

FAQs

Topic - Financial Services – Commercial Lending (Customer Due Diligence)

I. Customer Due Diligence

B-Ready Assessment Area	Relevant Provisions	Links
<p>Requirement to Conduct CDD <i>CDD and purpose/intended use of the loan</i></p>	<p>Paragraph 5(2)(v) of the RBI (Commercial Banks – KYC) Directions, 2025, <i>inter alia</i>, prescribes REs (banks) to (i) identify and verify customer and the beneficial owner using independent sources of identification, (ii) obtain information on the purpose and intended nature of business relationship, (iii) take reasonable steps to understand nature of customers’ business and its ownership and control and (iv) determine the beneficial owner and verify identity thereof.</p> <p>Further, paragraphs 39-41 of the said Directions mandate that “<i>REs shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers’ business and risk profile, the source of funds / wealth.</i>” This is in alignment with the PML (Maintenance of Records) Rules, 2005.</p> <p>Also, the REs may use appropriate technologies such as AI / ML for the purpose of monitoring transactions, and such monitoring shall be aligned with customer’s risk-category.</p>	<p>Web links for KYC Directions:</p> <ul style="list-style-type: none"> (i) Commercial Banks - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13141 (ii) Small Finance Banks (SFBs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13109 (iii) Payments Banks - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13090 (iv) Local Area Banks (LABs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13064 (v) Regional Rural Banks (RRBs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13040 (vi) Urban Co-operative Banks(UCBs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13014 (vii) Rural Co-operative Banks (RCBs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12988 (viii) All India Financial Institutions (AIFIs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12969

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		(ix) Non-Banking Financial Companies (NBFCs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12943
		(x) Asset Reconstruction Companies (ARCs) - https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12927

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II. Customer Direct Entity

B-Ready Assessment Provisions	Additional Comments	Relevant Links
Customer Direct Identity <i>Mechanism for verification</i>	<p>The mechanism for identification and verification of customer's identity by a bank / Regulated Entity (RE) of RBI is prescribed in Chapter – VI of the RBI (Commercial Banks – KYC) Directions, 2025, which include both individual and non-individual customers.</p> <p>Further, Customer Due Diligence (CDD) procedure and sharing of customers' KYC information with Central KYC Records Registry (CKYCR), (including verification of customer's identity using CKYCR Identifier for the purpose of onboarding and updating of KYC records), are prescribed in Chapter VI and paragraph 65, respectively of the said Directions.</p>	
Customer Direct Identity <i>Mechanism for real time identification</i>	<p>The customer identification procedure prescribed in the said KYC Directions is in line with PML Rules, 2005, and it envisages real time identification and verification (either using physical OVD or through online / digital process) of customer's identity while establishing an account based or transaction-based relationship, as outlined in Chapter VI of the said KYC Directions.</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
Customer Direct Identity <i>Mechanism for verification of documents</i>	The customer identification procedure and customer due diligence (CDD) procedure prescribed in Chapters V and VI of the said Directions, envisage verification of authenticity of documents and information provided (either using physical OVD or through online / digital process / equivalent e-documents) of customer's identity while establishing an account based or transaction-based relationship.	•

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III. Beneficial Ownership

B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Beneficial Ownership <i>Requirement to identify and assess ownership and control structure</i></p>	<p>Paragraph 5(1) (iv) of the said KYC Directions, provides the definition of 'Beneficial Owner' in case of legal entity customer, and Chapter VI of the Directions, inter alia, prescribes identification of the Beneficial Owners in case of legal entity customers. This, in line with PML Rules, 2005.</p>	
<p>Beneficial Ownership <i>Specific mechanism to identify beneficial owners</i></p>	<p>Paragraph 5(1)(iv) and Chapter - VI of the said KYC Directions contain the instructions relating to identification of the beneficial owners.</p>	
<p>Beneficial Ownership <i>Requirement to determine ML/TF risk of beneficial owners</i></p>	<p>As per the Chapter II of the said KYC Directions, the REs (banks) are required to carry out risk assessment exercises periodically to identify, assess and take measures to mitigate money laundering and terrorist financing risk for clients, countries or geographies, products, services, transactions, delivery channels, etc.</p> <p>Further, the Chapter IV on 'Risk Management' prescribes that the customer's risk categorization is done based on customer identity, financial status, nature of business, complexity of activities/structure, etc.</p> <p>Furthermore, the Chapter VI of the said Directions requires REs to identify and verify the ultimate Beneficial Owners.</p>	<ul style="list-style-type: none"> •

