

KYC: Customer Identification & Beneficial Ownership




KYC/AML Chapter 2 Module B

2.1 Customer Identification: Why is it Important?

Key Objective:

- ✓ Ensure transactions are conducted only by legitimate customers.
- ✓ Mitigate risks related to Money Laundering (ML), Terrorist Financing (TF), and fraud.
- ✓ Comply with international regulations (FATF, Basel Committee, PML Act).


Example:

- ◆ A fraudster opens a bank account with fake IDs and later uses it for **money laundering**   .
- ◆ **KYC verification** would help identify suspicious activity and stop such transactions  .


2.2 Definitions Under KYC

2.2.1 Who is a 'Customer'?

As per RBI, a customer is:


- ✓ Anyone engaging in financial transactions with a bank 
- ✓ Includes individuals acting on behalf of others (i.e., agents, trustees, representatives).







Example:

- ✓ A lawyer managing funds for a client is also considered a customer from a KYC perspective .

2.2.2 Who is a 'Person' Under PMLA?

Under the Prevention of Money Laundering Act (PMLA), a person includes:

Entity Type	Definition
 Individual	A single person (e.g., Mr. A)

 Hindu Undivided Family (HUF)	A joint Hindu family engaged in business
 Company	A corporate entity (e.g., XYZ Ltd.)
 Partnership Firm	Business owned by two or more persons
 Association of Persons	Group of individuals (NGOs, Clubs)
 Artificial Juridical Person	Entities like trusts, government bodies
 Agency or Branch	Any office owned/controlled by the above


 **Example:**

✓ A company (XYZ Ltd.) applying for a business loan is treated as a "Person" under KYC.

2.2.3 Who is a Beneficial Owner?

✓ A beneficial owner is the actual individual who ultimately owns or controls a business entity.

Why Identify Beneficial Owners?

 To prevent criminals from hiding behind **complex corporate structures** to launder money.

📌 Example:

- ◆ A company "ABC Ltd." is owned by "PQR Ltd."
- ◆ PQR Ltd. is held by three individuals: **Mr. X (40%), Ms. Y (35%), Mr. Z (25%)**
- ◆ Since **Mr. X and Ms. Y own more than 25%**, they are **beneficial owners** ✅.

🏠 Beneficial Ownership Criteria

Entity Type 🏢	Beneficial Ownership Criteria 🔍	**Threshold Value 📊
🏢 Company	Owns shares or controls management	More than 25%
🤝 Partnership Firm	Owns share in capital or profits	More than 15%
👥 Association of Persons	Holds rights in property or profits	More than 15%
🏠 Trust	Settlor, trustee, or beneficiary	15% or more

📌 Example:






- ✓ Company ABC Ltd. is fully owned by PQR Ltd., so we trace ownership up the chain to identify the actual individuals (beneficial owners).

2.3 Identification Requirements – Basics

Key Steps in Customer Identification:








- ✓ Verify customer identity & beneficial owner
- ✓ Obtain necessary documents (PAN, Aadhar, business licenses)
- ✓ Understand transaction patterns for fraud prevention

 **Table: Key Identification Requirements**

Element	Requirement
 Customer ID Verification	PAN, Aadhaar, Passport
 Business Registration	GST, MSME Certificate
 Source of Income	Salary slip, ITR
 Transaction Monitoring	High-value deposits flagged 



Summary Table: KYC Key Takeaways

Topic	Key Points
 Purpose of KYC	Prevent money laundering, fraud, and terrorism financing.
 Who is a Customer?	Anyone engaging in financial transactions with a bank.
 Who is a Person?	Individuals, Companies, Partnerships, Associations, Trusts.
 Who is a Beneficial Owner?	The real owner of an entity (threshold: 25% for companies, 15% for partnerships & trusts).
 Key Identification Documents	PAN, Aadhaar, Passport, GST, MSME Certificate, Salary Slips, ITR.
 Suspicious Transactions	Sudden high-value deposits, inconsistent cash flow, multiple accounts in different names.
 KYC Compliance	Helps banks protect against financial crimes and ensures regulatory compliance.


