokers, Chartered accountants, Solicitors etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

For the purpose of KYC Procedure a "Customer" is defined in BFIU Circular No. 19 dated 17/09/2017 as:

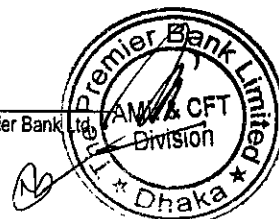
- Any individual or entity that maintains an account of any type with a Bank or financial institution or have Banking related business.
- Any third party, either individual or entity, on whose behalf the account is operated (**Beneficial Owner**<sup>1</sup>) directly or indirectly.
- A professional intermediary (such as lawyer/law firm, chartered accountant etc.) appointed for operating an account of Account holder, Trust or the Beneficial Owner under the existing legal infrastructure.
- Any individual or entity involved with High value single Occasional Transaction or any monetary transaction that may create any risks including the reputational risks of the Bank. In this case if a transaction appears abnormal in relation to the usual transaction considering the business/profession/profile of the concerned individual or entity that transaction will be treated as "high value".
- Any individual or entity defined by BFIU time to time.

**04. Customer Acceptance Criteria:**

The Premier Bank Ltd. has developed a clear customer acceptance policy and procedures laying down explicit criteria for acceptance of customers including a description of the types of customers that are likely to pose a higher than average risk to a financial institution. In preparing such policies, factors such as customer's background, country of origin, public or high profile position, linked accounts, business activities or other risk indicators have been considered.

It is important that customer acceptance policy is not so restrictive that it results in a denial of access by the general public to financial services, especially for people who are financially or socially disadvantaged. On the other hand, extended due diligence would be essential for an individual with a high net worth whose source of fund is unclear.

<sup>1</sup> Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Reference to "ultimately owns or controls" and "ultimate effective control" refer to situations in which ownership/ control is exercised through a chain of ownership or by means of control other than direct control.  
Note: It is required to conduct CDD of settlor, trustee, protector or any person with similar status or any beneficiary or class of beneficiaries who have hold effective control on trust, in case of identification of beneficial ownership of a legal arrangement.



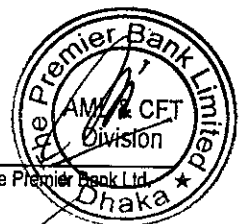
Decisions to enter into business relationships with higher risk customers, such as public figures or politically exposed persons (PEPs) should be taken exclusively at senior management level.

The customer Acceptance Policy has to ensure that explicit guidelines are in place on the following aspects of customer relationship in the financial institution:

**No account should be opened in/with:**

- 1) In anonymous or fictitious name or any numbered account.
- 2) "Shell Company"- a company that is incorporated but has no significant assets or operations. These companies are often used by fraudulent operators as fronts in many money laundering schemes.
- 3) "Shell Banks"- Shell Bank means a bank that has no physical presence in the country which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low level staff does not constitute physical presence<sup>2</sup>. As defined in the USA Patriot Act, banks are prohibited from opening or maintaining accounts for shell banks.
- 4) Internet gaming companies, firearms dealers and other entities that may pose potential reputational risk to the bank.
- 5) Persons/entities about whom information is available through reliable sources indicating involvement in criminal conduct (e.g., those allegedly having links to drug trafficking, terrorism, corruption or organized crime).
- 6) Persons/entities with businesses where we have doubts about the legitimacy of their activities or the source of funds.
- 7) Parameters of risk perception should be clearly defined in terms of the source of fund, the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, service offered, social and financial status etc. to categorize customers into different risk grades.
- 8) Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk.
- 9) Not to open an account or close an account where the financial institution is unable to apply appropriate customer due diligence measures i.e. financial institution is unable to verify the identity and/or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to the financial institution. Decision by a financial institution to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
- 10) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practices of financial service as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity.

<sup>2</sup> Ref.: Section 2.3 of BFIU Circular No.-19 dated 17-09-2017 of Bangladesh Financial Intelligence Unit (BFIU).



11) Necessary checks before opening a new account to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc. No account will be opened in the name of designated persons or entities as per UN sanction list/ and/or other sanction list.

12) The status of a customer may change as relation with a customer progresses. The transaction pattern, volume of a customer's account may also change. With times an ordinary customer can turn into a risky one. To address this issue, Customer Acceptance Policy should include measures to monitor customer's activities throughout the business relation as an appropriate.

