

7 ways investors can prevent misuse of KYC documents

By Nehal Vora

Know your client (KYC) norms help financial institutions identify customers entering the securities market. Once **KYC** is done through a SEBI-registered intermediary like broker, DP, mutual fund, etc, you need not undergo the same process again when you approach another intermediary.

In 2002, the Reserve Bank of India had directed all banks to implement KYC guidelines for all new accounts. Further, provisions of The Prevention of Money Laundering Act, 2002 (PMLA) and KRA Regulations (2011), made it mandatory for all market participants to comply with KYC norms. In this regard, CDSL Ventures Ltd (CVL) has created the necessary infrastructure to handle KYC in accordance with the regulations.

As a result, all investors are now required to submit their PAN card copy (which serves as a proof of identity), and a proof of address only once with any of the intermediary they are dealing with. However, looking at the possible recent instances of money laundering, frauds, etc, it is time for investors to be aware.

Here are 7 ways investors can prevent the misuse of their KYC documents:

1) Investors must write the date and purpose of submission on any document and sign them while submitting for KYC.

2) Taking this to the next step, one may also specify and write “Not to be used for any other purpose” clearly on the documents being submitted.

3) Depositories provide platform for investors to directly reconcile their holdings with the one shared by DPs. The monitoring of balances ensures that investor holdings are secured.

4) In the new millennial age, many investors maintain a lot of information in their mobile phones. In such cases, it should be ensured that the information is password protected. In case of loss or theft of mobile phones, it may be ensured that data access is restricted.

5) Ensure that your mobile number/email id is updated with your demat accounts so that all updates, modifications are communicated to you. There are a lot of financial institutions, including depositories, that provide such services.

6) Monitor your **demat account** periodically. Dormant accounts may be targets of fraud. Thus, investors should continue to operate and monitor their demat accounts to avoid them from being inactive or dormant.

7) Digital acceleration in finance is expected to increase with the introduction of Aadhaar-based eKYC, especially during Covid. Aadhaar-based eKYC will simplify the process and reduce the time taken generally in on-boarding of clients. It also makes the whole process very secured.

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