📌 KYC: Customer Identification & Verification Process

📍 2.3.2 Stages for Customer Identification 📄


✓ **Customer identification** is required at different stages, depending on the type of transaction or relationship with the bank.

📊 Stages for Customer Identification

Stage	When is KYC Required?	Example 🏦
1 New Account Opening	When a customer opens a savings, current, or loan account.	🏦 A person opening a new savings account at XYZ Bank.
2 Financial Transactions	For walk-in customers performing high-value transactions (₹50,000+).	💰 A non-account holder making an international wire transfer .
3 Doubtful Cases	When the bank suspects fraud, fake documents, or unusual transactions.	🚨 Sudden high-value deposits in a dormant account.
4 Selling Third-Party Products	While selling mutual funds, insurance, or prepaid/travel cards above ₹50,000.	📊 Selling an investment policy to a customer.
5 Non-Account Holders (Walk-in)	If a non-customer deposits ₹50,000+ or conducts structured transactions.	🔴 A walk-in customer splitting ₹1 lakh deposit into two transactions of ₹49,999 each.

<p>6 Cross-Border Transactions</p>	<p>Any international transactions regardless of the amount.</p>	<p> A foreign remittance to a customer's overseas account.</p>
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Example:

- ◆ A customer deposits **₹49,999 multiple times** to avoid detection.
- ◆ The bank identifies this as "**structuring transactions**"  and flags it for review.

2.3.3 What Information Should Be Collected? 

✓ Certain details are **mandatory**, while additional information is collected based on risk level.

 **Table: Mandatory & Optional Information**

Category	Mandatory Information 	Additional Information (with Consent) 
Individuals	Name, DOB, PAN/Aadhaar, Address Proof, Mobile No.	Source of income, Occupation
Companies	Business Registration, PAN, GST, CIN, Authorized Signatory	Shareholding pattern, Beneficial owners
Trusts/NGOs	Trust Deed, PAN, List of Trustees	Donation sources, Annual reports















Foreign Nationals	Passport, Visa, Address Proof	Embassy letter, Work permit
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2.4 Establishing Customer Identity

2.4.1 Officially Valid Documents (OVD)

✓ **To verify identity & address**, banks accept specific government-issued documents.




List of OVDs & Their Validity

Purpose	Valid OVDs for Identity & Address 
 For Individuals	<ul style="list-style-type: none"> ◆ Passport  ◆ Aadhaar  ◆ Voter ID  ◆ Driving License 
 For Business Entities	<ul style="list-style-type: none"> ◆ Company Registration Certificate  ◆ GST Registration  ◆ Memorandum of Association (MOA) 
 For Trusts/NGOs	<ul style="list-style-type: none"> ◆ Trust Deed  ◆ List of Trustees  ◆ Registration under Society Act 

📍 2.4.1.1 Change of Name (Marriage, Gazette Notification)

✓ If a customer has changed their name (due to **marriage or legal reasons**), banks accept:

✓ **Documents required:**

- ◆ **Marriage Certificate** 
- ◆ **Gazette Notification** 
- ◆ **Affidavit for Name Change** 

📍 2.4.1.2 Address Verification for Foreign Nationals

✓ Foreign nationals must provide:

- ◆ **Passport (mandatory)**
- ◆ **A document issued by a foreign government**
- ◆ **Letter from the Embassy in India IN**

📍 2.4.2 Digital KYC (e-KYC) & Aadhaar Verification 📱









✓ e-KYC **via Aadhaar** is an accepted method for KYC verification under PMLA.

How does e-KYC work?

- 1 Customer **authorizes UIDAI** for data sharing.
- 2 The bank gets **verified name, age, address, gender, and photo** digitally.
- 3 This is considered an **Officially Valid Document (OVD)** ✓.



Summary Table: KYC Best Practices

Aspect	Key Takeaways 
 When is KYC Required?	New account opening, high-value transactions, cross-border payments.
 Mandatory Documents	PAN, Aadhaar, Passport, Voter ID, Driving License.
 Who is a Beneficial Owner?	Individual holding 25%+ in a company, 15%+ in a partnership.
 Red Flags (Suspicious Activity)	Frequent cash deposits of ₹50,000+, inconsistent income patterns.
 e-KYC Benefits	Fast, paperless, Aadhaar-based verification.
 Foreign Nationals	Need Passport + Embassy letter for address proof.
 Change of Name	Submit marriage certificate or gazette notification.

