

Master Circular on Know Your Client (KYC) norms for the *Securities Market*

October 12, 2023

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BACKGROUND

On October 12th, 2023, SEBI issued its **Master Circular on Know Your Client (KYC) norms for the securities market**. SEBI-registered intermediaries must collect and verify client's **Proof of Identity (PoI) and Proof of Address (PoA)** when starting an account-based relationship. Registered intermediaries cannot open or keep any anonymous or fictitious accounts. They must verify the identity of clients and adhere to **SEBI's anti-money laundering guidelines**.

BRIEF

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Uniform KYC Format

- 1) To establish consistency in the securities market, all SEBI-registered intermediaries are required to utilize a standardized KYC form and the prescribed supporting documents
- 2) Foreign Portfolio Investors and Eligible Foreign Investors should follow the guidelines outlined in **SEBI Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022**, and any subsequent amendments.
- 3) The client's account opening form **has two parts:-**
 - **Part I of the KYC** form collects the basic client details. **KYC Templates** are available at <https://www.ckycindia.in/ckyc/?r=download>
 - **Part II gathers** additional information related to the intermediary's specific activities, as deemed necessary by them.

Note- The master circular focuses on the provisions of Part I of the KYC form.

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Requirement of Permanent Account Number (PAN)

- 1) The **registered intermediaries shall verify the PAN of their clients online at the Income Tax website** without insisting on the original or copy of PAN card. **A person's PAN will be inoperative if not linked to Aadhaar**. Status of Aadhaar and PAN linkage shall be flagged at the system of **KRA**.

SOURCE : SEBI CIRCULAR - SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169

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Exemptions/Clarifications to PAN requirements

- Central and State Government transactions, including court-appointed officials
- Investors residing in the **state of Sikkim**.
- UN entities/multilateral agencies **exempt from Indian taxes**
- SIP investments in **Mutual Funds up to ₹50,000 per year**.

Note- In case of a name change, clients can provide PAN card proof with supporting documents like a marriage certificate or gazette notification. e-PAN, a digitally signed PAN card in electronic format issued by the Income-tax department, is also **acceptable for KYC compliance**.

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List of documents admissible as Proof of Identity (POI)

- 1) To invest, your KYC form name must match with your **proof of identity (POI)**, which can be a passport, driver's license, Aadhaar number, voter's ID card, job card issued by **NREGA**, a **letter from the NPR**, or other documents specified by the Central Government in consultation with the regulator.
- 2) Further, the following documents shall also be deemed to be officially valid document:
 - **Government-issued photo ID.**
 - **Letter from a gazetted officer with an attested photograph**
- 3) The registered intermediaries shall not store/ save the Aadhaar number of clients in their system. Every registered intermediary shall, where the client submits his Aadhaar number, ensure that such client redacts or blacks out his Aadhaar number by appropriate means where the authentication of Aadhaar number is not required **under sub rule (15) of PML Rule 9**.

Proof of Address (POA)

- 1) All the documents valid as **POI shall also be considered as a POA.**
- 2) If a client's official document lacks an updated address, these documents are accepted for address proof:
 - Utility bill (**electricity, telephone, post-paid mobile, gas, or water**) not over **two months old.**
 - Property or **municipal tax receipt**
 - Pension or family pension payment orders (**PPOs**) with the address.
 - Letter of accommodation allotment from an employer (**government, banks, public sector**), and leave and license agreements with such employers for official housing.

Note- The client must submit an updated document with the current address **within three months**

- 3) A document shall be deemed to be 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
- 4) 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.
- 5) For foreign nationals, **if the official document lacks an address, documents from foreign government departments and letters from foreign Embassies or Missions in India are accepted.** If a document is in a foreign language, an English translation is required. Proof of both correspondence and permanent addresses should be submitted if they are different

6 Acceptance of third-party address as correspondence address

- 1) A client can use a third party's address for correspondence with proper **KYC compliance** for the third party, including identity and address proof. Intermediaries must ensure that client **due diligence norms are met for the third party**.
- 2) Intermediaries must also confirm whether the client is acting on behalf of a **legal entity, individual, or trust**. They must verify the authorization of anyone acting on behalf of the client and verify their identity.

7 Identification of Beneficial Ownership

- 1) The **SEBI Master Circular dated February 3, 2023**, provides guidelines on **Anti-Money Laundering and Combating the Financing of Terrorism**. Registered intermediaries should follow these guidelines for identifying beneficial ownership.
- 2) When it's evident that securities in an account are beneficial owned by a party other than the client, that party must be identified using client verification procedures.
- 3) Intermediaries must conduct ongoing **Client Due Diligence (CDD)** when they notice inconsistencies in provided information. This ensures **compliance with legal requirements and regulations**.
- 4) Intermediaries should periodically update all client and beneficial owner information collected during the **CDD process**.
- 5) Stock exchanges and depositories shall monitor compliance with beneficial ownership identification through internal audits. **Mutual funds and other intermediaries will be monitored by their respective governing bodies**.

Requirement of additional documents for non-individuals (Legal Entities)

✓ In case of non-individuals, additional documents (certified copies of equivalent e-documents) to be obtained are mentioned below:

Corporate Body

- Certificate of incorporation.
- Memorandum and Articles of Association.
- Board Resolution for investment in securities market.
- Power of Attorney granted to its managers, officers or employees, as the case may be, to transact on its behalf
- Authorized signatories list with specimen signatures.
- Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year).
- Latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/whole time director/ MD (to be submitted every year).
- Photograph, POI, POA, PAN and DIN numbers of whole-time directors/two directors in charge of day-to-day operations.
- Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.