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Beneficial Ownership Registry <i>Availability of beneficial ownership (BO) registry</i></p>	<p>There is a beneficial ownership reporting framework under the Companies Act, 2013 and the Companies (Significant Beneficial Owners) Rules, 2018. It mandates that companies identify individuals holding at least 10% stake (direct or indirect) and file Form BEN-2 with the Registrar of Companies to ensure transparent ownership and prevent money laundering.</p>	<ul style="list-style-type: none"> • https://www.indiacode.nic.in/bitstream/123456789/15198/1/the_companies_act%2c_2013_no._18_of_2013_date_29.08.2013.pdf • https://upload.indiacode.nic.in/showfile?actid=AC_CEN_22_29_00008_201318_1517807327856&type=rule&filename=Companies%20(Significant%20Beneficial%20Owners)%20Rules,%202018.pdf
<p>Beneficial Ownership Registry <i>Information verification and update</i></p>	<p>Beneficial ownership information is required to be verified and kept undated as per the Companies Act, 2013 and the Companies (Significant Beneficial Owners) Rules, 2018. Further, authorities may scrutinize filings, including Ministry of Corporate Affairs inspections, Enforcement inspections, Anti-money laundering probes, Tax authorities.</p>	<ul style="list-style-type: none"> • https://www.indiacode.nic.in/bitstream/123456789/15198/1/the_companies_act%2c_2013_no._18_of_2013_date_29.08.2013.pdf • https://upload.indiacode.nic.in/showfile?actid=AC_CEN_22_29_00008_201318_1517807327856&type=rule&filename=Companies%20(Significant%20Beneficial%20Owners)%20Rules,%202018.pdf
<p>Beneficial Ownership <i>Enforcement and penalties for non-compliance</i></p>	<p>REs (banks) are mandatorily required to identify the BOs (paragraph 5(1)(iv) and Chapter VI of the said KYC Directions) in case of Legal Entity Customer.</p> <p>Further, at the time of periodic updation of KYC records of legal entity customers, the REs (banks) are also required to ensure that the KYC records in respect of BO available with them are accurate and up to date, in terms of paragraph 42(4) of the said KYC Directions. This is in line with PML Rules, 2005. Compliance with the Direction is monitored and ensured by separate departments of RBI.</p>	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf

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IV. Enhanced CDD

B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Enhanced CDD Measures <i>Enhanced CDD procedures for high-risk customers</i></p>	<p>Paragraph 41 of the said KYC Directions, mandates REs (banks) to put in place a system of periodic review of risk categorization once in six months and establish need for enhanced due diligence. This is as per PML Rules, 2005. REs (banks) also need to carry out periodic updation of KYC of high-risk customers at least once in two years, as per paragraph 41 of the said KYC Directions.</p> <p>Paragraph 44 of the Directions prescribes that customers onboarded in non-face-to-face mode using CYCR ID, equivalent e-documents, DigiLocker, etc. need to be classified as high-risk, such accounts need to be put to enhanced monitoring, until identity of customer is verified in face-to-face manner or through V-CIP.</p>	
<p>Enhanced CDD Measures <i>High-risk customer identity factors</i></p>	<p>As per Paragraphs 39-41 the said KYC Directions and Rule 9 of PML (Maintenance of Records) Rules, 2005: REs (banks) shall undertake on-going due diligence to ensure that customer transactions are consistent with REs’ knowledge about customers, customers’ business and risk profile, source of funds / wealth. Following types of transactions shall necessarily be monitored more closely: (a) Large and complex transactions with unusual patterns, inconsistent with the normal and expected activity of the customer, which</p>	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	<p>have no apparent economic rationale or legitimate purpose. (b) A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.</p>	
<p>Enhanced CDD Measures <i>High-risk customer activity factors</i></p>	<p>In addition to Paragraphs 39-41 of the said KYC Directions regarding ongoing due diligence, the paragraph 10 of the said KYC Directions requires REs (banks) to carry out internal ML/TF/PF risk assessment exercises periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions, or delivery channels, etc. It also prescribes REs (banks) to apply a Risk Based Approach (RBA) for mitigation and management of the risk.</p> <p>The risk assessment by the RE shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the RE. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board of the RE to which power in this regard has been delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.</p>	