KYC Documentation & Risk Categorization

📍 2.4.3 Basic KYC Document Requirements 📄

✓ The KYC process varies for **individuals** and **juridical entities** (businesses, trusts, companies, etc.).

📍 2.4.3.1 For Individuals 👤

✓ Individuals, whether as **customers**, **mandate holders**, or **authorized signatories**, must provide:

📊 KYC Requirements for Individuals

Requirement	Accepted Documents 📄	Example 🏠
Proof of Identity (POI)	Aadhaar, PAN, Passport, Voter ID, Driving License	📄 A customer submits an Aadhaar card for verification.
Proof of Address (POA)	Utility bill (not older than 2 months), Property tax receipt, Rent agreement	🏠 A customer provides an electricity bill as address proof.
Photograph	Passport-size photo (for all individuals)	👤 A woman wearing a veil provides her photo for record .

Additional Documents	Income proof, employment details (if required)	💰 A businessman provides GST details to verify business income.
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📍 **2.4.3.1.1 Joint Accounts** 👤

- ✓ KYC documents are required **for each applicant**.
- ✓ If applicants are **close relatives**, relaxed norms for **address proof** apply.














📍 **2.4.3.1.2 Minor Accounts** 👶

- ✓ **Guardian's KYC** is required, along with a **photo of the minor**.
- ✓ **Birth certificate** of the minor is recommended.
- ✓ Once the minor turns **18**, full KYC must be completed.

📍 **2.4.3.2 KYC for Non-Individuals (Businesses, Trusts, Companies)** 🏢

- ✓ Businesses and entities need to provide **both entity & personal KYC** for owners and signatories.




 **Table: KYC Requirements for Non-Individuals**




Entity Type 	Documents Required 
Companies	 Certificate of Incorporation,  MOA/AOA,  PAN, Authorized Signatory ID
Partnership Firms	 Partnership Deed,  Registration Certificate,  PAN of Partners
Trusts/NGOs	 Trust Deed,  List of Trustees,  PAN of Trustees
Proprietorships	 Business Registration,  PAN, GST Certificate

 **2.4.4 Relaxed KYC Norms** 

✓ RBI has introduced **relaxed norms** to reduce customer inconvenience.

 **Table: Simplified KYC Norms**

Scenario 	Simplified KYC Norms 
 Same Address for Family Members	One OVD suffices for all (if living together).

 Existing KYC Compliant Customer	No fresh KYC required for new accounts.
 Change of Address (Aadhaar Users)	Self-declaration accepted, no additional proof required.
 NRIs & Foreign Customers	Third-party verification permitted (regulated by authorities).

2.5 Customer Risk Categorization


✓ Risk-Based Approach (RBA) ensures higher monitoring for high-risk customers.

2.5.1 Risk Categorization: High, Medium & Low









✓ Customers are classified into 3 categories:

Low Risk  – Standard customers (e.g., salaried employees).

Medium Risk  – Business owners, self-employed professionals.

