

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market

Background

In pursuance of SEBI's prime mandate of investor protection, Unclaimed Assets (UA) of investors in securities markets has been identified as a focus area for policy action. As part of SEBI's ongoing multi-pronged approach to tackle the problem of UA, it is proposed to implement the captioned measure through issuance of circular, as per draft annexed. The key features of the draft circular, include;

1. Direction to
 - 1.1. Depositories and Mutual Funds to provide demat and MF holding statement, respectively, in the DigiLocker
 - 1.2. KRAs to provide information on demise of investor, available with them vide [SEBI circular dated October 03, 2023](#), to DigiLocker
2. DigiLocker users can provide nominee for their DigiLocker account
3. Upon demise of the DigiLocker user, their status shall update, using information either from
 - 3.1. data of registration of deaths of the Registrar General of India (RGI) or
 - 3.2. the KRA system
4. The DigiLocker shall issue automatic intimation to the DigiLocker nominee by SMS and e-mail, who can now access the digital information in the account of the deceased user / investor.
5. In turn this nominee can initiate the process of transmission of the financial asset by approaching the concerned AMC and or DP.

Public Comments:

Public comments are invited on the draft of the captioned circular placed at **Annexure A**.

The comments/ suggestions should be submitted latest by **December 31, 2024**, through the following link:

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

In case of any technical issue in submitting your comment through web based public comments form, you may write to ia_ho@sebi.gov.in with the subject: "Public comments on Draft Circular - "Harnessing DigiLocker as a Digital Public Infrastructure for reducing unclaimed assets in the Indian Securities Market".

Encl: Annexure-A



DRAFT CIRCULAR

SEBI/HO/OIAE/OIAE_IAD-3/P/CIR/2024/XXXX

DD-MM-YYYY

To,

1. **Asset Management Companies (AMCs) of Mutual Funds (MFs) and their Registrars to an issue and share Transfer Agents (RTAs)**
2. **Recognized Depositories**
3. **KYC Registration Agencies (KRAs)**

Dear Sir / Madam,

Subject: Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market

1. In pursuit of its key mandate of investor protection and safeguarding investor's interests, SEBI has focussed its attention to help reduce creation of Unclaimed Assets (**UA**) in securities market. Some of the measures taken by SEBI to address the problem of **UA** in Indian securities market, include:
 - a) *stipulation of norms for inactive / dormant accounts and folios,*
 - b) *mandating furnishing of contact and bank details by investors,*
 - c) *mandating investors to either provide nomination or expressly opting-out from making a nomination,*
 - d) *simplification of norms for transmission,*
 - e) *centralized mechanism for reporting demise of investor*
2. With a view towards reducing UA (and unidentified UA¹) in the Indian securities market, it is proposed to harness the prowess of digital public infrastructure (specifically DigiLocker) and of the KRAs registered with the Board.
3. **DigiLocker**
 - 3.1. DigiLocker is digital document wallet of the Government of India (GoI), facilitating citizens obtaining and storing documents like Aadhaar, PAN, Driving Licence, Death Certificate etc. 'Issued documents' in DigiLocker are deemed to

¹ Conventionally, a folio / account is identified as unclaimed when the dividend / interest credit is unsuccessful or the letter / cheque returns undelivered. Such criteria are ineffective if the dividend / interest payments get credited into the bank account of a deceased investor. The family member would not apply for transmission of the folio / account as they may not be aware of the investment in the first place. In such instance, the folio / account is not only unclaimed, but is also not identified as unclaimed thereby becoming unidentified unclaimed assets. This circular is aimed at preventing the creation of unidentified unclaimed assets in mutual funds and demat accounts

be at par with originals. The functionalities, features and benefits of DigiLocker are enumerated in **Annexure – A** to this circular.

3.2. Gol, vide office memorandum dated December 28, 2020², stipulated that entities / institutions delivering citizen services shall integrate their system with DigiLocker. Bank account statement, insurance policy and statement of New Pension Scheme (NPS) are already available in the DigiLocker.

3.3. The proposed inclusion of MF and demat holding statements within DigiLocker, can make available the entire financial holdings of individuals in a single DigiLocker account.

4. **DigiLocker Nominee/s**

DigiLocker also provides nomination facility for its users. The nominee/s specified by the user is/are authorised to access the digital information of the user upon the demise of the user. While specifying the nominee, the user is required to provide the mobile number and e-mail address of the nominee.

