



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/SYSTM/2023/493

August 18, 2023

VALIDATION OF AADHAAR BASED KYC RECORDS WITH KRA

DPs are advised to refer CDSL Communique no. CDSL/OPS/DP/SYSTM/2023/261 dated April 27, 2023, *Guidelines in pursuance of amendment to SEBI KYC (Know Your client) Registration Agency (KRA) Regulations, 2011* wherein DPs were advised to follow up with their existing BOs, in case the existing clients whose KYC records are not found to be valid by KRA after the validation process, as per intimation received from KRA, the same should be frozen for both - debit and credit with freeze reason code "22 - KYC verification Non-Compliant Account".

DPs may be knowing that KRAs have issued communication to SEBI Registered Intermediaries (SRIs) that the KYC records which do not get validated by August 18, 2023, their status on KRA system will be updated with 'suitable status' on August 19, 2023, and the transactional access needs to be handled/restricted by the SRIs accordingly.

DPs are once again advised to follow up with their all-existing BOs (who have used Aadhaar as an OVD) to validate their KRA within a period of 180 days from November 01, 2022. Else, as mentioned in para 11 of SEBI Circular no. SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated April 06, 2022 i.e. *"Clients whose KYC records are not found to be valid by KRA after the validation process shall be allowed to transact in securities market only after their KYC is validated."* and the existing BOs, wherein the KYC records are not found valid by KRAs after validation process as on August 18, 2023 shall be frozen for both - debit and credit with freeze reason code "22 - KYC verification Non-Compliant Account".

DPs are advised to note that to avoid any market disruption and in consultation with SEBI and Stock Exchanges, it has been decided that demat accounts of existing clients whose KYC are not found valid by KRA will be suspended by Depositories on **September 6, 2023 (Wednesday)**, considering the updated data made available by KRAs as on September 1, 2023.

DPs are advised to note that to avoid any market disturbance and in consultation with SEBI and Stock Exchanges, it has been decided that such existing demat accounts whose KYC are not found valid by KRA as on September 1, 2023. will be frozen (*for sole or any joint account holder excluding Clearing Member (CM) Pool accounts*) after two working days i.e. on September 6, 2023 (Wednesday).



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Process of freezing of demat accounts:

For operational convenience of the DPs, CDSL will be freezing the Demat accounts for both - debit and credit with freeze reason code "22 - KYC verification Non-Compliant Account". on September 6, 2023 (Wednesday), considering the latest KRA validation failed data as of September 1, 2023.

Data of such frozen demat accounts will be provided to respective DPs in their billing folder. DPs have to intimate through e-mail / SMS / letter to their demat account holders whose accounts are frozen for both – debit and credit.

Process of unfreezing of the demat accounts:

In future, if any demat account holder/s are approaching to the DPs for removal of said freeze, the DP is required to verify that the status of KYC record for given PAN on KRA system and (for sole / all the eligible joint holders) and ensure that same is validated by KRA.

After successful verification, DPs may remove freeze of demat account at their end. Such removal of freeze of demat accounts may be undertaken by Participants suo-moto also after necessary verification.

DPs are advised to note the same and ensure compliance. Further DPs are also advised to make necessary changes in their back office.

Queries regarding this communiqué may be addressed to: CDSL – Helpdesk Emails may be sent to: helpdesk@cdslindia.com and telephone numbers 08069144800.

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Nilesh Shah
Asst. Vice President – Operations