

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2178

ANSWERED ON:06.05.2016

Violation of KYC Norms

Goud Dr. Boora Narsaiah;Ninama Shri Manshankar

Will the Minister of FINANCE be pleased to state:

- (a) whether stringent Know Your Customers (KYC) norms have led to hurdle for opening of new bank accounts and thus affecting the banking business, if so, the details thereof;
- (b) whether the RBI has received any complaints against Public and Private Sector Banks that they have violated KYC norms in the recent past;
- (c) if so, the details of violations noticed by the Reserve Bank of India (RBI) during the last three years, bank-wise; and
- (d) the steps taken / being taken by the Government / RBI to ensure adherence to KYC norms by the banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a): In line with the provisions of Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Reserve Bank of India (RBI) has been taking several measures for simplifying the KYC norms to open bank accounts. Accordingly any customer categorized as 'Low Risk', who does not have any of the six prescribed Officially Valid Documents (OVDs), can open an account under "Simplified Measures" by submitting a certified copy of any one of the following documents as proof of identity:

i. 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;

ii. Letter issued by a gazetted officer, with a duly attested photograph of the person.

Further, for verifying for the limited purpose of proof of address the following additional documents are deemed to be OVDs :

i. Utility bill which is not more than two months old of any service provider

ii. Property or Municipal Tax receipt;

iii. Bank account or Post Office savings bank account statement;

iv. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings;

v. Letter of allotment of accommodation from employer issued by State or Central Government Departments and other specified entities;

vi. Documents issued by Government departments of foreign jurisdictions.

In addition to the above, those customers who are not able to produce any of the six OVDs or any document under "Simplified Measures", can also open a bank account without furnishing any document. Such an account is called "Small Account".

(b) and (c): RBI does not maintain any database on the nature/ bank-wise details of complaints.

(d): Based on the Prevention of Money Laundering Act and Rules, Reserve Bank of India has issued a Master Direction on KYC Norms, in exercise of the powers conferred by Sections 35 A of the Banking Regulation Act, 1949. The Regulated Entities (REs) of the Reserve Bank of India, including the banks, are required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions, as per the instructions of the aforementioned Master Direction.
