Central Depository Services (India) Limited

Convenient ⌖ Dependable ⌖ Secure

COMMUNIQUÉ TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/POLCY/2023/212 **October 04, 2023**

SEBI – CENTRALIZED MECHANISM FOR REPORTING THE DEMISE OF AN INVESTOR THROUGH KRAS

Issuer / RTAs are advised to refer to the SEBI Circular no.**SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163** dated **October 03, 2023,** regarding **Centralized mechanism for reporting the demise of an investor through KRAs [refer Annexure].**

Issuer / RTAs 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

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163 **October 03, 2023**

To,
1. **KYC Registration Agencies (KRAs),**
2. **Stock Brokers through Recognized Stock Exchanges,**
3. **Depository Participants (DPs) through Depositories,**
4. **Asset Management Companies (AMCs) of Mutual Funds (MFs)**
5. **Portfolio Managers (PMs)**
6. **Collective Investment Schemes (CIS)**
7. **Investment advisors**
8. **Registrars to an issue and share Transfer Agents (RTAs)**
9. **Custodians**
10. **Alternate Investment Funds (AIFs)**
11. **Infrastructure Investment Trusts (InvITs)**
12. **Real Estate Investment Trusts (REITs)**
13. **Recognized Stock Exchanges and**
14. **Recognized Depositories**
15. **Listed companies through Recognized Stock Exchanges**

Dear Sir / Madam,

Sub: Centralized mechanism for reporting the demise of an investor through KRAs

1. It has been decided to introduce a centralized mechanism for reporting and verification in case of the demise of an investor and thereby smoothen the process of transmission in securities market. This circular spells out the operational norms including the obligations of regulated entities, including registered intermediaries that have interface with 'investors' / 'account holders' (used interchangeably) who are natural persons.

2. Listed companies wanting to provide the beneficial access to such a centralized mechanism to their investors[1] holding securities in physical form, are eligible to establish connectivity with KRA through their RTAs.

Obligation of Intermediary – verification of the death certificate

[1] This facility will be available for investors holding securities in physical form only if their PAN is available in the folio. However, such investors of listed companies that have not opted for KRA connectivity can still avail the beneficial measure of this circular, by dematerializing their securities.

3. Upon receipt of intimation about the demise of an investor from a joint account holder(s) or nominee(s) or legal representative or family member (hereinafter, collectively referred to as '**notifier(s)**', the 'concerned intermediary'[2] shall obtain the death certificate along with the PAN from the notifier and carry out the following steps;
    a. Verify the death certificate (to be completed by the next working day of its receipt)
        i. Online viz. the website of the issuing Government authority, or
        ii. Offline: OSV ('Original Seen and Verified') process by intermediary

    The intermediary shall treat the OSV of the death certificate accompanied with the PAN of deceased investor, received electronically along with the credentials of the notifier (including his / her PAN) and the validation report from an Investor Service Centre (**ISC**) of the Stock Exchange or Depository (**MII**)[3], to be on par with its own OSV.

    b. Record and retain self-certified copy of proof of identity, relationship with deceased and contact details of the notifier.

4. If the concerned intermediary, after receiving information about the demise of the investor from the notifier or after inferring[4] the same, does not have access to or is not in a position to obtain the death certificate, then it shall carry out the following steps;
    a. Intimate[5] the investor, notifier(s), or the nominee(s) that the KYC status of the investor has been flagged off as "On Hold" and require them to furnish the death certificate of the concerned investor.

    b. Upon receipt of the death certificate, the intermediary shall follow the steps as per paragraph 3 above.

Obligation of intermediary - Updation of records in the KRA system by the Intermediary

5. After verification of the death certificate, the concerned intermediary shall (on the same day of verification):

[2] For the purpose of this circular, the intermediary which receives the intimation of demise of investor or infers it first, is designated as the 'concerned intermediary'.
[3] The list of such ISC are available in the websites of the respective MIIs
[4] Upon receipt of inquiry for transmission or any letter addressed to the investor being returned undelivered with the remark 'deceased' or discovery by the intermediary through re-KYC or Customer Due Diligence done as per its AML / Risk Management practice.
[5] Use all the contact details of the investor available in its records, including postal address, e-mail address, phone number, mobile & land line numbers and also that of the nominee of the investor, to reach out to the notifier(s) / nominee(s)

a. Submit a 'KYC modification request' to the KRA that "information on death of investor received; death certificate verified" and also upload the relevant documents[6]

b. Block[7] all debit transactions in the account / folios of the deceased investor.

