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FORWARD MARKETS COMMISSION
वित्त मंत्रालय / MINISTRY OF FINANCE
(आर्थिक कार्य विभाग / DEPARTMENT OF ECONOMIC AFFAIRS)

'एवरेस्ट' तीसरी मंजिल / 'EVEREST' 3RD FLOOR,
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FMC/4/2015/C/0015

No. FMC/COMPL/IV/KRA-05/11/14

13-03-2015

To,

The Managing Director and CEO,
All National Exchanges
All KYC Registering Agencies

Sub.: Guidelines for Common/Uniform Client Registration in commodity derivative markets through KYC Registration Agencies (KRAs)

Sir,

The Commission vide its letter of **even number dated February 26th, 2015** addressed to all the Nationwide Multi-Commodity Exchanges(hereinafter referred to as Exchanges) had prescribed the modified Know Your Client (KYC) documents for uniform application and use in respect of client registration by the members across all the Exchanges. In view of the fact that the Securities and Exchange Board of India (SEBI) has permitted other financial regulators to avail the services of KYC Registering Agencies (KRAs) registered with SEBI, this circular is being issued to enable all the members of commodity market to avail the services of KRAs for the purpose of client registration and uploading/downloading of client data to/from the servers of the KRAs. Uniformity in KYC documents/form, of which the Part-I of Annexure-1 is identical to the KYC forms prescribed by the SEBI and utilization of services of SEBI registered

KRAs will prevent duplication and inconvenience caused to the clients while trading through various intermediaries. This will ensure centralized location and maintenance of KYC records of all the clients in the commodity derivatives market, which will also enable a single point KYC data management.

2. With a view to implementing the uniform client registration through the facilities of KRAs in commodity markets, all the Exchanges are directed to observe and ensure compliance to the following guidelines:

A. Guidelines for Members :

I. All members of commodity derivatives markets shall be registered with any one or more KRAs registered by SEBI as per the Board's KRA Regulations 2011.

II. KYC for New Clients:

- a) The Member shall perform the initial due diligence of the new client whose KYC data are not available with the KRAs, upload the KYC information as contained in Annexure 1 –Part I of the Common/Uniform Account Opening Form as prescribed by the Commission vide letter dated 26th February, 2015 for both individuals and non-individuals with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents.
- b) The Member shall furnish the physical KYC documents or authenticated copies thereof to the KRA, whenever so desired by the KRA.
- c) A new client can be allowed to start trading/dealing in commodity futures on the Exchange platforms through the member as soon as the client is registered by completing the necessary KYC documentation process. However the Member shall be under obligation to upload KYC details with proper authentication on the system of the KRA, within 10 days of receipt of the KYC documents from the client.

III. KYC for existing Clients:

- (a) With respect to the existing clients, who are presently registered with the members but whose KYC data are not available with any of the KRAs, the member shall upload the KYC information as contained in Part I of the

Common/Uniform Account Opening Form as prescribed by the Commission vide letter dated 26th February, 2015 with proper authentication on the system of the KRA, furnish the scanned images of the KYC documents to the KRA and retain the physical KYC documents.

- (b) With respect to the existing clients, who are presently registered with any of the members and whose KYC data are already uploaded on the system of any of the KRAs, the member to whom such client approaches, shall download the client's details from the system of KRA :

Provided that upon receipt of information on change in KYC details and status of the clients by the member or when it comes to the knowledge of the member, at any stage, the member shall be responsible for uploading the updated information on the system of KRA with proper authentication on the system of the KRA, furnish the scanned images of the additional KYC documents to the KRA, and retain the physical KYC documents.

- (c) The members shall also upload the KYC details about their existing clients which are missing/not available with them by calling for the same from their clients.

- IV. The member shall not use the KYC data of a client obtained from the KRA for purposes other than it is meant for; nor shall it make any commercial gain by sharing the same with any third party including its affiliates or associates.
- V. The Member shall have the ultimate responsibility for the KYC of its clients, by undertaking enhanced KYC measures commensurate with the risk profile of its clients.
- VI. The member shall, at all times, have adequate internal controls to ensure the security / authenticity of data uploaded.

B. Guidelines for KRAs:

- I. The functions and obligations of KRAs as prescribed in the Chapter III of SEBI (KRA) Regulations, 2011 as amended from time to time, to the extent they are applicable to the Commodities Derivatives Market shall apply, *mutatis mutandis* to the KRAs for their compliance while providing services to the members of the Commodities Derivatives Market.

- II. All KRA systems/servers shall provide KYC information in respect of a client both in data and image form to the members.
- III. After the KYC information & documents of a client are uploaded, the corresponding KRAs shall within 10 working days, complete verification of the initial/updated KYC information/documents so uploaded by the member and send a letter to the client, confirming the details thereof and maintain the proof of dispatch of such letters with them.
- IV. KRAs will provide access of their KYC data-base to the exchanges for the purpose of their use on request/requisition basis.
- V. The KRAs shall comply with the directives issued by SEBI and the Commission from time to time.

C. In-Person Verification (IPV):

- I. It shall be mandatory for the member to carry out IPV of all the new clients.
- II. The IPV should be recorded on the KYC form or any of the supporting documents.
- III. The members shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form / KYC documents at the time of carrying out IPV.
- IV. In case of members, their Authorized Persons (appointed by the members after getting approval from the concerned Commodity Exchanges) can perform the IPV. The regulatory framework for market access through Authorized Persons shall stand modified accordingly.

D. Applicability:

- I. In order to enable members to familiarize themselves with the new KYC process, the KRA system shall be made available to the members for uploading / downloading details for all the new client accounts opened from **April 1, 2015 on optional basis. However from July 1, 2015 it shall be mandatory for all members to upload the KYC details and documents on the KRA system/server for all the new client accounts opened, if the KYC does not exist in the KRA system. The registration of clients from July 1, 2015 can be done only through the KRA system.**

- II. **Members shall upload the KYC details and documents of all their existing clients on the KRA system/server latest by December 1, 2015.** Till then such clients can continue to trade/deal with their members as per their existing KYC.
- III. In case of Non – resident Indians and Foreign Nationals, self - attested copies of statutory approval must be attached with KYC.
3. The Exchanges are directed to :
- a) Bring the provisions of the circular to the notice of their members and also disseminate the same through their websites.
 - b) Make amendments to the relevant bye-laws, rules and regulations for the implementation of the above as deemed necessary.
 - c) Organize time bound Regional Awareness Programs for their members, preferably in association with the KRAs to ensure successful and timely implementation of KRA system.
4. This circular is also available on the FMC website as www.fmc.gov.in under the subhead ‘Circulars: within the head ‘Know Your Client’.

Yours faithfully

Sd/-

(Nutan Raj)
Economic Adviser

Enclosure: List of KRAs registered with SEBI.