#### 05. Customer Identification:

Customer identification is an essential element of KYC standards. The customer identification process applies naturally at the outset of the relationship. To ensure that records remain up-to-date and relevant, there is a need for financial institution to undertake regular reviews of existing records time to do so is when a transaction of significance takes place, when customer documentation standards change substantially, or when there is a material change in the way that the account is operated. However, if a financial institution becomes aware at any time that it lacks sufficient information about an existing customer, it should take steps to ensure that all relevant information is obtained as quickly as possible.

Once verification of identity has been satisfactorily completed, no further evidence is needed to undertake subsequent transactions. However, information should be updated or reviewed as appropriate and records must be maintained as set out Para 3 of BFIU Circular No. 19/2017.

#### 06. What Constitutes a Customer's Identity:

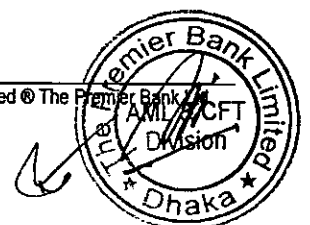
Identity generally means a set of attributes which uniquely define a natural or legal person. There are two main constituents of a person's identity, remembering that a person may be any one of a range of legal persons (an individual, corporate body, partnership, etc.). For the purposes of this guidance, the two elements are:

- the physical identity (e.g. Birth Certificate, TIN/VAT/Registration Certificate, Passport/National ID/Smart ID, Driving License etc.);
- the activity undertaken.

Confirmation of a person's address is also useful in determining whether a customer is resident in a high-risk country. Knowledge of both residence and nationality may also be necessary, in a non- money laundering context, to avoid breaches of UN or other international sanctions to which Bangladesh is a party. Where a passport is taken as evidence, the number, date and place of issuance should be recorded.

The other main element in a person's identity is sufficient information about the nature of the business that the customer expects to undertake, and any expected or predictable, pattern of transactions. For some business these may be obvious, however, for more complex businesses this may not be the case. The extent of the description required will depend on the institution's own understanding of the applicant's business.

Once account relationship has been established, reasonable steps should be taken by the institution to ensure that descriptive information is kept up-to-date as opportunities arise. It is important to emphasize that the customer identification process does not end at the point of application. The need to confirm and update information about identity, such as changes of address, and the extent of additional KYC information to be collected over time will differ



from sector to sector and between institutions within any sector. It will also depend on the nature of the product or service being offered, and whether personal contact is maintained enabling file notes of discussion to be made or whether all contact with the customer is remote.

#### 07. Account of Individual Customers:

Following information must be obtained by the branches while opening accounts or establishing other relationships with individual customers:

- Full and accurate name;
- Parent's names in full;
- Spouse Name;
- Date of birth;
- Current and permanent address;
- Details of occupation/employment and sources of wealth or income
- Contact information, such as – mobile/telephone no.
- Nominee information with signature.
- Photograph of both account holder and nominee duly signed by the introducer and Account holder respectively.

The original, certified copy of the following Photo ID also play vital role to identify the customer:

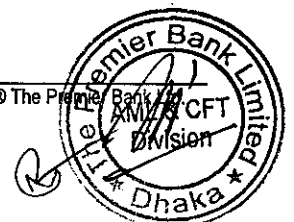
- (i) Current valid passport;
- (ii) Birth Certificate;
- (iii) National ID/ Smart ID Card;

Identification documents which do not bear photographs or signatures, or are easy to obtain, are normally not appropriate as sole evidence of identity, e.g. birth certificate, certificate from any local government organs, credit cards, non-Bangladeshi driving license. Any photocopies of documents showing photographs and signatures should be plainly legible. Where applicants put forward documents with which an institution is unfamiliar, either because of origin, format or language, the institution must take reasonable steps to verify that the document is indeed genuine, which may include contacting the relevant authorities or obtaining a notarized translation. Financial Institutions should also be aware of the authenticity of passports.

One or more of the following steps is recommended to verify addresses:

- provision of a recent utility bill, tax assessment or bank statement containing details of the address (to guard against forged copies it is strongly recommended that original documents are examined);
- checking the Voter lists;
- checking the telephone directory;
- visiting home/office;
- sending thanks letter to A/c holder and introducer.

The information obtained should demonstrate that a person of that name exists at the address given, and that the applicant is that person.



**08. Account of proprietorship concern:**

Following information must be obtained by the branch/bank while opening account or establishing other relationship with proprietorship concern.

