



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2020/444

October 14, 2020

FAQs ON SEBI CIRCULAR **CLARIFICATION ON KNOW YOUR CLIENT (KYC) PROCESS AND USE OF TECHNOLOGY FOR KYC**

DPs are advised to refer to Communique no. CDSL/OPS/DP/POLCY/2020/203 dated April 27, 2020 regarding SEBI Circular no. **SEBI/HO/MIRSD/DOP/CIR/P/2020/73** dated April 24, 2020 pertaining to **Clarification on Know Your Client (KYC) Process and Use of Technology for KYC and CDSL communique no. CDSL/OPS/DP/POLCY/2020/342** dated August 10, 2020 wherein common FAQs were provided which were prepared by both the depositories in consultation with SEBI.

To discuss the various issues/concerns raised by the Depository Participants, a meeting was initiated by both the depositories with SEBI regarding the said SEBI circular. Based on the outcome of the said SEBI meeting, modifications are incorporated in the FAQs (modifications are highlighted in yellow) [refer Annexure A].

DPs are advised to take note of the same and ensure compliance.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Umesh Kambli
Asst. Vice President - Operations

FAQ on SEBI Circular dated April 24, 2020 on online KYC

Q1. How will the RI verify the OVD/other documents, in case of receipt of clear photograph or scan copy of the original OVD with e-sign of the client?

There is no requirement for RI to verify the OVD/other documents in case of receipt of photograph or scan copy with e-sign of the client. Self-attestation by the client through the e-sign will be considered as sufficient and will satisfy the requirement of verification by RI. RI can verify the details provided to the client matches with the details on the OVD/other documents

Q2. Whether it is mandatory to take live photograph of the client in all cases of online account opening through the website/App/digital platform of the RI?

Yes, it is mandatory to take live photograph of the client whether the account is opened through the Aadhaar as OVD, any other OVD or through download of KYC from KRA. It is not permitted to upload the photograph of the client or take of photograph of the client photograph. Online KYC App of the RI should verify the liveliness of the photograph.

Q3. From which document the signature of the client can be cropped for affixing on the filled KYC form and submitted to the RI under e-sign of client?

Signature of the client can be cropped from a signed cancelled cheque, signature on a white paper or signature made on the screen of a device, provided such cropped signature on the document / screen is eSigned by the client and submitted to the RI. However, before esigning the document, the cropped signature should be inserted in the place holders of the KYC form and displayed to the investor.

Q4. How the e-sign of the client needs to be verified by the RI?

RI can verify the e-sign of the client on the basis of Name, gender and year of birth mentioned in the e-sign certificate and comparing the same with the client details available in its record.

Q5. How the digital sign on the equivalent e-document can be verified?

As per the procedure mentioned in the IT Act 2000, digital signature on the electronic document can be verified using the public key of the signature.

Q6. In which cases IPV/VIPV is required to be done by the RI at the time of doing the KYC?

If KYC is conducted based on Aadhaar Authentication, IPV/VIPV would not be required, however, entities should perform minimum due diligence to ensure authenticity of the data provided

Accordingly, IPV/VIPV is not required in following cases:

- OTP based e-KYC
- Biometric based e-KYC
- Offline verification of XML file
- Offline verification of Aadhaar QR Code
- OVD's downloaded from Digilocker
- KYC downloaded from KRA and client consent by OTP
- Documents from any other source which could be verified online.

IPV/VIPV will be required in case when the investor submits scanned copies of any OVD as prescribed by SEBI.

Q7. Whether PAN card can be considered as an identity proof for the purpose of KYC?

PAN is not included under the list of OVD's under the rule 2(d) of the PML rules. Hence, it can't be considered as a proof of identity by the RI.

Q8. Whether it is mandatory to provide copy of PAN card, if it is not considered as proof of identity?

Yes, photograph/scan of PAN should be provided by client under his e-sign or e-PAN can be provided through Digilocker which are issued directly by issuing authority to Digilocker.

Q9. What is the meaning of the scan of the OVD? Does it include the photocopy of the OVD?

Scan of the OVD means that original OVD is scanned using the scanning software or through the physical scanner available. It doesn't include the photocopy of the original document.

Q10. Whether it is mandatory for investor submit mobile number as updated in the Aadhaar database while doing KYC?

In cases where client is identified by using e-KYC through Aadhaar authentication services of UIDAI or offline verification through Aadhaar QR code/XML file client shall provide mobile number as updated in their Aadhaar. Where KYC is done by relying upon OVD other than Aadhaar, in such case, the mobile number/s of investor accepted as part of KYC should

preferably be the one seeded with Aadhaar. The Mobile number will be verified by RI through One Time Password (OTP) or other verifiable mechanism. .

Q11. Is it mandatory for the investor to submit email-id to RI?

Yes, it is mandatory to submit email id at the time of account opening using online account facility. RI shall verify the email-id using OTP / other verifiable mechanism.

Q12. Can scanned image or photo of OVD submitted by the client to the RI through video IPV or other online mechanisms be considered as a valid proof?

No. The OVD shown in the VIPV is as per rule 2 (1) (cb) where the document should have been validated by means of an electronic copy issued in the Digilocker under the valid signature of the issuing authority. Hence, any documents being obtained from the client outside this mechanism should be mandatorily obtained as a scanned image or photo under eSign.

Q13. In case RI is availing penny drop facility using API of the bank, is copy of signed cancelled cheque required to be obtained from client?

If RI is availing penny drop facility using API of the bank, copy of signed cancelled cheque is not required to be obtained from client. However, in cases where penny drop match fails, or in cases where penny drop doesn't return joint account holder name, clients should be asked to submit proofs like copy of signed cancelled cheque

Q14. If the investor's bank does not support the penny drop facility, can such details be accepted based on the copy of the signed cancelled cheque?

The RI shall attempt verification of bank account details using penny drop facility in all cases. But, if the investor's bank does not provide response to support the penny drop facility, the bank details can be accepted based on the copy of the signed cancelled cheque.

Q15. If the OVD furnished by the client does not contain the updated address, the documents as given in PML Rule 9(18), other than OVD given in the SEBI circular dated April 24, 2020, e.g. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill) OR

Property etc, whether it can be deemed to be the OVD for the limited purpose of address?

Yes, such documents will be treated as deemed 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 above documents. In case of non-receipt of the updated OVDs, no transactions shall be allowed in such account and intimation shall also sent to the Depository.

Q16. The KYC completion documents sent to the clients in cases where the investor has given address other than as given in the OVD have been returned undelivered. What action should be taken by the RI?

The account should be frozen for further transactions in the depository and the intimation should accordingly be sent to the client on mobile number and email id or on the permanent address of the client.

Q17. Whether Aadhaar as OVD can be accepted from Digilocker?

Yes, a digitally signed Aadhaar, issued to the DigiLocker by UIDAI can be accepted as an OVD under eSign of the client.

Q18. What are the features required in the photograph taken in online KYC application of the RI?

The online KYC application of RI should have a facility to take a photograph of the investor which has time stamping, geo-location tagging and liveliness check.