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V. Simplified CDD

B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Simplified CDD Measures <i>Simplified CDD review for low-risk customers</i></p>	<p>The simplified due diligence is prescribed specifically for SHG and foreign students under paragraphs 47 and 48, of the said KYC Directions.</p> <p>Paragraphs 30, 31 and 32 of the Directions, <i>inter alia</i>, prescribe CDD in case of Sole Proprietary Firms: (a) Apart from CDD of the individual proprietor, REs (banks) need to obtain two proofs of business activity, including Udyam Registration Certificate (URC), (b) If it is not possible to obtain two POBA, only one POBA can be obtained subject to the undertaking of contact point verification by REs to collect such other information and clarifications as would be required to establish the existence of such firm, and shall confirm and satisfy itself that it has verified the business activity from the address of the proprietary concern (c) REs (banks) are also allowed to accept equivalent e-document of the OVDs, and the documents issued through DigiLocker for CDD purposes.</p>	
<p>Simplified CDD Measures <i>Guidance on identification of low-risk customers</i></p>	<p>Paragraph 20 of the said KYC Directions requires REs (banks) to risk-categorize customers based on broad parameters, while paragraphs 39 to 41 mandate REs (banks) to monitor transactions and ensure that they are as per their knowledge about the customer, customer’s business, risk-profile, etc. The need for applying EDD measures requires</p>	

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	<p>to be ascertained based on review of risk-categorization. Further, paragraph 42(1) of the Directions, mandates REs to undertake periodic updating of KYC records of low-risk customers at least once in ten years. This is in alignment with PML Rules, 2005.</p>	
<p>Simplified CDD Measures <i>Guidance on application of simplified CDD measures</i></p>	<p>Simplified due diligence procedures are prescribed for SHG and the foreign students under paragraphs 47 and 48 of the said KYC Directions. Paragraphs 31, 31 and 32 of the Directions, <i>inter alia</i>, prescribe CDD in case of Sole Proprietorship Firms: (a) Apart from CDD of the individual proprietor, REs (banks) need to obtain two proofs of business activity, including Udyam Registration Certificate (URC), (b) If it is not possible to obtain two POBA, only one POBA can be obtained subject to the undertaking of contact point verification by REs to collect such other information and clarifications as would be required to establish the existence of such firm, and shall confirm and satisfy itself that it has verified the business activity from the address of the proprietary concern (c) REs are allowed to accept equivalent e-document of the OVDs, and the documents issued through DigiLocker for CDD purposes.</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
Simplified CDD Measures <i>Guidance on application of simplified CDD measures for low-risk customers in specific areas</i>	Please refer to the comments provided in paragraph above.	
Simplified CDD <ul style="list-style-type: none"> • <i>Application of simplified CDD measures for low-risk clients</i> • <i>Reduced time for customer verification</i> 	Please refer to the comments provided in paragraph above.	

