

FAQs on KYC process changes effective from April 01, 2024

Ref.: SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated October 12, 2023.

Sub.: Master circular on KYC norms for the securities market.

Q1. What are the current set of documents classified as Officially Valid Document (OVD) for KYC purpose?

A1. For completing the KYC process, investor has to submit any one of the following Officially valid document (OVD) defined as per Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) as Proof of Identity (POI) and Proof of Address (POA):

S. No.	Document	Proof of Identity (POI)*	Proof of Address (POA)*
1	the passport	Yes	Yes
2	the driving licence	Yes	Yes
3	proof of possession of Aadhaar number	Yes	Yes
4	the Voter's Identity Card issued by Election Commission of India	Yes	Yes
5	job card issued by NREGA duly signed by an officer of the State Government	Yes	Yes
6	the letter issued by the National Population Register containing details of name address	Yes	Yes
7	any other document as notified by the Central Government in consultation with the Regulator	Yes	Yes

**Anyone of the specified document*

Q2. I am a new investor and would like to open an account with one of the SEBI Registered Intermediary (SRI) or would like to invest in Mutual Fund. What steps do I need to follow?

A2. To open an account with any of the SRIs or Mutual Funds, KYC process is critical and basic requirements. Investor has to fill-up the designated KYC form, attach the valid POI and POA documents as prescribed above and subject to validity and completeness, SRI will open an account and upload the same with one of the KRA, if already not available in any of the KRA records. Recipient SRI would parallelly open the account in their records.

Q3. I am a NRI / Foreign National investor and would like to open an account with one of the SEBI Registered Intermediary (SRI) or would like to invest in Mutual Fund. What steps do I need to follow?

A3. To open an account with any of the SRIs or Mutual Funds, for NRIs / 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. In case the OVD presented by a foreign national does not contain the details of address, the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address. If any proof of address is in a foreign language, then translation into English shall be required. (Master Circular on KYC norms Point No. 20, 21 and 22).

Investors should be advised to complete the KYC online by submitting Aadhaar as OVD proof, giving valid email id and mobile so that they can invest with any SRI or mutual funds in future. In case it is not an Aadhaar based KYC, investor will have to submit the KYC documents every time they approach a new Mutual Fund for investment.

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Q4. Are Bank statements accepted as Proof of Address (POA) in case of NRIs and Foreign Nationals?

A4. In case the OVD presented by a foreign national does not contain the details of address, the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address. While there is no specific mention about acceptance of bank statements as POA but in exceptional circumstances if Foreign Embassy or Mission in India attest the bank statements might be accepted as proof of address.

Q5. What is the relevant KYC status in KRA (KYC Registration Agency) records and its impact to the transactions?

A5. Wherever KRA can independently validate the POA/POI document with the source data [such as Income Tax Department (ITD) database on PAN, Aadhaar XML/DigiLocker/m-Aadhaar), and PAN-Aadhaar linking was successful or Not Applicable, Email and/or Mobile is validated, KYC status will be tagged as **"KYC Validated"**. In such instances, investor can transact seamlessly with any other SEBI registered intermediaries without production of KYC documents, provided there is no change in KYC information already available. At present, where Aadhaar is used OVD for KYC processing, the same can be validated with the source data independently by KRA.

Wherever KRA cannot independently validate the information at their end with the POA/POI document source data but Email and/or Mobile is validated and PAN-Aadhaar linking was successful or Not Applicable, KYC status will be tagged as **"KYC Registered"**. In such instances, investor can transact with any other new SEBI registered intermediaries by producing the KYC documents again, even if there is no change in KYC information already available.

Reference Master Circular on KYC norms Point No. 101 - *The validated records shall be allowed portability i.e. the client need not undergo the KYC process again when the client approaches different intermediary in securities market and the intermediary shall fetch the validated records from the KRA database.*

Q6. What is considered as Deemed OVD and what is its relevance now?

A6. In terms of Rule 9(18) of PML rules, 2005, in case the OVD furnished by the client does not contain updated address, the following documents (or their equivalent e-documents thereof) shall be deemed to be officially valid document (OVD) for the limited purpose of proof of address, provided that the client shall submit updated officially valid document (or their equivalent e-documents thereof) with current address within a period of three months of submitting the following documents:

- a) Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill.
- b) Property or municipal tax receipt.
- c) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings if they contain the address.
- d) Letter of allotment of accommodation from employer issued by state or central government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation.

Any other documents used earlier which is other than the above and as specified in A1 is considered as Deemed OVD.

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Considering its limited purpose, investors are advised to use any of the allowed OVDs as listed in A1 and provide valid Email and/or Mobile for seamless transactions with SRI/MFs.

Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the SRI/MF.

Q7. Why Re-KYC required and for what type of KYC records?

A7. As per SEBI Master circular on KYC norms for the securities market clause 6 - The registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD (Customer Due Diligence) process.

Basis the above requirements, investors have to do re-KYC. In the interest of investor inconvenience, Intermediaries are required to facilitate re-KYC where Deemed OVDs (as listed in A6 above and any other document not as per A1) has been used as of now and KYC status in KRA records are available as **"KYC Registered"**.

Q8. What type of restrictions will be made from April 01, 2024?

A8. Following will be the restrictions in accordance with KYC type that will get applied effective from April 01, 2024.

