



December 13, 2024

AMENDMENT TO MASTER DIRECTION - KNOW YOUR CUSTOMER (KYC) DIRECTION, 2016

I. INTRODUCTION AND BACKGROUND:

Reserve Bank of India ("**RBI**") vide its circular dated November 06, 2024, bearing reference no. DOR.AML.REC.49/14.01.001/2024-25 ("**said Circular**") has reviewed the '**Master Direction - Know Your Customer (KYC) Direction, 2016**' ("**said Direction**"), and has made certain amendments in the provisions of the said Direction, in terms of which Regulated Entities (REs) have to undertake Customer Due Diligence (CDD), as per the process laid out therein, for their customers.

The Master Direction on KYC has been amended to:

- (a) align the instructions with the recent amendments carried out in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 vide Gazette Notification dated July 19, 2024;
- (b) incorporate instructions in terms of the corrigendum dated April 22, 2024 issued by the Government of India to the Order dated February 2, 2021 on the 'Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967', and;
- (c) revise certain existing instructions.

II. APPLICABILITY:

The amendments shall apply to every entity regulated by Reserve Bank of India, including:

- a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under section 22 of Banking Regulation Act, 1949, which as a group shall be referred as 'banks'
- b. All India Financial Institutions (AIFIs)
- c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs)
- d. Asset Reconstruction Companies (ARCs)
- e. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
- f. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

The amendments shall also apply to those branches and majority owned subsidiaries of the REs which are located abroad, to the extent they are not contradictory to the local laws in the host country, provided that:

- i. where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India. RBI may advise further necessary action by the RE including application of additional measures to be taken by the RE to manage the ML/TF risks.
- ii. in case there is a variance in KYC/AML standards prescribed by the Reserve Bank of India and the host country regulators, branches/ subsidiaries of REs are required to adopt the more stringent regulation of the two.
- iii. branches/ subsidiaries of foreign incorporated banks may adopt the more stringent regulation of the two i.e., standards prescribed by the Reserve Bank of India and their home country regulators. (Provided that this rule shall not apply to 'small accounts' referred to in paragraph 23 of Chapter VI).

III. COMMENCEMENT:

The amended provisions as contained in the said *Circular* shall come into effect from November 06, 2024.

IV. KEY AMENDMENTS:

Sr.No.	Provision of the said Direction	Existing Provision	Amended Provision
a.	Paragraph 10(f)	10. (f) REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account, there shall be no need for a fresh CDD exercise.	10. (f) REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account or avail any other product or service from the same RE , there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.
b.	Explanation to Paragraph 37(a) and (b)	<p>37. The extent of monitoring shall be aligned with the risk category of the customer.</p> <p>Explanation: High risk accounts have to be subjected to more intensified monitoring.</p> <p>(a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.</p> <p>(b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.</p> <p>Explanation: Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.</p>	<p>37. The extent of monitoring shall be aligned with the risk category of the customer.</p> <p>(a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.</p> <p>(b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.</p> <p>Explanation: High risk accounts have to be subjected to more intensified monitoring.</p> <p>Explanation: Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.</p>
c.	Paragraph 38(a)(ii) & (a)(iv) and (c)(iii) & (c)(iv)	<p>38. Updation / Periodic Updation of KYC</p> <p>38. (a)(ii) Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc., and the declared address shall be verified through positive confirmation within two months, by</p>	<p>38. (a)(ii) In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.</p>