VI. Supervisory Approach and Guidance in Risk-based CDD

B-Ready Assessment Provisions	Additional Comments	Relevant Links
Supervisory Approach and Guidance on Risk-based CDD <i>Supervisory approach to risk-based CDD</i>	Compliance by REs with the instructions in the said KYC Directions is ensured through supervisory process. Also, India, being a member of FATF, is committed to upholding measures to protect the integrity of international financial system.	
Supervisory Approach and Guidance on Risk-based CDD <i>Guidance on CDD and AML/CFT control effectiveness</i>	Compliance by REs with the instructions in KYC Directions is ensured through supervisory process RBI conducts risk-based inspections and thematic reviews that assess AML/CFT systems including CDD. RBI also supervises trends in suspicious transaction reports filed by financial institutions and reviews inputs on ML/TF risks from FIU-IND.	

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<p>Supervisory Approach and Guidance on Risk-based CDD <i>Accessible channels to seek guidance on CDD requirements</i></p>	<p>The KYC Directions, 2025 are issued for the following types of entities regulated by RBI – Commercial Banks, Urban Cooperative Banks, Regional Rural Banks, Rural Cooperative Banks, Local Area Banks, Payments Banks, Small Finance Banks, NBFCs, Asset Reconstruction Companies, and All India Financial Institutions. These Directions are available at RBI’s website, the web-links of the same are provided in the first paragraph.</p>	
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VII. E-KYC

B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Reliance on Third-Party KYC and Data Protection <i>Reliance on previously conducted CDD</i></p>	<p>As per Paragraphs 17(6), 70 and 71 of the said KYC Directions, a Unique Customer Identification Code (UCIC) shall be allotted while entering new relationships with individual customers as also the existing individual customers by REs. The REs shall, at their option, not issue UCIC to all walk-in/occasional customers provided it is ensured that there is adequate mechanism to identify walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC. Paragraph 17(6) mandates that REs (banks) shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of an RE desires to open another account or avail of any other product or service from the same RE, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.</p>	<ul style="list-style-type: none"> •
<p>Regulatory Authorization <i>Digital and remote collection and verification of customer information</i></p>	<p>Paragraph 5(2) (xvi) of said KYC Directions defines Video based Customer Identification Process (V-CIP).</p> <p>Further paragraphs 26 and 27 of the Directions prescribe detailed instructions on V-CIP.</p> <p>Apart from the above, paragraph 25 and 44 of the said KYC Directions, allow REs (banks) to onboard customers in non-face-to-face mode using Aadhaar OTP</p>	<ul style="list-style-type: none"> •

