भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2014-15/269
DBOD. AML. BC. No. 44/14.01.001/2014-15 **October 21, 2014**

The Chairperson / Chief Executive Officers
All Scheduled Commercial Banks (Excluding RRBs)/ Local Area Banks /
All India Financial Institutions

Dear Madam/Sir

Know Your Customer (KYC) Norms /Anti-Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT) guidelines – clarifications on periodic updation of low risk customers, non-requirement of repeated KYC for the same customer to open new accounts and partial freezing of KYC non-compliant accounts

Reserve Bank has been simplifying the KYC norms from time to time, in order to ease the difficulties faced by common persons while opening bank accounts and complying with periodic updation requirements. It has, however, been brought to the notice of the Reserve Bank that despite such measures and various attempts by banks in this direction, customers are still facing difficulties in complying with the periodic updation requirements. Further, it is also reported that there are still many KYC non-compliant accounts due to non-submission of KYC documents by customers at the time of periodical updation. This often leads to KYC non-compliant accounts continuing to be operated and making them vulnerable to money-laundering and terrorist financing activities.

2. In this context, a reference is invited to paragraphs 31 and 32 (extracts enclosed) of the Fourth Bi-Monthly Monetary Policy Statement, 2014-15, announced on September 30, 2014, on easing norms to be followed during periodic updation and introduction of 'partial freezing' on KYC non-compliant accounts.

3. In terms of our circular DBOD.AML.BC.No.39/14.01.001/2013-14 dated September 4, 2014 on 'Client Due Diligence', the requirement of applying client due diligence measures to existing clients at an interval of two/eight/ten years in respect of high/medium/low risk clients respectively, would continue taking into account whether and when client due diligence measures have previously been undertaken

बैंकिंग परिचालन और विकास विभाग, केंद्रीय कार्यालय, केंद्रीय कार्यालय भवन, 13वीं मंजिल, शहीद भगत सिंह मार्ग, मुंबई – 400 001
फोन: 022-22701203, फैक्स: 022-22701239, ई-मेल: cgmicdbodco@rbi.org.in, वेबसाइट: www.rbi.org.in
Department of Banking Operations & Development, Central Office, Central Office Building, 13th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001
Phone : 022-22701203, Fax : 022-22701239, E-mail : cgmicdbodco@rbi.org.in, Website : www.rbi.org.in

and the adequacy of data obtained. In order to further ease the difficulties in complying with the KYC requirements, within the overall framework of the Prevention of Money Laundering Act, 2002 (PMLA) and Rules (PMLR), it is clarified as under:

(i) Banks need not seek fresh proofs of identity and address at the time of periodic updation, from those customers who are categorised as 'low risk', in case of no change in status with respect to their identities and addresses. A self-certification by the customer to that effect should suffice in such cases. In case of change of address of such 'low risk' customers, they could merely forward a certified copy of the document (proof of address) by mail/post, etc. Banks may not insist on physical presence of such low risk customer at the time of periodic updation.

(ii) If an existing KYC compliant customer of a bank desires to open another account in the same bank, there should be no need for submission of fresh proof of identity and/or proof of address for the purpose.

4. As regards non-compliance of KYC requirements by the customers despite repeated reminders by banks, it has been decided that 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.

5. Banks may revise their KYC policy in the light of the above instructions and ensure strict adherence to the same.

Yours faithfully

(Lily Vadera)
Chief General Manager

Encl: as above

Fourth Bi-Monthly Monetary Policy Statement, 2014-15

31. With a view to easing difficulties faced by common persons while opening bank accounts and during periodic updating, guidelines on ‘know your customer’ (KYC) will be further simplified with immediate effect so that banks:

- do not insist on physical presence of the customer at the time of periodic updating; do not seek fresh proof of identity and address at the time of periodic updating in case of no change in status for 'low risk' customers; allow self-certification; accept a certified copy of the document by mail/post, etc; and
- do not seek fresh documents if an existing KYC compliant customer of a bank desires to open another account in the bank.

32. There is a need for banks to complete KYC for all customers including long standing ‘low risk’ customers. Banks should complete documentation, while minimising the effort on the part of the customer to what is strictly needed. In the event that customers are unable to comply within a reasonable time period, ‘partial freezing’ may be introduced in respect of KYC non-compliant customers i.e., credits would be allowed in such accounts while debits would not be allowed, with an option to the account holder to close the account and take back the money in the account.