

## Central KYC Registry: A Strategic Advantage to Unlock Profit for Regulated Entities (REs)

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There is no universally accepted method to calculate the cost of KYC verification. Research work in this direction shows that the cost incurred per KYC is a minimum of USD 13 (INR 1000/- approx) according to the White Paper published by Consult Hyperion. According to a report by Trulioo (a global identity verification provider), the average cost of KYC in India has been reduced from \$23 to \$0.50 (INR 41/-approx) by using Aadhaar-based eKYC. According to a payment company “Fifty Paise”, the cost of collecting /verifying one document for KYC can run between INR 100/- to INR 250/-.

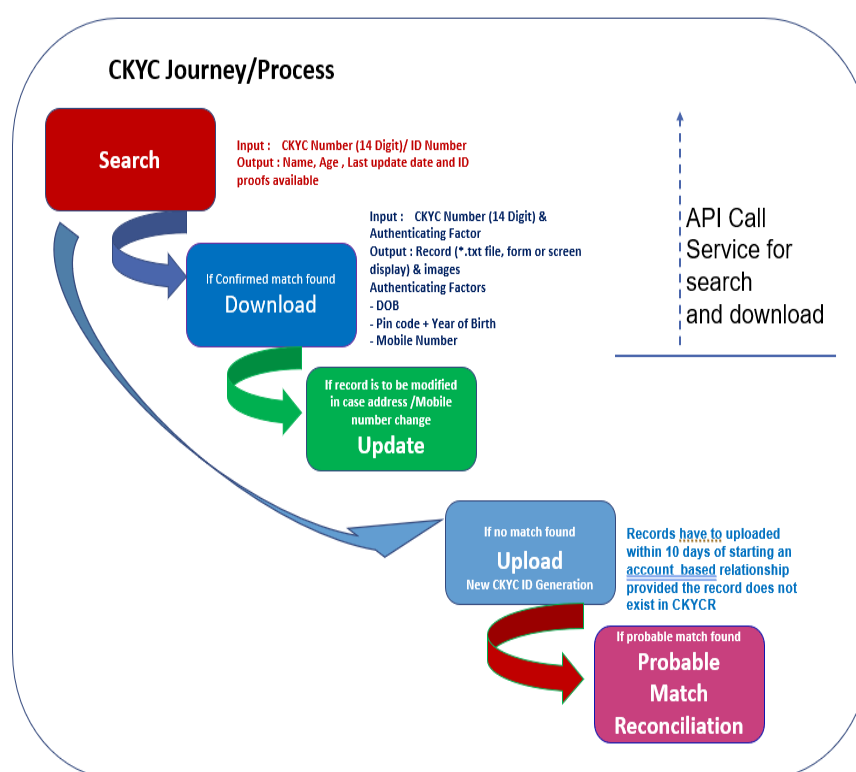
To address issues such as the cost of KYC, enhancing customer convenience, and managing Money Laundering/Terrorism Financing (ML/TF) risk, a repository known as Central KYC Registry (CKYCR) was envisaged as per PMLA to digitize the KYC records and to facilitate inter-usability of these records across entities regulated by RBI, SEBI, IRDAI, and PFRDA. The records in CKYCR are being uploaded and used by about 7,000+ REs viz. Banks, FIs, and other entities. CKYCR has been functional since 2015-16 and the process followed at CKYCR is given below.

On upload of the customer's KYC data & documents by an RE, CKYCR de-duplicates with existing records in it using fuzzy logic and issues a 14-digit unique KYC Identifier to the customer .

As of December 2023, more than 82 crore KYC records of individuals and about 1 crore records of legal entities have been uploaded by REs. CKYCR thus has been successful in digitizing two-thirds of the bankable population. The

number of records in the CKYCR is increasing at the current rate of 20%. Similarly, as of December 2023, REs have downloaded more than 89 cores of KYC records from CKYCR since its inception and this is growing at the current rate of 48%. The growth rate of downloads is increasing day by day. REs have also updated more than 17 crore records since its inception. Thus, CKYCR is successful in providing the inter-usability of KYC records across REs.

On analysis of the usage of CKYCR by REs, the following two issues are observed at REs which are operating at the national level and have not digitized their customer



onboarding processes. By addressing these issues, they can reduce their KYC cost drastically and enhance their profitability.

- (i) Many such REs, upload the KYC data & documents of customers whose KYC Identifier is already issued by CKYCR. Currently, on an average , 71.34% of the total records being uploaded on CKYCR for issuance of KYC Identifier are rejected as these records already exist in CKYCR. Ideally, REs are required to first SEARCH the records in CKYCR and UPLOAD only when it is not found in CKYCR. This will save significant cost and efforts and improve customer convenience.
- (ii) Huge divergence is observed in the numbers of inter-used (downloaded/updated) KYC records among similar-size REs. Even the download numbers of many REs are disproportionately very low in comparison to their size and clientele base. This reflects a disconnect between KYC/AML and the business processes of REs.

REs that have digitized the customer onboarding journey by integrating their KYC & business processes with CKYCR using Information Technology enablers such as Application Program Interface (API) at the customer onboarding points have reaped the real benefit of CKYCR in reducing the cost of KYC to around INR 1.25/- per KYC. In addition to this, they have also many indirect benefits from CKYCR such as :

- Better due diligence as data of CKYCR is already cross-validated by one or more REs.
- Automating the digital lending process
- Tracing the latest addresses of NPA borrowers
- Cost saving in document storage as no physical documents are required to be stored
- Cost saving in compliance

Thus, CKYCR has greatly benefited those REs that have integrated their process with CKYCR using APIs and enabled their customer onboarding points to utilize the search & download/update capabilities of CKYCR effectively & efficiently. It has helped such REs to promote customer-centric & environment friendly processes and other stakeholders in managing the ML/TF risk. Hence it is helping many REs in **locking the cost to unlock their profit.**

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