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	<p>based e-KYC authentication and CKYCR ID / equivalent e-document, etc. subject to certain conditions (risk mitigants).</p> <p>Further, in terms of Chapter VI of the said Directions, the Aadhaar e-KYC Authentication facility provided by UIDAI has been allowed to be used by REs (banks) for the purposes of onboarding of customer and updation / periodic updation of KYC, in case the customer has shared the Aadhaar number with REs. This is as per PML Rules, 2005.</p>	
<p>System Structure and Ownership <i>Availability of e-KYC utility</i></p>	<p>As per Chapter VI of the KYC Directions, the Aadhaar e-KYC Authentication facility provided by UIDAI has been allowed to be used by REs for the purposes of onboarding of customer and updating / periodic updating of KYC, in case the customer has shared the Aadhaar number with REs. This is as per PML Rules, 2005.</p>	
<p>System Structure and Ownership <i>e-KYC utility structure</i></p>	<p>Aadhaar e-KYC is based on a centralized identity database managed and run by Unique Identification Authority of India (UIDAI). It is maintained as a single national Aadhaar database with biometric and demographic records and authentication infrastructure. Financial institutions send authentication requests to UIDAI, which verifies it and shares data upon user consent.</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Access and Coverage</p> <ul style="list-style-type: none"> • <i>Accessibility of e-KYC utility</i> • <i>Usage of e-KYC utility</i> 	<p>In terms of Chapter VI of the said KYC Directions, the Aadhaar e-KYC Authentication facility provided by UIDAI has been allowed to be used by REs for the purposes of onboarding of customer and updating/ periodic updating of KYC, in case the customer has shared the Aadhaar number with REs. This is as per PML Rules, 2005.</p>	
<p>Cost and Participation <i>Transparency of access fees</i></p>	<p>The charges are published on the UIDAI website notifications, circulars, regulations.</p>	-
<p>CDD Functionality within e-KYC <i>Expected business relationship profiling in e-KYC</i></p>	<p>It is mentioned that Aadhaar e-KYC Authentication facility is one of the methods of identification and verification of customers' identity by REs, wherever the customer has submitted the Aadhaar number to RE (pls. refer paragraphs 23, 25, 26, 27 and 42 of the said Directions).</p>	
<p>CDD Functionality within e-KYC <i>Risk-based enhanced due diligence through e-KYC</i></p>	<p>As per Paragraph 41 of the said KYC Directions, REs (banks) are, <i>inter alia</i>, mandated to put in place a system of periodic review of risk categorization of accounts, with such periodicity being once in six months, and establishing the need for applying enhanced due diligence measures. This is as per PML Rules, 2005.</p> <p>Apart from the above, the REs are required to carry out periodic updating of KYC information of high-risk customers once in every two years, as per paragraph 42 of the Directions. Further, Paragraph 44 of the said KYC Directions prescribes that customers onboarded in non-face-to-</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	face mode using CYCR ID, equivalent e-documents, documents issued through DigiLockers need to be classified as high-risk for more enhanced monitoring.	
CDD Functionality within e-KYC <i>Collection and recording of beneficial ownership information</i>	Identification of beneficial owner is mandatory as per the paragraph 5(1)(iv) and Chapter VI of the said KYC Directions.	
CDD Functionality within e-KYC <i>Functionality to screen against PEP and sanctions lists</i>	Screening of customers and BO against the sanction lists is mandatory requirements in all modes of onboarding of customers (Chapter VI and IX of the said KYC Directions).	
Data Retention and Security <i>Record retention and retrievability of e-KYC data.</i>	As per Chapter VII of the said KYC Directions, RE (bank) shall take necessary steps regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules. REs (banks) shall maintain all necessary records of transactions between the RE (bank) and the customer, both domestic and international, for at least five years from the date of transaction.	
Data Retention and Security <i>Compliance of e-KYC utilities with data protection and privacy laws</i>	As per Paragraph 63 of the said Directions, REs (banks) shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the RE (bank) and customer. Information	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	<p>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. While considering the requests for data/information from Government and other agencies, REs (banks) shall satisfy themselves that the information being sought is not of such nature as will violate the provisions of the laws relating to secrecy in the transactions.</p>	
<p>Data Retention and Security <i>Customer consent requirements for e-KYC data sharing</i></p>	<p>Paragraph 23(4) of the said Directions, for the purpose of undertaking CDD, RE (bank) shall obtain the KYC identifier with an explicit consent to download records from CKYCR.</p> <p>Further, paragraph 63 of the MD on KYC, requires REs to maintain secrecy and confidentiality of the customers’ information, and not to divulge it for any other purpose without express permission from customer. Certain exceptions in this regard have been listed under the said paragraph.</p> <p>While considering the requests for data/information from Government and other agencies, REs (banks) shall satisfy themselves that the information being sought is not of such nature as will violate the provisions of the laws relating to secrecy in the transactions. The exceptions to the said rule shall be as</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	under i. Where disclosure is under compulsion of law, ii. Where there is a duty to the public to disclose, iii. Where the interest of RE requires disclosure, and iv. Where the disclosure is made with the express or implied consent of the customer.	

