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CDSL/OPS/DP/POLCY/2023/268

May 2, 2023

SEBI CIR - PROCEDURE FOR IMPLEMENTATION OF SECTION 12A OF THE WEAPONS OF MASS DESTRUCTION

DPs are advised to refer **SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/062** dated **April 26, 2023**, regarding **Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries [refer Annexure]**.

DPs are advised to take note of the circular.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: helpdesk@cdslindia.com and telephone number 08069144800.

sd/-

Nilesh Shah
Asst. Vice President – Operations

CIRCULAR

SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/062

April 26, 2023

To,

1. All Intermediaries registered with SEBI under Section 12 of the Securities and Exchange Board of India Act, 1992
2. Stock Exchanges

Dear Sir/Madam,

Subject: Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries.

1. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR (**"the Order"**) detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (**"WMD Act"**). The Order may be accessed by clicking on [DoR Section 12A WMD.pdf](#).
2. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

"(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

- a) *Freeze, seize or attach funds or other financial assets or economic resources—*
 - i. *owned or controlled, wholly or jointly, directly or indirectly, by such person; or*
 - ii. *held by or on behalf of, or at the direction of, such person; or*
 - iii. *derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;*
- b) *prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act*

for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

3. The stock exchanges and registered intermediaries are directed to comply with the procedure laid down in the said Order.
4. The stock exchanges and registered intermediaries shall:
 - (i) Maintain the list of individuals/entities (“**Designated List**”) and update it, without delay, in terms of paragraph 2.1 of the Order.
 - (ii) verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, stock exchanges and registered intermediaries shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Chief Nodal Officer (“**CNO**”), without delay. The details of the CNO are as under:

The Director

FIU-INDIA

Tel.No.:011-23314458, 011-23314459 (FAX)

Email: dir@fiuindia.gov.in

- (iii) run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, insurance policies etc. In case, the clients’ particulars match with the particulars of Designated List, stock exchanges and registered intermediaries shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO, without delay.
- (iv) send a copy of the communication, mentioned in paragraphs 4(ii) and 4(iii) above, without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.
- (v) prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe

beyond doubt that funds or assets held by a client would fall under the purview of Section 12A (2)(a) or Section 12A(2)(b) of the WMD Act.

- (vi) file a Suspicious Transaction Report (STR) with the FIU-IND covered all transactions in the accounts, covered under paragraphs 4(ii) and (iii) above, carried through or attempted through.
- 5. Upon the receipt of the information above, the CNO would cause a verification to be conducted by the appropriate authorities to ensure that the individuals/entities identified are the ones in the Designated List and the funds, financial assets or economic resources or related services, reported are in respect of the designated individuals/entities. In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under section 12A would be issued by the CNO and be conveyed to the concerned reporting entity so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities.
- 6. Reporting entities shall also comply with the provisions regarding exemptions from the above orders of the CNO and inadvertent freezing of accounts, as may be applicable.
- 7. This circular is being issued as per directions under Para II (1.3) of the Order dated January 30, 2023.
- 8. This circular is being issued with the approval of the competent authority and shall come into force on and from the date of this Circular.
- 9. This circular is available at www.sebi.gov.in under the link "Legal ----- Circulars".

Yours faithfully,

Sapna Sinha
Deputy General Manager
Phone No. 022-26449748
Email id: sapnas@sebi.gov.in