S. No.	Type of OVD used	Existing KYC status	KYC Status w.e.f. 1-4-2024	Implications for the investor
1	Aadhaar	Validated	Where OVD data is validated with the issuing authority, i.e. UIDAI, PAN-Aadhaar linking done, Email and/or Mobile validated – <u>KYC Validated.</u>	No change. Investors can continue to transact with the existing funds and also open an account with any of the SRIs.
2	Aadhaar (Physical)	Validated	Where Aadhaar OVD data could not be validated with the issuing authority i.e. UIDAI, PAN-Aadhaar linking seeded and Email and/or Mobile is validated – <u>KYC Registered.</u>	In case of new investor, they should be requested to submit fresh Aadhaar copy where QR code is scannable and validated. All financial transactions with the existing SRI/MF where investor PAN is found to be available and KYC status is Registered / Validated as on 31 st March'24 – No change.
3	Non-Aadhaar OVDs (Allowed OVDs).	Registered / Verified.	Where the proof cannot be validated with the issuing authority and Email and/or Mobile is validated – <u>KYC Registered.</u>	All financial transactions with the existing SRI/MF where investor PAN is found to be available and KYC status is Registered / Validated as on 31 st March'24 – No change. Account opening/transaction with any new SRI/MF – Investor need to submit the allowed OVD to transact and concerned intermediary to upload the same as KYC

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				<p>modification requests with the respective KRA.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>
4	Non-Aadhaar OVDs (Allowed OVDs).	Registered	Where the proof cannot be validated with the issuing authority and Email and/or Mobile is not validated – <u>KYC On-Hold</u>	<p>Investor will be required to submit valid Email and/or Mobile with the existing Intermediary or through any other Intermediary and to be uploaded as KYC modification request with the concerned KRA.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>
5	Deemed OVDs (other than Allowed OVDs).	Registered	Where the proof cannot be validated with the issuing authority and Email and/or Mobile is validated – <u>KYC Registered.</u>	<p>All financial transactions with the existing SRI/MF where investor PAN is found to be available and KYC status is Registered / Validated as on 31st March'24 – No change.</p> <p>Account opening/transaction with any new SRI/MF – Investor need to submit the allowed OVD to transact and concerned intermediary to upload the same as KYC modification requests with the respective KRA.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>
6	Deemed OVDs (Other than Allowed OVDs).	Registered	Where the proof cannot be validated with the issuing authority and Email and/or Mobile is not validated – <u>KYC On-Hold.</u>	<p><u>All financial and select non-financial transactions will be restricted</u> unless remediated documents are submitted.</p> <p>Investor will be required to submit valid Email and/or Mobile or PAN-Aadhaar link to be made and confirmation to be submitted to the existing as well as with</p>

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				<p>new SRI/MF and uploaded as KYC modification request with the concerned KRA.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>
7	Non-OVDs (other than listed above).	Registered	On-Hold	<p><u>All financial and select non-financial transactions will be restricted</u> unless remediated documents are submitted.</p> <p>Investor will be required do re-KYC in the existing as well as in new SRI/MF using current set of prescribed OVDs.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>
8	Invalid contact details [Email and / or Mobile] – irrespective of OVDs submitted.	Registered	On Hold	<p><u>All financial and select non-financial transactions will be restricted</u> unless remediated documents are submitted.</p> <p>Investor will have to provide new contact details before transacting with existing SRI/MF.</p> <p>Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and got successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.</p>

- Q9. **How Investor or Distributor/Broker or SRI/RTA branches will be aware about which Intermediary has done the initial KYC or subsequent modification?**
- A9. As of now, there is no direct provision for any of the stakeholders. Each Intermediary should have its own internal mechanism to identify such instances and insist on the fresh set of KYC documents as mandated by SEBI.
- Q10. **What will be the impact on financial (FTs) & non-financial transactions (NFTs) effective from April 01, 2024?**
- A10. New folio creation in the new SRI/MF is subject to KYC status. If the KYC status is Validated, then they can continue seamlessly without submission of any KYC documents, subject to no change in the KYC information already submitted.

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If KYC status is other than KYC Validated, investor has to submit the KYC documents again. If the KYC status is On-Hold, as per the current process, both FT & select NFI transactions will be restricted until the KYC status is remediated by submission of modification request with respective KRA through any of the intermediary to become KYC Validated/Registered. Refer the matrix provided in A8.

Q11. Will there be an impact on the existing investors (who has updated PAN with SRI/MF and KYC status is Validated/Registered)?

A11. No impact in the existing Fund(s) for any financial transactions including redemption, switches, SIP triggers where such PAN exists in those Funds and KYC status is Validated / Registered.

As per the current process, if the KYC status is other than Validated / Registered and not remediated, all financial and non-financial transactions might get impacted. Refer the matrix provided in A8.

Q12. What will be the impact on the LIVE systematic registrations?

A12. No impact. Systematic transactions registered in the existing folios will continue to be triggered. As per the existing process, further triggers will be restricted in the folios where KYC status is other than Validated / Registered, i.e., KYC On-Hold.

Q13. Is this applicable for all transaction sources?

A13. Yes. However, for the transactions routed through exchange demat mode, reliance is made on the KYC status provided by them in their feed and these validations are controlled at their end.

Q14. What is the recourse to remediate such PANs?

A14. Investors must provide a modification request with the valid email and/or mobile number or fresh set of KYC documents as applicable to the respective KRA through any of the intermediary. Refer the matrix in A8. Post successful validation at KRA's end, the respective KRA will change the status as "Validated" and will send an unsolicited feed to the RTA. Once the same is updated in the RTA records, the investor can transact.

Investor should be requested to complete KYC process using Aadhaar as OVD through Online mode and get successfully validated, then there will not be any requirements to do re-KYC and avoid submission of KYC documents to each of the new SRI/MF.

Q15. For HUF investors, what is the supporting documents to be submitted for address proof?

A15. HUF Investors can submit bank statement/bank passbook containing the name of HUF and their address as address proof.

Q16. Is there any impact for Non-Individual investors like Corporate, Firms, Trusts, Societies, etc.?

A16. No impact, subject to other validation requirements like validation of contact details / new UBO/NPO requirements.