

Private firms can use Aadhaar-based offline verification, says UIDAI CEO

UIDAI CEO Ajay Bhushan said that companies can continue with offline KYC- and quick response (QR) code-based verification

Private companies can use Aadhaar-based offline verification of customers as the Supreme Court (SC) judgment has not forbidden that, tweeted Unique Identification Authority of India (UIDAI) Chief Executive Officer (CEO) Ajay Bhushan on Thursday morning.

The SC on September 26 had ruled that private companies cannot continue to offer online electronic-Know Your Customer (e-KYC) verification as the only option to get clients on board. In a series of tweets, Bhushan tried to explain the UIDAI's stance on the matter.

He said these companies can continue with offline KYC- and quick response (QR) code-based verification.

Earlier this year, the UIDAI updated its QR code framework, allowing a person's photograph and other details to be made available in a signed QR code through e-Aadhaar.

Since the judgment that struck down Section 57 of the Aadhaar Act, Bhushan has said numerous times the UIDAI was studying it. "We are seeking legal advice on whether or not a person can voluntarily use Aadhaar for opening a bank account or getting a SIM card," he had said, adding that appropriate directions would be issued.

The tweets on Thursday seem to suggest that the UIDAI was leaning towards a non-mandatory framework.

In another tweet, Bhushan said: "This (the judgment) empowers people with choice to use any ID vis-à-vis private entities. They can use Aadhaar or any other ID." He added that the SC had curbed the practice of making Aadhaar mandatory and private companies could no longer ask people to authenticate their identity through biometric details.

The government had earlier suggested it might introduce new legislation to support Aadhaar-based verification, but Bhushan's tweets suggest offline authentication would be the only option for private companies, at least for now.

Other concerns over the use of Aadhaar by telecom companies, banks, and non-banking financial companies remain. For instance, telcos are yet to come out with a plan to delink Aadhaar from their database and do fresh KYC, as instructed by the UIDAI on Monday.

The fintech industry that depended on e-KYC for on-boarding of customers is non-convinced with the offline authentication offered by the UIDAI.

An industry expert said fintech firms are also seeking legal view on the matter.

“There’s still no clarity. Can we store data if we are doing offline authentication? What is the use of QR code if it doesn’t fetch current data from the UIDAI servers? The government should think about all these problems before offering a quick fix,” he said.

There are other concerns regarding the future of Aadhaar-based services such as subsidy delivery, which often happened through e-KYC authentication and micro-ATMs carried by banking correspondents in rural areas.

The National Payments Corporation of India (NPCI) is in consultations over the legality of its payment networks, considering that it is a bank-promoted private company, according to sources.

An official with knowledge of the matter said many payment systems, such as Aadhaar Payments Bridge, cannot work without private entities such as the NPCI being allowed to use Aadhaar. Legal options are being considered on how best to interpret the judgment, he added.

“A true picture will emerge only next week. For now, we are just shooting in the dark and hoping something sticks,” said a source.

(Business Standard)