- Proof of the name, address and activity of the concern
- Valid and updated trade license
- Certificate/License issued by the municipal authorities
- TIN certificate
- Photo of the account holder duly signed by the introducer
- Photo of the nominee duly signed by the account holder
- Personal information & Photo ID of the proprietor

**09. Partnerships and Unincorporated Businesses:**

In the case of partnerships and other unincorporated businesses whose partners/directors are not known to the institution, the identity of all the partners or equivalent should be verified in line with the requirements for personal customers. Where a formal partnership agreement exists, a mandate from the partnership authorizing the opening of an account and conferring authority on those who will operate it should be obtained.

Evidence of the trading address of the business or partnership should be obtained and a copy of the latest report and accounts (audited where applicable).

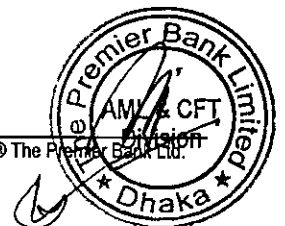
An explanation of the nature of the business or partnership should be ascertained (but not necessarily verified from a partnership deed) to ensure that it has a legitimate purpose.

Following information must be obtained by the branch/bank while opening account of partnership firm:

- Two copies of photo of each partner duly signed by the introducer.
- Registration certificate, if registered.
- Partnership deed (notarized).
- Power of attorney granted to a partner or an employee of the firm to transact business on its behalf.
- TIN certificate of the firm and TIN of the partners.
- Personal information, Photo ID and photos of all the partners.

**10. Corporate Bodies and Other Entities:**

Because of the difficulties of identifying beneficial ownership, and the possible complexity of organization and structures, corporate entities and trusts are the most likely vehicles to be used for money laundering, particularly when a legitimate trading company is involved. Particular care should be taken to verify the legal existence of the applicant and to ensure that any person purporting to act on behalf of the applicant is authorized to do so. The principal requirement is to look behind a corporate entity to identify those who have ultimate control/controlling or ownership interest over the business and the company's assets, with particular attention being paid to any shareholders or others who exercise a significant influence over the affairs of the company. Enquiries should be made to confirm that the company exists for a legitimate trading or economic purpose, and that it is not merely a "brass plate company" where the controlling principals cannot be identified.





Before a business relationship is established, measures should be taken by way of company search and/or other commercial enquiries to ensure that the applicant company has not been, or is not in the process of being, dissolved, and struck off, wound-up or terminated. In addition, if the institution becomes aware of changes in the company structure or ownership, or suspicions are aroused by a change in the nature of business transacted, further checks should be made.

No further steps to verify identity over and above usual commercial practice will normally be required where the applicant for business is known to be a company, or a subsidiary of a company, quoted on a recognized stock exchange.

The following documents should normally be obtained from companies:

- Certified copy of Certificate of Incorporation or equivalent, details of the registered office, and place of business;
- Certified copy of the Memorandum and Articles of Association, or by-laws of the client.
- Copy of the board resolution to open the account relationship and the empowering authority for those who will operate any accounts;
- Explanation of the nature of the applicant's business, the reason for the relationship being established, an indication of the expected turnover, the source of funds, and a copy of the last available financial statements where appropriate;
- Satisfactory evidence of the identity of each of the principal beneficial owners<sup>3</sup> or who have controlling/ownership interest over the company's assets and any person (or persons) on whose instructions the signatories on the account are to act or may act where such persons are not full time employees, officers or directors of the company.
- Satisfactory evidence of the identity of the account signatories, details of their relationship with the company and if they are not employees an explanation of the relationship. Subsequent changes to signatories must be verified;
- Copies of the list/register of directors.

The following persons (i.e. individuals or legal entities) must also be identified in line with this part of the notes:

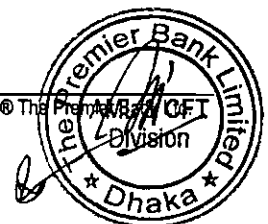
- All of the directors who will be responsible for the operation of the account/transaction.
- All the authorized signatories for the account/transaction.
- All holders of powers of attorney to operate the account/transaction.
- The beneficial owner(s) of the company.
- The majority shareholders of a private limited company.

When authorized signatories change, care should be taken to ensure that the identities of all current signatories have been verified. In addition, it may be appropriate to make periodic enquiries to establish whether there have been any changes in directors/shareholders, or the nature of the business/activity being undertaken. Such changes could be significant in relation to potential money laundering activity, even though authorized signatories have not changed.

#### 11. Accounts of Societies, Associations, NGOs, Clubs, Trusts and other organizations :

Following information must be obtained by the branch /bank while opening an account of the above

<sup>3</sup> Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Reference to "ultimately owns or controls" and "ultimate effective control" refer to situations in which ownership/ control is exercised through a chain of ownership or by means of control other than direct control.



