

## ERGO

*Analysing developments impacting business*

### RESERVE BANK OF INDIA AMENDS MASTER DIRECTIONS ON KYC TO EXTEND CENTRAL KYC RECORDS REGISTRY COMPLIANCE TO LEGAL ENTITIES

22 December 2020

#### Introduction

To facilitate uniform, Know Your Customer (KYC) compliance requirements for all legal entities, the Reserve Bank of India (RBI) on 18 December 2020, amended the Master Direction - Know Your Customer Direction dated 25 February 2016 (Master Directions) (Amendment). This Amendment seeks to mandate all legal entities whose accounts are opened prior to 1 April 2021, to upload their KYC data onto the Central KYC Records Registry (CKYCR), pursuant to Rule 9 (1A) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules). The Amendment comes into force with immediate effect.

#### Highlights of the Amendment and comparison with the position prior to the Amendment

Relevant Issue	Prior to the Amendment	Post the Amendment
<u>Uploading KYC data on CKYCR</u>	Regulated Entities (REs) were already uploading the KYC data pertaining to all <u>individual accounts, opened on or after 1 January 2017</u> , on to CKYCR under the provisions of the PML Rules.	CKYCR is now extended to all legal entities:  (i) <u>Legal Entity (LE) accounts opened on or after April 1, 2021</u> : REs shall upload the KYC data, on to CKYCR, under Rule 9 (1A) of the PML Rules.  (ii) <u>LE accounts opened prior to 1 April 2021 and accounts of individuals opened prior to 1 January 2017</u> : REs shall ensure uploading of KYC records on to CKYCR, during the process of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is

		<p>obtained or received from the customer.</p> <p>During periodic updation, the customers' KYC details are required to be migrated by the REs to the current Customer Due Diligence (CDD) standards as specified in the Master Directions.</p>
<p><u>Template _____ by Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)</u></p>	<p>Changes to the template, as and when required were released by CERSAI after consulting the RBI.</p>	<p>The LE template and the annex are specifically attached as <a href="#">Annex "A"</a> and <a href="#">Annex "B"</a> respectively to the Amendment. The LE template would be released by CERSAI well in advance to ensure usage by REs, from the notified date.</p>

**Other relevant aspects of the Amendment**

This Amendment helps in streamlining the KYC process ensuring that it remains time efficient and promotes ease of use for both the REs and customers, through these additional provisions:

- REs shall directly retrieve online KYC records from CKYCR using the KYC Identifier as submitted by the customer (along with an explicit consent for usage of such reports). Consequently, there would be no additional customer requirement for submission of KYC records, unless there is either a change in customer information; or the customers address requires verification; or such additional KYC records are required by the RE in order to conduct either enhanced due diligence; or risk profiling for the customer (as required under the Master Directions).
- REs shall communicate generation of the KYC Identifier by CKYCR, to the respective individual or legal entity.

**Time period for KYC compliance with the CKYCR**

As part of the customer due diligence, under the provisions of Rule 9 (1A) of the PML Rules, every RE is required to capture customer's KYC data and to file an electronic copy of the customer's KYC records with the central KYC records registry. Such filing must be made within 10 days from commencement of an account-based relationship with the customer.

**Comments**

In this digital age and, in the wake of new products, services and technologies, the primary objective of KYC compliance is to ensure that REs (including banks), monitor and prevent all fraudulent transactions. Further, such compliance aims at ensuring the highest standard of due diligence, to preclude any money laundering or financing of terrorist activities. Thus, KYC procedures seek to facilitate the understanding of REs towards their customers' financial transactions, thereby assisting in better allocation and management of their customers' risk profile in the most prudent and efficient manner.

With the objective of promoting ease of doing business, the Government had formed CKYCR as a centralised KYC repository, to reduce the cost and burden of maintaining KYC documents by each financial institution or intermediary. This had in turn authorised CERSAI, to perform the functions of and manage the CKYCR. Since the central registry

# ERGO | RESERVE BANK OF INDIA AMENDS MASTER DIRECTIONS ON KYC TO EXTEND CENTRAL KYC RECORDS REGISTRY COMPLIANCE TO LEGAL ENTITIES

is now fully operational for individual customers, as a logical corollary, RBI has extended the CKYCR compliance requirements to legal entities.

Further, this Amendment to the Master Directions is in line with the overarching goal of promoting digitisation by ensuring smooth KYC compliance through uploading of KYC data for all legal entities on to the CKYCR, in a judicious and time efficient manner. In the background of the pandemic, this Amendment furthering KYC digitisation is a welcome reform easing banking and financial transactions.

The updated KYC Master Direction, 2016 can be accessed [here](#).

- Atul Pandey (Partner) and Achint Kaur (Principal Associate)

For any queries please contact: [editors@khaitanco.com](mailto:editors@khaitanco.com)

*We have updated our [Privacy Policy](#), which provides details of how we process your personal data and apply security measures. We will continue to communicate with you based on the information available with us. You may choose to unsubscribe from our communications at any time by clicking [here](#).*

**For private circulation only**

The contents of this email are for informational purposes only and for the reader's personal non-commercial use. The views expressed are not the professional views of Khaitan & Co and do not constitute legal advice. The contents are intended, but not guaranteed, to be correct, complete, or up to date. Khaitan & Co disclaims all liability to any person for any loss or damage caused by errors or omissions, whether arising from negligence, accident or any other cause.

© 2020 Khaitan & Co. All rights reserved.

**Mumbai**

One Indiabulls Centre, 13<sup>th</sup> Floor  
Tower 1 841, Senapati Bapat Marg  
Mumbai 400 013, India

T: +91 22 6636 5000  
E: [mumbai@khaitanco.com](mailto:mumbai@khaitanco.com)

**New Delhi**

Ashoka Estate, 12th Floor  
24 Barakhamba Road  
New Delhi 110 001, India

T: +91 11 4151 5454  
E: [delhi@khaitanco.com](mailto:delhi@khaitanco.com)

**Bengaluru**

Simal, 2nd Floor  
7/1, Ulsoor Road  
Bengaluru 560 042, India

T: +91 80 4339 7000  
E: [bengaluru@khaitanco.com](mailto:bengaluru@khaitanco.com)

**Kolkata**

Emerald House  
1 B Old Post Office Street  
Kolkata 700 001, India

T: +91 33 2248 7000  
E: [kolkata@khaitanco.com](mailto:kolkata@khaitanco.com)