



All Registered Housing Finance Companies

Madam/Sir

Aadhaar based e-KYC through OTP / Biometric Authentication

Please refer to our Circular No. NHB (ND)(DRS/Policy Circular No.72/2014-15 dated April 23, 2015 regarding Know Your Customer (KYC) Norms (Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT)/ Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002 - Recognizing E-Aadhaar as an officially valid Document under PML Rules.

2. The National Housing Bank (NHB), has received representation from various housing finance companies (HFCs) requesting for a review of the existing Guidelines on Aadhaar based e-KYC procedure, with a view to simplifying and rationalizing account opening process through the said procedure.

3. In the light of the representations received from HFCs, the matter has been examined by NHB and it has been decided that HFC may provide an option to the customer for e-KYC through Aadhaar based One Time Pin (OTP). Accounts opened in terms of this proviso i.e., using Aadhaar based OTP, are subject to the following conditions:

- (i) Explicit consent from the customer for authentication through OTP;
- (ii) The aggregate amount of all the deposit accounts taken together for a customer shall not exceed rupees one lakh;
- (iii) As regards to borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees fifty thousand in a year;

- (iv) The payment of deposits in terms of accounts opened on-line through OTP based e-KYC, shall be accepted only through internet banking/ECS from a designated bank account of the customer;
- (v) All payments in respect of such deposits should be made only to the designated bank account through which funds are deposited;
- (vi) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC either with the same entity or with any other HFC. Further, while uploading KYC information to CKYCR, HFCs shall clearly indicate that such accounts are opened using OTP based e-KYC pending 'Customer Due Diligence' (CDD) and other HFCs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure until the CDD have been completed. HFC's would therefore be required to update the status of completion of CDD to the CKYCR Portal.
- (vii) Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than three months within which CDD is to be completed. If the CDD procedure is not completed within three months in respect of deposit accounts, the same shall be closed immediately by refunding the deposit amount without interest into depositor's designated bank account. In respect of borrowal accounts no further debits shall be allowed;
- (viii) HFCs shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

4. Further, as per the existing procedure stipulated for HFCs, biometric authentication for e-KYC verification is to be performed at the branches/offices of the HFC. However, to ease out the said process, KYC verification, through Aadhaar based biometric authentication, may be performed by the Authorised Person of the HFC and shall be accepted as a valid process for KYC verification subject to the following conditions:

- (i) Explicit consent of the customer to release his/her identity/address to the HFC;
- (ii) Payment shall be accepted only through Account Payee cheque drawn in favour of the HFC;

- (iii) The cheque shall be drawn only from a designated bank account of the customer; and
- (iv) All payments in respect of such deposits should be made only to the designated bank account through which funds are deposited.

Note:

- (i) "Officially valid document" (OVD) means 'OVD' as defined under the Rule 2(l)(d) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.
- (ii) "Customer Due Diligence" (CDD) means 'Client Due Diligence' as defined under Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

5. HFCs shall display the aforesaid conditions clearly for fair and transparent public disclosure.

6. HFCs are also advised to note that the ultimate responsibility for customer due diligence in all the cases rests with them and accordingly the HFCs are expected to have in place adequate systems and procedures to avoid any violations of the KYC framework, both in letter and spirit.

Yours faithfully,

(A. P. Saxena)
General Manager