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VIII. Third-Party KYC

B-Ready Assessment Provisions	Additional Comments	Relevant Links
<p>Reliance on Third-Party KYC and Data Protection <i>Reliance on third-party KYC and e-KYC</i></p>	<p>In terms of paragraph 65 of the said KYC Directions, REs (banks) are mandated to rely on the customer’s KYC records downloaded from CKYCR for CIP purposes, provided the information / records downloaded from CKYCR are valid and as per PML Act / Rules.</p> <p>Apart from the above, in terms of paragraph 22 of the said Directions, REs (banks) can reply on the CDD carried out by a third-party subject to certain conditions prescribed therein.</p>	
<p>Reliance on Third-Party KYC and Data Protection <i>Requirement to make customer information available without a delay</i></p>	<p>Para 22 of the said KYC Directions prescribes such requirement. Under Chapter V- Customer Identification Procedure This is as per Rule 9(2)(b) of PML Rules, 2005.</p>	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf
<p>Reliance on Third-Party KYC and Data Protection <i>Customer data protection in third-part KYC arrangements</i></p>	<p>The instructions on the Record Management are detailed in Chapter VII of the said KYC Directions, which are in line with PML Rules, 2005. In terms of paragraph 65 of the said Directions, REs (banks) are mandated to rely on the customer’ KYC records downloaded from CKYCR for CIP purposes, provided the information / records downloaded from CKYCR are valid and as per PML Act / Rules.</p> <p>Apart from the above, in terms of paragraph 22 of the said MD on KYC, REs can reply on the CDD carried out by</p>	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	a third-party subject to certain conditions prescribed therein.	
<p>Reliance on Third-Party KYC and Data Protection <i>Compliance requirements for KYC service providers</i></p>	The regulatory instructions are prescribed in paragraph 22 of the said KYC Directions, which are in accordance with the Rule 9(2)(c), PML Rules, 2005, while ‘Secrecy Obligations and Sharing of Information’ related instructions are prescribed in paragraph 63 of the said Directions.	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf
<p>Reliance on Third-Party KYC and Data Protection <i>Approval or certification requirement to offer KYC services</i></p>	The regulatory instructions are prescribed in paragraph 22 of the said KYC Directions, which are in accordance with the Rule 9(2)(c), PML Rules, 2005.	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf
<p>Reliance on Third-Party KYC and Data Protection <i>Country risk assessment requirement of the third-party provider</i></p>	Please refer to the comments provided in the paragraph above.	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf
<p>Reliance on Third-Party KYC and Data Protection <i>Reliance under group-wide AML/CFT programs</i></p>	<p>The regulatory instructions on reliance of an RE (bank) on the CDD carried out by a third party subject to certain conditions, are prescribed in paragraph 22 of the said KYC Directions, which are in accordance with the Rule 9(2)(c), PML Rules, 2005.</p> <p>The instructions on group-wide policies for discharging obligations under Chapter IV of the PML Act, 2002 are contained in paragraph 8 of the said Directions, as per</p>	<ul style="list-style-type: none"> • https://dor.gov.in/files/rules_files/PMLA_Rules.pdf •

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	<p>which every bank which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence, money laundering, and terrorist finance risk management, and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.</p>	

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IX. Digital ID System

B-Ready Assessment Provisions	Additional Comments	Relevant Links
Availability of Digital ID System	The Chapter VI of KYC Directions provide different options to REs (banks) to identify and verify customers' identity using different modes, such as Obtaining CKYCR Identifier from customer and downloading KYC records from CKYCR with customers' consent; OR Aadhaar e-KYC authentication facility provided by UIDAI; OR Aadhaar offline verification; OR Obtaining equivalent e-document of the officially valid document (OVDs) from customer. This includes documents issued through DigiLocker; OR Digital KYC Process using any (OVD),; OR Obtaining Certified Copy of the OVDs from customer, as per PML Rules, 2005. These instructions are prescribed in detail under Chapter VI and paragraph 65 of the said KYC Directions.	
Reliance on Digital ID System and Assurance Levels <i>Reliance on digital ID system</i>	Please refer to the comments provided in the paragraph above.	

