

F. No. 31/3/2011-BO.II
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, Sansad Marg,
New Delhi, dated the 20th July, 2012

To

The Chief Executives of all Public Sector Banks

Subject: Master Circular on Standardization of Know Your Customer (KYC) requirements and facilitating opening / operations of accounts of the bank customers.

Dear Sir,

The Government of India has, from time to time, issued guidelines / instructions to banks on KYC requirements and facilitating opening / operations of accounts of the bank customers. In order to enable the banks to have these guidelines / instructions at one place, a Master Circular incorporating the existing guidelines / instructions issued by the Government on the subject have been consolidated and enclosed.

2. All Public Sector Banks (PSBs) are requested to ensure compliance of the above guidelines in the PSBs and their Regional Rural Banks (RRBs).
3. This issues with the approval of Secretary (FS).

Yours faithfully,

Sd/-

(Dr. Shashank Saxena)
Director(BO.II&PR)

Encl: As above

Copy to –

- (i) The Chairman, Indian Banks' Association
- (ii) The Chief General Manager, DBOD, Reserve Bank of India

Master Circular on Strategy and Guidelines on Standardisation of KYC requirements, uniform KYC across Financial Sector

A. Purpose

Government has been endeavouring to smoothen the process of opening of bank accounts and compliance of KYC requirements.

B. Classification

Guidelines on the following issues –

- i. Opening of accounts by close relatives.*
- ii. Full operational facilities in joint account with spouse.*
- iii. Account portability / opening of new bank accounts.*
- iv. Opening of Accounts of migratory workers*
- v. Use of technology for KYC documents in the system for easy identification and retrieval.*

C. Scope of Application

To all Public Sector Banks and all RRBs.

- 1.1** The KYC requirements in India emanate from the Prevention of Money laundering Act, 2002, and the Rules made there under. Clause (c) of sub-section (1) of Section 12 of The Prevention of Money-Laundering Act, 2002 (PML Act)) casts an obligation on every banking company, financial institution and intermediary to verify and maintain the records of the identity of all its clients, in such manner as may be prescribed.
- 1.2** KYC requirements and facilitating opening / operation of accounts of the bank customers -

Government advised banks on the following issues which required seamless operations in accounts by banks's customers –

Opening of accounts by close relatives, such as, parents, son, daughter, spouse, etc -

RBI guidelines provide that in cases of close relatives, e.g. wife, son, daughter and parents etc. who live with their husband, father / mother and son, as the case may be, the banks can obtain an identity document and a utility bill of the relative with whom the prospective customer is living along with a declaration from the relative that the said person (prospective customer) wanting to open an account is a relative and is staying with him / her. Banks can use any supplementary evidence such as letter received through post for further verification of the address.

All public sector banks (PSBs) should ensure that close relatives, such as, parents, son, daughter, spouse, etc. are able to open accounts without any interruption in accordance with the RBI Guidelines.

- 1.3 Reserve Bank of India (RBI) indicated their reservations citing some difficulties in implementing the instructions on Inter Bank Account portability. The views of the RBI were considered in consultation with the Department of Revenue and Government reiterated that **a customer of the bank desirous of shifting his / her account from one branch of the bank to another branch of the same bank need not be required to submit KYC documents afresh, and such requests may be accepted by the concerned branch on production of a proof of current address in case the request is for shifting of account to a branch at another station.** However, the branch need not insist upon proof of address if the request is for shifting of the account at the same station. The transferee branch may allow full operational facility in such an account and may obtain confirmation from the transferor branch of complete KYC compliant status of the account.

Accounts of migratory workers.

- 2.1 The instructions issued by the Government for opening of accounts of the migratory workers are intended to smoothen the process of opening of bank accounts by the migratory workers, who have no proof of current place of residence. However, they still face a lot of difficulties in opening of a bank account. The Ministry of Finance, Department of Revenue and the Reserve Bank of India have issued instructions permitting opening of '*small accounts*' with relaxed KYC, on self-certification basis. Though the banks were expected to aggressively utilize these provisions for opening of bank accounts particularly of the excluded sections of society, a perceptible reluctance has been observed on part of the banks in opening of accounts "on self-certification basis". This has been viewed by the Government seriously and adversely. To allay any gaps in this regard, all the Public Sector Banks (PSBs) will follow the following procedure for opening of bank accounts of migratory workers –
- i. A migratory worker may visit any branch of the bank servicing the area of his / her permanent residence for opening a bank account;
 - ii. The branch will open his / her account on self-certification basis, or on introduction basis, and / or on the basis of the documents made available by the individual including a proof of permanent place of residence, as the case may be, and allow operations

immediately;

- iii. The bank branch / office opening such an account may get the details / proof of permanent place of residence verified through an '*on-line*' communication to the branch of the bank servicing the area of permanent domicile of the customer, within 30 days of opening of an account, within which the customer may be allowed operations as permissible for '*small account*' to enable him / her to meet basic day-to-day requirements of funds;
- iv. On receipt of '*on-line*' verification of documents, the bank branch will allow full operational facilities in the account, which are available to a normal account.

2.2 The banks were advised to put-in place an appropriate mechanism to ensure that these instructions are scrupulously followed by all their branches / offices in '*letter and spirit*', including random physical verification / checks at the branches, at regular intervals.

Master Circular on KYC requirements and facilitating opening / operation of accounts of the bank customers

List of Circulars/ Letters consolidated by the Master Circular

Sr. No.	Circular/ Letter No.	Date	Subject
1.	F. No.31/3/2011-BO.II	22.09.2011	Circular on KYC requirements and facilitating opening / operation of accounts of the bank customers
2.	F. No.31/3/2011-BO.II	28.12.2011	Circular on KYC requirements and facilitating opening / operation of accounts of the bank customers. - Allaying gaps in this regard