Consultation paper on Introduction of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Certification requirement for Principal Officer

1. Objective

1.1. The objective of this consultation paper is to seek comments/suggestions from the public and stakeholders on the proposal relating to introduction of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) certification requirement for Principal Officer of all intermediaries registered with SEBI under Section 12 of the SEBI Act, 1992.

1.2. The proposed certification is intended to strengthen the knowledge, competence and professional capacity of Principal Officers responsible for implementation of AML/CFT compliances in the securities market.

2. Background

2.1. The Prevention of Money Laundering Act, 2002 ("PMLA") and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 ("PML Rules"), inter-alia prescribe obligations for reporting entities, including intermediaries registered with SEBI.

2.2. As per Rule 2(f) of the PML Rules, the 'Principal Officer' has been defined as '*an officer designated by a registered intermediary; provided that such officer shall be an officer at the management level*'.

2.3. SEBI has issued the Master Circular dated June 06, 2024 on '*Guidelines on Anti-Money Laundering Standards and Combating the Financing of Terrorism / Obligations of Securities Market Intermediaries under the PMLA and Rules framed thereunder'*. The Master Circular inter-alia provides for appointment of a 'Principal Officer' by registered intermediaries, including the following responsibilities of a Principal Officer:

2.3.1. To timely report suspicious transactions to the authorities (FIU-IND);

2.3.2. To record reasons for treating any transaction or a series of transactions as suspicious

2.3.3. To act as a central reference point in facilitating onward reporting of suspicious transactions;

2.3.4. To play an active role in the identification and assessment of potentially suspicious transactions.

2.4. Further, the Master Circular provides that registered intermediaries should give due regard to risk of money laundering and terrorist financing while hiring and ensuring existing personnel taking up key positions are fully suitable and competent to perform their duties. Additionally, registered intermediaries should conduct ongoing employee

training programmes covering AML/CFT procedures and sensitizing their clients about regulatory requirements under AML/CFT framework.

3. Proposals for consideration

3.1. **Proposal 1: Certification for Principal Officer:** The role and responsibilities of the Principal Officer include overseeing and ensuring overall compliance with the regulatory guidelines on AML/CFT framework. The Principal Officer is expected to have adequate understanding of :

3.1.1. the provisions of the PMLA, 2002 and PML Rules, 2005;
3.1.2. SEBI's AML/CFT framework;
3.1.3. Customer due diligence and Beneficial ownership requirements;
3.1.4. Risk-based classification of clients;
3.1.5. Enhanced due diligence;
3.1.6. Identification and assessment of suspicious transactions;
3.1.7. Reporting requirements to FIU-IND;
3.1.8. Confidentiality and prohibition against tipping-off;
3.1.9. Targeted financial sanctions under UAPA;
3.1.10. Requirements relating to proliferation financing under the WMD Act;
3.1.11. FATF high-risk jurisdictions;
3.1.12. Transaction monitoring systems;
3.1.13. Maintenance and retrieval of records; and
3.1.14. Emerging ML/TF risks, including risks arising from new products, technologies and delivery mechanisms.

3.2. The effective implementation of the AML/CFT framework depends on Principal Officer possessing adequate knowledge and competence to discharge their responsibilities.

3.3. At present, the Master Circular issued by SEBI provides for mandatory appointment of the Principal Officer at the management level. However, the said Circular does not prescribe any AML/CFT related certification requirement for the Principal Officer.

3.4. So, the level of AML/CFT knowledge/expertise of Principal Officers may vary across intermediaries.

3.5. SEBI prescribes various NISM certifications for persons engaged or employed by securities market intermediaries under Regulation 3(1) of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007. Currently, there are a total of 28 NISM certifications mandated for different categories of persons engaged or employed by intermediaries. A few of these certifications are listed below:

Sl. No.	NISM certification	Certificate Mandated For
1	NISM-Series-III-A: Securities Intermediaries Compliance (Non-Fund)	Compliance officer of an Intermediaries registered with SEBI as stockbrokers, depository participants, merchant bankers, underwriters, bankers to the issue, debenture trustees, or credit rating agencies.
2	NISM-Series-V-A: Mutual Fund Distributors	Mutual fund Distributor: Persons engaged in the sale and/or distribution of mutual fund products.
3	NISM-Series-VII: Securities Operations and Risk Management	Associated persons of a registered stock broker involved in activities related to investor funds, the redressal of investor grievances, and internal control or risk management.
4	NISM-Series-X-A: Investment Adviser (Level 1) and NISM-Series-X-B: Investment Adviser (Level 2)	Investment adviser: Offering investment advisory services.
5	NISM-Series-XV: Research Analyst	Research Analyst: Engaged in the preparation and/or publication of research reports or research analysis.
6	NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents – Corporate and NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents - Mutual Fund	RTA: A person performing functions for listed companies or mutual funds at an RTA.