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
Level of assurance proportional to ML/FT risk	<p>As per paragraph 5(1)(x) of the said KYC Directions, an 'Equivalent e-document' means an electronic equivalent of a document that the issuing authority of such document issues with its valid digital signature, including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.</p>	<ul style="list-style-type: none"> https://upload.indiacode.nic.in/showfile?actid=AC_CEN_45_76_00001_200_021_1517807324077&type=rule&file_name=ru_cen_45_0_00017_151939723_3311.pdf
Reliance on Digital ID System and Assurance Levels <i>Policies or regulations on assurance levels</i>	<p>Regulatory instructions regarding usage of 'CKYCR Identifier', 'Equivalent e-documents / DigiLocker', 'Aadhaar e-KYC Authentication', 'Aadhaar Offline Verification', etc. for onboarding of customers and periodic updation of KYC in both face-to-face and non-face-to-face modes are prescribed in detail under Chapter VI of the said KYC Directions.</p>	
Reliance on Digital ID System and Assurance Levels <i>Backup procedures</i>	<p>Please refer to the comments provided in the paragraph above.</p>	
Safeguards against identity theft, unauthorized access and data misuse	<p>The Digital Personal Data Protection Act (DPDPA), 2023, regulates digital personal data processing, aimed at balancing individual privacy with lawful usage. it mandates explicit user consent, secures</p>	<ul style="list-style-type: none"> https://www.meity.gov.in/static/uploads/2024/06/2bf1f0e9f04e6fb4f8fef35e82c42aa5.pdf

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	data rights, and imposes heavy penalties (up to ₹250 crore) for breaches.	
Requirement for independent testing, certification or audit of digital ID system	The regulatory framework in India, particularly for the Aadhaar-based digital ID system, mandates strict independent testing, auditing, and certification to ensure reliability, security, and data integrity. UIDAI regulations require Authentication User Agencies (AUAs) and Authentication Service Agencies (ASAs) to conduct annual, independent security audits by CERT-IN certified auditors. It is governed by Aadhaar Act, 2016, Aadhaar (Authentication and offline verification) regulations, 2021 and other rules and regulations related to data security, CERT-In directions, etc.	<ul style="list-style-type: none">• https://uidai.gov.in/images/Aadhaar_Act_2016_as_amended.pdf• https://uidai.gov.in/images/4_The_Aadhaar_Authentication_and_Offline_Verifications_Regulations_2021.pdf

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X. Digital Commercial Lending

B-Ready Assessment Provisions	Additional Comments	Relevant Links
Availability of digital commercial lending	Banks, All India Financial Institutions and NBFCs registered with RBI can engage in digital lending either on their own or in partnership with an outsourced entity referred to as a Lending Service Provider (LSP) in terms of instructions issued by Reserve Bank of India on Digital Lending. However, it may be noted that these instructions are without prejudice to any other extant regulatory norms or statutory provisions as applicable to the RE's activities, from time to time.	These instructions are contained in Chapter III of the respective Direction as applicable to a class of RE.: <ul style="list-style-type: none"> https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13156 https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13124 https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13078
Availability of digital commercial lending platforms	<p>Commercial banks are allowed to extend digital lending to their existing as well as new customers as per Reserve Bank of India (Digital Lending) Directions, 2025 dated May 8, 2025. The Non-Banking Financial Companies (NBFCs) regulated by Reserve Bank of India carry out on-balance sheet digital lending through their own lending platforms. They also engage other online lending service providers for such lending operations through appropriate outsourcing arrangements. The digital lending activities of the NBFCs are regulated as per Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, dated November 28, 2025.</p> <p>The Reserve Bank of India, with prior approval of the Central Government, has specified a non-banking institution carrying on ‘the business of a peer-to-peer lending platform’ as an NBFC. These</p>	<ul style="list-style-type: none"> https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=13156 https://rbidocs.rbi.org.in/rdocs/notification/PDFs/347MD5CC21D3597C04354B67A42A1A4CB439C.PDF https://rbidocs.rbi.org.in/rdocs/notification/PDFs/370MD60843CF99DE6468CA026BF367311796E.PDF

