



OPEN FUTURES (Group)

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What is KYC - Meaning, Types, and Importance

Since 2004, the Reserve Bank of India made it compulsory for all Indian financial institutions to verify both the identity and address of all customers carrying out financial transactions with them. Thus, the KYC process was introduced by the RBI as the only mode of verification.

What is KYC?

KYC means to 'know your customer' which is an effective way for an institution to confirm and thereby verify the authenticity of a customer. For this, the customer is required to submit all KYC documentation before investing in various instruments. All financial institutions are mandated by the RBI to do the KYC process for all customers before giving them the right to carry out any financial transactions. Whether the customer uses KYC online verification or opts for offline KYC, this is a simple one-time process.

The significance of KYC

KYC is an important tool as it looks after the financial bodies and keeps illegal activities in check. Many non-individual customers use financial services like trading and mutual fund investment. With KYC, banks have the right to verify the legal status of that entity which also includes cross-checking customers' operating addresses and verifying the identities of their beneficial owners and authorized signatories.

Additionally, the KYC process also requires the nature of employment as well as the business carried out by the customer which is useful in verifying the authenticity of an individual and/or company.

Types of KYC

There are two types of KYC verification processes. Both are equally good, and it is simply a matter of convenience whether one chooses to opt for one type over the other. Both are as follows:

- **Aadhar-based KYC:** This verification process is done online, making it highly convenient for those with a broadband or internet connection. Here, the customer needs to upload a scanned copy of their original Aadhar card. If the customer wishes to invest in a mutual fund, with Aadhar based KYC the opportunity to do so is only up to ₹50,000 a year.

- **In-Person based KYC:** If the customer wishes to invest more in mutual funds per year, they will be required to carry out an in-person verification KYC which is done offline. To do so, the customer can choose to visit a KYC kiosk and authenticate their identity using Aadhar biometrics or can call the KYC registration agency to send an executive to their home/office to carry out this verification.

Importance of carrying out KYC

KYC is essentially required if the customer wants to carry out any kind of financial transaction. After the verification process, the customer gives the financial institution that has conducted the test information about their identity, address, and financial history. This can aid the bank in knowing that the money the customer chose to invest is not one so for any money laundering related purpose.

What are the Documents Required for KYC?

KYC or 'know your customer' is a mandatory verification procedure carried out by financial institutions with the goal of minimizing illegal activities. Since 2004, the Reserve Bank of India has prohibited individuals to open a bank account, trading account or demat account without fulfilling the KYC procedure for KYC.

For any kind of financial transaction, you need to go forth with the KYC process. Once the KYC verification process is done, you have to give the financial institution that has conducted the test information about your identity, address, and financial history. This can aid the bank in knowing that the money you chose to invest was not for any illegal activities.

A list of documents is required for the KYC verification process, which almost takes just a few mins or hours to complete. These documents are listed below:

KYC documents list

The documents that are required need to be submitted as hard or scanned copies depending upon the type of KYC. Two broad sets of documents are required for KYC: proof of identity and proof of address, which can overlap, but generally vary. The documents required are as follows:

For Identity Proof

- The UID or unique identification number that comes with an Aadhar card. You can also use your voter ID, passport, or driving license.
- Your PAN card with photograph.
- An essential document bearing the photo of the applicant. This needs to be issued by the State or Central Governments.
- An identity card that is issued by scheduled commercial banks, public sector undertakings, or any public financial institutions.
- Finally, identity cards that are issued by your college, provided that the college is affiliated with Universities or any identification document provided by professional bodies like the ICWAI, ICAI, Bar Council, ICSI, etc.
- Any credit or debit card issued by a bank to an individual bearing the individual's name and address.

For Address Proof

- Voter's card/Passport/Driving License/ Registered Sale Agreement is required or Lease on residence/Maintenance bill of the flat is valid too.
- Your electricity or gas bill, telephone bill, and bill for water consumption are valid too. These bills must not be more than three months old.
- A self-declaration provided by the supreme or high court judges gives the applicant a new address which might be required in case the applicant is convicted for any reason.
- Address proof for KYC can also be issued by any of the following entities: the bank managers of Scheduled co-operative banks/scheduled commercial banks/ Gazetted Officers/ Multinational Foreign Banks/Notary public/Documents issued by any Statutory Authority or government/any representatives that have been elected to the Legislative Assembly or Parliament.
- An identity card by any of the following entities: Statutory/Regulatory Authorities, Public Financial Institutions, Public Sector Undertakings, Central and/or State Government or any of its Departments, Scheduled Commercial Banks.
- Finally, identity cards with the address printed on them issued by your college, provided that college is affiliated with Universities or any identification document provided by professional bodies like the ICWAI, ICAI, Bar Council, ICSI, etc. to students.
- For any sub-account or FII, the Power of the Attorney that is given to the Custodians by the FII/sub-account with the registered address needs to be taken.
- Address proof for KYC in the name of your spouse is valid too.

