
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/COMPLIANCE-086/2023

Date : August 14, 2023

Subject : Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs)

SEBI has issued circular No. SEBI/HO/MIRSD/FATF/P/CIR/2023/0144 dated August 11, 2023, on the subject. The copy of the said SEBI circular is enclosed for your reference.

Members are requested to take note of the contents of the circular and comply.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Pranesh Shetty
Vice President – Audit & Inspection

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
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CIRCULAR

SEBI/HO/MIRSD/FATF/P/CIR/2023/0144

August 11, 2023

To,

- 1. All Intermediaries registered with SEBI under Section 12 of the Securities and Exchange Board of India Act, 1992**
- 2. Stock Exchanges**
- 3. Association of Mutual Funds in India (AMFI)**
- 4. Association of Portfolio Managers (APMI)**
- 5. BSE Administration & Supervision Ltd (BASL)**

Dear Sir/Madam,

Subject: Simplification of KYC process and rationalisation of Risk Management Framework at KYC (Know Your Client) Registration Agencies (KRAs)

1. SEBI vide circular SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022 has specified the framework for validation of records by KRAs in securities market. Based on the feedback received from the stakeholders in securities market and for ease of onboarding of clients for dealing in securities market, the provisions of the circular have been reviewed and it has been decided to simplify the KYC process and rationalise the risk management framework as follows.
2. The KYC process shall mean obtaining the proof of identity (PoI) and proof of address (PoA) of the client.
3. Further, PAN is the unique identification number of all participants transacting in the securities market.
4. In the interest of investors and for ease of transacting in securities market, the client shall be allowed to open an account with intermediaries and transact in securities market as soon as the KYC process is completed.
5. Thereafter, as a part of risk management framework, the KRAs shall verify the following attributes of records of all clients within 2 days of receipt of KYC records:

- 5.1. PAN (including PAN Aadhaar linkage, as referred to in rule 114 AAA of the Income-tax Rules, 1962)
- 5.2. Name
- 5.3. Address
6. Additionally, the KRAs shall verify the client's mobile number and email id.
7. In case of PAN exempt records, the other attributes i.e. name, address, mobile number and email id shall be verified by the KRAs.
8. Clients in whose case, attributes of records as mentioned in para 5/6 above cannot be verified, shall not be allowed to transact further in securities market until the attributes are verified.
9. The records of those clients in respect of which all attributes mentioned in para 5/6 above are verified by KRAs with official databases (such as Income Tax Department database on PAN, Aadhaar XML/Digilocker/ M-Aadhaar) shall be considered as Validated Records.
10. The validated records shall be allowed portability i.e. the client need not undergo the KYC process again when he approaches different intermediary in securities market and the intermediary shall fetch the validated records from the KRA database.
11. The KRAs shall develop systems/mechanism, in co-ordination with each other, and shall follow uniform internal guidelines/standards detailing aspects of identification of attributes and procedures for verification/ validation, in consultation with SEBI.
12. Further, the systems of intermediaries and the KRAs shall be integrated to facilitate seamless movement of documents/information to and from the intermediary to the KRAs for verification/validation of attributes under risk management framework.

13. The SEBI circular SEBI/HO/MIRSD/DoP/P/CIR/ 2022/46 dated April 06, 2022 shall be rescinded from the effective date of this circular i.e. September 01, 2023.
14. The records of all existing clients whose KYC has been completed based on OVDs other than Aadhaar, shall be verified within a period of 90 days from September 01, 2023.
15. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 17 of the SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
16. This circular is available at www.sebi.gov.in under the link "Legal --- Circulars".

Yours faithfully,

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