Sector Regulators Must Guide Cos Post SC’s Aadhaar Verdict, Says UIDAI CEO

Clarifies UIDAI won’t issue any guidelines, says alternatives exist for Aadhaar authentication

Surabhi Agarwal
@timesgroup.com

New Delhi: Regulators of the country’s banks, telcos and stock markets must guide companies in their respective sectors on implementation of the Supreme Court directive that bars use of Aadhaar-based biometric authentication by private firms, according to the CEO of the Unique Identification Authority of India.

Days after the SC’s directive — which has thrown into disarray business models of several companies that use instant e-KYC authentication facilitated by UIDAI — the custodian of Aadhaar said the sectoral regulators are best placed to help simplify confusion.

“The court order is also available to the banks and telecom companies and their sectoral regulators. Many of them were parties in the court too. It is expected that they will comply with the order at their end by the earliest,” UIDAI CEO Ajay Bhushan Pandey told ET.

‘No Need for Alarm’

Pandey added that UIDAI will not issue any guidelines in this regard, and clarifications, if any should be sought from the court. “This is because they (sectoral regulators) are in the best position to know exactly for what purpose they collected and used Aadhaar, whether they did it for giving loans, opening or verifying bank accounts, giving SIM cards, and how to replace the Aadhaar e-KYC with other valid documents so as to comply with the orders of the court and ensure continuities of service to customers,” he said.

Pointing to the availability of several alternatives to Aadhaar-based authentication which can be explored by companies, Pandey said there is no need for alarm among banks, telecom companies and finance firms even though the apex court has banned biometric-based e-KYC.

One option is the QR code, which is a machine-readable code consisting of an array of black and white squares containing links or several lines of data that allows information to be captured through a simple smartphone camera on to a device.

“The Aadhaar card has a QR code which can be scanned offline or online for giving SIM cards or opening bank accounts,” Pandey said.

A QR code or E-Aadhaar that only has name, address and photograph — without the Aadhaar number or Aadhaar authentication — is equivalent to ration card or Voter ID card.

“So far as privacy is concerned, it would be much more secure than ration card or voter ID, etc, because it is digitally signed,” said Pandey, adding that companies cannot make it mandatory and must also accept other means of identification.

Analysts are of the view that the government and regulators will find ways to maintain privacy as also comply with the court directive. “We have had a landmark judgement and one would need to give regulators and lawmakers time to arrive at a prudent and pragmatic solution. This would be the time for industry participants to provide inputs to shape the policy,” Vivek Belgat, finance partner at PwC.

The apex court’s judgement last week, striking down a rule that allowed private companies to use Aadhaar for authentication, has led to confusion among government departments on implementation and the timeline. There has also been a sense of panic among firms, some of whom have built entire business models around instant e-KYC authentication facilitated by UIDAI.

The court, in its ruling, had said that Aadhaar authentication can be used only for government welfare programmes. It also said it was mandatory for citizens to link their Aadhaar numbers with the PAN (Permanent Account Number), issued by the income-tax department, and to use it to file I-T returns.

In the past few years, India has seen telecom companies such as Airtel and Reliance Jio Infocomm, and banks such as Kotak and IDBI add millions of new users in a short period using Aadhaar-based real time authentication to fulfill know your customer (KYC) norms.

PwC’s Belgat said some finance companies have already started using QR code, though it is still slightly clunky: “I believe it can be made to work in the short term. But I am optimistic that we can find a legal way as well as a government-supported way of ensuring access with the right privacy safeguards in the future. As the economy is trying to expand the financial services, it would need technology-enabled authentication and authorisation for continued adoption,” he said.

Sectoral regulators have to also take a call on which legal amendments to pursue to allow private usage. Hours after the judgement was pronounced by the Supreme Court, finance minister Arun Jaitley said it was his preliminary understanding that Aadhaar’s use by private entities “pursuant to a contract” wasn’t permitted but that may not be the case if there is legislative support.

“They (agencies such as the Election Commission, passport authority, Employees’ Provident Fund Organisation or private entities) will have to make out a case before the legislature, saying here is a case which has legitimate state aim and which is proportionate and therefore they want to use Aadhaar authentication in either a mandatory manner or non-mandatory manner,” said Pandey. Even though people can ask companies and government entities to delete their Aadhaar data, there has been no provision to “opt out” from the UIDAI database except for minor children who have been already enrolled, said Pandey.

“So far as the majority judgement is concerned, the Supreme Court has upheld Section 3 of the Aadhaar Act, which invalidates all the actions in Aadhaar project which were taken prior to 2016... So the question of deletion of Aadhaar enrolment data collected prior to promulgation of the Aadhaar Act doesn’t arise,” he added.