- Certificate of registration, if registered
- Bye laws/Trust deed
- Telephone/utility bill in the name of the organization
- List of Managing committee members / List of Executive Committee Members
- Resolution of the managing committee of the organization/Trust for opening of the account and delegating powers to operate the accounts of the organization.
- Photos of authorized managing committee members duly signed by the introducer.
- Personal Information along with photo ID of the authorized signatories.

## 12. Minor :

For minor, the normal identification procedures set out above should be followed as far as possible. Where such procedures would not be relevant, or do not provide satisfactory evidence of identity, verification might be obtained in the form of the home address of parent(s). Under normal circumstances, a family member or guardian who has an existing relationship with the institution concerned would introduce a minor. In cases where the person opening the account is not already known, the identity of that person, and any other person who will have control of the account, should be verified. Thus, KYC of both minor and guardian have to be done.

## 13. Companies Registered Abroad:

Particular care should be exercised when establishing business relationships with companies incorporated or registered abroad, or companies with no direct business link to Bangladesh. Such companies may be attempting to use geographic or legal complication to interpose a layer of opacity between the source of funds and their final destination. In such circumstances, institutions should carry out effective checks on the source of funds and the nature of the activity to be undertaken during the proposed business relationship. This is particularly important if the corporate body is registered or has known links to countries without anti-money laundering legislation and procedures equivalent to Bangladesh. In the case of a trading company, a visit to the place of business may also be made to confirm the true nature of the business.

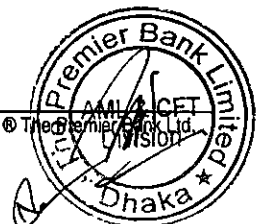
## 14. Politically Exposed Persons (PEPs):

While opening account of PEPs branches shall comply with instructions of BFIU Circular No. 19 dated 17/09/2017 of BFIU, Bangladesh Bank. Branches will take approval of Head office before opening of such account which shall be classified as high risk account and require intensive monitoring.

## 15. Correspondent Banking:

While establishing correspondent banking relationship the concern division/department shall follow the guidelines as contained in BFIU Circular No. 19 dated 17/09/2017 of BFIU, Bangladesh Bank.

Bank should establish or continue a correspondent relationship with a foreign bank only if it is satisfied that the bank is effectively supervised by the relevant authority.



Bank should not establish or continue a correspondent banking relationship with any shell bank. [Here shell bank refers to such banks as are incorporated in a jurisdiction where it has no branches or activities and which is unaffiliated with a regulated financial group.]

Correspondent banking relationship shall not be established or continued with those respondent banks that established correspondent banking relationship or maintain account with a shell bank.

Bank should pay particular attention when maintaining a correspondent banking relationship with banks incorporated in a jurisdiction that do not meet international standards for the prevention of money laundering (such as the countries and territories enlisted in Financial Action Task Forces Non-cooperating Countries and Territories list). Enhanced due diligence shall be required in such cases. Detailed information on the beneficial ownership of such banks and extensive information about their policies and procedures to prevent money laundering shall have to be obtained.

#### 16. No face-to-face contact:

Where there is no face-to-face contact, photographic identification would clearly be inappropriate procedures to identify and authenticate the customer. PBL ensures that there is sufficient evidence, either documentary or electronic, to confirm address and personal identity. At least one additional check should be undertaken to guard against impersonation. In the event that internal procedures require sight of a current passport or ID card where there is no face-to-face contact, then a certified true copy should be obtained. PBL does not allow non-face to face contact to a resident in establishing relationship.

#### 17. Accounts of Non-Resident Bangladeshi and Foreign National :

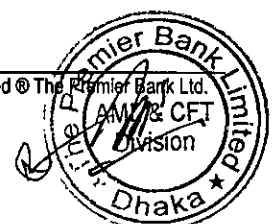
Branches will open such accounts by following laid down procedure of the bank. They will also ensure KYC, TP, source of fund and risk classification of the customer. In this connection, branches shall follow guidelines for foreign exchange transaction and foreign exchange regulation act 1947.

#### 18. Persons without Standard Identification Documentation :

It is generally believed that financial inclusion is helpful in preventing money laundering and terrorist financing. Most people need to make use of the financial system at some point in their lives. It is important, therefore, that the socially or financially disadvantaged such as the elderly, the disabled, students and minors should not be precluded from obtaining financial services just because they do not possess evidence of identity or address where they cannot reasonably be expected to do so. In these circumstances, a common sense approach and some flexibility without compromising sufficiently rigorous AML procedures is recommended. Internal procedures must allow for this, and must provide every specific advice to staff on how identity can be confirmed in these exceptional circumstances. The important point is that a person's identity can be verified from an original or certified copy of another document, preferably one with a photograph. The PBL does not allow 'high value' transactions to this kind of customers. Simplified Due Diligence should be done for low risk accounts like Student Accounts, Farmer's Accounts and other No-Frill<sup>4</sup> accounts.<sup>5</sup>

<sup>4</sup>"No Frills" account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low. Services available to such account are limited.

