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PROMOTING DATA PROTECTION

Brief on

Draft RBI (KYC) Amendment Directions, 2026

Brief on Draft Reserve Bank of India (Know Your Customer) Amendment Directions, 2026

In September 2026, the Reserve Bank of India ("RBI") released the Draft RBI (Know Your Customer) Amendment Directions, 2026 ("Amendment Directions"), advising banks to undertake due diligence measures, monitor transactions in a meticulous manner to identify any accounts that operate as money mules, and take appropriate actions.

The Amendment Directions were released in view of the Supreme Court's order in *Re: Victims of Digital Arrest Related to Forged Documents*, dated August 04, 2026, which directed the RBI to, within four weeks, adopt and circulate a Standard Operating Procedure ("SOP") on Temporary Debit Holds ("TDH")[1] for accounts linked to money-mule activity and cyber-enabled fraud, and furnish it to the Indian Cybercrime Coordination Centre ("I4C") and the Registrar Generals of all the High Courts.

Application

- The Amendment Directions will come into effect from April 01, 2027, or earlier if a bank decides to implement the SOP.
- "Bank" here refers to all Commercial Banks and all Urban Cooperative Banks, but does not apply to nodal accounts, pool accounts, escrow accounts, or other special-purpose accounts, such as dividend and share capital.

Procedure and Timeline for Temporary Debit Hold and Removal

Upon a bank identifying a suspected money mule transaction[2] or account[3] through either its transaction-monitoring system or under the internal policy formulated (explained below), it

Step Number	Procedure	Timeline	Maximum Duration for TDH
1	Place a TDH on the suspected money mule transaction or, for a suspected money mule account, on the entire account.	Immediately	
2	Notify the account holder of the TDH, including reasons, removal process, and concerned officer's contact details. Digital notification where mobile/email is available; otherwise, physical.	Immediately/ by next day	60 days from the date of TDH
3	Seek the account holder's explanation/justification on the genuineness of the transaction/account.	Within 20 days	Up to 30 days
4	Examine the explanation/conduct due diligence and: (a) remove TDH if satisfied; (b) continue TDH and report to the Jurisdictional Police Authority through the National Cybercrime Reporting Portal	Within 10 days of receiving explanation / 30 days of TDH if none	

[1] A temporary debit hold means a temporary restriction placed by a bank on debits on suspected amount(s) or accounts, pending verification of suspected money mule activity.

[2] A suspected money mule transaction is defined as a transaction of INR 1000 and above, identified by the bank's monitoring systems (including AI/ML-based tools) as potentially linked to money mule activity or cyber-enabled financial fraud, based on risk indicators such as inconsistency with the customer's profile or links to known fraudulent accounts.

[3] A money mule account refers to an account used, knowingly or unknowingly, to receive, layer or transfer proceeds of cyber-enabled financial fraud on behalf of another person.

	(NCRP) and the Citizen Financial Cyber Fraud Reporting and Management System (CFCFRMS), with reasons; or (c) comply with any LEA/Competent Authority direction.		
5	Notify the account holder of the decision, including removal or continuation of the TDH.	Immediately / by next day	Up to 30 days, and up to 30 further days
6	If an LEA/Competent Authority issues a direction backed by statutory provisions, act immediately and notify the account holder upon completion of the action.	Within 30 days (extendable by 30 days)	

Internal Policy

The bank's internal policy under this SOP shall, at a minimum, prescribe:

- Technology-based solutions for identifying suspected mule accounts and cyber-enabled financial fraud transactions;
- Criteria for imposing and removing temporary debit holds, ensuring account-level holds are used only as a measure of last resort in exceptional circumstances;
- Communication channels and standard templates for customer notifications;
- The process for integration with the MHA NCRP-CFCFRMS portal; and
- A customer grievance redressal mechanism.

The internal policy shall also provide for reviewing and analyzing flagged transactions at an appropriate level, based on objective criteria, to minimize the risk of incorrectly flagging genuine transactions or accounts.

Record Keeping

- The bank shall maintain a centralized Management Information System (MIS) capturing, at a minimum, the date and reasons for the temporary debit hold, communications and notifications issued to the account holder, references/reports made to law enforcement agencies (LEAs), directions received from LEAs, and the status of debit hold release or continuation for each case.
- The bank shall continue filing Suspicious Transaction Reports (STRs) with the Financial Intelligence Unit-India as per existing regulatory requirements.
- Records shall be retained for at least 5 years from the date of the temporary debit hold and, in case of account closure, for at least 10 years from the date of closure. Such records shall be available for supervisory review.
- The bank shall also ensure enhanced monitoring of the affected account(s) and any other active accounts or relationships of the account holder.

Grievance Redressal Mechanism

- The bank shall appoint Nodal Officer(s) at the Regional, Zonal, and/or Head Office level to coordinate and address complaints arising under this SOP.
- Details of the Nodal Officer(s), including name, contact number, address, and email ID, shall be prominently displayed on the bank's website and at all branches.
- Complaints shall be acknowledged upon receipt and resolved within 30 days.
- The bank must also maintain an MIS to record, track, and monitor all complaints received under this SOP.