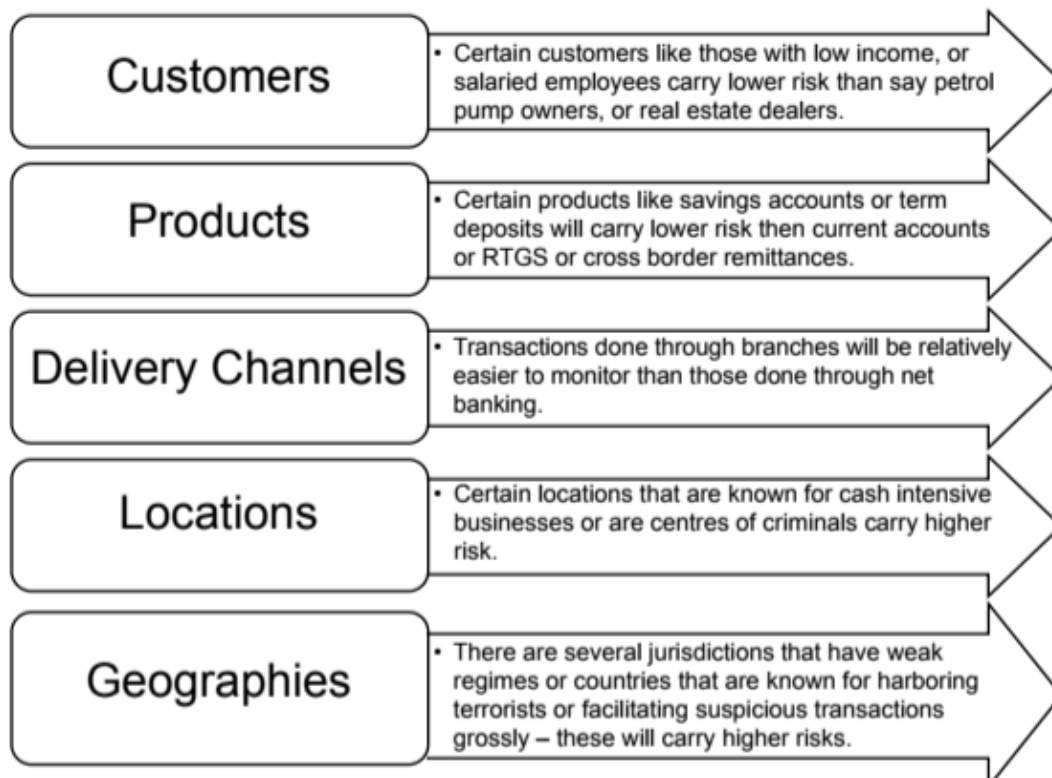
High Risk  – Politically Exposed Persons (PEPs), high-cash businesses, foreign clients.

 **Table: Customer Risk Categorization**

Risk Level 	KYC/Monitoring Level 
 Low Risk	 Basic KYC
 Medium Risk	 Periodic monitoring
 High Risk	 Enhanced Due Diligence (EDD)

2.5.2 Risk Factors Affecting KYC

✓ **5 key factors impact ML/TF (Money Laundering/Terrorist Financing) risk:**





Summary Table: KYC & Risk Management

Category	Key Takeaways
When is KYC Required?	New accounts, high-value transactions, third-party banking.
Mandatory Documents	PAN, Aadhaar, Passport, Voter ID, Driving License.
Juridical Entities	Need both entity documents & beneficial owner KYC.
Joint & Minor Accounts	KYC required for all applicants & guardians.
Relaxed KYC Norms	No fresh KYC for existing customers, self-declaration for address change.
Risk Categorization	Customers classified into Low , Medium , and High Risk.
Red Flags (ML/TF Risks)	PEPs, Offshore entities, Unusual cash transactions.
Third-Party Verification	Allowed for NRIs & foreign clients under strict rules.

Customer Risk Categorization & Product

Risk Assessment

2.5.2 Customer Risk Profiles

- ✓ Money Laundering (ML) / Terrorist Financing (TF) risks are influenced by various customer characteristics.
- ✓ Key parameters include income source, business type, location, transaction behaviours, and account activity.

Entity Parameters	• Constitution; Customer's background; Social status
Geographic Parameters	• Country of Residence; Country of Origin; Country of Incorporation; Location of Customer; Location of customer's clients
Financial Parameters	• Financial Status; Expected Annual Income; Expected Annual Turnover in the Account; Expected Annual Value of Other Services
Activity Parameters	• Occupation; Profession; Employment; Business Activity
Linkage Parameters	• Sources of funds receipt; Mode of Payments
Relationship Parameters	• Banking Accounts Held; Banking Services Availed; Para Banking Services Availed

📍 2.5.3 Risk Rating Model/System 📊

- ✓ Banks use **Risk Rating Models** with **scores & weightages** to classify customers.
- ✓ The model is **automated** in the **Core Banking System (CBS)**.

📊 Table: Risk Rating Parameters

Parameter ⚠️	Risk Score 📊
Industry Type	10%
Income Level	15%
Transaction Size & Frequency	25%
Account Vintage	20%
Geographic Risk	15%
Regulatory/PEP Exposure	15%

📍 2.5.4 Customer Risk Categories 🛡️

- ✓ Customers are categorized into **Low** 🟢, **Medium** 🟡, and **High** 🔴 **Risk**.

