

Frequently Asked Questions in respect of reliance on the records of client due diligence (KYC) carried out by a third party

SEBI has been receiving the following requests / queries from various market participants with respect to reliance on the records of client due diligence (KYC) carried out by a third party and in-person verification:

1. Can SEBI registered intermediary, while entering into account based relationship, rely on the records of client due diligence (KYC) carried out by a third party?

Yes. In terms of sub-rule 9 (2) of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules) for the purpose of verification of identification of clients at the time of commencement of an account-based relationship which includes in-person verification, reporting entity (registered intermediary) may rely on a third party subject to the conditions that

- a. the reporting entity, within two days, obtains from the third party or from the Central KYC Records Registry (CKYCR) records or the information of the client due diligence carried out by the third party.;
- b. the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- c. the reporting entity is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- d. the third party is not based in a country or jurisdiction assessed as high risk;
- e. the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

2. Whether SEBI registered intermediary is required to take any approval from SEBI to rely on the records of client due diligence (KYC) carried out by a third party?

No, intermediary can rely on information of client due diligence carried out by a third party, provided

- a. explicit consent of the client is obtained to share such information available with the third party,
- b. approved policy/ laid down procedure/ approval of the concerned regulator of the third party permits such sharing of the records of client due diligence (KYC) available with the third party.
- c. PML Rules are complied with.

3. Whether in-person verification is required to be carried out if the intermediary relies on the records of client due diligence (KYC) carried out by a third party?

SEBI registered intermediary can rely on the in-person verification carried out by a third party, if it obtains the records or the information of the client due diligence, including in-person verification, carried out from the third party or from the Central KYC Records Registry (CKYCR). However, the SEBI registered intermediary, entering into account based relationship with the client, shall be ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.