

# *Central KYC*

What it means  
for investors and  
institutions

November 2017





## Central Know Your Customer (CKYC) – introduction

As per the directives of the Ministry of Finance, the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) is to perform the functions of the Central KYC Records Registry (CKYCR). The CERSAI will receive, store, safeguard and retrieve know your customer (KYC) records in digital form for a client, as against other KYC Registration Agencies (KRAs) such as Computer Age Management Services (CAMS) and Karvy, which maintain KYC information provided by investors on their individual systems and verified in person.

***While eKYC is a great step towards simplifying the investment process, it still has certain limitations:***

- Cap on investment amount – 50,000 INR per fund house per year
- Not entirely paperless – cancelled cheque to be uploaded while filling up bank details

The main objective of CKYC is to provide a platform which enables investors to complete their KYC only once before interacting with various entities in the financial services sector. Once CKYC is complete for an investor, he/she is allotted a 14-digit unique KYC identification number (KIN) which needs to be quoted by the investor while conducting any transaction.

CKYC is the latest addition to the various types of KYC already available. However, the other types of KYC will be rendered redundant once CKYC is fully implemented. Financial institutes\* (FIs) will have to implement this new regime, which will require a significant investment of time, money and resources.

***Although CKYC is a one-stop solution for KYC requirements of all FIs, it is marred by some fallacies:***

- The CERSAI's CKYC is not integrated with other KYC repositories, which in turn requires customers to provide KYC documents again.
- KYC documents have to be submitted in paper format as there is no digital or paperless onboarding process.

We at PwC believe that FIs should align themselves to the new regulation as this would reduce redundant work of KYC compliance in the long run.

*\*FIs – all entities governed/regulated by the Government of India/ or different regulators (RBI, SEBI, IRDA and PFRDA)—for example, banks, asset management companies (AMCs), insurance companies and pension funds.*





## PwC's view on CKYC

The unavailability of a link between the CERSAI's CKYC system and SEBI-registered KRAs is perceived as the main reason for complications and a slower than envisaged rate of implementation. The data about non-individuals still rests with SEBI and there are no guidelines yet on how this data is to be included in the CKYC repository.

The original deadline for banks to upload all KYC data, including legacy data, was March 2017. The RBI had been apprised of the practical difficulties in meeting this deadline. Banks would need more time to upload information for legacy accounts as contacting long-standing customers and getting their updated KYC details would not be easy.

The real hurdle is going to be in the maintenance of legal entity accounts, where authorised signatories change frequently. No objection certificates are required to be obtained before opening a current account if the client has any funded/non-funded facilities with other banks. It is very difficult to capture this information in the CKYCR. The real challenge will arise for banks, who will need to frequently update their records in the CKYC repository once there is a change in the demographic details of the client. If the changes are not immediate, other banks will open an account based on the CKYC records and will face a bona fide challenge with respect to the client's KYC details, thus posing a threat to the entire banking system.





## Benefits of CKYC



### *FI convenience*

- Cost optimisation, as CKYC introduces mutualisation of costs across multiple FIs
- FIs can stay focused on their core business of serving their customers
- Inter-usability of KYC records across the financial sector

### *User experience*

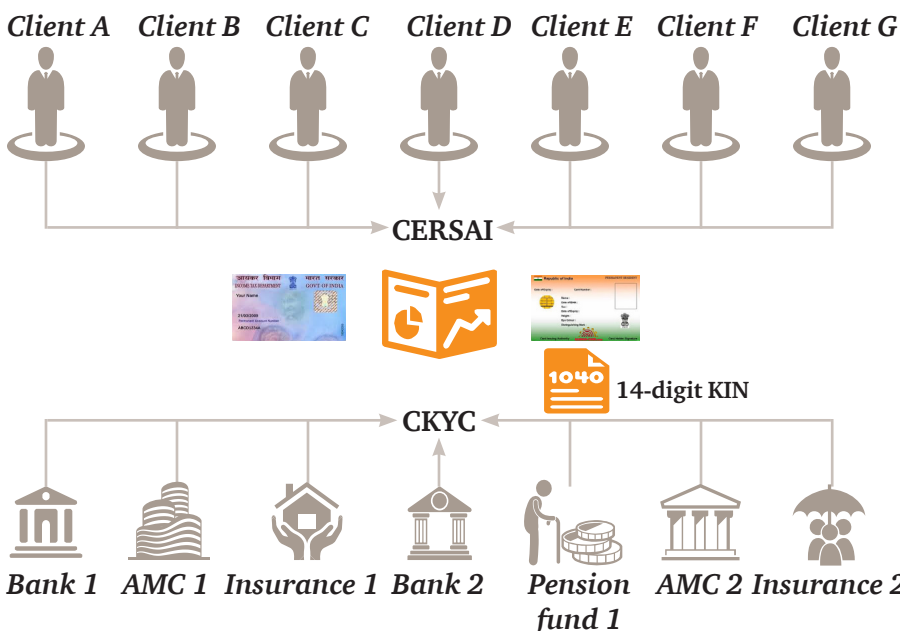
- Convenient for customers to upload their documents in one place
- Unify KYC data across all financial regulators (RBI, SEBI, IRDA and PFRDA) for investors
- Reduced burden of constantly producing and verifying KYC for a new FI





## How CKYC works

CKYC collects and verifies information only once and distributes it to specific client-chosen FIs.



Clients have to submit a duly filled and signed CKYC form along with self-attested supporting documents to verify proof of identity and proof of address.