		<p>means such as address verification letter, contact point verification, deliverables, etc.</p> <p>Further, REs, at their option, may obtain a copy of OVD or deemed OVD, as defined in Section 3(a)(xiv), or the equivalent e-documents thereof, as defined in Section 3(a)(x), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by the REs in their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.</p>	<p>Further, REs, at their option, may obtain a copy of OVD or deemed OVD, as defined in paragraph 3(a)(xiv), or the equivalent e-documents thereof, as defined in paragraph 3(a)(x), for the purpose of proof of address, declared by the customer at the time of updation/ periodic updation. Such requirement, however, shall be clearly specified by the REs in their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.</p>
		<p>38. (a)(iv) Aadhaar OTP based e-KYC in non-face to face mode may be used for periodic updation. To clarify, conditions stipulated in Section 17 are not applicable in case of updation/periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. REs shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.</p>	<p>38. (a)(iv) Aadhaar OTP based e-KYC in non-face to face mode may be used for updation/ periodic updation. To clarify, conditions stipulated in paragraph 17 are not applicable in case of updation/ periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. REs shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.</p>
		<p>38. (c)(iii) Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers of KYC are promptly updated in the records / database of the REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.</p>	<p>38. (c)(iii) Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out updation/ periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of updation/ periodic updation of KYC are promptly updated in the records / database of the REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.</p>
		<p>38. (c)(iv) In order to ensure customer convenience, REs may consider making available of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.</p>	<p>38. (c)(iv) In order to ensure customer convenience, REs may consider making available the facility of updation/ periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.</p>

d.	Paragraph 56(h) and (j)	<p>56. (h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, REs shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above-mentioned dates as per sub-section (e) and (f), respectively, at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.</p>	<p>56. (h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, REs shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above-mentioned dates as per clauses (e) and (f), respectively, at the time of periodic updation as specified in paragraph 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer. Also, whenever the RE obtains additional or updated information from any customer as per clause (j) below in this paragraph or Rule 9 (1C) of the PML Rules, the RE shall within seven days or within such period as may be notified by the Central Government, furnish the updated information to CKYCR, which shall update the KYC records of the existing customer in CKYCR. CKYCR shall thereafter inform electronically all the reporting entities who have dealt with the concerned customer regarding updation of KYC record of the said customer. Once CKYCR informs an RE regarding an update in the KYC record of an existing customer, the RE shall retrieve the updated KYC records from CKYCR and update the KYC record maintained by the RE.</p>
		<p>56. (j) Where a customer, for the purposes of establishing an account-based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such RE shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless</p> <ul style="list-style-type: none"> i. there is a change in the information of the customer as existing in the records of CKYCR; ii. the current address of the customer is required to be verified; iii. the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client iv. the validity period of documents downloaded from CKYCR has lapsed. 	<p>56. (j) For the purpose of establishing an account-based relationship, updation/periodic updation or for verification of identity of a customer, the RE shall seek the KYC Identifier from the customer or retrieve the KYC Identifier, if available, from the CKYCR and proceed to obtain KYC records online by using such KYC Identifier and shall not require a customer to submit the same KYC records or information or any other additional identification documents or details, unless—</p> <ul style="list-style-type: none"> i. there is a change in the information of the customer as existing in the records of CKYCR; or ii. the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms; or iii. the validity period of downloaded documents has lapsed; or iv. the RE considers it necessary in order to verify the identity or address (including current address) of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the customer.
e.	Provision 3.1 of Annex II	The Additional Secretary (CTCR), Ministry of Home Affairs would be the Central [designated] Nodal Officer for the UAPA [Telephone Number: 011-23092456 , 011-230923465 (Fax), email address: jsctcr-mha@gov.in].	The Joint Secretary (CTCR), Ministry of Home Affairs would be the Central [designated] Nodal Officer for the UAPA [Telephone Number: 011- 23093124 , 011-230923465 (Fax), email address: jsctcr-mha@gov.in].

V. CONCLUSION:

The amendments made to the said Direction is a welcome move as it provides relief to the existing KYC compliant customers for availing products/services from REs by removing the requirement of repetitive KYC process. The updates have also strengthened the interplay between REs and CKYCR to ensure data consistency in the financial ecosystem. It is to be noted that the amendments for updation/periodic updation in Paragraph 56(h) and (j) do not provide for a specific timeline, hence the REs may do so promptly and stipulate the same in their KYC policy. These updates prove RBI's commitment to fostering a robust mechanism for AML/KYC compliance.

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