

DRAFT CIRCULAR

SEBI/HO/MIRSD/SECFATF/P/CIR/20XX/XX

January XX, 2025

To,

1. All intermediaries registered with SEBI under Section 12 of the Securities and Exchange Board of India Act, 1992;
2. Recognised Stock Exchanges

Dear Sir/ Madam,

Subject: **Simplification of client on-boarding and rationalisation of risk management framework at KYC Registration Agencies**

1. SEBI vide Master Circular SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023 ('KYC Master Circular'), *inter-alia*, specified the Know Your Client (KYC) requirements and framework for validation of records by KYC Registration Agencies (KRAs) in the securities market.
2. To make the on-boarding process fully amendable with the needs of digital India, to ease client on-boarding and to re-engineer the existing risk management framework at KRAs, a working group was constituted comprising of members of Industry associations, Market Infrastructure Institutions (MIIs) and KRAs.
3. Based on the recommendations and suggestions received from the working group and in order to align the regulatory requirements with the provisions of Prevention of Money Laundering (Maintenance of Records) Rules, 2005, it has been decided to make certain modifications in the KYC process, as given below:
 - 3.1. The supplementary information which a client provides to its' intermediary at the time of on-boarding shall now be centralised at KRA level, to simplify on-boarding process when the same client approaches another intermediary.
 - 3.2. KRAs shall send prior intimation to the intermediaries reminding them to update KYC records of clients, upon attainment of 18 years of age, expiry of validity of an officially valid proof of address/ identity or if the KYC record has not been updated in the last 5 years. This shall help ensure that the KYCs records in the KRA system are updated and relevant.

- 3.3. Intermediaries shall update their records upon receipt of update in any KYC record from the KRA so as to avoid duplicity in efforts as well as easing the on-boarding process for the client.
- 3.4. An option shall now be available for the clients to provide alternate email id and phone number to the intermediary. The same shall also get verified and captured in the KRA system.
- 3.5. If a client mobile number available in the KRA system is seeded with Aadhaar, then verification of such mobile number shall be optional for the intermediary accessing the information from the KRA system.
- 3.6. Option for providing alternate email id and mobile number and easier mobile number verification requirement;
- 3.7. The intermediary shall within 3 working days from the date of account closure, inform the KRA, which shall in turn update its records, within 2 working days from the date of receipt of such information.
- 3.8. For OCI card holders who are resident in India, the requirement of overseas address shall be optional, provided the clients provide proof of address for residing in India for more than 182 days.
- 3.9. In order to ease documentation, a client shall no longer be required to submit proof of name change to an intermediary if he/ she has already got the necessary change affected in the PAN and Aadhaar.
- 3.10. In order to ease the process of account opening, if the proof of address of a client has already been source verified, then such KYC record can be tagged as “validated” and shared by the KRA with other intermediaries, even without source verification of the current address.
4. These measures are aimed at easing the process of account opening for clients’ and intermediaries, ongoing due diligence as well as rationalising the risk management framework at KRAs.
5. In view of the above, the following changes shall be required in the KYC Master Circular:
 - 5.1. The paragraph 6 of the KYC Master Circular shall be replaced, with the following:

“In Part II of the AOF, the intermediary shall collect the following additional information from the client at the time of on boarding, over and above the

information specific to the area of activity of the intermediary, as considered appropriate by them:

- a. *CKYC ID, if available;*
- b. *DIGIPIN, if available;*
- c. *Expiry date of Officially Valid Document (OVD);*
- d. *Alternate mobile number and email id (optional)".*

5.2. The paragraph 19 of the KYC Master Circular shall be replaced, with the following:

"A document shall be deemed to an officially valid document even if there is a change in the name subsequent to its issuance provided it is supported by a Marriage Certificate issued by the State Government or a gazette notification, indicating such change of name.

However, the requirement of submitting the marriage certificate or gazette notification shall be optional if the client has already undertaken the name change in PAN and Aadhaar."

