



**CIRCULAR**

CIR/MIRSD/ 11 /2012

September 5, 2012

- 1. Stock Brokers through Recognized Stock Exchanges**
- 2. Depository Participants through Depositories**
- 3. Mutual funds**
- 4. Association of Mutual Funds in India**
- 5. Portfolio Managers**
- 6. KYC Registration Agencies (KRAs)**
- 7. Alternative Investment Funds (AIFs)**
- 8. Collective Investment Schemes (CIS)**

Dear Sir,

**Sub: Know Your Client Requirements**

1. This has reference to SEBI circulars No CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011 on know your client norms for the securities market.
2. SEBI has received representations regarding operational issues in the implementation of aforesaid SEBI Circulars in case of foreign investors viz. Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors. In consultation with the Stock Exchanges, Depositories and Intermediaries, certain clarifications are issued, as given in Annexure A, with respect to these investors.
3. Further, the intermediaries shall strictly follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010. Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in the Circular.
4. The provisions of this circular are applicable for both new and existing clients.



5. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**A.S.Mithwani**  
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**Encl:**

- 1) Annexure A: Clarifications**



**Annexure A**

Sr. No.	Relevant requirements on KYC Form as per SEBI Circulars dated August 22, 2011 and October 5, 2011	Clarifications for Foreign Investors viz. FIs, Sub Accounts and QFIs
1	Authorized signatories list with specimen signatures to be submitted.	If the client has authorized the Global Custodian - an entity regulated by an appropriate foreign regulatory authority or Local Custodian registered with SEBI as a signatory by way of a Power of Attorney ('PoA') to sign on its behalf, such PoA may be accepted.
2	Intermediary has to get the KYC form filled from the clients.	The Global Custodian or the Local Custodian may fill the KYC form, if authorized through the PoA.
3	PAN to be taken for individual promoters holding control - either directly or indirectly, Partners/Trustees, whole time directors/two directors in charge of day to day operations and persons authorized to deal in securities on behalf of company/firm/others.	Not applicable.
4	For foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card is mandatory.	Proof of Identity document duly attested by the entities authorized for the same as per SEBI Circular dated October 5, 2011 or authorised signatories as mentioned at point 1 above may be adequate in lieu of the passport copy.
5	For foreign entities, CIN is optional; and in the absence of DIN no. for the directors their passport copy should be given.	CIN no. is provided as an example and requires the client's registration number in its respective country. If the foreign entity does not have CIN, the equivalent registration number of the entity may be mentioned. If it does not have any registration number, then SEBI Registration number may be mentioned.  In case the directors (as per point 3 above), of the client do not have an equivalent of DIN in the client's respective jurisdiction, "Not Applicable" may be stated. Copy of the Passport may not be provided.
6	It shall be mandatory for all the intermediaries addressed in this circular to carry out In person verification of their clients.	In person verification is not applicable for a non-individual Client.  In case of QFI – Individual Client, IPV shall be carried out by SEBI registered intermediary as per SEBI Circular dated August 22, 2011.
7	Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification.  In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the list mentioned in the circular dated Aug 22, 2011.	In the absence of originals for verification, documents may be attested as per SEBI Circulars dated August 22, 2011 and October 5, 2011 or authorised signatories as mentioned at point 1 above.



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8	<p><b>A.</b> Copy of the balance sheets for the last 2 financial years (to be submitted every year), annual gross income and net worth details.</p> <p><b>B.</b> Copy of 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). POI and POA of individual promoters holding control - either directly or indirectly.</p>	<p><b>A.</b> Though it is not mandatory, the intermediaries shall carry out due diligence as per the PMLA and SEBI Master Circular on AML about the financial position of the client.</p> <p><b>B.</b> List of beneficial owners with shareholding or beneficial interest in the client equal to or above 25% to be obtained. If Global Custodian /Local Custodian provides an undertaking to submit these details, then intermediary may take such undertaking only. Any change in the list to be obtained based on risk profile of the client.</p>
9	<p>Name, residential address, photograph, POI and POA of Partners/Trustees, whole time directors/two directors in charge of day to day operations and individual promoters holding control - either directly or indirectly.</p>	<p><b>A.</b> Not required if Global Custodian /Local Custodian gives an undertaking to provide the following documents as and when requested for by intermediary:</p> <ol style="list-style-type: none"> <li>1) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and</li> <li>2) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.</li> </ol> <p><b>B.</b> If Global Custodian/Local Custodian does not provide such undertaking as stated in A above, intermediary shall take required details from Foreign Investors.</p>
10	<p>Copy of SEBI registration certificate to be provided.</p>	<p>Custodian shall verify the SEBI registration certificate copy with the originals or with the details available on SEBI website and provide duly certified copy of such verified SEBI registration certificate to the intermediary.</p>
11	<p>Every client has to provide the trading account related details, as required by Annexure 3 to the SEBI circular dated August 22, 2011.</p>	<p>Annexure 3 to the circular dated August 22, 2012 pertaining to trading account related details is not applicable for FIIs and Sub Accounts.</p> <p>However, Intermediaries are required to update details of any action taken or proceedings initiated against the entity by the foreign regulators or SEBI/ Stock exchanges.</p> <p>For QFI, the intermediary shall collect the following details from Annexure 3:</p> <ul style="list-style-type: none"> <li>• Bank Account details</li> <li>• Depository account</li> <li>• Regulatory Actions as mentioned above</li> </ul>



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12	Intermediary shall provide a set of all the executed documents to the client, free of charge.	Intermediary shall display these standard documents prescribed by SEBI on its web site, intimate the clients regarding the link and email a copy of the same to the client.
13	Place of incorporation	If place of incorporation is not available, Intermediary should take Registered office address/ principal place of business of entity.
14	Date of commencement of business	Not applicable
15	Copies of the Memorandum and Articles of Association and certificate of incorporation	If FII or Sub Account does not have certificate of Incorporation or Memorandum and Articles of Association, then any reasonable equivalent legal document evidencing formation of entity may be allowed.
16	Copy of the Board Resolution for investment in securities market	Not applicable.

**Exemptions -**

In case of Sovereign Wealth Fund, Foreign Governmental Agency, Central bank, International or Multilateral organization and Central or State Government Pension Fund, the intermediary shall satisfy itself about their status and thereafter, only provisions at point 9 above shall be applicable. Further, these entities shall also be a part of KRA centralised system of KYCs.