

Centralized mechanism for reporting the demise of an investor through KRAs

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BACKGROUND

On October 3rd, 2023, SEBI issued its Circular on “Centralized Mechanism for Reporting Demise of Investors through KRAs” and shall **come into effect from January 01, 2024.**

BRIEF

Listed companies can connect with KRA through their RTAs to provide beneficial access of centralized mechanism to investors holding physical securities, only if PAN of the Physical Holder is available.

A Upon receipt of intimation about an investor's demise, the concerned intermediary must:

1. **Verify the death certificate** (within one working day) either:
 - a. Online - through website of **Government Authority** or
 - b. Offline - through the '**Original Seen and Verified**' (OSV) process.
2. **Record and retain** a self-certified copy of proof of identity, relationship with the deceased, and contact details of the notifier(s).
3. In case the **intermediary is unable to access or acquire the death certificate**, they should mark the **KYC status as "On Hold"** and ask the investor, notifier(s), or nominee(s) to provide the death certificate.

SOURCE : SEBI CIRCULAR - SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163

B

After verification of the death certificate, the intermediary must:

4. Death certificate - Received:-

- a. Intermediary shall submit a 'KYC modification request' to the KRA stating "information on death of investor received; "death certificate verified" and upload relevant documents such as verified death certificate, validation report from Investor Service Centre (ISC) of Stock Exchange or Depository, credentials of notifier etc.
- b. Block all debit transactions (both financial & non-financial) in the account/folios of the deceased investor.

5. Death certificate – Not Received:

The intermediary by next working day of intimation of deceased from notifier(s), or nominee(s) must submit a 'KYC modification request' to the KRA stating "information on death of investor received; confirmation awaited".

C

The KRA's obligations include:

6. KRA shall carry out independent validation and verification of the death certificate by the next working day of receipt of modification request from intermediaries.

7. Death Certificate – Received:

Upon validation of the death certificate, the KRA, shall Update the KYC record as "Blocked Permanently" and shall also notify to all linked intermediaries.

8. Death Certificate – Not Received:

KRA shall Flag the KYC of the investor as "On Hold" and shall also notify to all linked intermediaries.

9. KRA shall resolve any errors or issues with modification requests in consultation with the intermediary and updating the KYC status to Modification Rejected and Clear i.e., "Validated" or "Blocked Permanently" , as the case may be.

D Intimation to Notifier/Nominee on transmission of assets of the deceased investor

10. Upon receiving a notification from KRA as "Blocked Permanently," intermediaries must block debit transactions immediately and intimate the notifier/nominee about the transmission process.

E Transaction request in accounts/folios flagged off as "On Hold"

11. If a transaction request is received in an account/folio flagged as "On Hold" additional due diligence is required, including video calls or In-Person Verification (IPV).

12. If a false intimation of the investor's demise is proven, the intermediary must submit a 'KYC modification request' to the KRA stating "intimation of death of investor is false" and the KRA shall in turn, revert the KYC status to 'Clear or Validated'

- Notes :** ✓ Intermediaries with investors whose status has already been updated as deceased by the KRA must submit transmission data to KRA and submit its outcome to SEBI in the prescribed format.
- ✓ To ensure consistency, SEBI has asked Stock Exchanges, Depositories, and industry associations (such as AMFI and RAIN) to establish common **Standard Operating Procedures (SOP)** in consultation with stakeholders, including KRAs. These SOPs will be available on their websites and those of the intermediaries

IMPACT

The circular aims at simplifying and improving the process of reporting and verifying investor deaths, ensuring transparency, and protecting investor assets. Further, it emphasizes the importance of collaboration between **intermediaries, KRAs, stock exchanges, and depositories to establish standardized operational procedures (SOPs)** that are easy to understand and implement, promoting consistency and efficiency in the process.

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