

CIRCULAR

SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091

June 16, 2023

To,

- 1. All Intermediaries registered with the Securities and Exchange Board of India under Section 12 of the Securities and Exchange Board of India Act, 1992**
- 2. Stock Exchanges**

Dear Sir/Madam,

Subject: Amendment to Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under

1. Please refer to the Master Circular reference number SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 on the captioned subject issued by the Securities and Exchange Board of India (SEBI).
2. The Government of India through gazette notification S.O. 1074(E) dated March 07, 2023 ([PML eGazette dated March 07,2023](#)) has amended the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 with immediate effect.
3. In view of the amendments to the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and to further enhance the effectiveness of AML/CFT framework, certain provisions of the aforesaid Master Circular shall stand modified as mentioned below: -
 - 3.1. After paragraph 7 and before paragraph 8, the following paragraphs shall be inserted, namely-

- “7A. “group” shall have the same meaning assigned to it in clause (cba) of sub-rule (1) of rule 2 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as amended from time to time.”
- 3.2. In Paragraph 8, sub-paragraph (i) shall be substituted with “issue a statement of policies and procedures and implement, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;”
- 3.3. In Paragraph 11, sub-paragraph (ii) shall be substituted with the following sub-paragraph, namely-
“(ii) Verify the client’s identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.”
- 3.4. In Paragraph 11, in sub-paragraph (iii), in item (a) titled “**For clients other than individuals or trusts**”, in the Explanation, in clause (i), for the numbers and symbol “25%”, the numbers and symbol “10%” shall be substituted.
- 3.5. In Paragraph 11, in sub-paragraph (iii), in item (b) titled “**For client which is a trust**”, for the numbers and symbol “15%”, the numbers and symbol “10%” shall be substituted.
- 3.6. In Paragraph 11, after sub-paragraph (viii), the following sub-paragraphs shall be inserted, namely:-
“(ix) Every registered intermediary shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

- (x) Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the registered intermediary shall not pursue the CDD process, and shall instead file a STR with FIU-IND.”
- 3.7. In Paragraph 12, in sub-paragraph (iii), item (e), shall be substituted as follows:
- “(e) “Politically Exposed Persons” (PEPs). PEP shall have the same meaning as given in clause (db) of sub-rule (1) of rule 2 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. The additional norms applicable to PEP as contained in paragraph 14 of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEPs.”
- 3.8. After paragraph 24 and before paragraph 25, the following paragraph shall be inserted, namely-
- “24A The Stock Exchanges and registered intermediary shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. The Stock Exchanges and registered intermediaries shall ensure:
- a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- b. Adoption of a risk based approach to manage and mitigate the risks”.
- 3.9. Paragraph 47 shall be substituted with the following, namely: -
- “In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 ([Annexure 1](#)) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 ([Annexure 2](#)). A corrigendum dated March

15, 2023 has also been issued in this regard ([Annexure 3](#)). The list of Nodal Officers for UAPA is available on the website of MHA”.

3.10. After paragraph 52 and before paragraph 53, the following paragraph shall be inserted, namely-

“52A. “The Stock Exchanges and the registered intermediaries shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.”

3.11. In Paragraph 59, after sub-paragraph (vi), the following sub-paragraph shall be inserted, namely: -

“(vii) Non-profit organization” means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013);”

4. This Circular is available at www.sebi.gov.in under the link “Legal ⇒Circulars”

Yours faithfully,

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