Partnership Firm

- Certificate of registration (for registered partnership firms only)
- Copy of partnership deed.
- Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year).
- Authorized signatories list with specimen signatures
- Photograph, POI, POA, PAN of Partners

Trust

- Certificate of registration (for registered trust only).
- Copy of Trust deed.
- Copy of the balance sheet for the last financial year (initially for the last two financial years and subsequently for every last financial year).
- List of trustees certified by managing trustees/CA.
- Photograph, POI, POA, PAN of Trustees.

HUF

- Deed of declaration of HUF/ List of coparceners.
- Bank passbook/bank statement in the name of HUF.
- Photograph, POI, POA, PAN of Karta.

Unincorporated association or a body of individuals

- Proof of Existence/Constitution document.
- Resolution of the managing body & Power of Attorney granted to transact business on its behalf.
- Authorized signatories list with specimen signatures

Banks/Institutional Investors

- Copy of the constitution/registration or annual report/balance sheet for last financial year (initially for the last two financial years and subsequently for every last financial year).
- Authorized signatories list with specimen signatures

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Army/Government Bodies

- Self-certification on letterhead
- Authorized signatories list with specimen signatures

Registered Society

- Copy of Registration Certificate under Societies Registration Act
- List of Managing Committee members.
- Committee resolution for persons authorised to act as authorised signatories with specimen signatures.
- True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

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Requirement of Mobile Number and Email ID

- 1) Registered intermediaries are responsible for uploading mobile numbers and email addresses onto the **KRA system**. They must ensure that the details of their employees, authorized personnel, and distributors are not uploaded on behalf of clients

For online KYC with registered intermediaries

- Visit the intermediary's website or app, fill out the online KYC form, and submit required documents.
- Client consent is essential for online **KYC**.
- Capture PAN, name, photo, address, mobile number, and email digitally, and provide officially valid documents with **electronic/digital signature, including Aadhaar e-Sign**
- Verify mobile and email through OTP or other methods
- Verify Aadhaar through **UIDAI's mechanism**
- Use of Aadhaar is **voluntary**
- Electronic/digital signature, including **Aadhaar e-Sign, can replace wet signatures**
- Capture bank details online and provide a scanned cancelled cheque with electronic/digital signature, including Aadhaar e-Sign.
- Complete KYC by printing the form with a wet signature, sending a scanned copy with electronic/digital signature, or using a cropped online signature with electronic/digital signature, including **Aadhaar e-Sign**.
- Official document requirements can be met through clear photographs, scanned copies, or digitally signed documents issued through Digi locker by the issuing authority

Requirement of In-Person Verification (IPV)

For registered intermediaries:

- Mandatory In-Person Verification (**IPV**) for clients.
- Record verifier's name, designation, organization, signature, and date on KYC form during IPV.
- IPV done by one SEBI-registered intermediary can be relied upon by another.
- Stockbrokers' Authorized Persons can conduct **IPV**.
- Mutual Funds' Asset Management Companies (AMCs), certified distributors, and Category 1 Execution Only Platforms (EOPs) can perform IPV.
- For direct mutual fund applications, reliance on IPV performed by scheduled commercial banks is allowed.

To facilitate IPV:

- Introduce Video in Person Verification (**VIPV**) through an app.
- Trained authorized officials can perform live **VIPV** with the client's informed consent.
- **VIPV** should be in a live, clear, and recognizable environment
- The process may include random questions, the display of official documents, **KYC form**, and signature confirmation via **OTP**.
- Verify that the client's Aadhaar photo matches the **VIPV**.
- Digitally save **VIPV** securely with date and time stamping.
- Additional safety and security measures can be implemented as needed

IPV shall not be required in the cases where:

- The KYC of the client has been completed using the Aadhaar **authentication/ verification of UIDAI**.
- The KYC form has been submitted online, documents have been provided **through Digi locker or any other source which could be verified online**

Confidentiality of client information

Registered intermediaries shall keep confidential every information maintained, furnished or verified, save as otherwise provided under any law for the time being in force

Notes

A detailed information about the following points can be referred by visiting - [SEBI Master Circular SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169](#)

- Adaptation of Aadhaar based e-KYC process and e-KYC Authentication facility for Resident Investors under **section 11A of the Prevention of Money Laundering Act, 2002: KUA and Sub KUA mechanism.**
- Entities permitted to undertake e-KYC Aadhaar Authentication service of **UIDAI in Securities Market as sub-KUA**
- Onboarding process of **Sub-KUA by UIDAI**
- **KYC for SARAL Account** Opening Form for resident individuals
- **Section 2** covers guidelines for both intermediaries and KYC Registration Agencies (KRAs), addressing topics such as risk management, handling investor complaints through SEBI's SCORES, ensuring cyber security and resilience in KRAs, and the **Central KYC Records Registry (CKYCR)**

IMPACT

The new KYC norms Master Circular brings clarity and eases compliance for everyone involved. This is a positive step that upholds the integrity of the market, safeguarding the interests of investors and intermediaries

SOURCE : SEBI CIRCULAR - [SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169](#)