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

Reserve Bank has issued instructions on 'Operation of Bank Accounts and Money Mules' in its Know Your Customer (KYC) Directions, 2025 and has advised the banks to undertake diligence measures, monitor the transactions meticulously to identify the accounts which are operated as Money Mules and take appropriate action. These extant instructions have since been reviewed in view of the Hon'ble Supreme Court Order dated August 4, 2026 wherein it has directed the Reserve Bank to adopt and circulate the Standard Operating Procedure (SOP) prescribing the action to be taken by banks for placing temporary debit holds on amounts or accounts linked to money-mule activity and cyber-enabled fraud. Accordingly, it has been decided to formulate the SOP prescribing the instructions on 'Suspected Money Mule Accounts to Prevent Cyber-enabled Financial Frauds' to all Commercial Banks (including Small Finance Banks, Payments Banks, Regional Rural Banks and Local Area Banks) and Urban Cooperative Banks (hereinafter referred to collectively as "banks" and individually as a "bank") under the Reserve Bank's KYC Directions, 2025 for the respective types of its regulated entities.

2. In exercise of the powers conferred by Section 35A of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Know Your Customer) Amendment Directions, 2026.

(2) These Directions shall come into effect from April 1, 2027, or on such earlier date as a bank may decide to implement the SOP.

4. These Amendment Directions shall modify the instructions prescribed in the KYC Directions, 2025 (hereinafter referred to as the said Directions) as under:

(1) Applicable paragraph on 'Operation of Bank Accounts and Money Mules' of the said Directions shall be substituted by the following, namely:

The bank shall strictly adhere to the instructions on opening of accounts and monitoring of transactions, to minimise the operations of 'Money Mules' that are used to launder the proceeds of fraud schemes (e.g., phishing, identity theft, smurfing, etc.) by criminals who gain illegal access to deposit accounts by recruiting third parties that act as 'money mules'. The bank shall undertake diligence measures and monitor the transactions meticulously to identify accounts which are operated as Money Mules and take action as per SOP in **Annex III** to these Directions, including reporting of suspicious transactions to FIU-IND. Further, if it is established that an account opened and operated is that of a Money Mule, but STR was not filed by the concerned bank, it shall then be deemed that the bank has not complied with these Directions."

(2) In Annexures, the following Annex shall be inserted after Annex II, namely:

"Annex III - Standard Operating Procedure on Suspected Money Mule Accounts to Prevent Cyber-enabled Financial Frauds

1. Background

This Standard Operating Procedure (SOP) has been formulated in compliance of the direction issued by the Hon'ble Supreme Court, vide its order dated August 4, 2026, wherein the Reserve Bank has been directed to adopt and circulate an SOP prescribing the action to be taken by bank for placing temporary debit holds on amounts or accounts linked to money mule activity and cyber-enabled financial fraud.

This SOP lays down a uniform, time-bound procedure for imposing temporary debit hold **suo moto by the bank** and removing it in coordination with Law Enforcement Agencies (LEAs) wherever required, while protecting genuine customers from inconvenience. This SOP shall be read in conjunction with the provisions of Prevention of Money Laundering Act, 2002 (PML Act, 2002) and the Rules framed thereunder; the Reserve Bank's Know Your Customer Directions, 2025; and any instruction(s) issued by the Ministry of Finance / Ministry of Home Affairs, in this regard.

The bank shall implement this SOP on or before April 1, 2027.

2. Scope and Applicability

This SOP shall:

i. apply to all Commercial Banks, and all Urban Cooperative Banks (hereinafter collectively referred to as “bank”).

ii. not apply to nodal accounts, pool accounts, escrow accounts, or other special-purpose accounts, e.g., dividend, share capital.

iii. not modify the existing obligations of bank under PML Act, 2002, or Reserve Bank's KYC Directions, 2025.

3. Definitions

Unless the context otherwise requires, the following expressions shall have the meanings assigned below throughout this SOP:

i. “Commercial Bank” means a banking company (including Small Finance Bank, Payments Bank and Local Area Bank), a corresponding new bank, Regional Rural Bank or the State Bank of India, as defined in the provisions of the Banking Regulation Act, 1949.

ii. “Competent Authority” means any authority, other than a Law Enforcement Authority (LEA), including a court or a tribunal which is empowered by law to issue instructions or directions in relation to an account or transaction under investigation.

iii. “Days” means calendar days.

iv. “Jurisdictional Police Authority” means the Police Station / Cyber Police Station to which a case is routed under NCRP-CFCFRMS, or, where routing is unavailable, the station having jurisdiction over the bank’s branch / centre servicing the account. Jurisdictional Police Authority is an LEA.

v. “Law Enforcement Agency (LEA)” means police authorities of States, Union Territories and Central Government who are instrumental for investigating Cyber-enabled financial frauds.

vi. “Money Mule Account” means an account used, knowingly or unknowingly, to receive, layer or transfer proceeds of cyber-enabled financial fraud on behalf of another person.

vii. “NCRP-CFCFRMS” – the National Cybercrime Reporting Portal's Citizen Financial Cyber Fraud Reporting and Management System.

viii. “Suspected Money Mule Transaction” means a transaction of **₹1000 and above**, flagged by the bank's transaction-monitoring systems (including AI / ML-based tools), as suspected to be proceeds of money mule activity or cyber-enabled financial fraud, based on indicators such as being unusual for or disproportionate to the account holder's declared profile; or having linkage to an account already reported as money mule or fraudulent.

ix. “Temporary Debit Hold” means a temporary restriction placed by a bank on debits on suspected amount(s) or an account, pending verification of suspected money mule activity.

x. “Urban Cooperative Bank” means a Primary Co-operative Bank as defined in Section 5(ccv) read with Section 56 of the Banking Regulation Act, 1949.