📍 2.5.5 Customer Profile Requirements 📄

- ✓ Every customer must have a **profile** containing **basic & financial information**.
- ✓ Profile information **must be updated regularly**.

📊 **Table: Customer Profile Information**

Required Info 📄	Examples 🔍
Personal Details	Name, DOB, ID proof, Address
Income Details	Salary slip, IT returns, Business turnover
Business Details	GST, Business registration, Import/export details
Transaction Nature	Expected cash flow, regular deposits/withdrawals

📍 2.5.6 Customer Privacy Aspects 🛡️

- ✓ **Banks must protect customer data** & avoid unnecessary collection.
- ✓ Information should **never be used for commercial purposes**.

Product Risk Categorization

✓ Banks assess risks in their products & services based on ease of use, transaction flexibility, and fraud vulnerability.

2.6.1 Risk Factors in Banking Products

✓ Some products allow easy movement of funds, increasing ML/TF risk.

✓ Key risk factors:












- **Anonymity**  – Does the product allow anonymous transactions?
- **Cash Transactions**  – High cash flow = **Higher Risk** .
- **Flexibility of Deposits/Withdrawals**  – No restrictions = **Medium/High Risk**  .

 Table: Product Risk Categorization












Risk Level 	Products/Services 
 Low Risk	Fixed Deposits, Home Loans, Salary Accounts
 Medium Risk	Credit Cards, Non-Resident Fixed Deposits, Demand Loans

 High Risk	Cash Credit, Overdrafts, Offshore Accounts, Cryptocurrency Transactions
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Risk in New Technology Products















- ✓ Digital banking products pose new ML/TF risks.
- ✓ Card-based transactions, digital wallets, and instant remittances increase risk.

 **Table: Technology Product Risks**

Product 	Risk Factor 	Risk Level 
Prepaid Cards 	Can be misused for money laundering	 High
Internet Banking 	Cross-border remittances increase risk	 Medium
Mobile Wallets 	Anonymous transactions pose security issues	 High
Cryptocurrency Exchanges 	Lack of regulation in some areas	 High

  **Summary Table: Customer & Product Risk**

Management

Category	Key Takeaways 
 Customer Risk Factors	Occupation, transactions, business type, location impact risk.
 Risk Categorization	Customers classified into Low  , Medium  , and High  Risk.
 Red Flags	PEPs, Shell Companies, Frequent Large Cash Transactions.
 Product Risk	Fixed Deposits = Low  , Digital Wallets = High  .
 Technology Risks	Cryptocurrency & Prepaid Cards pose high risk  .
 Customer Privacy	Data cannot be misused for commercial purposes.
 Bank Responsibility	Ensure compliance with KYC/AML guidelines.

Delivery Channel Risk & Customer Due













Diligence (CDD)



2.7 Delivery Channel Risk Categorization

✓ Delivery channels affect ML/TF risks based on:

- Customer Verification Complexity 
- Intermediaries Involved 
- Ease of Transaction  

 Table: Risk Categorization of Delivery Channels




Channel 	Mode of Operation	Risk Level 
Branch Banking 	Face-to-face interaction	 Low
ATMs 	Self-service cash withdrawal	 Medium
Phone Banking 	Non-physical identity verification	 High
Net Banking 	Online fund transfers, bill payments	 Medium
Mobile Banking 	Instant transactions via apps	 High

Business Correspondents 	Third-party agents managing banking	 High
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2.8 Customer Due Diligence (CDD)

✓ CDD is the heart of KYC.




✓ It includes:

- Identifying & verifying customers 
- Understanding their business activities 
- Checking for suspicious transactions 

2.8.1 Basic/Normal Due Diligence

✓ Applies to Medium Risk Customers 




✓ Includes:

- Standard KYC Documents 
- Basic Financial Information (Income, Turnover, etc.) 
- Expected Transaction Pattern 

2.8.2 Simplified Due Diligence

- ✓ For Low-Risk Customers
- ✓ Relaxed KYC norms to encourage financial inclusion.