Types of KYC verification

There are two types of KYC verification processes. They both are equal in terms of their authenticity and it is a matter of convenience whether one chooses to opt for one type over the other.

Aadhaar-based KYC

The first type of KYC verification is defined as an online verification process, which is highly convenient for those with broadband or an internet connection. You need to upload a scanned copy of the original Aadhar card for this type of KYC. If you wish to invest in a mutual fund, with Aadhar based KYC the opportunity to do so is only up to ₹50,000 a year.

In-Person based KYC

On the other hand, in-person KYC verification is carried out offline. To do so, you can choose to visit a KYC kiosk, or mutual fund house and authenticate your identity using Aadhar biometrics. You can also call the KYC registration agency to send an executive to your home or office to carry out this verification.

Understanding the KYC Process

KYC or 'Know your customer' is a verification process, mandated by the Reserve Bank of India, for institutions to confirm and thereby verify the authenticity of customers. To verify their identity and address, they need to submit their KYC documentation before investing in a variety of financial instruments.

The KYC verification process is vital as it ensures that financial bodies are not being used to carry out any illegal activities. With KYC online verification and offline KYC authentication in place, financial authorities like banks and trading platforms can catch any potentially illegal activities.

Furthermore, many non-individual customers use financial services like trading and mutual fund investment. With KYC, banks and financial institutions among others have the right to verify the legal status of that entity which can include cross-checking their operating address and verifying the identities of their beneficial owners.

What is the KYC process?

The process for digital KYC is as follows:

- 1. Collection of Information:** The first step in the KYC procedure is to collect personal information about the customer. They are required to fill an online KYC registration form on their preferred portal through which they wish to carry out financial transactions. Whether the information given is correct and updated will depend on the due diligence of the applicant.
- 2. Uploading of Evidence:** After the information is collected, the applicant is required to validate the information they put in the form with relevant documents. These documents serve as evidence proving that the prior information entered by the user is authentic and not fake.
- 3. Verification:** Once the documents have been uploaded, the template for the documents is both identified and examined against various checks. This ensures that the document has not been tampered with in any way.

Once the document is validated, data is then extracted from the documents. This can be done in two ways:

- 1.** The data can be directly extracted through an OCR wherein the system will directly extract the applicant's data from their documents such as their identity and address proofs. The system then checks for anomalies in the information to validate whether it is authentic.
- 2.** There is data extraction without the OCR wherein the applicant will need to manually enter their information into the application's portal. The system's IDV solution will cross-check the information entered against the information present on the uploaded documents.

Offline KYC Verification Process

The offline KYC process is similar to the online procedure. However, one core difference is the requirement for physical copies of all documents and application forms.

- Download, print, and fill out the KYC form. You can also receive an official copy of this application form from a mutual fund house, or KYC kiosk.
- Within the form, enter your updated information which should spell checked, and must avoid missing any box. You will also be asked for Aadhar and PAN details. Ensure the numbers for both are filled correctly.

- Once the form is filled, visit the nearest KRA with all your documents so you can submit your application in person.
- You need to submit proof of your identity and proof of your address with your application form. Keep a xerox copy of these documents beforehand.
- Additionally, at some mutual fund houses or kiosks, you may have to give a biometric scan which involves fingerprints, handprints, and in some cases a photograph as well.
- Post-submission, an official application number will be assigned that will allow you to check the status of your KYC verification.

The offline KYC procedure takes around one week to be completed whereas the online KYC registration may take a shorter period. However, this can vary based on a slew of factors such as whether or not there were any errors, inconsistencies, or ambiguities in the application form. Hence, ensure that the form is correctly filled with all the latest information.

How to Update KYC Details?

E-KYC or online KYC is an effective way to submit your identity and address proofs online. It is a standardized way to check the authenticity of customers on a portal by the Indian government. To verify their identity and address, customers of the financial service are required to submit KYC documentation before investing in a variety of financial instruments like fixed deposits, mutual funds, and more.

