

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3346
ANSWERED ON:12.12.2014
KYC NORMS
Karunakaran Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has issued guidelines to Public Sector Banks for making 'Know Your Customer' (KYC norms) compulsory;
- (b) if so, the details thereof;
- (c) whether RBI has also instructed banks for freezing bank accounts of those who fail to submit KYC norms within a fixed period of time; and
- (d) if so, the details thereof in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) and (b): Yes, Sir. Reserve Bank of India's (RBI) instructions to banks have been consolidated in the RBI Master Circular dated 1st July, 2014 on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / obligations of bank under Prevention of Money Laundering Act (PMLA), 2002 Further instructions based on the Amendments to PML Rules notified on August 27, 2013 have been issued vide RBI circular dated 17th July, 2014.

(c) and (d): Yes Sir. RBI has been simplifying KYC Norms from time to time and despite various attempt by banks for seeking KYC compliance, there are still many KYC non-compliant accounts due to non-submission of KYC documents by customers at the time of opening bank accounts and periodical updation. To ensure that KYC non-compliant accounts do not continue to be operated and make banks vulnerable to money-laundering and terrorist financing activities, banks have been advised vide RBI circular dated 21st October, 2014 to impose 'partial freezing' on KYC non-compliant accounts.

If the customer, despite repeated reminders by banks does not cooperate with the bank for KYC compliance, then banks should impose 'partial freezing' on such KYC non-compliant in a phased manner. Meanwhile, the account holders can revive accounts by submitting the KYC documents as per instructions in force. While imposing 'partial freezing', banks are advised to ensure that the option of 'partial freezing' is exercised after giving due notice of three months initially to the customers to comply with KYC requirement and followed by a reminder for further period of three months. Thereafter, banks may impose 'partial freezing' by allowing all credits and disallowing all debits with the freedom to close the accounts. If the accounts are still KYC non-compliant after six months of imposing initial 'partial freezing' banks may disallow all debits and credits from / to the accounts, rendering them inoperative. Further, it would always be open to the bank to close the account of such customers.