<sup>5</sup> Ref.: Section 3.4.Ga of BFIU Circular No.19 dated 17-09-2017 of Bangladesh Financial Intelligence Unit



A certifier must be a suitable person, such as for instance a lawyer, accountant, director or manager of a regulated institution, a notary public, a member of the judiciary or a senior civil servant. The certifier should sign the copy document (printing his name clearly underneath) and clearly indicate his position or capacity on it together with a contact address and phone number.

#### **19. Appropriateness of documents:**

There is obviously a wide range of documents as mentioned in Uniform A/c opening form which might be provided as evidence of identity. It is for each institution to decide the appropriateness of any document in the light of other procedures adopted. However, particular care is taken in accepting documents which are easily forged or which can be easily obtained using false identities.

#### **20. Change in address or other details:**

Any subsequent change to the customer's name, address, or employment details of which the financial institution becomes aware is recorded as part of the Know Your Customer process. Generally, this is undertaken as part of good business practice and due diligence but also to serve for money laundering prevention.

#### **21. Record keeping:**

All documents collected or gathered for establishing relationship are filed in with supporting evidence. Where this is not possible, the relevant details are recorded on the applicant's file. Bank which regularly conduct one-off transactions, should record the details in a manner which allows cross reference to transaction records.

#### **22. Introducer:**

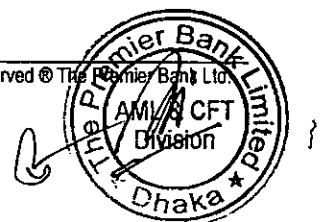
To identify the customer and to verify his/her identity, an introducer may play important role. An introduction from a respected customer, personally known to the management, or from a trusted member of staff, may assist the verification procedure but does not replace the need for verification of address as set out above. Details of the introduction should be recorded on the customer's file. However, personal introductions without full verification should not become the norm, and directors/senior managers must not require or request staff to breach account opening procedures as a favor to an applicant.

#### **23. Powers of Attorney/ Mandates to Operate Accounts:**

The authority to deal with assets under a power of attorney constitutes a business relationship and therefore, where appropriate, it may be advisable to establish the identities of holders of powers of attorney, the grantor of the power of attorney and third party mandates. Records of all transactions undertaken in accordance with a power of attorney should be kept.

#### **24. KYC for Internet/Cards/Mobile Banking:**

The KYC procedure should invariably be applied to new technologies including Premier Bank Debit Card/Credit Card/Internet Banking/Mobile Banking facility or such other product which may be introduced by the bank in future that might favor anonymity, and take measures, if needed to prevent their use in money laundering schemes.



Branches should ensure that appropriate KYC procedures are duly applied before issuing the cards to the customers. It is also desirable that agents appointed for marketing of these cards/products are also subjected to KYC measures.

**25. Timing and Duration of Verification:**

The best time to undertake verification is prior to entry into the account relationship. Verification of identity should, as soon as is reasonably practicable, be completed before any transaction is completed.

However, if it is necessary for sound business reasons to open an account or carry out a significant one-off transaction before verification can be completed, this should be subject to stringent controls which should ensure that any funds received are not passed to third parties. Alternatively, a senior member of staff may give appropriate authority.

This authority should not be delegated, and should only be done in exceptional circumstances. Any such decision should be recorded in writing.

Verification, once begun, should normally be pursued either to a satisfactory conclusion or to the point of refusal. If a prospective customer does not pursue an application, staff may (or may not) consider that this is itself suspicious.

**26. Conclusion:**

The Premier Bank will ensure implementation of the above policy as well as review of the same at regular interval. This will ensure strengthening the frame work of customer acceptance.

All employees of the bank are advised to be diligent in Banker-Customer relationship and seek the consent of senior officials of the bank in dealing with high risk customers. The bank should aim at providing high quality services at all levels, which we strive to achieve certain quantitative goals. Care must be constantly exercised not to compromise on quality. All Head of the branches are required to follow customer acceptance policy carefully and raise the bank to greater heights of efficiency, transparency and professionalism for complying MLP Act .

**-- THE END --**