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	NBFCs act as intermediaries providing an online marketplace or platform to the participants involved in Peer-to-Peer lending. The said entities are subject to the Reserve Bank of India (Non-Banking Financial Companies – Peer to Peer Lending Platform) Directions, dated November 28, 2025.	
<p>Conditions for Digital Loans and AML/CFT Risk Assessments <i>Regulation on open banking</i></p>	<p>Reserve Bank of India (Non-Banking Financial Companies - Account Aggregator) Directions dated November 28, 2025</p> <p>The open banking framework has been enabled in India through recognition of NBFC-Account Aggregators. The Reserve Bank of India, with the approval of the Central Government, has specified a non-banking institution carrying on 'the business of account aggregator' as an NBFC. These NBFCs are engaged in the 'business of an account aggregator' whereby they provide the service of, retrieving or collecting specified financial information pertaining to its customer and consolidating, organizing & present such information to the customer or specified Financial Information User as per the customer's consent. (Note-Directions from 2016 now subsumed in Directions dated November 28, 2025).</p>	<ul style="list-style-type: none"> • https://www.rbi.org.in/scripts/BS_ViewMasDirections.aspx?id=10598 • https://rbidocs.rbi.org.in/rdocs/notification/PDFs/368MDA3A72C813679452CB0A291E6B300DB59.PDF
<p>Availability of Digital Commercial Lending and Regulatory Sandboxes <i>Availability of open banking</i></p>	As of July 31, 2025, there were 17 NBFC-Account Aggregators registered with the Reserve Bank of India. Presently, 19 types of Financial Information have been specified under Account Aggregator Framework including bank/NBFC	<ul style="list-style-type: none"> • https://www.rbi.org.in/scripts/BS_ViewMasDirections.aspx?id=10598 • https://rbidocs.rbi.org.in/rdocs/notification/PDFs/368MDA3A72C813679452CB0A291E6B300DB59.PDF

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	deposits, government securities, equity shares, bonds, mutual fund units, insurance policies, balances under the National Pension System, and certain Goods and Services Tax (GST) Returns, etc. Further, as of July 2025 approximately 5.1 billion cumulative data requests from Financial Information Users have been fulfilled.	
<p>Conditions for Digital Loans and AML/CFT Risk Assessments <i>AML/CFT assessments and CDD</i></p>	<p>The KYC Directions, 2025 are issued for the following types of entities regulated by RBI – Commercial Banks (other than Small Finance Banks, Payment Banks, and Local Area Banks), Urban Cooperative Banks, Regional Rural Banks, Rural Cooperative Banks, Local Area Banks, Payments Banks, Small Finance Banks, NBFCs, Asset Reconstruction Companies, and All India Financial Institutions.</p> <p>The CDD and ML / TF risk assessment instructions are mainly outlined in Chapter VI and paragraph 10 of the RBI (Commercial Banks – KYC) Directions, 2025, similar instructions are contained in the KYC Directions issued to other REs indicated above.</p>	<ul style="list-style-type: none"> •
<p>Availability of regulatory sandboxes and innovation hubs</p>	<p>Enabling Framework for Regulatory Sandbox, Reserve Bank of India, 2019 (updated February 28, 2024)</p> <p>Regulatory Sandbox of Reserve Bank of India (RBI) is available to test innovative financial products and business models, including digital lending models, in a controlled live environment subject to clearly defined boundary conditions,</p>	<ul style="list-style-type: none"> • https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=938 • https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1262

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B-Ready Assessment Provisions	Additional Comments	Relevant Links
	safeguards, and regulatory oversight. Limited case-specific regulatory relaxations may be granted, where warranted, for the duration of the testing period. Incidentally, some of the innovations around MSME lending have been tested under the Third and Fifth Cohort of RS on theme 'MSME Lending' and 'Theme Neutral'.	