
1. What is KYC?

KYC is an acronym for “Know your Customer”, a term used for customer identification process. It involves making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc which in turn helps the banks to manage their risks prudently. The objective of the KYC guidelines is to prevent banks being used, intentionally or unintentionally by criminal elements for money laundering.

KYC has two components - Identity and Address. While identity remains the same, the address may change and hence the banks are required to periodically update their records.

2. Is there any legal backing for verifying identity of clients?

Yes. Reserve Bank of India has issued guidelines to banks under Section 35A of the Banking Regulation Act, 1949 and Rule 7 of Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005. Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act.

3. Why does the Bank ask you for proof of your identity and address?

The identification of a customer is a very critical process with a view to protect the customer interests by preventing from fraudsters who may use the name, address and forge signature to undertake illegal business activities, encashment of stolen drafts, cheques, dividend warrants, etc. This also helps to safeguard banks from being unwittingly used for the transfer of deposit of funds derived from criminal activity or for financing terrorism. Identification of customers will also help to control financial frauds, identify money laundering and suspicious activities, and for scrutiny / monitoring of large value cash transactions.

4. I want to keep a fixed deposit in a bank. Is KYC - applicable to me?

Yes. KYC is applicable to customers of the bank. For the purpose of KYC following are the ‘Customers of the bank.

- a person or entity that maintains an account and/or has a business relationship with the bank;
- one on whose behalf the account is maintained (i.e. the beneficial owner);
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and

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- 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.

5. Is there any procedure specified for Customer Identification?

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Banks have been advised to lay down Customer Identification Procedure to be carried out at different stages i.e. while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

6. Once KYC requirements are complied with while opening the account, whether the bank can again ask for KYC compliance from me?

Yes. To ensure that the latest details about the customer are available, banks have been advised to periodically update the customer identification data based upon the risk category of the customers.

Banks create a customer profile based on details about the customer like social/financial status, nature of business activity, information about his clients' business and their location, the purpose and reason for opening the account, the expected origin of the funds to be used within the relationship and details of occupation/employment, sources of wealth or income, expected monthly remittance, expected monthly withdrawals etc. When the transactions in the account are observed not consistent with the profile, bank may ask for any additional details / documents as required. This is just to confirm that the account is not being used for any Money Laundering/Terrorist/Criminal activities.

7. Can my wife who is not having any address proof in her name, open an account with the bank?

Yes. In such cases where the utility bills required for address verification are not in the name of the person who wants to open an account (close relatives, e.g. wife, son, daughter and daughter and parents etc. who live with their husband, father/mother and son, as the case may be) , an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person (prospective customer) wanting to open an account is a relative and is staying with him/her is acceptable. As supplementary evidence bank may ask for a letter received through post for further confirmation.

8. I am a daily wage earner without any document to satisfy the bank about identity and address. Can I open a bank account?

A customer belonging to low income group who is not able to produce documents to satisfy the bank about his identity and address, can open bank account with an introduction from another account holder who has been subjected to full KYC procedure provided that the balance in all his accounts taken together is not expected to exceed Rupees Fifty Thousand (Rs. 50,000/-) and the total credit in all the accounts taken together is not expected to exceed Rupees One Lakh (Rs. 1,00,000/-) in a year. The introducer's account with the bank should be at least six months old and should show satisfactory transactions. Photograph of the customer who proposes to open the account and also his address needs to be certified by the introducer,

or

any other evidence as to the identity and address of the customer to the satisfaction of the bank.

If at any point of time, the balance in all his/her accounts with the bank (taken together) exceeds Rupees Fifty Thousand (Rs. 50,000/-) or total credit in the account exceeds Rupees One Lakh (Rs. 1,00,000/-) in a year, no further transactions will be permitted until the full KYC procedure is completed.

In order not to inconvenience the customer, the bank will notify the customer when the balance reaches Rupees Forty Thousand (Rs. 40,000/-) or the total credit in a year reaches Rupees Eighty thousand (Rs. 80,000/-) that appropriate documents for conducting the KYC must be submitted otherwise operations in the account will be stopped.

9. Whether a certificate from my employer is sufficient as identity as well as address proof for opening an account?

Banks rely on such certification only from corporate and other entities of repute provided that they are aware of the competent authority designated by the concerned employer to issue such certificate. In addition, banks also require at least one of the valid documents indicated above viz. Passport, Driving Licence, PAN Card, Voter's Identity Card etc. or utility bills for KYC purposes for opening bank account of salaried employees of corporate and other entities.

10. Whether the information given by me to the bank under KYC is treated as confidential?

Yes. The information collected from the customer for the purpose of opening of account is treated as confidential and details thereof are not divulged for cross selling or any other similar purposes.

11. If I refuse to give information on KYC asked for by the bank, what action the bank can take against me?

Where the bank is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the bank can consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision.

12. What is Money Laundering?

Money Laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs / arms trafficking, terrorism and extortion. All crimes that produce a financial benefit give rise to money laundering.

