

GENERAL MANAGER

Market Regulation Department-Division of Policy

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1. The Executive Directors/Managing Directors/Administrators of All Stock Exchanges
2. Chairman & MD, NSDL
3. MD & CEO, CDSL
4. All SEBI registered intermediaries

Dear Sir / Madam,

Sub: Permanent Account Number (PAN) to be the sole identification number for all transactions in the securities market

1. The Hon'ble Finance Minister, in his announcement in the Union Budget for the year 2007-08, has proposed, inter-alia, to make PAN the sole identification number for all participants in the securities market with an alpha-numeric prefix or suffix to distinguish a particular kind of account.
2. In the light of the aforesaid announcement and in order to strengthen the Know Your Client (KYC) norms and identify every participant in the securities market with their respective PAN thereby ensuring sound audit trail of all the transactions, it has been decided that PAN would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.
3. The intermediaries are advised in this regard as under:-
 - 3.1. to put in the necessary systems in place so that all the individual databases of their clients and clients' transactions are linked to the PAN details of the client with which detailed analysis can be made.
 - 3.2. to build the necessary infrastructure for enabling accessibility and query based on PAN thereby enabling retrieval of all the details of the clients that is available including the transactions done by them.
 - 3.3. to collect copies of PAN cards issued to their existing as well as new clients by the Income Tax Department and maintain the same in their record after verifying with the original.
 - 3.4. to cross-check the aforesaid details collected from their clients with the details on the website of the Income Tax Department i.e. <http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp>.
4. The Stock Exchanges and Depositories are advised to :-

- 4.1. put in place the necessary infrastructure so as to facilitate query based on PAN for retrieving details of all the clients/clients' transactions done in their respective systems.
 - 4.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision immediately.
 - 4.3. bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and depository participants of the Depositories and also to disseminate the same on the website.
 - 4.4. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.
5. The above shall come into force with effect from July 02, 2007.
 6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, and Section 19 of the Depositories Act, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S V Murali Dhar Rao