

# Aadhaar, PAN must for opening accounts: RBI

## IBA to list problems in implementation next week

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**T**he Reserve Bank of India (RBI) has made Aadhaar and PAN cards mandatory for opening bank accounts.

The RBI said the updated know-your-customer (KYC) requirement was subject to the Supreme Court's final judgment on Aadhaar, for which the hearing is under way.

The central bank updated its master circular on KYC norms where it omitted various documents that could be used for due-diligence purposes.

The updated circular said Aadhaar and PAN numbers must be quoted for new bank accounts. If these details are not available, the customers would have to provide proof that they have applied for these identification documents within the past six months.

According to the circular, without Aadhaar and PAN numbers, account holders would be assigned 'small accounts', which have severe restrictions on transactions and are closely monitored to ensure no foreign transactions take place.

"In case an individual customer who does not have Aadhaar/enrolment number and PAN and desires to open a bank account, banks shall open a 'small account'," the circular said.

Such accounts are opened only at core banking solution-linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.

The amended KYC master document was uploaded on



### IN A NUTSHELL

- Subject to SC's final judgment on Aadhaar
- RBI says KYC circular is based on gazette notification
- If Aadhaar is still not available, customer has to provide application proof
- Without Aadhaar, only small accounts can be opened and kept operational for a fixed period
- RBI warns collected data should not be used for other purposes by banks

the RBI website late Friday night, where the central bank said it was acting "in accordance with the changes carried out in the PML (Prevention of Money Laundering) Rules vide Gazette Notification GSR 538 (E) dated June 1, 2017, and thereafter and is subject to the final judgment of the Hon'ble Supreme Court".

Recently, the Supreme Court had asked for a 'less invasive' identification document than Aadhaar but the government told the court that the Aadhaar Act could not be made simpler.

The amendment of the RBI's master circular came as a surprise since the amendment

should occur after a clear judgment is passed on the issue.

Though the RBI said the updated KYC requirement was subject to the Supreme Court's final judgment, banks might refuse to accept any other document. Banks often refuse to acknowledge any other document in lieu of Aadhaar, and the same is the case with other service providers such as telecom, which inconveniences many.

The mandatory Aadhaar rules, however, will not be applicable in Jammu and Kashmir, Assam and Meghalaya.

Senior bankers said they were still trying to assess the changes and that there were

some gaps in the interpretation and implementation of the revised rules. The Indian Banks' Association (IBA) is likely to convene a meeting to finalise issues that would be taken up with the RBI.

According to the circular, if Aadhaar details are not updated, banks can ask for other officially valid documents (OVDs) such as utility bills, property tax receipts, etc. However, "the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents," the RBI said.

The RBI, however, warned banks that the "information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross-selling, or for any other purpose without the express permission of the customer".

The RBI, in its circular, said if an account was opened over OTP, therefore, without physical biometric authentication, the maximum outstanding deposit allowed would be ₹100,000 and the aggregate of the credits in those accounts in a financial year would not be more than ₹200,000. The account will be closed if no biometric authentication is done within a year.

"The account shall remain operational initially for a period of twelve months, which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account," the RBI said.