13. What has this got to do with opening bank accounts?

The first step in the laundering process for criminals is to get their money into an account with a Bank, often using a false identity and address. The funds so deposited will be transferred to other accounts locally or abroad or used for buying goods or services. These transactions would appear to be like any legally earned money and becomes difficult to trace it back to its criminal past. Banks under law should not only prevent this, but should stop criminals who wish to use the banking channel to launder the ill-gotten money from illegal / criminal activities.

14. How could this affect you as a customer?

A key defense against money laundering is to prevent accounts being opened in false identities. Anyone wishing to open an account will therefore be asked for proof of their identity and address. These documents have to be essentially obtained irrespective of the type of account to be opened and the purpose for which the account is opened for.

The fact that these documents are asked for opening of account does not mean that you are suspected of money laundering. Criminals try to appear to be normal law abiding customers, for example they may try to open a number of accounts using small amounts of money. Hence it is necessary to identify all prospective account holders or customers. Anybody including a criminal could falsely use your identity, if these identity documents are not obtained.

15. Help us to Help You

Please help us to prevent crime and the laundering of the proceeds of such crime or evasion by being patient when staff asks you to provide documents to prove your identity. You can also help prevent crime against yourself and others by maintaining the confidentiality of your account details and identity documents.

Simplification of KYC Norms - Creating Public Awareness

1. Single document for proof of identity and proof of address

There is now no requirement of submitting two separate documents for proof of identity and proof of address. If the officially valid document submitted for opening a bank account has both, identity and address of the person, there is no need for submitting any other documentary proof.

Officially valid documents (OVDs) for KYC purpose include: Passport, driving licence, voters' ID card, PAN card, Aadhaar letter issued by UIDAI and Job Card issued by NREGA signed by a State Government official.

To further ease the process, the information containing personal details like name, address, age, gender, etc., and photographs made available from UIDAI as a result of e-KYC process can also be treated as an 'Officially Valid Document'.

2. No separate proof of address is required for current address

Since migrant workers, transferred employees, etc., often face difficulties while submitting a proof of current address for opening a bank account, such customers can submit only one proof of address (either current or permanent) while opening a bank account or while undergoing periodic updation. If the current address is different from the address mentioned on the proof of address submitted by the customer, a simple declaration by her/him about her/his current address would be sufficient.

3. No separate KYC documentation is required while transferring accounts from one branch to another of the same bank

Once KYC is done by one branch of the bank, it is valid for transfer of the account to any other branch of the same bank. The customer would be allowed to transfer her/his account from one branch to another branch without restrictions and on the basis of declaration of his/her local address for communication.

4. Small Accounts

Those persons who do not have any of the 'officially valid documents' can open 'small accounts' with banks. A 'small account' can be opened on the basis of a self-attested photograph and putting her/his signature or thumb print in the presence of an official of the bank. Such accounts have limitations regarding the aggregate credits (not more than Rupees one lakh in a year), aggregate withdrawals (not more than Rupees ten thousand in a month) and balance in the accounts (not more than Rupees fifty thousand at any point in time). These small accounts would be valid normally for a period of twelve months. Thereafter, such accounts would be allowed to continue for a further period of twelve more months, if the account holder provides a document showing that she/he has applied for any of the officially valid document, within twelve months of opening the small account.

5. Relaxation regarding officially valid documents (OVDs) for low risk customers

If a person does not have any of the 'officially valid documents' mentioned above, but if is categorised as 'low risk' by the banks, then she/he can open a bank account by submitting any one of the following documents:

(a) identity card with applicant's photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;

(b) letter issued by a gazetted officer, with a duly attested photograph of the person.

6. Periodic updation of KYC

Time intervals for periodic updation of KYC for existing low/medium and high risk customers have been increased from 5/2 years to 10/8/2 years, respectively.

7. Other relaxations

KYC verification of all the members of Self Help Groups (SHGs) is not required while opening the savings bank account of the SHG and KYC verification of only the officials of the SHGs would suffice. No separate KYC verification is needed at the time of credit linking the SHG.

Foreign students have been allowed a time of one month for furnishing the proof of local address.

In case a customer categorised as low risk is unable to submit the KYC documents due to genuine reasons, she/he may submit the documents to the bank within a period of six months from the date of opening account.



6 EASY STEPS TO OPENING A BANK ACCOUNT

Reserve Bank of India

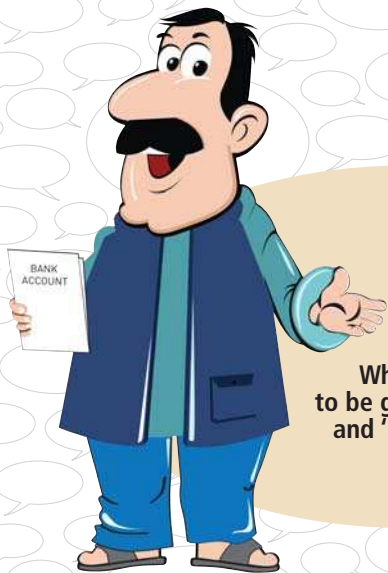
Central Office, Central Office Building, Shahid Bhagat Singh Road, Fort,
Mumbai - 400 001
www.rbi.org.in



01
How can I open
a bank account?



It is very simple. To open a bank account
you need to give a 'proof of identity
and address' alongwith
a recent photograph.



