

A Study the Effectiveness of use of I.T. Practices in Banking Sector

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Abstract: For the development of economic condition of any country, banking sector plays key role by providing different services and facilities to the citizens of the nation. To serve such large customer base it is very important that the banks use advance technologies to mitigate risk occurred due to human errors and risk of use of financial institution for money laundering and terrorist financing. With the use of technology there had been an increase in penetration, productivity and efficiency. The banking sector has embraced the use of technology to serve its client's more efficiently and effectively. The uses of emerging technologies and software has changed the typical old way of banking system, where customer has to go to branch to open account for Saving/Commercial/Demat account for deferent purposes. In this pandemic conditions due to country wide lockdown, Video KYC for virtual on boarding of client to financial system is new normal and every financial institution is on the race to capture as many as they can. It has changed the banking industry from paper and branch based banks to digitized and networked banking services. The limitation of branch banking which was unable to achieve the concept of 24/7 working, The use of I.T and software made it possible by the use of Tele banking, ATMs, Internet banking, Mobile banking and E - banking. Information technology and software refers to the acquisition, processing, storage and dissemination of all types of information using computer technology and telecommunication systems. Information technology architecture is an integrated framework for acquiring and evolving IT to achieve strategic goals. It also enables the banks to maintain the client life cycle to mitigate the risk. After 9/11 attack on "World Trade Center" has changed the dynamics of banking sector. USA passed the Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA patriotic act) in 2001. The regulatory bodies globally, provided the protocols to maintain global standards in financial institutions including banks. The fundamental approach must be to ensure that the right level of due diligence is carried out to ensure to create, maintain and report the customers data as part of Client life cycle management to ensure that the bank is able to.

- To establish that our client exists
- Understand what our client does
- Understand where our client does the business
- Understand who own and controls the our client
- What are source of funds & source of wealth of our client
- Establish what our client will be doing with us, how the relationship will be funded and where the proceeds of financing will go.

All individuals/entities must be rated based on the risk with the customer/entities to bank. Every bank around the world has to maintain these global standards. All entities must be risk rated as Low, Medium, High or Higher Risk. Client Risk Rating (CRR) methodology used to risk rate the client which impacts the level of due diligence, the periodic review cycle and AML Transaction Monitoring threshold..

Keywords: I.T. practices in Banking sector, Anti Money Laundering (AML), Customer Identification Process, Know your Customer (KYC), Transaction Monitoring.



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