The primary goal is to potentially catch and eliminate illegal activities on any platforms. For most portals — be it mutual funds' investments, brokerage trading platforms, and bank websites — before you create an account you will be required to carry out your KYC. The Reserve Bank of India has made it mandatory for everyone using these platforms.

When should you update KYC?

Updating KYC details online is very rare as it is not a very common thing to do so. However, it's possible to encounter a situation where you may have changed your name or address. Similar to how KYC is generally considered a one time process, so is its update. The scenarios when KYC updates may be required is as follows:

- In case you legally want to change your name then the name on your PAN card, Aadhar card, and latest passport would be different. You need to input your scanned copies of your latest Aadhar/Pan card to get your KYC updated.

- If you change your address by shifting into a new home after marriage, moving out of your house, or moving to a whole different city, a lot of your KYC documents like the Aadhar, PAN, Driving License, and Passport would need to be updated. This is when you can use the online portal to make the KYC update.

If you do not change your address or name for a second time, this process is generally considered as a one-time way to access your financial history and carry out transactions. KYC update is mandatory in case you have updated your personal details again.

How to update KYC online?

Updating your KYC online is a simple process that can be done without the hassle of visiting a kiosk in person. The process is as follows:

1. Log in to the KYC online portal.
2. Look out for an 'Update KYC' button in the settings on that portal.
3. Click on the button and it will open up the set of KYC preferences.
4. Updating whatever needs to be changed is accompanied by uploading the latest scanned copies of relevant documents for changing your name or address.
5. Before your information is saved and goes in for verification, it is required to confirm a one time password that will arrive at your registered mobile number or email.
6. Once the OTP is correctly entered, hit the 'Submit' button. Your information is now under review and you will be notified about whether your KYC verification is completed error-free within the next few days.

Things to keep in mind about updating KYC

Once the latest documents are uploaded as proof, the template for the documents are identified as valid and examined against various checks to ensure that the document has not been tampered with in any manner. This is the final layer of scrutiny that a person's application goes through for the digital KYC process.

Offline KYC updates are not as common as online KYC updates because websites and other portals notify individuals when their personal details do not match their current ones. You need to update your KYC before proceeding with any financial transaction. An offline update of KYC would involve visiting a mutual fund house, bank, or KYC kiosk in person with originals and copies of your latest documents.

Final Words

Both online and offline KYC verification procedures take around one week to be authenticated. The online KYC registration may take a much shorter time, but this can vary based on a slew of factors such as whether or not there were any errors, inconsistencies, or ambiguities in the application form. Hence, your updated information, depending on the portal carrying out KYC may take longer than usual to reflect. However, ensuring the form is correctly filled with all the latest information can expedite this entire process.

How to Check KYC Status?

The Reserve Bank of India made the Know Your Customer (KYC) process mandatory in 2002 for the customers before they begin their investing journey. All the banks had to be KYC-compliant by December 31, 2005. According to the Prevention of Money Laundering Act, 2002, and the Securities Exchange Board of India-KYC Registration Agency (SEBI-KRA) Rules, 2011, it is compulsory for all market participants to follow the KYC guidelines. The main aim of KYC was curbing illegal activities such as money laundering, terror funding, bribery, and other corrupt means of accumulating money.

What does it mean to be KYC compliant?

Complying with KYC guidelines is mandatory if you want to avail financial services or invest in various financial instruments. Being KYC compliant means that the financial house has access to all your personal information and that enables them to not only verify your credentials but also monitor your transaction trail.

Importance of being KYC Compliant?

For any financial transactions, opening a new bank account or applying for a credit card, KYC details are necessary. Similarly, if you are interested in stock markets, mutual funds investments, or want a new sim card for your mobile, KYC compliance is important. Unless you are KYC compliant, you also won't be able to make any changes in the names of your beneficiaries.

Role of KRA'S

Know Your Customer Registration Agencies (KRA's) are registered with the SEBI and maintain a central database regarding all information of investors which can be availed by various intermediaries firms.

There are five KRAs in the country:

- CDSL Ventures Ltd (CVL), a subsidiary of the Central Securities Depositories (India) Limited
- NSDL Database Management Limited (NDML), a subsidiary of the National Securities Depositories (India) Ltd,
- The National Stock Exchange's agency - DotEx International Limited (DotEx),
- CAMS Investor Services Private Limited
- Karvy Data Management Services Limited (KDMS)

Once you are KYC compliant with an intermediary, your data is stored in the central database, and you can continue making financial transactions.

