

BHARAT SCHOOL OF BANKING

Know Your Customer (KYC)

If you visit to a **bank branch** to **open a bank account**, you first need to let them know **who you are**, and **where do you live**. Without **knowing** these information, a **bank** will not open your account. This **process** of knowing about you (**customer**) is **Know Your Customer (KYC)**.

Components

It is obvious now, that **KYC** process has **2 components** -

1. **Identity** - Who are you?
2. **Address** - Where do you live?

Two more things are **necessary** - your **photograph** and your **signature / thumbimpression** (These two are the **most important**)

Documents

The government has notified **6 documents** as '**Officially Valid Documents (OVDs)** for the purpose of proving your **identity** -

- Passport
- Driving License
- Voters' Identity Card
- PAN Card
- Aadhaar Card issued by UIDAI
- NREGA Card

If these documents **also** contain your **address**, then no separate **proof of address** will be required. Otherwise, you need to provide another valid **address proof**.

Special case -

Suppose, you don't have **any** of the **OVDs** specified above to **proof** your **identity**. Then can you **open an account**?

The answer is **YES!**

However, the **account** opened cannot be a **normal account**. It will be a **limited facility** account, termed as '**Small Account**'. Limitations such as -

- **Balance** at any point of time, shouldn't exceed **Rs. 50,000**
- **1 year Total Credit** shouldn't exceed **Rs. 1,00,000**
- **Total withdrawal and transfers** shouldn't exceed **Rs. 10,000 / month**
- **Foreign remittances** cannot be **credited**

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Such accounts remain **operational** initially for a **period of 12 months (1 year)**, and thereafter, for a further **1 year** (if the **holder** can prove that he has **applied** for any of the **OVDs** in respective **office** within **1 year** of opening the account).

Situational Question (asked in IBPS, SBI or other banking exams)

If a customer comes to your branch to open an account, but doesn't have any valid documents as proof of identity, then would you open an account for him?

The answer is **YES** (as you already know now!)

Take his **photograph** and make him **sign** or provide **thumb impression**. And tell him you are **opening** a '**Small Account**' for him (also tell him about the **limitations**, and the need to **submit valid** documents within **1 year**)

Please note that **KYC** should be completed **within 1 year** of opening **Small Account**, and **KYC** is **mandatory**.

Refer - RBI Press Release - Aug, 2014
http://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=31935

e-KYC

It is **electronic KYC**. As the term means, here **KYC** will be done **electronically (online)**. Note that it is **possible only** (or atleast for now) for those who have valid **Aadhaar numbers** with them.

You have to **authorize** the **UIDAI** (the issuer of **Aadhaar card**), by **explicit consent**, to release your **identity / address** through **biometric authentication** to the **bank branches** (or, **business correspondents (BC)**).

UIDAI then will transfer your **data** (that was taken from you when you applied for **Aadhar card**) to the **bank**, and **KYC** will be done **electronically**.