

In drive against shell companies, KYC to be made mandatory for firms

The ministry of corporate affairs will soon launch a know your customer (KYC) process for companies as part of its ongoing drive against shell firms.

The KYC process will make it mandatory for companies to share details of their key executives and professionals, including company secretaries, cost accountants and chartered accountants, “It will be very soon, maybe as early as this month,” said an official aware of the developments.

Shell companies are firms that exist only on paper and are set up to hold undisclosed money or for carrying out illegal activities.

The MCA had last year begun the KYC process for directors of all registered companies.

Only about 1.6 million of the 3.3 million directors who have Director Identification Numbers (DIN) have so far completed the KYC process. The MCA will look at the KYC process as a way to identify shell companies, with those that do not submit their details coming under closer scrutiny.

The KYC process will also be linked to company filings, with companies that do not file annual reports not being allowed to complete the KYC. “Companies would not be able to carry out too many substantive operations if they don’t do their KYC,” said the official quoted above.

Corporate affairs secretary Injeti Srinivas had earlier said that through the KYC process “professionals will be screened and then registered into the system”. Srinivas had also said that compliance with KYC requirements will also become mandatory for registration under the MCA 21 portal of the ministry.

(Economic Times)