How to check whether you are KYC compliant or not?

Checking KYC compliance online is simple. All you need to do is go to the website of any KRA and provide your PAN details. In the case you are not found to be KYC compliant, follow the steps as below:

1. Offline Compliance: First, you need to download the KYC form and fill out the requisite details. Thereafter, provide your ID and residence proof for which you need to submit documents such as a copy of your PAN card, Aadhar card, passport, driving license, Voter ID, or bank passbook, having your photograph.

For proof of address, you can provide documents, like recent electricity bill, rent agreement, landline bill etc along with your passport size photographs. The filled-up form along with the documents should be submitted to the relevant authorities.

2. Compliance via Aadhar based biometric: If you are interested in mutual fund investment, an authorized person from the fund house will visit your house, collect your Aadhaar card, and map your biometrics such as fingerprints. Your KYC will be validated by matching the fingerprints with the Aadhaar database.

However, Aadhaar-based compliance only allows for annual transactions, which are less than Rs 50,000. To remove this ceiling on investments, you can opt for the In-Person Verification (IPV) through a video call facility to verify your identity and address proof.

3. Online Compliance : Online KYC compliance can also be done via the websites of any KYC Registration Agency (KRA). Thereafter, create your account and provide your personal details. Then you need to enter your Aadhaar number along with the registered phone number. Your information will then be verified through an OTP.

Finally, you will be required to upload a self-attested copy of your Aadhaar card. Post completion, your request will be processed.

How to check KYC status?

After the submission of the KYC form online, the status can be checked online at the KRA's website by entering your PAN card details. All the information about the existing status of your KYC compliance application would appear. If your KYC is not verified, the status will show as pending. Otherwise, the KYC verification status will appear as 'Verified by NDML.

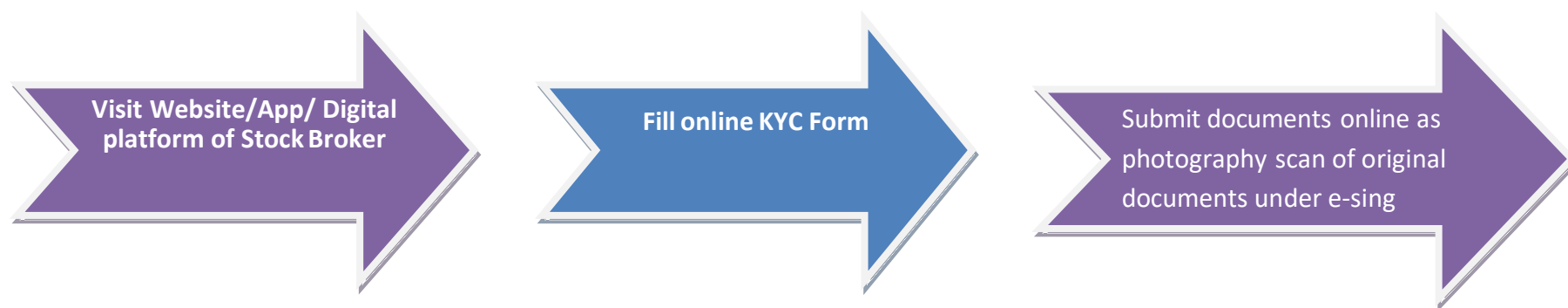
Conclusion

Thus, being KYC compliant is a mandatory requirement before starting your investment journey. As an investor, you can avail multiple benefits, like convenient and digitally secure transactions. However, choosing a trusted and reliable financial partner is necessary before making investments. **Open Futures (Group)** can be your trusted partner to provide you with the best financial services along with a gamut of individually tailored investment plans to help realize your investment goals.

What is e-KYC : Meaning and Process

eKYC, often called paperless KYC, is the process of electronically verifying the customer's credentials. This is mandatory for everyone to avail of the services from any financial institution. It is also called Aadhaar-based eKYC as your identity is verified electronically wherein the service provider can access the details of your Aadhaar from the Unique Identification Authority of India (UIDAI) database. Thus, this provides your proof of identity and address to the service provider instantly, eliminating the need for tedious in-person verification.

e-KYC Process



Aadhaar-based eKYC depends on the information provided by an individual to UIDAI to receive the unique 12-digit Aadhaar number. Upon receiving your Aadhaar number, it is easy to invest in fund houses as they use the eKYC Application Programming Interface (API) to get access to your Aadhar information. Through this, any licensed service provider can then verify a customer.