 **Table: Features of Simplified Due Diligence**

Aspect 	Simplified Due Diligence 
Who qualifies?	Pensioners, low-income individuals, small farmers
Documents required	Minimal (one OVD for ID & Address)
Transaction limits	₹50,000 per transaction
Risk level	 Low

2.8.3 Enhanced Due Diligence (EDD)

- ✓ For High-Risk Customers 












✓ Applies to:

- PEPs (Politically Exposed Persons) 
- Non-Residents (NRI, Offshore Accounts) 
- High-value traders (Diamond, Real Estate, Crypto) 
- Frequent Large Cash Depositors 

EDD Measures:

- ✓ Collect additional business documents 📄
- ✓ Verify financial statements & licenses 🏢
- ✓ Conduct background checks & media scans 📰
- ✓ Site visits & supplier inquiries 🏭

Summary Table: Delivery Channel & Due Diligence Risk Management

Category	Key Takeaways 
 Delivery Channels Risk	Branch banking (Low ), Mobile banking (High ), ATMs (Medium )
 Basic Due Diligence	Standard KYC, expected transactions monitoring 
 Enhanced Due Diligence (EDD)	High-risk clients need financial scrutiny & background checks 
 Simplified Due Diligence	Encourages Financial Inclusion (Low-Risk Customers) 

Advanced Customer Due Diligence (CDD)

📍 2.8.4 Screening of Customers 🚨


✔ **Objective:** To prevent banks from dealing with **blacklisted individuals/entities**

✔ Screening Steps:

- ✔ **Identity Verification** – Check against **sanction lists** (RBI, FIU, FATF)
- 🔄 **Real-time Updates** – Ensure lists are always up-to-date
- 📊 **Automated IT Screening** – AI-based tools for real-time checks
- 🛑 **Reject Matches** – If a customer is flagged, refuse account opening

📊 Table: Key Sanction Lists Used for Screening




List Name 📄	Issued By 🏛️	Purpose 🎯
FATF Sanctions List 🌐	Financial Action Task Force	Global AML/CFT compliance
UN Sanctions List	United Nations	International security & AML/CFT
RBI Defaulters List 🏛️	Reserve Bank of India	Bank defaulters & fraudsters

FIU Watchlist 	Financial Intelligence Unit	High-risk individuals & entities
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2.8.5 Field Verification

✓ **Objective:** Confirm the **genuine identity & location** of the customer





✓ **Verification Methods:**

-  **Home & Workplace Visits**  
-  **Inquiries with Neighbours & Employers** 
-  **Checking Business Premises (if applicable)**
-  **Confirming with Suppliers & Customers**


2.8.6 Other Investigation Modalities

✓ **When Field Verification is Inconclusive**

✓ **Alternate Methods:**

-  **Phone inquiries with social/business contacts**
-  **Online media searches & financial news scans** 
-  **Analyzing customer's financial history & documents**

2.8.7 Customers Acting on Behalf of Others

- ✓ High-risk category due to indirect control over transactions
- ✓ Legal documentation must justify the arrangement 

Example:

- ◆ A lawyer managing a trust account needs additional verification.
- ◆ A person opening an account on behalf of an offshore company requires enhanced due diligence.


2.8.8 Concerns in Customer Due Diligence ✖

✓ **Red Flags for Account Rejection or Closure:**

-  **Identity Verification Issues**
-  **Fake or Incomplete Documents**
-  **Non-Cooperative Customers**