3.6. Considering the central role performed by Principal Officers in ensuring compliance with AML/CFT framework, it is proposed that AML/CFT related certification may be introduced for the Principal Officers.

Proposal 1

Whether AML/CFT certification be made mandatory for every Principal Officer of a SEBI-registered intermediary?

3.7. **Proposal 2: Certification Institute:** As part of SEBI's ongoing efforts to strengthen the capital market, SEBI has been organising outreach programs on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) framework for the benefit of securities market intermediaries. Towards this objective, the certification course on AML/CFT Provisions in Securities Market Certification Examination, has been conceptualized and developed by SEBI in collaboration with NISM.

3.8. Vide communique dated February 07, 2025, NISM announced the launch of NISM-Series-XXIV: Anti-Money Laundering and Combating the Financing of Terrorism Provisions (AML and CFT) in Securities Market Certification Examination w.e.f. Feb 28, 2025. The Certification examination covers various aspects related to Anti Money

Laundering (AML), Combating the Financing of Terrorism (CFT) and Proliferation Financing (PF), requirements under Prevention of Money Laundering Act, 2002 (PMLA) and PML Rules, 2005, Scheduled Offences, AML and CFT Guidelines issued by SEBI, KYC Guidelines, PMLA related cases etc.

3.9. This certification examination seeks to create a common minimum knowledge benchmark for the employees of securities market intermediaries about AML/CFT Provisions in Securities markets.

3.10. In view of the above, it is proposed that the above NISM certification conducted by National Institute of Securities Markets (NISM) may be mandated for Principal Officers.

Proposal 2

Whether NISM-Series-XXIV: Anti-Money Laundering and Combating the Financing of Terrorism Provisions (AML and CFT) in Securities Markets Certification Examination be mandated for Principal Officers?

3.11. **Proposal 3: Timeline for acquiring the certification:** To ensure that Principal Officers possess an adequate understanding of their statutory obligations under Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework through formal certification, it is proposed that all Principal Officers shall successfully complete the prescribed certification course within the following specified timelines.

3.11.1. For existing Principal Officers: Within a maximum period of six (6) months from the date of issuance of this requirement.

3.11.2. For newly appointed Principal Officers: Within a maximum period of six (6) months from the date of their official appointment.

3.12. A Principal Officer shall continuously hold and maintain the validity of the said certification at all times throughout their tenure while discharging their official duties and responsibilities under the SEBI Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations.

Proposal 3

Whether the timeline of six (6) months for compliance with the certification requirement should be mandated for both existing and newly appointed Principal Officers?

4. Public Comments

4.1. **Public comments are invited on the proposals 1 to 3** as mentioned above and draft Circular in the matter placed at **Annexure A**. The comments / suggestions along with rationale should be submitted no later than **November 27, 2026**, through the following link of web based form:

https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes

It may be noted that the comments/suggestions should be mandatorily submitted through the web based form. Comments/suggestions submitted through any other mode may not be considered.

4.2. In case of any technical issue in submitting your comment through web based public comments form, you may intimate the details of technical issue to consultationmirsd@sebi.gov.in with the subject: "*Consultation paper on Introduction of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Certification requirement for Principal Officer*".

Issued on: November 6, 2026

Encl: Annexure-A

Annexure-A

DRAFT CIRCULAR

SEBI/HO/MIRSD/ MIRSD-PoD/P/CIR/XXXX/XX DD-MM-YYYY

To,

1. **All Intermediaries registered with SEBI under Section 12 of the Securities and Exchange Board of India Act, 19922.**
2. **Stock Exchanges**

Dear Sir/Madam,

Subject: NISM Certification for Principal Officer under AML/CFT Guidelines

1. In terms of Paragraph 76 of SEBI Master Circular no. SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 06, 2024, registered Intermediaries are required to appoint a Principal Officer to fulfill compliance obligations under the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) and SEBI Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).
2. To ensure that Principal Officers possess an adequate understanding of their statutory obligations under Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework and effectively discharge their obligations, it has been decided that all Principal Officers of registered Intermediaries shall hold a valid certification of "*NISM-Series-XXIV: Anti-Money Laundering and Combating the Financing of Terrorism Provisions (AML and CFT) in Securities Markets Certification Examination*" conducted by the National Institute of Securities Markets (NISM).
3. A Principal Officer shall continuously hold and maintain the validity of the aforesaid certification at all times throughout their tenure while discharging their official duties and responsibilities.
4. The Principal Officer shall successfully complete the course within six (6) months from the date of issuance of this circular, or from the date of their appointment as such, as the case may be.
5. All registered intermediaries shall ensure strict compliance with these provisions. Further, apart from the Principal Officer, other employees handling AML/CFT-

related activities for the registered intermediaries may also be encouraged to undergo the aforementioned certification examination.

6. This circular is issued in exercise of the powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with Rule 7(3) of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and Regulation 3(1) of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
7. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars'.

Yours faithfully,

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