Relaxed KYC

Why in news?

\n\n

The Union Government has recently relaxed KYC norms for jewellery purchase.

\n\n

What are KYC norms of jewellers?

\n\n

\n
- KYC means “Know Your Customer”, it is a process by which Jewellers obtain information about the identity and address of the customers.
\n
- The KYC procedure is to be completed by the jewellers while customers buying gold.
\n
- This process helps the government to ensure that unaccounted money is not used for purchasing gold.
\n
- The Prevention of Money Laundering Act (PMLA) was amended in August 2017, making the citation of PAN and Aadhaar mandatory for jewellery purchases beyond the threshold of Rs 50,000 per transaction.
\n

\n\n

What are the relaxed norms?

\n\n

\n
- Recently government has decided to raise the exemption limit in the (PMLA) for jewellery purchases.
\n
- Individuals can now purchase up to Rs 2 lakh worth of jewellery (four times the limit earlier) at a time without documentation.
\n

\n\n

\n
- Industry associations reckon that the relaxation will lead to a pick-up of at least 20-25 per cent in volumes.
\n
- Upcoming imports are expected to see a rebound to hit the 70-tonne mark.
\n

\n\n

What are the issues with this move?

\n\n

\n
- The current account deficit (CAD) has already risen to a four-year high of $14.3 billion, or 2.4 per cent of gross domestic product.
\n
- Gold imports have contributed to this gap and a surge in demand for the precious metal will not be healthy for the overall trade balance.
\n
- This move will not only undermine the government’s bold agenda against black money but also put more pressure on the external account.
\n
- Repeated purchases of jewellery at below the stipulated limit will also allow the conversion of large sums of unaccounted cash.
\n
- Apart from making it easier to launder money, this relaxation may also have an adverse effect on external finances at a time when the current account is under some pressure.
\n

\n\n

\n\n

Source: Business Standard

\n

SHANKAR IAS PARLIAMENT
Information is Empowering