Page 254 - 260 **DOI:** https://doij.org/10.10000/IJLMH.111912

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 4 | Issue 5

2021

KYC: Highlights & Challenges

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ABSTRACT

From being a third wold country, India has put forward a step toward the digitalization. In this era of smart phones, high speed internet and newest technologies this step is considered to be a flicker in the long term development. With the initiation of the Aadhar Policy, pioneering digitilization came across the whole country. Under the UIDAI statutory authority, based on the biometric and demographic data Indian citizens and passport holders are provided with a 12 digit unique identification number, basically this is Aadhar. After the Commencement of Aadhar, linking the 12 digit identification number with other services like PAN Card, Cellphone number, e-wallets, banks etc was requisited by the Government. In this ongoing process of digitalization a standard set forward in the merchandising industry, which is known as KYC or Know your Customer. The foremost initiative is to maintain a client-investor relationship with the fact that they can manage the account effectively and au courant of any peculiar handling instructions of that account. KYC consistently comprises requirement and stances such as risk management, client agreeable strategies and transactions monitoring. Now, generally there are occurances of debriefs in human minds. Is KYC actually safe? KYC includes linking of identification numbers, like Aadhar, PAN, Driving Lisence, is it adequete to submit such details? With the recent scandals of identificatgion thefts, the increasing trafficking of Dark webs and unethical hacking, the biggest concern that needs to be faced is the indemnity of identification, whether the eminence of Digitalization is a benison towards the society or a menace which can yield enduring repurcations in the thriving phenomenon.

Keywords: *Digitalization, Citizen, Adequency, Identification, Menace.*

I. INTRODUCTION

A KYC process provides a rich, layered perspective on information about the customers of businesses. A successful KYC program can help companies understand their customers better or make more informed business decisions. It's one of the most important aspects of building trust with consumers. From obtaining an understanding of who is visiting their website or app to identifying potential risk factors in conducting business transactions, there are numerous

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benefits to having an effective compliance process in place. By understanding the risks involved with consumer relationships[3], businesses can better mitigate those risks. A KYC program should encompass many facts of customer due diligence, including determining their identity, sources of funds and intended use of the product or service. Due to its wide range of benefits, KYC is an important part of complying with regulations like the Bank Secrecy Act (BSA) and other legal requirements; mitigating risk; and meeting industry best practices.

(A) The KYC process can follow the following steps[4], but the order is not always the same

Step 1: Submission of Documents

Applicants or potential users of financial services must submit documents to verify their identity and residency status. The presentation can be in electronic or physical format.

Step 2: Verification of Identity

Identity Verification is performed by an authorized institution / organization based on the documents provided. For example, if the applicant presents a driver's license, it will be verified by the Department of Motor Vehicles (DMV).

Step 3: Residency Proof

Proof of residence must determine resident status (national or foreign), current residential address, alternate residential address, citizenship, etc.

Step 4: Financial status verification

The assets and liabilities claimed by are verified through documents, contact with the issuer and physical inspection. This reduces the risk of false statements.

Step 5: Monitoring of transactions

Financial institutions also monitors the transactions made by rhe customers. After completing all the previous steps, the person or the organization is considered to be passed the verification of KYC. The KYC process is an intrinsic part of various customer due diligence that are conducted by companies, investors, banks, etc.

II. Highlights of KYC

If you work online, this is the best way to protect your funds, avoid fraud, and resist bribery. KYC can break the principle of anonymity, but allow access to the services that customers need

[3] "Why KYC is mandatory now." business.rediff.com.. Retrieved 25 Oct 2010.

[4] Pwc-anti-money-laundring.pdf 2016

and ensure a safe and seamless customer experience.

KYC verification does not violate any laws and must be done in accordance with US regulations The scammer cannot access the website. This means that your clients don't have to worry about handling false information, except for money laundering. The

KYC verification prevents any potentially dangerous or terrorist organization from using the company's services. Customers will not get into trouble because of participating in such plans; investors' assets are safe and reliable.

All the information you need is centralized online; NLP and machine learning have a simple identification process. You don't have to wait forever to access the services you need;

customer information is fully protected. Cannot be used for purposes other than client authentication;

If someone uses KYC, the credibility of any national or international bank will be significantly improved.

One of the benefits of having a larger aggregate data set is that we can more accurately estimate the predictive effect of non-binary sex on diagnosis. In particular, we now predict that non-binary individuals are four times more likely to face a diagnosis than men with the same self-identity. In other words, the narrative of this predictive effect needs further analysis to confirm. In a country that forces people to comply with the gender binary system, it is not clear that pressure within the industry or society as a whole affects this effect.

