

DNA - DNA Money

Page No: 4
Page Name: n.a.
Size: 105 sq. cm
AVE: INR 220,413

Type: Supplement
Language: English
Circulation: 489,000
Frequency: Daily

Mumbai - Oct 17, 2018

News monitored for: Canara HSBC Life

Can e-KYC ever address privacy concerns?

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KYC (Know Your Customers) compliance is one of the biggest pain points in the financial services industry. Generally, paper based KYC process is costly, laborious and time consuming activity.

Electronic Know Your Customer or e-KYC (electronic process of obtaining customer identification information) brought in a seamless way of completing KYC. Aadhaar in India provides cost effective and efficient mechanism for e-KYC.

Financial institutions are able to source new bank accounts, mutual fund accounts and insurance policies electronically through Aadhaar without the need for any paper document. Digital bank accounts / on-line insurance policies have seen a huge jump, primarily riding on Aadhaar infrastructure in last few years.



Post the Supreme Court judgment on Aadhaar, which emphasised the importance of right to privacy and data protection, multiple interpretations have emerged on the usage on e-KYC by private entities, particularly if an individual shares it voluntarily. Also, there is confusion on handling and storage of existing Aadhaar data by private entities.

Both security of the customer's data and need for e-KYC has to be balanced. Given the above benefits, e-KYC can be a win-win situation for all stakeholders- banks and financial institutions, customers, and the government if it is backed by adequate analysis of proportionally and provides data protection. Customer's security and privacy has to be of paramount importance. The fine balance holds the key to unlock the bright future of financial sector in India.

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