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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2023/735

December 19, 2023

SEBI CIR – SIMPLIFICATION OF REQUIREMENTS FOR GRANT OF ACCREDITATION TO INVESTORS

DPs are advised to refer to the SEBI Circular no. **SEBI/HO/AFD/PoD1/CIR/2023/189** dated **December 18, 2023**, regarding **Simplification of requirements for grant of accreditation to investors [refer Annexure]**.

DPs are advised to take note of the same.

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/AFD/PoD1/CIR/2023/189

December 18, 2023

To,
All Recognized Stock Exchanges,
All Depositories,
All KYC Registration Agencies,
All Alternative Investment Funds,
All Portfolio Managers,
All Investment Advisers

Sir / Madam,

Sub: Simplification of requirements for grant of accreditation to investors

1. SEBI vide Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021 on 'Modalities for implementation of the framework for Accredited Investors', specified a framework for accreditation of investors by Accreditation Agencies. Based on the feedback received from various stakeholders, to provide flexibility and facilitate ease of accreditation of investors, it has been decided to simplify the requirements for grant of accreditation to investors as under:

1.1. Accreditation Agencies, which are also KYC Registration Agencies (KRAs), may access Know Your Customer (KYC) documents of applicants available with them in capacity of KRA and may also access the same from the database of other KRAs, for the purpose of accreditation.

1.2. The Accreditation agencies shall grant accreditation solely based on the KYC and the financial information of the applicants.

1.3. To this effect, the accreditation certificate issued by accreditation agencies shall include the following disclaimer:

"the assessment of the applicant for accreditation is solely based on the applicant's KYC and financial information and does not in any manner exempt market intermediaries and pooled investment vehicles from carrying out necessary due diligence of the accredited investors at the time of on-boarding them as their clients."

1.4. The validity period of the accreditation certificate has been revised as under:

1.4.1. If the applicant meets the eligibility criteria for preceding one financial year, the accreditation certificate issued shall be valid for a period of two years from the date of issuance. (earlier the accreditation was valid for one year)

- 1.4.2. If the applicant meets the eligibility criteria in each of the preceding two financial years, the accreditation certificate issued shall be valid for a period of three years from the date of issuance. (*earlier the accreditation was valid for maximum two years*)
 - 1.4.3. If the applicant is a newly incorporated entity, which does not have financial information for the preceding financial year but meets the applicable net-worth criteria as on the date of application, the accreditation certificate issued shall be valid for a period of two years from the date of issuance.
2. Accordingly, Annexure A ('Modalities of accreditation') and Annexure B ('List of documents to be submitted by applicant for accreditation') to the SEBI Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021 have been revised and are given at [Annexure 1](#) and [Annexure 2](#) of this circular respectively.
 3. Further, Stock Exchanges and Depositories are directed to bring the provisions of this circular to the notice of their subsidiaries who are recognized by SEBI as Accreditation Agencies.
 4. The provisions of this circular shall come into force with immediate effect.
 5. This circular is issued with the approval of the competent authority.
 6. 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.
 7. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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Annexure 1

Modalities of Accreditation

1. Eligibility Criteria for Accredited Investors

1.1. The following persons shall be eligible to be considered as Accredited Investor ('AI'):

- (i) Individuals, HUFs, Family Trusts and Sole Proprietorships, which meet the criteria as under:
 - (a) Annual Income \geq INR 2 Crore; OR
 - (b) Net Worth \geq INR 7.5 Crore, out of which at least INR 3.75 Crore is in the form of financial assets; OR
 - (c) Annual Income \geq INR 1 Crore + Net Worth \geq INR 5 Crore, out of which at least INR 2.5 Crore is in the form of financial assets.
- (ii) Partnership Firms set up under the Indian Partnership Act, 1932 in which each partner independently meets the criteria for accreditation.
- (iii) Trusts (other than family trusts) with net worth greater than or equal to INR 50 Crore.
- (iv) Body Corporates with net worth greater than or equal to INR 50 Crore.

1.2. Foreign investor incorporated/established in form other than those mentioned at para 1.1. above shall be subject to eligibility criteria as applicable to Body Corporates.

1.3. In case of accreditation of individual investors, HUFs and Sole Proprietorships, the value of the primary residence of the individual, Karta of HUF and the Sole Proprietor respectively, shall not be considered for calculation of net worth.

1.4. In case of investments held jointly by more than one individual, the following conditions shall apply for eligibility as AI:

- (i) Where the joint holders are parent(s) & child(ren), at least one person should independently fulfil the eligibility criteria for AI.
- (ii) Where the joint holders are spouses, their combined income/ net worth should meet the eligibility criteria for AI.

1.5. For the purpose of reckoning eligibility criteria, net worth of Body Corporates shall be calculated as under:

Net worth = (Capital + free reserves) - (Accumulated losses + deferred expenditure not written off)

- 1.6. For the purpose of reckoning eligibility criteria, net worth of Trusts shall be calculated as under:

Net worth = (Book value of all assets, other than intangible assets) - (Book value of total liabilities)

- 1.7. The eligibility of foreign investors to be accredited shall be determined on the basis of the rupee equivalent of their income and/ or net worth, as applicable.

