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Dr Madnesh Kumar Mishra, IRS  
Joint Secretary  
Department of Financial Services  
Ministry of Finance, Government of India  
Room No 3, 3<sup>rd</sup> Floor, Jeevan Deep Building  
Sansad Marg  
New Delhi, 110001

October 18, 2018

**SUBJECT: Supreme Court Verdict on Aadhaar Usage Dated September 26, 2018 – Request for Recommendation to RBI and UIDAI**

Dear Dr Mishra,

As you are aware Hon'ble Supreme Court's verdict dated 26 September 2018 has the potential to derail the entire Financial Inclusion efforts in general and of PMJDY in particular as also the digital initiatives of the Government of India and RBI that are primarily based on Aadhaar enabled platforms. Years of efforts and significant costs have been incurred by BCs (and banks) in rolling-out the AEPS / eKYC /Authentication and acceptance infrastructure for achieving greater Financial Inclusion across India including the rural/remote areas.

#### **WHAT IS THE PROBLEM?**

The crux of the said order of Hon'ble Supreme Court is summarized below:

*As the amendment to Rule 9 of the PMLA Act has been held to be unconstitutional, regulatory guidance based thereon i.e. KYC Directions, as updated as on April 20, 2018, may also not apply. Thus, status-quo ante may prevail till revised directions are issued by the GOI/RBI.*

#### **WHAT COULD HAPPEN?**

Discontinuation of Aadhaar transactions and Aadhaar based e-KYC will significantly impact the poor Indians and also the business and economics of Agent BCs/Bank Mitras (ABCs). Thus, in absence of RBI immediately revised directions the above verdict will lead to the **collapse of FI/PMJDY initiatives, result in denial of basic financial services to over 33 crore poor Indians and render over 6.4 lakh ABCs jobless!**

#### **WHAT SHOULD BE DONE?**

**To prevent the above catastrophe and in the interest of poor unbanked Indians** it is requested that DFS may kindly ask RBI and UIDAI to expeditiously issues directions on the following :

- 1) Follow KYC directions in force prior to RBI's April 20, 2018 guidelines, which *interalia* indicate that:
  - a) Copy of Aadhaar be accepted as one of the Official Valid Document (OVD)
  - b) Authentication of Aadhaar with UIDAI database be permitted with the consent of the customer

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- c) Allow retention of physical/scanned Aadhaar document or capturing Aadhaar number as Hon'ble Supreme Court Order does not appear to restrain the same
  - d) Documentation requirement for periodic KYC updation be aligned with the aforementioned.
- 2) As the banks have implemented various products, services and mechanisms using Aadhaar viz. Aadhaar Enabled Payment System (AEPS), BHIM Aadhaar, e-KYC based digital products etc. the use of the same be allowed to continue till further directions by RBI and UIDAI.
  - 3) RBI and UIDAI be recommended that in case customer requests deletion of his Aadhaar details from his profile, bank to delink same and provide alternate OVD. And for the purpose of maintaining audit trail of Aadhaar (and related records) the documents/data trail will be retained.

We sincerely hope that you shall accede to our request in the national interest.

Yours sincerely,

**Dr Anand Shrivastav**  
Chairman