

Definition of KYC

Know Your Customer is the process of verifying the identity of customer. The objective of KYC guidelines is to prevent banks from being used, by criminal elements for money laundering activities. It also enables banks to understand its customers and their financial dealings to serve them better and manage its risks prudently.

Importance of KYC

KYC is the means of identifying and verifying the identity of the customer through independent and reliance source of documents, data or information. For the purpose of verifying the identity of:

- Individual customers, bank will obtain the customer's identity information, address and recent photograph. Similar information will also have to be provided for joint holders and mandate holders.
- Non-Individual customers – banks will obtain identification data to verify the legal status of the entity, operating address, the authorized signatories and beneficial owners.

Information is also required on the nature of employment/business that the customer does or expects to undertake and the purpose of opening of the account with the bank.

Purpose

The KYC guidelines have been put in place by the Reserve Bank of India in the context of the recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT). The Prevention of Money Laundering Act requires banks, financial institutions and intermediaries to ensure that they follow certain minimum standard of KYC and AML.

Periodicity of KYC refresh

KYC is to be provided at the time of opening a new account as well as refresh. It may be necessary to obtain additional information from existing customers based on the conduct of the account, where there are changes to the account or at fixed periodic refresh cycles based on the risk categorization of the customer. Similarly, an existing customer will be required to provide fresh KYC for new account opening to adhere to the latest applicable KYC standards.

Contact Person in the bank

As a customer of the bank, you will need to liaise with your Relationship Manager or the bank staff that initiated your account opening.

Failure to provide KYC

Banks are entitled to refuse to open an account or discontinue an existing relationship if there is failure to meet the minimum KYC requirements. However, there is flexibility provided to certain categories of customer who are unable to provide the necessary document at the time of account opening.