2. Procedure for Accreditation

- 2.1. For accreditation, the prospective AI (“Applicant”) shall make an application to the Accreditation Agency in the manner specified by the Accreditation Agency. Detailed documentation required for accreditation is provided at [Annexure 2](#).
- 2.2. Accreditation agencies, which are also KYC Registration Agencies (KRAs), may access Know Your Customer (KYC) documents of applicants available with them in capacity of KRA and may also access the same from the database of other KRAs, for the purpose of accreditation.
- 2.3. The Accreditation Agency shall issue the Accreditation Certificate to the Applicant. Each Accreditation Certificate shall have a unique accreditation number, name of the Accreditation Agency, PAN of the Applicant, validity of accreditation (start date and end date). The Accreditation Certificate shall include a disclaimer that the assessment of the applicant for accreditation is solely based on the applicant’s KYC and financial information and does not in any way exempt market intermediaries and pooled investment vehicles from any due diligence required to be carried out of the accredited investors at the time of on-boarding them as their clients.

3. Validity of Accreditation

- 3.1. If the applicant meets the eligibility criteria for preceding one financial year, the accreditation certificate issued shall be valid for a period of two years from the date of issuance.
- 3.2. If the applicant meets the eligibility criteria in each of the preceding two financial years, the accreditation certificate issued shall be valid for a period of three years from the date of issuance.
- 3.3. If the applicant is a newly incorporated entity, which does not have financial information for the preceding financial year but meets the applicable net-worth criteria as on the date of application, the accreditation certificate issued shall be valid for a period of two years from the date of issuance.

4. Procedure to avail benefits linked to accreditation

4.1. Prospective investors shall, *inter-alia*, submit a copy of the Accreditation Certificate and an undertaking to the investment service provider to the effect that:

- (i) The prospective investor 'consents' to avail benefits under the AI framework.
- (ii) The prospective investor has the necessary knowledge and means to understand the features of the investment Product/service eligible for AIs, including the risks associated with the investment.
- (iii) The prospective investor is aware that investments by AIs may not be subject to the same regulatory oversight as applicable to investment by other investors.
- (iv) The prospective investor has the ability to bear the financial risks associated with the investment.

4.2. The investment service provider shall independently verify the status of accreditation of the prospective investor from the concerned Accreditation Agency. Further, investment service providers may obtain additional undertakings from prospective investors, provided they do not dilute or contravene the undertakings in terms of Para 4.1 above.

4.3. Prior to entering into a client agreement with an AI, the investment service provider shall disclose to the AI, details of the relevant conditions and regulatory concessions available for the proposed investment, applicable under the AI framework.

4.4. The client agreement between the investment service provider and AI shall, *inter-alia*, provide the following:

- (i) details of regulatory concessions agreed upon between the investor and the investment service provider, and the conditions for availing the same, and
- (ii) consequences, if any, in the event of the investor becoming ineligible to be an AI during the tenure of the said agreement.

5. Flexibility to investors to withdraw 'Consent'

5.1. Accredited Investors shall have the flexibility to withdraw their 'Consent' and discontinue availing benefits of accreditation, subject to the following:

- (i) An investor who withdraws 'Consent' after availing the benefit of lower ticket size shall be required to increase the investment to the minimum amount that is stipulated under the applicable regulatory framework for the particular investment product, within the timeframe specified in the client agreement.
- (ii) If an investor who has availed concessions to the regulatory framework withdraws the 'Consent' furnished to the investment service provider before the expiry of the client agreement, the investments already made shall be 'grandfathered' i.e. such investments already made shall continue to be reckoned as investments by an AI.

With effect from the date of withdrawal of consent, any further transaction shall be in accordance with the regulatory framework applicable to investors other than AIs.

- 5.2. Investors in pooled investment products which are launched exclusively for AIs, in which concessions to regulatory framework have been availed, shall not have the flexibility to withdraw their Consent.
- 5.3. The client agreement between the investment service provider and AI shall, *inter-alia*, provide the modalities for withdrawal of 'Consent' and consequences of the investor withdrawing the 'Consent'.

Annexure 2
List of Documents to be submitted by applicant for accreditation

The Applicant shall furnish self-certified copies of the following documents:

Information	Document to be submitted
Proof of Identity and Address	
In case of Individual/ HUF//Sole Proprietorship	(a) Copy of PAN Card (b) Copy of any 'Officially Valid Document'
In case of Body Corporates	(a) Copy of PAN card (b) Document of Incorporation
In case of Trusts	(a) Copy of PAN Card. (b) Copy of registered trust deed
Authorization to seek accreditation	
In case of body corporates/trusts	Letter from authorized signatory to apply for accreditation.
Proof of financial information	
In case of Individual / HUF/Sole Proprietorship/ Body Corporates/Trusts (Number of years for which financial information is provided shall determine the validity of the accreditation)	a) Copies of Income Tax Return(s) or ITR Acknowledgement <i>(Only in case of individuals/HUF/Family Trust/Sole Proprietorship)</i> , or; b) Copies of audited Financial Statements, or; c) Copies of Audited Financial Statements prepared by the statutory auditor for the current financial Year <i>(Only in case the entity is incorporated in the same financial Year)</i> , or; d) Net worth Certificate from practicing chartered accountant. The latest net-worth certificate shall not be older than 6 months. (Calculation of Net worth to be given as an Annexure to the certificate.)
Undertaking	
In case of Individual / HUF/ Sole Proprietorship/ Body Corporates/Trusts	Declaration from Applicant that: The submissions made to the Accreditation Agency are true and correct and if found incorrect, the application may be rejected.
Other Documents*	

**Accreditation Agency may seek other documents to verify the genuineness of the information/ documents submitted by the applicants and in cases where the information submitted by applicants appears to be contradicting/suspicious /fictitious.*