FIs can also submit the required documents for their clients using bulk upload or file transfer mechanisms.

If all the required details and documents are in place, the form will be processed and a 14-digit KIN will be issued to the client via an SMS or email.

### **CKYC offers the following features:**

- Searching and downloading KYC records: FIs can download single/bulk records by entering a CKYC identifier and an authentication factor.
- Updating KYC records: On update of a KYC record on the CKYCR, all linked FIs will receive an electronic update notification of a KYC record. The entities can then download the last updated record of the client.
- Multiple correspondence addresses
- De-duplication and reconciliation of probable matches: The KYC data uploaded on the CKYCR will go through a de-duplication process on the basis of the demographics and identity details submitted. The CKYCR will provide probable match cases to FIs for reconciliation and resolution.





## Difference between KYC, eKYC and CKYC

**KYC:** The identity of an investor is verified based on written details submitted by him/her on a form, supplemented by an in-person verification (IPV) process. Once the verification is carried out successfully, the relevant investor data is entered into the KRA system and subsequently uploaded to the KRA system database.

**eKYC:** It is carried out with the help of an investor's Aadhaar number. While completing the eKYC process, the authentication of the investor's identity can be done either via a one time password or biometrics. This data is uploaded into the records of the KRA.

**CKYC:** It allows investors to carry out their KYC only once. CKYC compliance will allow an investor to transact/deal with all entities governed/regulated by the Government of India/different regulators (RBI, SEBI, IRDA and PFRDA) without the need to complete multiple KYC formalities. The CKYC processing is handled by the CERSAI.

### CKYC additional attributes

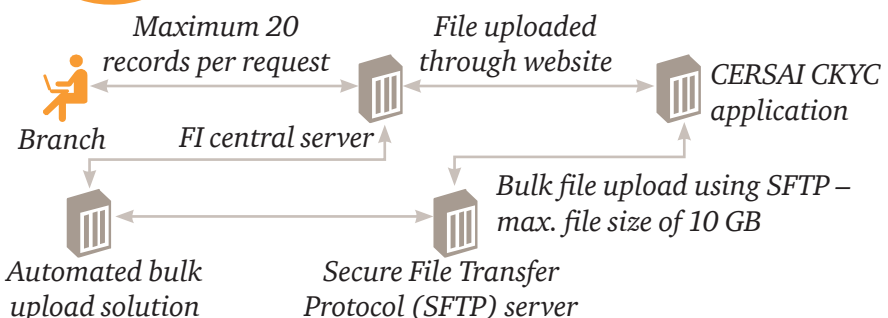
- CKYC is applicable only to individuals (both resident individuals and non-resident individuals [NRIs]).
- CKYC charges money to FIs for accessing KYC data. The charges for creating, downloading and updating a record are **0.80 INR**, **1.10 INR**, and **1.15 INR** respectively.
- CKYC requires additional information (e.g. investor's maiden name, mother's name, Foreign Account Tax Compliance Act [FATCA] information).
- KIN intimation will be sent by the CERSAI to the registered mobile number/email address of the investor as soon as it is generated at their end.



## Our technology recommendations

Upload solution

FIs can choose between the web-based upload mechanism or bulk upload mechanism.





## Our technology recommendations

**Upload solution** – comprehensive integrated solution which helps manage the entire customer KYC requirements for an FI

**Data extraction** – automatically extract information from all client-provided documents

### **Automated bulk upload solution**

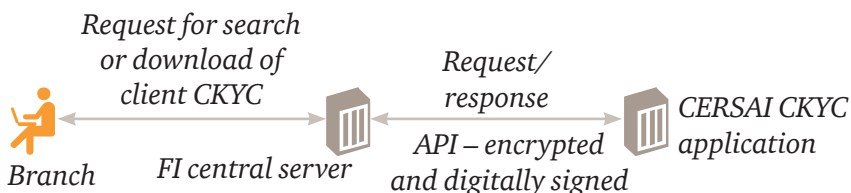
- Application to automatically upload KYC details onto the CERSAI CKYC application
- Interface with an FI's KYC data repository and convert the proprietary data into the CERSAI's bulk upload format
- Place the file on an SFTP server to be transferred to the CERSAI's CKYC application

### **Benefits of the bulk upload solution**

- No duplication of work
- Generation and better control of management information system (MIS) reports
- Better user management

API  
integration

Includes the construction of a modern interaction platform and the integration of services through application programming interface (API) for search and download.



**API integration** – application to integrate an FI's client data repository and the CERSAI CKYCR application for real-time search and download of client information

**Secured high performance** – capable of processing daily requests of millions of users

### **API-based search and download solution**

- Whitelisting of Internet protocol (IP) address for both an FI and the CERSAI
- Sharing of the public key for decrypting messages
- Request for search/download of client KYC from an FI
- Response from the CERSAI for the request initiated by an FI

### **Benefits of the API-based search and download solution**

- Promotes a paperless environment and eliminates paper verification, movement and storage
- No risk of forged documents
- Quick, real-time results

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## **Asim Parashar**

Executive Director, Financial Services

Mobile: +91 98331 41065

[Asim.parashar@in.pwc.com](mailto:Asim.parashar@in.pwc.com)

## **Anish Chandra**

Associate Director, Financial Services

Mobile: +91 98204 23594

[anish.chandra@in.pwc.com](mailto:anish.chandra@in.pwc.com)

# pwc.in

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