5. **Updation of status in DigiLocker User upon demise**

DigiLocker system will update the status of demise of its user, from either of the following sources;

5.1. register of deaths of the Registrar General and Census Commissioner (RGI, see **Annexure – A** for an elaboration) or

5.2. verified information on demise and also the death certificate of the investor available with KRA system, that administers the [centralized mechanism for reporting demise of investors](#). See **Annexure – B** for an elaboration of this mechanism. It is clarified that this information shared by the KRAs with the DigiLocker system, shall not render it an 'Issued document'

6. **Intimation to DigiLocker Nominee/s upon demise of DigiLocker User**

6.1. At SEBI's instance the Digital India Corporation (DIC) has created a mechanism whereby the DigiLocker system automatically notifies the DigiLocker Nominee/s about demise of the user through SMS and e-mail.

6.2. DigiLocker Nominee/s can then access the digital information of the deceased DigiLocker user, through the nominee's own DigiLocker account. Harnessing the nomination mechanism in DigiLocker can facilitate information about the financial assets being available to such nominee/s and aid in transmission of the assets

6.3. It is noted that the nomination mechanism in DigiLocker does not alter the norms governing transmission for the mutual funds or demat accounts. *Do see an illustration of transmission to DigiLocker nominee vis-à-vis Nominee of MF folio / demat account as provided in **Annexure – C**.*

² Office Memorandum No. MISC/UNIVERSALDIGITALACCESS/20-21 (e-6862) on Adoption of DigiLocker to promote Citizen Centric Service Delivery, by Department of Administrative Reforms and Public Grievances

7. Directions to Securities Market Intermediaries

7.1. Accordingly, all AMCs (and their RTAs) and recognised Depositories are directed to register with DigiLocker as Issuers so as to enable user / investor, at their own option, to fetch her;

- holding statement, as of the date immediately preceding the date of fetching by the user, OR
- transaction statements for the last 30 days

of mutual fund units and demat accounts, respectively, to such user's DigiLocker account.

AMCs and Depositories at their choice may provide information to DigiLocker user beyond the aforesaid minimum regulatory requirement.

7.2. KRAs are directed to electronically share the details of demise of investors, available in their system and as is intimated from time to time, with DigiLocker with adequate safeguards for data safety. The technical details of data to be shared may be as mutually agreed, between DLC, SEBI and KRA, from time to time.

Advisory to Investors

8. Investors may consider becoming users of DigiLocker and also consider specifying nominee/s for the DigiLocker (over and above the nomination/s if any made in their demat account and MF folio). This will ensure that in case of demise of the user, notified to DigiLocker as contemplated in this circular, the DigiLocker nominee/s will get notified by the DigiLocker, thereby enabling the DigiLocker nominee/s to access the information about financial assets of the deceased user, and thereby help in initiating the transmission of deceased investor's financial assets. This can prevent mutual fund holdings and demat account holdings becoming unidentified and/or unclaimed.
9. Investors holding securities in physical mode, can also avail the beneficial measures envisaged in this circular by opting to de-materializing their residual holdings.
10. This circular shall come into effect from xxxxxx xx, xxxx.
11. All Recognised Depositories are advised to
 - 11.1. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of this circular; and
 - 11.2. Communicate to SEBI, the status of the implementation of the provisions of this circular.

12. 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.
13. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework -> Circulars".

Yours faithfully,

S. Manjesh Roy
General Manager

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Cc:
Digital India Corporation (DIC),
National e-Governance Division (NeGD),
Ministry of Electronics and Information Technology (MeitY)

Annexure - A

To circular No. xxxx on Harnessing DigiLocker as a Digital Public Infrastructure for reducing unclaimed assets in the Indian Securities Market dated xxxxx

1. **DigiLocker**: functionalities and features

1.1. DigiLocker is an initiative of the Ministry of Electronics and IT (**MeitY**) of the Government of India under the Digital India programme and is operated by Digital India Corporation (**DIC**), National e-Governance Division (**NeGD**). DigiLocker aims at digital empowerment of citizens by providing access to authentic digital documents to the citizen's digital document wallet. Such documents include Aadhaar, PAN, Driving Licence, Birth and Death certificates, bank account statement, insurance policy, and statement of New Pension Scheme³ etc. The issued documents in DigiLocker system are deemed to be at par with original documents⁴.