III. CHALLENGES

Digitizing the KYC process greatly reduces the time and effort of customers and service providers, but even this system has its own shortcomings. The responsibility for securely storing customer information rests with the service provider, which means using expensive data protection solutions to protect the data. Despite your efforts, your data remains vulnerable to theft and misuse. This is related to theory. Even in theory, the implementation of a political program of meritocracy[5] is a political program of "managed competition", so fierce that it is no longer a free market system[6]. Overcoming the disadvantages of birth conditions requires a strict ban on intergenerational wealth transfers, huge subsidies for the born poor, public oversight of hiring and firing, public control of investment decisions, and compulsory and equitable sharing

[5] Democracy, Meritocracy and the Uses of Education, Aundra Saa Meroe

[6] ON THE CHARACTERISTICS OF THE FREE MARKET IN A COOPERATIVE SOCIETY, n.d., Norbert N. Agbeko

of all benefits. of "for nothing" (including "better accept" education "and" meet the rich and powerful. "Business verification is now also an integral part of many compliance requirements. In jurisdictions around the world, customer due diligence (CDD) and proper compliance know the rules of their customers (KYC) for companies to open accounts.For example, in the European Union (EU), in June the new rules of the 4th Directorate against money laundering came into force (4AMLD). 4AMLD requires organizations to adopt risk-based business verification methods and therefore implement the tools. The guidelines, policies and procedures for risk assessment are essential. Using TTS (Text To Speech) in Knowlarity requires companies to upload customer numbers and other dynamic data to the Knowlarity cloud database. The input information is processed to initiate a call explosion. Parallel calls are made again, providing highly personalized information to customers. TTS found great applications in automatically reminding order confirmations, KYC checks, appointments, and OTP sharing. This allows the company to maintain an impeccable quality of consumer-centric communications.

IV. IDENTIFICATION THEFT THROUGH KYC

One of the key areas of KYC addresses is identity theft. KYC relies on providing valid evidence to determine your legal identity. In the past, forged documents or stolen IDs could be used to open bank accounts. There may be a person in who can help through this process, allowing criminals to steal someone's identity. This transfers all responsibility for their actions to the person whose identity was stolen. As a result, each and every activity carried out by the perpetrators will fall on the shoulders of the innocent. By using KYC best practices, banks and other institutions can verify identities and avoid fake accounts, keeping records of each account holder and ensuring that only the right people provide their services. Another case that makes KYC verification very useful is financial fraud. There are many types of financial fraud. But one of the more complicated types is that criminals use fake or stolen IDs to set up virtual accounts.

They will then complete the loan application. Although the loan approval process has become stricter, in the recent past, banks have relaxed when making loans. The perpetrator would then use the loan amount collected from each account to mislead the bank. The Customer Identification Program (also known as CIP) was established to help banks and other financial institutions limit illegal financial activities.

V. FUTURE OF KYC

The current status of KYC compliance is characterized by the main change of all aspects.

First, this conversion is part of the global digital conversion of financial services, this is a time dominated the inter-industrial. According to the Forest of the Study on the State of the Digital Revolution in the Financial Services that Forrester was issued in February 2020, 40 percent of the financial service companies respondents have received a digital conversion process before Covid19 crisis. In the same study, 19% of the company interviewed still indicates that "how to implement digital conversion" has not yet begun "study". Historically, the Compliance Division was one of the last functional departments of the Financial Services Company to accept digital changes. General potential to abandon settings established that compliance functions are still very prone manually and paper. Even if the digital projects are involved, it can usually be accessed from the office machine through the traditional IT system of IT infrastructure. In accordance with an investigation into the digital transformation of financial services companies that has been examined is the digital conversion before the Covid19 crisis. Transitions and changes are also characterized by the recent compliance on the approach of the KYC general supervisor. The financial regulatory authorities have begun to embrace and exchange digital conversion of technology and digital process conversion AML / KYC. This transformation that has already begun is greatly accelerated by the pandemic of Coronavirus

VI. Conclusion

The unprecedented global situation determined by the COVID19 pandemic has greatly accelerated the long-awaited trend of digital transformation. Because offices are inaccessible, remote working and cloud-based solutions have become the main way to avoid interruptions in the provision of financial services. For KYC compliance functions, in many cases, this means replacing highly manual and extremely inefficient paper processes with customer-centric, automated, and digital-first processes almost overnight. At the same time, the way that regulators formulate and enforce anti-money laundering requirements has changed. Under the guidance of the FATF, European and Asian regulators have begun embracing digital technology for remote onboarding more decisively than ever, further accelerating the adoption of rotary technology. In this regard, although internal construction of digital solutions appears to be an appropriate option in some cases, cooperation with professional external providers can help financial institutions significantly accelerate the digital transformation of KYC compliance functions. Supported by today's innovative technologies, the compliance team can quickly and efficiently digitize all the key pillars of its KYC compliance process in a smart, scalable and compliant manner, with even higher levels of precision and reliability than traditional ones. . "In person" "Verify remote onboarding for all types of customers. In terms of people, the breadth and depth of identity verification technologies available now include AI

ID document inspection, video verification, real-time AML detection, face comparison, geolocation and continuous Discovery options can help the compliance team become a compliance team and provide additional security protection for their onboarding journey from a business verification perspective. The most advanced digital solution, KYB, provides a seamless connection with registration agencies companies, in accordance with local regulations Requires automatic retrieval of mandatory documents, automatic transcription of various character sets and key transcription, information through optical recognition of characters, instant unlock graphics UBO and security tools to disclose information to shareholders. As discussed in detail in this white paper, the new normal determined by the COVID19 pandemic, coupled with the new attitude of regulators towards RegTech and the possibilities offered by market solution providers, will help create a new KYC. The standard formula is different from traditional paper, handwork and sporadic processes. KYC's new compliance approach is digital first, customer-centric, scalable automation, on-demand and continuous support, and is bound by the principle of "design compliance". By adopting the new paradigm early, financial institutions can stay one step ahead of the competition and provide the kind of introductory experience that regulators and customers expect.

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