20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **KYC norms in India derive their legal force from the Prevention of Money Laundering Act, 2002 (PMLA).**
   PMLA obliges banks, as reporting entities, to verify client identity, keep records and report prescribed transactions to FIU-IND.

2. **The RBI's Master Direction on KYC lays down detailed customer identification and due diligence procedures for banks.**
   The Master Direction specifies which documents to collect, how to classify risk and when enhanced checks apply.

3. **The Banking Regulation Act, 1949 gives RBI its supervisory authority to enforce KYC compliance.**
   This Act empowers the RBI to supervise banks and enforce prudential and KYC standards.

4. **Banks must report prescribed transactions to the Financial Intelligence Unit-India (FIU-IND).**
   FIU-IND analyses these reports and shares intelligence with enforcement agencies.

5. **The four pillars of KYC are Customer Acceptance Policy, Customer Identification Procedure, Customer Due Diligence and Ongoing Monitoring.**
These four elements together form the foundation of every bank's board-approved KYC policy.

6. **Customer Acceptance Policy bars banks from opening anonymous or benami accounts.**
A strict acceptance policy stops bad actors from entering the banking system at account opening.

7. **Customer Identification Procedure verifies identity using reliable, independent documents.**
CIP confirms a customer's true identity at onboarding and at any later point of doubt.

8. **Customer Due Diligence assesses a customer's profile, transaction pattern and source of funds.**
CDD is the analytical core of KYC, used to judge how much risk a customer carries.

9. **Ongoing Monitoring watches transactions for consistency with a customer's known profile.**
Ongoing monitoring flags behaviour changes or anomalies that initial due diligence alone would miss.

10. **Banks classify every customer into a low, medium or high risk category during due diligence.**
Risk categorisation decides how intensive the due-diligence checks on that customer will be.

11 **A beneficial owner is the natural person who ultimately owns or controls a non-individual customer.**
Identifying beneficial owners stops criminals from hiding behind companies, trusts or partnerships.

12 **Politically Exposed Persons (PEPs) attract Enhanced Due Diligence with senior-management approval.**
EDD for PEPs and other high-risk customers includes closer, more frequent monitoring.

13 **Periodic KYC updation is typically required every ten years for low-risk customers.**
Low-risk customers such as salaried individuals face the longest updation interval.

14 **Periodic KYC updation is typically required every two years for high-risk customers.**
High-risk customers face the shortest updation interval because their risk profile can change faster.

15 **Officially Valid Documents (OVDs) for KYC include passport, driving licence, Aadhaar and Voter ID.**
OVDs are the government-recognised documents banks accept as valid identity and address proof.

16 **e-KYC uses Aadhaar-based authentication with the customer's consent to speed up onboarding.**
e-KYC reduces paperwork by verifying identity digitally rather than through physical documents.

17 **Video-based Customer Identification Process (V-CIP) lets banks verify customers remotely.**
V-CIP allows identity verification over video call without a branch visit.

18 **The Central KYC Records Registry (CKYCR) helps banks avoid duplicating KYC document collection.**
CKYCR stores KYC records centrally so customers need not resubmit documents at every bank.

19 **Banks file Suspicious Transaction Reports (STRs) with FIU-IND regardless of the transaction amount.**
Even a small unusual transaction must be reported if it does not fit the customer's known profile.

20 **Tipping off a customer that an STR has been filed against them is itself an offence.**
Tipping off undermines investigations, so it is treated as a punishable compliance breach.