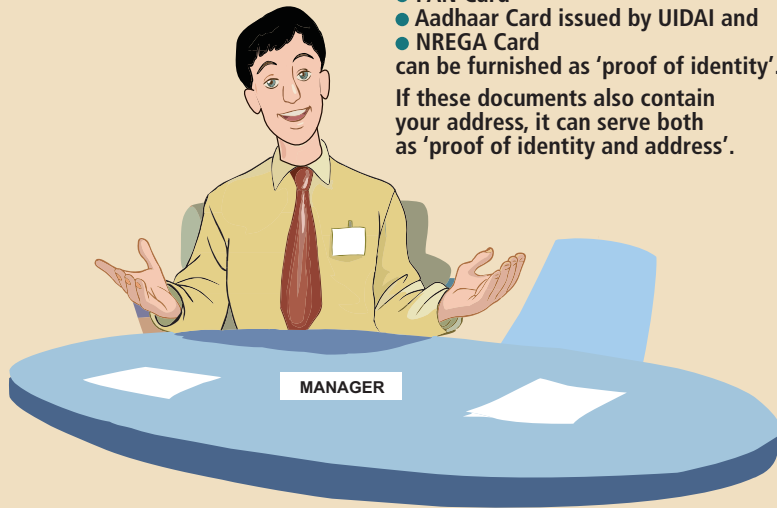
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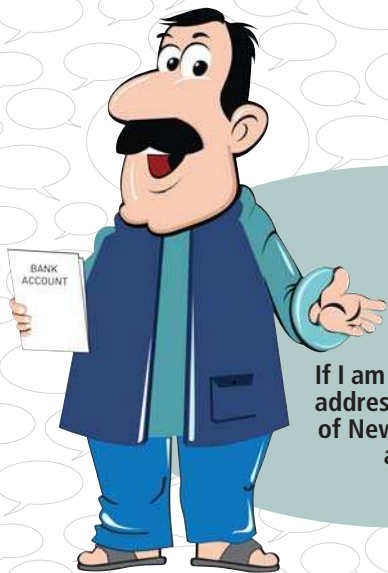
What are the documents to be given as 'proof of identity' and 'proof of address' by me?

Any one of the documents such as:

- Passport
 - Driving Licence
 - Voters' Identity Card
 - PAN Card
 - Aadhaar Card issued by UIDAI and
 - NREGA Card
- can be furnished as 'proof of identity'.

If these documents also contain your address, it can serve both as 'proof of identity and address'.





03

If I am staying in Chennai but my address proof shows my address of New Delhi, can I still open an account in Chennai?



Surely you can. Alongwith your proof of address of New Delhi, you will have to declare your Chennai address for communication purposes.



04

Why do banks require proof of identity and address?



Banks require your proof of identity and address as a part of Know Your Customer (KYC) requirement to ensure that banks know their customers properly.



05

What do I do, if I do not have any documents to show my 'proof of identity'? Can I still open a bank account?

Of course you can. You can still open a bank account known as 'Small Account' by submitting your recent photograph and putting your signature or thumb impression in front of the bank official.

However, this 'Small Accounts' have certain limitations such as balance at any point of time should not exceed **Rs.50,000**, total credits in one year should not exceed **Rs.1,00,000** and total withdrawal should not exceed **Rs.10,000/- in a month.**



MANAGER



06

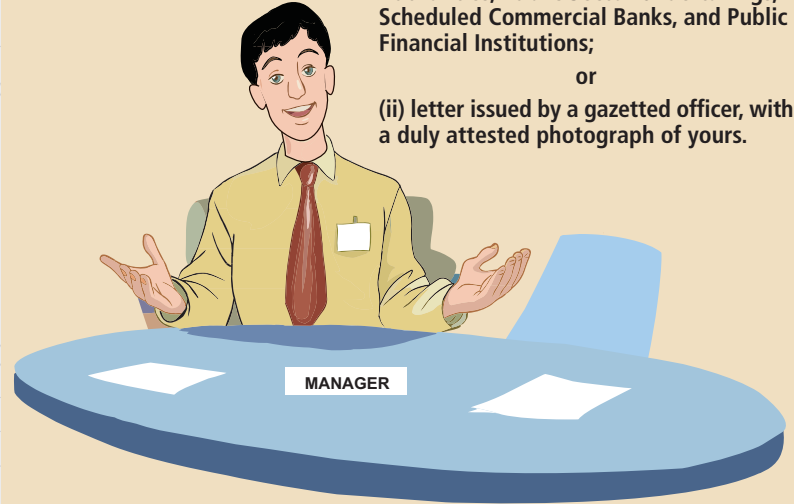
I do not want my account to be subject to any limitations. But if I do not have any document to show my 'proof of identity', can I still open a bank account?

Yes you can still open a bank account, only if you are assessed as a 'low risk' customer by the bank, by submitting a copy of any one of the following documents:

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or

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BANKING FOR THE COMMON MAN

01

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