1.2. DigiLocker Benefits

Citizens benefit by being able to access important documents anytime, anywhere. These are authentic Documents, legally at par with originals. With the citizen's consent, digital document exchange can happen. All these enable faster service delivery of government benefits, financial inclusion, etc.

1.3. DigiLocker also serves as a secure document gateway by facilitating secure document exchange platform between trusted issuer and trusted requester / verifier with the consent of the citizen. DigiLocker also enables real time verification as it provides a verification module enabling government agencies to verify data directly from issuers after obtaining user consent.

2. Updation of status in DigiLocker User upon demise

2.1. The DigiLocker system has API integration with the RGI's Civil Registration System (**CRS**) portal⁵ for accessing Birth and Death certificates and users can fetch and store these certificates in their DigiLocker account.

2.2. Further, death certificate containing the Aadhaar number⁶ of the deceased alone can be uniquely identified by the DigiLocker system and the DigiLocker system will update the status of the user as deceased.

2.3. As such the furnishing of Aadhaar is optional for the generation of death certificate. In the absence of a unique identifier, the DigiLocker may not be able to update the status of demise in its systems.

³ Where the concerned bank, insurance company, Central Record Keeping Agency of NPS or the registration department of the State Government is registered with DigiLocker as Issuer.

⁴ In terms of Rule 9A of the Information Technology (Preservation and Retention of Information by Intermediaries providing Digital Locker facilities) Rules, 2016 notified on February 8, 2017 vide G.S.R. 711(E), under the Information Technology Act, 2000.

⁵ In terms of Registration of Births and Deaths (Amendment) Act, 2023, w.e.f. October 01, 2023, the RGI shall maintain a central database of all births and deaths.

⁶ The Hon'ble Supreme Court in its order dated September 26, 2018 in the WP 494 of 2012 in the matter of Justice K.S. Puttaswamy (Retd) Vs. Union Government of India, inter-alia, held that Aadhaar number cannot be stored. Hence, Aadhaar number means only masked Aadhaar number.

Annexure B

To circular No. xxxx on Harnessing DigiLocker as a Digital Public Infrastructure for reducing unclaimed assets in the Indian Securities Market dated xxxxx

1. Centralized mechanism of reporting demise of investor through the KRAs
 - 1.1. SEBI, vide circular dated [October 03, 2023](#)⁷ has operationalized the captioned mechanism through KRAs. Accordingly, the verified intimation on demise of investor and also the death certificate, as furnished by joint account holder(s) or nominee(s) or legal representative or family member (collectively, referred to as '**notifier(s)**') of a deceased investor to any intermediary, is captured in the KRA system.
 - 1.2. Thereafter, the KRA systems send automatic message to all intermediaries, who have uploaded, updated or fetched the KYC records of the deceased investor to freeze the account and intimate the procedure for transmission to the respective notifier(s).

⁷ Circular No. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/0000000163, titled, 'Centralized mechanism for reporting the demise of an investor through KRAs', w.e.f. January 01, 2024.

Annexure C

To circular No. xxxx on Harnessing DigiLocker as a Digital Public Infrastructure for reducing unclaimed assets in the Indian Securities Market dated xxxxx

Illustration of DigiLocker Nominee/s vis-à-vis Nominee/s of MF folios / demat account

Single MF folio / demat account

DigiLocker Nominee	Nominee in Folio / demat account	Who has to apply to AMC / DP for Transmission	Transmission in favour
A	A	A	A
A	B	B	B
A	-	Legal heir of the investor	legal heir of the investor

In the above illustration, A (DigiLocker Nominee) will pass on the information of holding statements available in the DigiLocker to B or the legal heir of the investor, as the case may be. In turn, B or legal heir of the investor shall apply to AMC / DP for transmission.

Joint MF folio / Joint demat account

DigiLocker Nominee	Nominee in Folio / demat account	Surviving Joint Holder	Transmission in favour
C	-	C	C
C	D	C	C
C	-	-*	legal heir of the investor
C	D	-*	D

* when all the joint holders perish simultaneously

In the above illustration, C (DigiLocker Nominee) will pass on the information of holding statements available in the DigiLocker to C or the legal heir of the investor or D, as the case may be. In turn, C or legal heir of the investor or D, shall apply to AMC / DP for transmission.