4. Procedure and Timeline for Temporary Debit Hold

As soon as the bank identifies a Suspected Money Mule Transaction or Account, through its transaction-monitoring system or under its internal policy formulated as per the guidance given in paragraph 6 of this SOP (as approved by its appropriate authority), it shall act as set out below. This process applies to Suspected Money Mule Transactions or Account, save where the temporary debit is placed or continued pursuant to a specific instruction of an LEA.

Step	Action	Timeline
1	The bank shall place a Temporary Debit Hold on the Suspected Money Mule Transaction or, if the account is a Suspected Money Mule Account, on the entire account.	Immediately
2	The bank shall notify the account holder of the Temporary Debit Hold, stating reasons, the process for removal, and the concerned officer's contact details, through digital mode (if mobile number / e-mail is on record) or physical mode.	On putting the temporary debit hold, the bank shall immediately notify the account holder, if communicating through digital mode, otherwise by EOD of the next day.

5. Procedure and Timeline for Removal of Temporary Debit Hold

Step	Action	Timeline
3	The bank shall seek the explanation / justification on the genuineness of the transaction / account from the account holder.	The bank shall give 20 days' time from the date of Temporary Debit Hold to the account holder for submission of the explanation / justification.
4	The bank shall examine the explanation (where received) and / or conduct due diligence (where no explanation is received), and shall either (a) remove the temporary debit hold immediately and notify the account holder on being satisfied with the explanation; or (b) continue the temporary debit hold and report to the Jurisdictional Police Authority via NCRP-CFCFRMS (date of reference), with reasons, and notify the account holder; accordingly, or (c) comply with direction / instruction of LEA / Competent Authority, if any, received during the period of 30 days.	(i) The bank shall take decision, within 10 days of receipt of the explanation / justification. In case no explanation is received, the bank shall take decision, within 30 days from date of temporary debit hold. (ii) The bank shall immediately notify the account holder of the decision taken by it, i.e., removal of the debit hold or the continuation of the same, if communicating through digital mode, otherwise by EOD of the next day.
5	The bank shall follow the instruction and notify the account holder where an instruction / direction (backed by appropriate statutory provisions) is received from LEA or a Competent Authority within 30 days from the date of reference.	The bank shall act immediately on receipt of the instruction from the LEA / Competent Authority. It shall notify the account holder of completion of its action immediately, if communicating through digital mode, otherwise by EOD of the next day.
6	The bank shall remove the temporary debit hold and notify the account holder where no instruction / direction (backed by appropriate statutory	The bank shall remove the debit hold on the 31st day from the date of reference to the LEA. It

Step	Action	Timeline
	provisions) specifically requiring continuation of the temporary debit hold is received from the LEA or a Competent Authority within 30 days from the date of reference.	shall notify the account holder of removal of debit hold immediately, if communicating through digital mode, otherwise by EOD of the next day.

Maximum duration of a Temporary Debit hold, in the absence of any contrary instruction from an LEA or Competent Authority is 60 days from the date of temporary debit hold (up to 30 days for Steps 3–4, plus up to 30 further days for Steps 5–6).

6. Internal Policy

The internal policy for the purpose of this SOP shall provide for the following:

(i) the tech solutions identifying suspected money mule and cyber-enabled financial fraud related transactions;

(ii) norms for placing temporary debit hold on amounts or account level and scenarios for its removal. The Internal Policy shall ensure that the temporary debit hold at the account level shall be applied as a last resort and only in exceptional circumstances;

(iii) modes of communication and templates thereof for such communication to account holders;

(iv) process for linkage to MHA's NCRP-CFCFRMS portal; and

(v) customer grievance redressal mechanism, etc.

The policy shall also provide for analysis of identified transactions at an appropriate level, based on objective parameters aimed at minimising the risk of flagging genuine transaction(s) / account(s).

7. Record Keeping

i. The bank shall maintain a centralised MIS recording which shall, inter alia, include date of temporary debit hold and reasons for the same, details of correspondence with account holder, including notifications given to the account holder at various stages, references and reporting to LEA and orders/directions received from LEA, and release of temporary debit hold, or continuation of debit hold status for every case.

ii. The bank shall continue to file Suspicious Transaction Reports (STRs) with FIU-IND under extant instructions; this SOP does not modify those obligations.

iii. Related records shall be retained for a minimum of 5 years from the date of placing a temporary debit hold. In case of an account closure, records shall be retained for a minimum period of 10 years from the closure.

iv. Records shall be made available for supervisory review.

v. The bank shall also ensure enhanced monitoring on such account(s) and other active account(s) / relationship(s) held by such account holders.

8. Grievances Redressal Mechanism

i. The bank shall designate Nodal Officer(s) at appropriate levels (Regional / Zonal / Head Office) for coordination as well as for complaints arising from action taken under this SOP.

ii. Nodal Officer details (name, contact number, address, e-mail) shall be displayed prominently on the bank's website and at all branches.

iii. Complaints shall be acknowledged on receipt and resolved within 30 days.

iv. The bank shall maintain an MIS to log, track and monitor complaints received under this SOP.

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