F. No.P-12011/7/2019-ES Cell-DOR
Government of India
Ministry of Finance
Department of Revenue

New Delhi, 9th May, 2019

CIRCULAR

Subject: Procedure for processing of applications under Section 11A of the Prevention of Money-Laundering Act, 2002 for use of Aadhaar authentication services by entities other than Banking companies.

1. Section 11A of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the Act) and the rules made thereunder provide that any reporting entity being a banking company can accept Aadhaar number from its client either at their option or when the client intends to receive any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 and carry out authentication of the client's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India.

2. The Act also provides that the Central Government may, if satisfied that a reporting entity other than banking company, complies with such standards of privacy and security under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, and it is necessary and expedient to do so, by notification, permit such entity to carry out authentication of the client's Aadhaar number using e-KYC authentication facility. However, no such notification shall be issued without consultation with the Unique Identification Authority of India (UIDAI) established under sub-section (1) of section 11 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and the appropriate regulator.

3. Any reporting entity which desires to carry out authentication of the client's Aadhaar number using e-KYC authentication facility needs to be notified under these provisions and before any such notification is issued, the appropriate regulator and UIDAI should be satisfied of the credentials of such reporting entity. The following procedure is being laid down for entities which desire to carry out authentication of the client's Aadhaar number using e-KYC authentication facility:

Step 1: Application

All applications by concerned entities under Section 11A of the Act for use of Aadhaar authentication services shall be filed before the appropriate regulator. The

regulator will be at liberty to specify any format in which information from the applicant is to be obtained.

Step 2: Examination by the appropriate Regulator

(a) The Regulator shall examine the applications filed before it, upon submission of the prescribed fees, if any, to ensure that the requisite conditions under Section 11A of the Act and any other requirements laid down by the regulator and those under the law are met by the applicant.

(b) Upon scrutiny, if the proposed purpose for Aadhaar authentication is found to be necessary and expedient by the appropriate regulator, it shall forward such application to UIDAI along with its recommendation.

(c) Upon scrutiny, if it is found that the applicant fails to fulfill the requisite conditions, it shall reject such applications.

Step 3: Examination by UIDAI

(a) UIDAI shall scrutinize the applications received by it from various regulators, upon submission of the prescribed fees, if any. Each application shall be examined in light of the recommendations received from the appropriate regulator. UIDAI will be at liberty to specify any format in which additional information from the applicant is to be obtained for its examination for grant of Authentication User Agency (AUA)/ E-KYC User Agency (KUA) license under the Aadhaar Act and regulation framed thereunder.

(b) The examination shall be conducted on the basis of such standards of privacy and security as may be specified by UIDAI from time to time under the Aadhaar Act and Regulations framed thereunder.

(c) After examining, UIDAI shall send its recommendation along with any conditions, if any, to Department of Revenue for notification under Section 11A of the PMLA Act.

Step 4: Notification by the Central Government

The Central Government, if satisfied with the recommendations of the regulator and UIDAI that the applicant fulfills all conditions under section 11A, may by notification permit such applicant to perform authentication under clause (a) of section 11A.

Step 5:

Based on permission given by the Central Government, UIDAI will issue necessary authorization to the applicant for conducting authentication

which will be subject to payment of fees and compliance of the terms and conditions of KUA/AUA license under the Aadhaar Act and regulations framed thereunder.

4. The regulators are requested to monitor compliance with respect to the requirements laid down for performing authentication under clause (a) of section 11A, by all reporting entities with respect to which a notification to this effect has been issued, as part of their regulatory supervision. On observance of any default, the regulators may take necessary action under their laws, inter-alia including suspension and cancellation, and also bring it to the notice of Department of Revenue for further necessary action.

5. Similarly, UIDAI is also requested to put in place systems to ensure continuing compliance by the reporting entities which have been notified under section 11A of the Act to carry out authentication of the client's Aadhaar number using e-KYC authentication facility to the standards of privacy and security prescribed by UIDAI. Where UIDAI notices any default by the reporting entities, it may take necessary action under the Aadhaar Act and regulations framed thereunder, inter-alia including suspension and cancellation and also bring it to the notice of Department of Revenue for further necessary action.

6. At any point, after issue of such notification, based on a report of the appropriate regulator or UIDAI or otherwise, if it is found that the reporting entity no longer fulfils the requirements for performing authentication under clause (a) of section 11A, the Central Government may withdraw the notification after giving an opportunity to the reporting entity.

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4. Chairman, Pension Fund Regulatory and Development Authority, B-14/A. 1st Floor, Chhatrapati Shivaji Bhawan, Qutab Institutional Area, Katwaria Sarai, New Delhi-110016.

5. Deputy Director General (Shri Y.L.P. Rao), Unique Identification Authority of India, Government of India, Bangla Sahib Road, Behind Kali Mandir, Gole Market, New Delhi.

6. Director, Enforcement Directorate, 6th Floor, Lok Nayak Bhawan, Khan Market, New Delhi.

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8. NIC is requested to upload the circular in the Department of Revenue Website.

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