It is noted that for joint accounts, the specified mode of operation should be adhered to, and if the account is operated on Either OR Survivor, or Anyone or Survivor, etc. (i.e. modes other than joint mode), the account operation in such mode shall continue.

6. In case the death certificate is not received, the concerned intermediary shall (by the next working day of the intimation):
    a. Submit a 'KYC modification request' in the KRA system, "information on death of investor received; confirmation awaited".

Obligations of the KRA

7. The KRA, upon receipt of 'KYC modification' request from the intermediary as per paragraph 5 above, shall carry out the following steps;
    a. Independent validation and verification by the next working day of receipt of modification request:
        i. perform independent validation and verification using details available in its system and source validation / verification wherever feasible
        ii. contact other linked intermediaries also to check if they have any update in this regard and status of account maintained by them

    b. Upon validation of the death certificate, the KRA, shall update the KYC record as "Blocked Permanently" in the system and intimate this updation to all linked intermediaries.

    c. For KYC modification requests received as per paragraph 6 above, the KRA shall flag off the KYC of the investor as "On Hold", and update this status to all linked intermediaries.

    d. If KRA finds some errors / issues with the modification request as aforesaid, it shall consult with the concerned intermediary and share details of its observations and accordingly update the KYC status to "Modification Rejected and Clear i.e. Validated" or "Blocked Permanently", as the case may be, by the next working day.

[6] such as the verified death certificate, validation report, credentials of the notifier etc.
[7] Including blockage of all non-financial transaction requests

e. The KRAs shall put in place systems, protocols and procedures to operationalize this circular and the same shall be uniform across all KRAs.

Intimation on Transmission of assets of the deceased investor

8. Upon receipt of notification from KRA as "Blocked Permanently", all intermediaries shall:
    a. Immediately block all debit transactions in the account / folios of the deceased investor as per paragraph 5 b. above and

    b. Intimate the notifier / nominee, within 5 days about the procedure for transmission, provide the transmission request form and the list of documents required for the transmission. In case of joint account/s, the intermediary shall intimate the surviving joint account holder(s) as aforesaid.

Transaction request in accounts / folios flagged off as "On Hold"

9. If there is any transaction request received by any intermediary in the account / folio held by it, which is flagged off as "On Hold" as per paragraph 4 or 7, it shall allow the transaction only after conducting additional due diligence as may be appropriate, including through video call with the investor or In-Person Verification (**IPV**)[8] which serves to establish that the investor is alive.

10. In case where the information about demise of the investor is proven to be incorrect when the intermediary is able to establish contact with the concerned investor, the intermediary shall submit a 'KYC modification request' in the KRA system as, "intimation of death of investor is false" and also upload a report of its additional due diligence to the KRA. This shall be done on the same day in order to avoid any inconvenience to the investor.

11. The KRA shall in turn, revert the status of the KYC to 'Clear or Validated' and issue this update to all linked intermediaries, all on the same day.

Other obligation of Intermediaries

12. All intermediaries who have account or folios of investors whose status has been updated as deceased by the KRA, shall submit the data w.r.t. intimation of transmission as per paragraph 8 b. above, and its outcome thereof, to SEBI, in the format as may be prescribed.

13. In order to have uniformity for operationalizing this circular, Stock Exchanges, Depositories and industry associations like Association of Mutual Funds in India (AMFI), Registrars Association of India (RAIN) etc. in consultation with stakeholders including KRAs, may put in place common Standard Operating

[8] Record of such interaction shall be duly preserved by the intermediary for a period of seven years.

Procedure (**SOP**). The SOP shall be made available on their websites as well as that of the intermediaries.

14. This circular shall come into effect from January 01, 2024.

15. This circular is issued in exercise of the 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.

16. This circular is available on SEBI website at www.sebi.gov.inunderthe categories “Legal Framework -> Circulars”.

Yours faithfully,

S. Manjesh Roy
General Manager
Officer of Investor Assistance and Education
Investor Awareness Division - 3
Tel no.: +91-22-2644 9710 or 4045 9710
manjeshsr@sebi.gov.in

***