2.8.9 Real Cases of CDD Failure 


Case 1: Suspicious PAN Card 


 **Issue:** PAN card appeared broken, photo mismatch with application

 **Action:** Field verification revealed no trace of the customer

 **Result: Account application rejected**

Case 2: Fake Address Provided 


 **Issue:** Address on driving license not matching with residence

 **Action:** Sourcing executive confirmed the applicant was never seen at the given location

 **Result: KYC verification failed, account not opened**








Case 3: Tampered Birth Certificate 

 **Issue:** Birth certificate had **font irregularities & altered details**

 **Action:** Cross-checked against existing accounts, found duplication

 **Result: Application rejected, reported as fraud**

  **Summary Table: Advanced CDD & Risk Management**

CDD Process	Key Actions Taken 	Example Use Case 
 Screening of Customers	Check against blacklists (RBI, FIU, UN, FATF)	A fraudster on the RBI Defaulters list is rejected
 Field Verification	Home & Business site visits	A businessman's factory doesn't exist – flagged as suspicious
 Other Investigations	Media searches, phone inquiries	A PEP is linked to corruption – enhanced due diligence applied
 Third-Party Account Holders	Verify legal justification for acting on behalf of others	A lawyer managing a large fund requires background verification
 Red Flags in CDD	Reject accounts with fake/incomplete KYC	A fake PAN card is submitted – account rejected

 **Advanced KYC & Risk Management**

📍 2.9 Unique Customer Identification Code (UCIC) 12 34

✓ **Objective:** Assign a unique identifier to each customer for a centralized view of all transactions.

✓ **Key Features:**

- 🏷️ **Every customer gets a unique code** to track all accounts & services
- 🔍 **De-duplication check** using PAN, Aadhaar, Mobile No., etc.
- 📊 **Consolidates all customer transactions** under a single profile

📌 **Benefits:**

- ✓ **Improved fraud detection** 🔍
- ✓ **Smoother customer experience** 🤝
- ✓ **Reduces redundant KYC checks** 🚀

📍 2.10 Review of Risk Categorization ↻

✓ **Why is it needed?**

- 🔄 Customer behavior changes over time
- 💰 Transaction patterns evolve
- 📄 Regulatory updates impact risk levels

🕒 2.10.1 Periodic Review 📅




- ✓ RBI mandates review every 6 months
- ✓ Automated risk monitoring recommended

! 2.10.2 Event-Based Review 🚨

✓ **Triggered by suspicious activities, including:**

- 🌐 Relocation to a high-risk country
- 📁 Dormant account suddenly becomes active
- 🚨 Customer appears in negative lists
- 🏛️ Becomes a Politically Exposed Person (PEP)
- 🔄 Sudden unusual transactions or STR filed




 **Table: Risk Review Triggers**

Risk Factor	Review Trigger 🚨	Action Taken 🔍
 Change in Location	Customer moves to a high-risk country	Enhanced due diligence (EDD)
 PEP Status	Becomes a government official	Higher transaction monitoring
 Unusual Transactions	Large, sudden transactions in dormant account	Risk category upgrade

2.11 Periodic KYC Updation

✓ **Purpose:** Keep customer records updated to maintain effective AML monitoring.

✓ **Risk-Based KYC Updation Timeline:**

Risk Category	KYC Update Frequency
 High Risk	Every 2 years
 Medium Risk	Every 8 years
 Low Risk	Every 10 years





2.11.2 KYC Updation Requirements

- ✓ **Identity verification** (PAN, Aadhaar, Passport)
- ✓ **Address confirmation** (Utility bills, rental agreement)
- ✓ **Financial status check** (For high-risk accounts)




Challenges & Solutions:

 **Customer reluctance to update KYC** →  **Digital KYC via mobile, email, internet banking**


 **Table: Acceptable KYC Update Modes**

Mode	Eligibility
 Branch Visit	All customers
 Courier/Post	Medium/Low risk
 Email	Medium/Low risk
 Mobile App	Low risk









2.11.3 KYC for Individuals

- ✓ **No change in KYC info?** → Just submit a **self-declaration** 
- ✓ **Change in address?** → Submit new proof & confirm within **2 months** 
- ✓ **Minor turns major?** → Fresh KYC & photograph required 

2.11.4 KYC for Legal Entities

- ✓ **No changes?** → Submit a **self-declaration & board resolution** 
- ✓ **Ownership changes?** → Fresh KYC + **Beneficial Owner (BO) details** must be verified