Types of Aadhaar e-KYC :

There are two types of Aadhaar-based e-KYC :

- 1. Using Biometrics:** Here, you have to provide your 12-digit Aadhaar number along with biometrics such as fingerprints or iris scan and if you are interested in investing, then the relevant authority in the fund house will complete the verification process through this method.
- 2. Using OTP:** In this case, you have to provide your Aadhaar number, and an OTP will be sent to your registered mobile phone which will then complete the whole transaction process.

Difference between Aadhaar authentication and Aadhaar e-KYC :

There are some differences between Aadhaar authentication and Aadhaar KYC. In Aadhaar e-KYC, the service provider gets access to your data from the UIDAI database, whereas Aadhaar authentication merely establishes your credentials. Simply put, it is not necessary to provide demographic details to get verified by Aadhaar authentication.

Aadhar e-KYC and government regulations:

The Supreme Court in September 2018 provided a monumental judgment by barring private entities from using Aadhar eKYC for verification. Following that, UIDAI allowed Aadhaar eKYC for authentication purposes to private establishments. The Aadhaar and Other Laws (Amendment) Act, 2019, paved the way for online KYC verification wherein individuals voluntarily use the Aadhaar number to verify their identities, either through Aadhaar-based online KYC verification or through offline eKYC. Thus, the new stringent rules allow KYC verification online only for private entities, which have been verified by the UIDAI which prevents your Aadhaar data from being misused.

Understanding offline e-KYC:

The following offline methods can be used to verify the identity of the customer:

- 1. QR Code Scan:** Here, the service provider can scan the QR code provided on your Aadhaar card to get access to the demographic information using a smartphone, without the requirement of accessing UIDAI's Aadhaar database.
- 2. mAadhaar App:** This is a mobile-based Open Demat Account App allowing service providers to access demographic data.
- 3. Paperless offline KYC:** Here, a customer need not provide a photocopy of the Aadhaar card, and can instead download the KYC XML from UIDAI's web portal. This process absolves the requirement for revealing Aadhaar number (instead a reference ID is shared) and doesn't require biometric verification.

Applying for KYC online?

You can easily complete your KYC online registration by making an application at the web portal of any of the SEBI-licensed KRA's. They include:

1. CDSL Ventures Ltd (CVL)
2. NSDL Database Management Limited (NDML)
3. DotEx International Limited (DotEx)
4. CAMS Investor Services Private Limited
5. Karvy Data Management Services Limited (KDMS)

How do I complete KYC online?

After creating your account at the eKYC portal of any KRA, you need to fill in your personal details like your Aadhaar card number along with your registered phone number on which you will receive an OTP. Post-verification, you have to submit a copy of your self-attested Aadhaar card. Once all this is completed, you can check your status by providing your PAN number at the KRA's web portal.

KYC compliance can also be done via an offline process wherein you just need to download the KYC form online and submit the form along with the requisite documents to the relevant authorities.

How to change KYC details online?


Digital KYC records can be changed by visiting the eKYC portal of your choice, like any KRA wherein you will click on the 'Update KYC' link. Fill in the new details, besides uploading the scanned copy of the updated documents - to establish the proof for the changes after which you will receive an OTP on your registered mobile phone number. Post-verification, you can click on submit and the details will be changed within a week.

Conclusion:

Thus, eKYC is a paperless process to fulfill the mandatory KYC requirements, before you begin your investment journey. KYC obligations through Aadhaar-based eKYC can be completed if you are interested in investing in stock markets. If you are interested in mutual fund investments as per SEBI regulations - OTP-based eKYC mutual fund investments are subject to the limit of only Rs 50,000 per annum and if you want more you can avail of the process of In-Person Verification (IPV) or Biometrics-based verification.

Choosing a trusted and reliable financial partner is vital for making the most of your investments. **Open Futures (Group)** can help you meet your financial goals with the best and diverse investment plans.

CKYC Banner



CENTRAL KYC REGISTRY

Simple **Faster** **Secure**

Ask for your **CKYC Identifier** now & open account faster with reduced paper-work

CKYC Identifier is linked to your KYC data

No need to submit your KYC documents at any financial institution if you have your CKYC Identifier

To know more login to **www.ckycindia.in**