

GOVERNMENT OF INDIA
 MINISTRY OF FINANCE
 DEPARTMENT OF ECONOMIC AFFAIRS
 FINANCIAL MARKETS DIVISION
 PRIMARY MARKETS SECTION

LOK SABHA UNSTARRED QUESTION NO. 3947

TO BE ANSWERED ON FRIDAY, 09TH DECEMBER, 2016/AGRAHAYANA 18, 1938

(SAKA)

SUBJECT: INVESTMENT IN MUTUAL FUNDS

NAME OF THE MP: SHRI V. ELUMALAI:

Question	Answered by
Will the Minister of FINANCE be pleased to state:	Shri Arjun Ram Meghwal Minister of State for Finance
(a) whether KYC based on PAN or Aadhaar is no more sufficient for investment in mutual funds, stock and commodities markets and if so, the details thereof;	(a) SEBI has made Permanent Account Number (PAN) mandatory for all participants in the securities market with effect from July 02, 2007. Further, SEBI vide circular dated July 21, 2016 operationalized the Central KYC Records Registry (CKYCR), the requirement for PAN continues to be mandatory for completing the KYC process for investment in mutual funds, stocks and commodity derivatives market. As per Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and common KYC template for individuals finalised by Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), while Aadhaar is considered as officially valid document for both proof of identity and proof of address, PAN is considered as officially valid document only for proof of identity.
(b) whether the investors have to provide extra information which is not even required to get PAN and Aadhaar card and if so, the details thereof; and	(b) The additional fields required in common KYC template for individuals prescribed by CERSAI for CKYCR as compared to KYC requirements for individuals earlier prescribed by SEBI vide its circular dated December 26, 2013 are placed at Annexure-A .
(c) whether central KYC rules is likely to affect the investors and the e-KYC process and if so, the details thereof?	(c) In terms of SEBI circular dated January 22, 2016, Aadhaar based e-KYC can be carried out by providing Aadhaar number (and PAN, where applicable). In this process intermediaries can perform verification of the client with Unique Identification Authority of India (UIDAI) through biometric authentication (fingerprint or iris scanning) and physical signature of the investor is not required. One Time password (OTP) process is also enabled for mutual fund investors for investment amount not exceeding INR 50,000 per financial year per Mutual Fund.

	<p>The above Aadhaar based e-KYC process cannot be carried out for investors after Central KYC rules have come into force from July 2016 for all financial market intermediaries. Central KYC rules, inter-alia, requires mandatory capture of physical signature of the investors for KYC which is not required in e-KYC process.</p> <p>The purpose of establishing the Central KYC Records Registry (CKYCR) by the Government is to allow access to KYC data in a centralized and cost effective manner across banking, insurance, securities markets etc. Once the CKYCR is fully operational, the regulated entities would find it profitable to access the data directly. CKYCR would thereby have the effect of enhancing customer convenience and the ease of doing business by encouraging low cost access by regulated entities to CKYCR data.</p>
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Annexure-A

Sr. No.	Field Description	Mandatory / Optional
	Personal Details	
1	Maiden Name	Mandatory (If any)
2	Mother's Name	Mandatory
3	Occupation Type	Mandatory
	Residence for Tax purposes in jurisdiction(s) outside India	
4	Tick if applicable	Mandatory (if applicable)
5	ISO 3166 Country Code of Jurisdiction	Mandatory (if applicable)
6	Tax Identification Number	Mandatory (if applicable)
7	Place / City of Birth	Mandatory (if applicable)
8	ISO 3166 Country Code of Birth	Mandatory (if applicable)
	Proof of Identity	
9	Expiry date of proof of Identity	Mandatory (If applicable)
	Proof of Address	
10	Address in Jurisdiction where applicant is resident outside India for Tax purposes	Mandatory (if applicable)
11	Address Type	Mandatory
	Details of related person	Optional (If applicable)
12	Addition of Related Person / Deletion of Related Person	Mandatory (If opted to fill details of related person)
13	KYC Number of Related Person	Mandatory (If opted to fill details of related person and if available)
14	Related Person Type	Mandatory (If opted to fill details of related person)
15	Name of Related Person	Mandatory (If opted to fill details of related person)
16	Proof of Identity of Related Person (Number)	Mandatory (If opted to fill details of related person and if KYC number of

Sr. No.	Field Description	Mandatory / Optional
		related person not available)
17	Proof of Identity of Related Person (Expiry Date)	Mandatory (If opted to fill details of related person, if KYC number of related person not available and if applicable)
	Declaration	
18	Place of Declaration	Mandatory