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| <b>Department: Investigation</b>      | <b>Segment: All</b>       |
| <b>Circular No: MSE/ID/15439/2024</b> | <b>Date: May 31, 2024</b> |

**Subject: Review of validation of KYC records by KRAs under Risk Management Framework**

To All Members,

This is with reference to Exchange circular no: MSE/ID/13713/2023 dated June 26, 2023 and Exchange circular no: MSE/ID/14914/2024 dated February 16, 2024 regarding not permitted to trade in case PAN is not linked with their Aadhaar.

Trading members are also requested to refer SEBI Circular - SEBI/HO/MIRSD/SECFATF/P/CIR/2024/41 dated May 14, 2024 and Exchange circular no. MSE/ID/15389/2024 dated May 22, 2024 regarding the Review of validation of KYC records by KRAs under Risk Management Framework.

A copy of the said SEBI circular is enclosed as Annexure 1.

Point 12 of the FAQ on “KYC norms for Securities Market” provided by SEBI at [https://www.sebi.gov.in/sebi\\_data/faqfiles/may-2024/1715694256793.pdf](https://www.sebi.gov.in/sebi_data/faqfiles/may-2024/1715694256793.pdf) states the below

“12. Is PAN-Aadhaar seeding mandatory for transactions in securities market?”

No. The Indian government has made it mandatory for everyone to link their PAN to their Aadhaar, with certain exceptions for NRIs, non-citizens, those over 80, and residents of the states of Assam, Jammu and Kashmir, and Meghalaya.

Clients in whose case, PAN Aadhaar linkage are not found to be verified, shall be allowed to transact with the existing intermediary subject to valid PAN, however the client’s KYC shall not be allowed portability in securities market. “In view of the above , PAN - Aadhaar Seeding is no longer mandatory for trading in Securities Markets and if any investor who is eligible for seeding their PAN with their Aadhaar details has failed to do so, due to any reason, shall still be permitted to trade on the Exchange w.e.f. June 3, 2024, if all the other requisite conditions (like valid PAN, 6 KYC attributes, KRA compliant etc) are fulfilled.

Trading Members are advised to take note and comply with the above guidelines.

**For and on behalf of  
Metropolitan Stock Exchange of India Limited**

**Vipul Vaishnav  
Assistant Vice President**

**Metropolitan Stock Exchange of India Limited**

**CIRCULAR**

SEBI/HO/MIRSD/SECFATF/P/CIR/2024/41

May 14, 2024

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 in India (APMI)
5. BSE Administration & Supervision Ltd. (BASL)

Dear Sir/Madam,

**Subject: Review of validation of KYC records by KRAs under Risk Management Framework**

1. SEBI vide circular SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 dated Oct 12, 2023 has specified the Risk Management Framework at KRAs wherein the attributes for verification by KRAs have been mentioned. Based on the feedback received from the stakeholders in securities market and for ease of transacting by clients, the provisions of the Master Circular dated October 12, 2023 have been reviewed and it has been decided to simplify the risk management framework.

2. Based on the above, following clauses of the master circular stand modified:

2.1. Para 96 shall read as follows:

*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:*

- a. Permanent Account Number (PAN)
- b. Name
- c. Address

2.2. Para 100 shall be read as under:

*The records of those clients in respect of which all attributes mentioned in para 96 / 97 above are verified by KRAs with official databases (such as Income Tax Department database on PAN, Aadhaar XML / Digilocker / M-*

*Aadhaar) and PAN-Aadhaar linkage has also been verified as referred to in Rule 114 AAA of the Income Tax Rules, 1962 shall be considered as Validated Records.*

3. The Exchanges / Depositories / concerned intermediaries shall complete the necessary technical change in their systems by May 31, 2024.
4. 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.
5. This circular is available at [www.sebi.gov.in](http://www.sebi.gov.in) under the link "Legal --- Circulars".

Yours faithfully,

**Sapna Sinha**  
**Deputy General Manager**  
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