5.3. The paragraph 20 of the KYC Master Circular shall be replaced with the following:

"For non-residents and foreign nationals (allowed to trade subject to RBI and FEMA guidelines), copy of passport/ Persons of Indian Origin (PIO) card/ Overseas Citizenship of India (OCI) card and overseas address proof is mandatory. However, for OCI card holders who are resident in India, the requirement of overseas address shall be optional, provided the clients provide proof of address for residing in India for more than 182 days."

5.4. The paragraph 84 of the KYC Master Circular shall be replaced with the following:

"After doing the initial KYC of the new clients, the intermediary shall forthwith upload the below mentioned KYC information on the system of the KRA within 3 working days from the date of completion of KYC process:

- a. *Part I of AOF (CIP Form in CKYCR template);*
- b. *The following information from Part II of AOF:*
 - i. *Income range;*
 - ii. *Net worth and date of net worth (optional);*
 - iii. *Place and country of birth;*

- iv. *Foreign Account Tax Compliance Act (FATCA) related information (as mentioned in SEBI Circular SEBI/HO/MIRSD/SECFATF/P/CIR/2024/12 dated February 20, 2024); and*
- v. *Politically Exposed Persons (PEP) status;*
- vi. *Occupation;*
- vii. *CKYC ID, if available;*
- viii. *DIGIPIN, if available;*
- ix. *Expiry date of Officially Valid Document (OVD); and*
- x. *Alternate mobile number and email id (optional)”.*

5.5. The paragraph 89A shall be incorporated in the KYC Master Circular, as given below:

“The intermediaries shall update the KYC records of their clients, as per information received from the KRA under Regulation 15(f) of the KRA Regulations”.

5.6. The paragraph 95A shall be incorporated in the KYC Master Circular, as given below:

“The KRA shall send prior intimation to all the intermediaries which have fetched the KYC record from its system, if:

- a. *the KYC information has not been updated in the last 5 years;*
- b. *the validity of the OVD in the KYC record has expired; or*
- c. *the KYC pertains to a minor which has attained 18 years of age.”*

5.7. The paragraph 95B shall be incorporated in the KYC Master Circular as given below:

“The intermediary shall within 3 working days from the date of account closure by a client inform the KRA.”

5.8. The paragraph 100 of the KYC Master Circular shall be replaced with the following:

“The records of a client in respect of which all attributes mentioned in para 96 (other than current address) have been verified by the KRA with official database (such as Income Tax Department database on PAN or Aadhaar XML/ Digilocker/ M-Aadhaar), such record shall be considered as Validated Record.”

5.9. The paragraph 104A shall be incorporated in the KYC Master Circular as given below:

“KRA shall tag the records that it independently verifies and validates including information given under Para 84 (b).”

5.10. The paragraph 104B shall be incorporated in the KYC Master Circular, as given below:

“If the client mobile number is tagged by KRA as seeded with Aadhaar and verified, verification of such mobile number shall be optional for the intermediary accessing the information from the KRA system.”

5.11. The paragraph 104C shall be incorporated in the KYC Master Circular, as given below:

“The KRA shall within 2 working days from the date of receipt of information from the intermediary about KYC modification or account closure by a client, update/ delink the relevant KYC record, respectively”.

6. The provisions of this Circular shall come into force with immediate effect. Additionally, the intermediaries shall ensure the following:

6.1. For existing KYC records, intermediaries shall upload the available supplementary information about the client on the KRA system, as mentioned at paragraph 5.4 above, within 6 months from the date of issue of this circular. Thereafter, KRA shall tag the records that it independently verifies and validates.

6.2. Within a period of 3 months from the date of issue of this circular, the intermediaries shall update the KYC records of existing clients in the KRA system, wherein the KYC record has not been updated in the last 5 years, client has attained 18 years of age or the validity of the officially valid proof of address/ identity has expired. The KRAs shall facilitate this process of updating of old records by intermediaries.

6.3. Within a period of 3 months from the date of issue of this circular, the intermediaries shall update the KRA system for the old client records which have been closed since.

7. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

8. This circular is available on the SEBI website at www.sebi.gov.in under the category, 'Legal → Circulars'.

Yours faithfully,

Sapna Sinha
Deputy General Manager
022-26449748
sapnas@sebi.gov.in