  **Summary Table: KYC & Risk Management** 

Category	Key Measures Taken 	Example Use Case 
Unique Customer ID (UCIC) 	Centralized tracking of all customer accounts	All bank accounts of Mr. Sharma linked to one UCIC
Risk Review (Periodic & Event-Based) 	Automated risk reassessment every 6 months & on suspicious activity	Sudden high-value transaction → Immediate review required
KYC Updation 	High-risk: 2 yrs, Medium: 8 yrs, Low: 10 yrs	A low-risk pensioner updates KYC every 10 years
Customer Verification Modes  	Digital, In-branch, Postal, Email	A businessman updates KYC via branch visit, while a student does it via mobile app
Legal Entity KYC 	Mandatory Beneficial Ownership (BO) check	Company changes director → Fresh KYC needed










 **Additional Measures for Periodic KYC Updation**






 **2.11.5 Additional Measures**

KYC/AML ALL PDFs. Whatsapp KYC/AML to 8360944207

To ensure compliance with KYC norms and maintain up-to-date customer information, the following measures should be implemented:

✓ Key Aspects of Periodic KYC Update





 S.No.	 Measure	 Details
1	 Verification of KYC Documents	Ensure that all KYC documents align with current Customer Due Diligence (CDD) standards, even if no changes have been reported.
2	 Validity Check of Documents	Verify that documents are still valid. If expired, perform a fresh KYC process similar to new customer onboarding.
3	 PAN Verification	Cross-check customer PAN details with the issuing authority or authorized intermediaries.
4	 Acknowledgment & Update Confirmation	Provide acknowledgment with the date of document receipt. Notify the customer once records are updated.
5	 Self-Declaration Facility	Allow customers to submit self-declarations/documents at any bank branch.
6	 Transparency in KYC Policy	The policy for KYC updation should be clearly defined and accessible to customers.

 S.No.	 Measure	 Details
	 Avoid Adverse Actions	Avoid any adverse action against customers unless explicitly mandated by regulations.

2.11.6 Adopting Higher-Level Measures

Banks and financial institutions may implement stricter KYC measures than those prescribed by the RBI. These additional steps should be approved by the Board of Directors and included in the institution's KYC policy.

Enhanced KYC Measures

-  **Recent Photograph Collection** – Obtain an updated customer photograph at the time of KYC renewal.
-  **Physical Presence Requirement** – Customers may be required to visit the branch personally for KYC updation.
-  **Updation at Home Branch Only** – KYC updates may be permitted only at the branch where the account is maintained.
-  **Frequent KYC Updation** – Implement shorter timeframes for periodic KYC updates based on risk assessment.

💡 **Example:** A high-net-worth individual (HNI) holding multiple accounts across branches may be asked to submit fresh documents every 2 years instead of the usual 5-year cycle.

ID 2.11.7 Requirement of PAN

◆ **PAN/Form 60 Submission**

- All existing customers must provide their **PAN/Form 60**, as applicable.
- If a customer fails to submit the required document within the stipulated time, the bank should **temporarily suspend account operations** (except for loan recoveries) after issuing prior notice.



⚠️ **Exceptions for Non-Submission**

In certain cases, where customers are unable to provide PAN/Form 60 due to medical conditions, old age, or other genuine reasons, banks should:











- 🛑 Keep such accounts under **enhanced monitoring**.
- 📌 Provide temporary relief as per the KYC policy.






✖️ **Refusal to Submit PAN/Form 60**


If a customer **explicitly refuses** in writing to provide PAN/Form 60:

-  **The account should be closed.**
-  **All dues should be settled** and paid to the customer after proper identity verification.

Summary Table

 S.No.	 Key Requirement	 Action Required
 1	KYC Document Verification	Ensure updated CDD-compliant documents.
 2	Expired Documents Handling	Conduct fresh KYC if documents are outdated.
 3	PAN Verification	Cross-check with issuing authorities.
 4	Acknowledgment to Customer	Provide receipt and update notification.
 5	Self-Declaration Facility	Allow document submission at any branch.
 6	Enhanced KYC Measures	Implement additional security measures.
 7	PAN/Form 60 Requirement	Suspend operations for non-compliance.

 S.No.	 Key Requirement	 Action Required
 8	Exceptions for Inability to Submit PAN	Allow relaxation under special conditions.
 9	Refusal to Submit PAN/Form 60	Close the account after due verification.

 **Note:** Banks may adopt **stricter KYC measures** based on risk profiling and regulatory policies. It is crucial to ensure customer compliance while maintaining a smooth banking experience. 