

# RBI FAQs on KYC

Know Your Customer Guidelines

## 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 customers' 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. 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
- 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

## 4. 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.

## 5. 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.

## 6. I had submitted my driving licence as a proof of identity and address but still the bank asked for telephone/electricity bill.

There are two aspects of Customer Identification. One is establishing identity and the other is establishing present residential address.

For establishing identity, the bank requires any authentic document carrying photo of the customer such as driving licence/passport/PAN card/voters' card, etc. Though these documents carry the residential address of the customer, it may not be the present address. Therefore, in order to establish the present address of the customer, in addition to passport/driving licence/voters' card/PAN card, the bank may ask for utility bills such as Telephone/Electricity bill, etc.

The detailed list of the documents that the bank can ask is given below.

Features	Documents
<b>Accounts of Individuals</b>	
- Legal name and any other names used	<ul style="list-style-type: none"><li>i. Passport</li><li>ii. PAN card</li><li>iii. Voter's Identity card</li><li>iv. Driving licence</li><li>v. Identity card (subject to the banks' satisfaction)</li><li>vi. Letter from a recognised public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank</li></ul>
- Correct permanent address	<ul style="list-style-type: none"><li>i. Telephone bill</li><li>ii. Bank account statement</li><li>iii. Letter from any recognised public authority</li></ul>

Features	Documents
	<ul style="list-style-type: none"> <li>iv. Electricity bill</li> <li>v. Ration card</li> <li>vi. Letter from employer (subject to satisfaction of the bank) (any one document which provides customer information to the satisfaction of the bank will suffice)</li> </ul>
<b>Accounts of Companies</b>	
- Name of the company	i. Certificate of incorporation and Memorandum and Articles of Association
- Principal place of business	ii. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account
- Mailing address of the company	iii. Power of Attorney granted to its managers, officers or employees to transact business on its behalf
- Telephone / Fax Number	<ul style="list-style-type: none"> <li>iv. Copy of PAN allotment letter</li> <li>v. Copy of the telephone bill</li> </ul>
<b>Accounts of Partnership Firms</b>	
- Legal name	i. Registration certificate, if registered
- Address	ii. Partnership deed
- Names of all partners and their addresses	iii. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Telephone numbers of the firm and partners	<ul style="list-style-type: none"> <li>iv. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses</li> <li>v. Telephone bill in the name of firm/partners</li> </ul>
<b>Accounts of Trusts and Foundations</b>	
- Names of trustees, settlers, beneficiaries and signatories	i. Certificate of registration, if registered
- Names and addresses of the founder, the managers / directors and the beneficiaries	<ul style="list-style-type: none"> <li>ii. Power of Attorney granted to transact business on its behalf</li> <li>iii. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses</li> </ul>
- Telephone / fax numbers	<ul style="list-style-type: none"> <li>iv. Resolution of the managing body of the foundation/association</li> <li>v. Telephone bill</li> </ul>

Features	Documents
<b>Accounts of Proprietorship Concerns</b>	
- Proof of the name, address and activity of the concern	<ul style="list-style-type: none"> <li>i. Registration certificate (in the case of a registered concern)</li> <li>ii. Certificate / licence issued by the Municipal authorities under Shop &amp; Establishment Act,</li> <li>iii. Sales and income tax returns</li> <li>iv. CST / VAT certificate</li> <li>v. Certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities</li> <li>vi. Registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department</li> <li>vii. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of bank account</li> <li>viii. Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.</li> </ul> <p>Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.</p>

**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 accountholder 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 (₹50,000) and the total credit in all the accounts taken together is not expected to exceed Rupees One Lakh (₹100,000) 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 (₹50,000) or total credit in the account exceeds Rupees One Lakh (₹100,000) 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 (₹40,000) or the total credit in a year reaches Rupees Eighty Thousand (₹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. Whether KYC is applicable for Credit Cards/Debit Cards/Smart Cards?**

Yes. Application of full KYC procedure is necessary before issuing Credit Cards/Debit Cards/Smart Cards and also in respect of add-on / supplementary cards.

**12. 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.

