

COMMON SOP FOR REPORTING THE DEMISE OF AN INVESTOR

Ref.: SEBI circular SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/ 2023/0000000163 dated October 3, 2023

A. Background

SEBI, in consultation with various stakeholders, has issued guidelines for a centralized mechanism for reporting and verification in case of the demise of an investor and thereby, smoothen the process of transmission in securities market. This circular dated October 03, 2023 spells out the operational norms including the obligations of regulated entities, including registered intermediaries that have interface with 'investors' / 'Account holders' (used interchangeably) who are natural persons.

B. Obligation of Intermediary - Verification of the death certificate

Upon receipt of intimation of death of client from entities such as

- a. Joint A/c Holder
- b. Nominees
- c. Legal Representative
- d. Family Member
- e. Collectively referred to as "Notifier"

The concerned intermediary shall obtain the death certificate along with the PAN from the notifier and carry out the following steps:

a. Verify the death certificate (to be completed by the next working day of its receipt)

- i. Online viz. the website of the issuing Government authority
- ii. Offline: OSV (Original Seen and Verified i.e. OSV) process by intermediary

Intermediary shall collect PAN of both deceased and notified and validate data of death certificate with PAN of deceased.

b. Record & retain self-certified copy of proof of identity, relationship with deceased & contact details of the notifier.

If the concerned intermediary, does not have access to or is not in a position to obtain the death certificate then it shall carry out the following steps: Intimate the investor, notifier(s), or the nominee(s) that the KYC status of the investor has been flagged off as "On Hold" and require them to furnish the death certificate of the concerned investor.

C. Obligation of intermediary - Updation of records in the KRA system by the Intermediary

After verification of the death certificate, the concerned intermediary shall (on the same day of verification)

- a. Submit a 'KYC modification request' to the KRA that "information on death of investor received; death certificate verified" and also upload the relevant documents)
- b. Block all debit transactions in the account / folios of the deceased investor

In case the death certificate is not received, the concerned intermediary shall (by the next working day of the intimation):

- a. Submit a 'KYC modification request' in the KRA system, "information on death of investor received; confirmation awaited".

D. Obligations of the KRA

The KRA, upon receipt of 'KYC modification' request from the intermediary, shall carry out the following steps:

- a. Independent validation and verification by the next working day of receipt of modification request:
 - i. Perform independent validation and verification using details available in its system and source validation / verification wherever feasible
 - ii. Contact other linked intermediaries also to check if they have any update in this regard and status of account maintained by them

- b. Upon validation of the death certificate, the KRA, shall update the KYC record as "Blocked Permanently" in the system and intimate this updation to all linked intermediaries
- c. For KYC modification requests received, the KRA shall flag off the KYC of the investor as "On Hold", and update this status to all linked intermediaries
- d. If KRA finds some errors / issues with the modification request as aforesaid, it shall consult with the concerned intermediary and share details of its observations and accordingly update the KYC status to "Modification Rejected and Clear i.e. Validated" or "Blocked Permanently", as the case may be, by the next working day.
- e. The KRAs shall put in place systems, protocols and procedures to operationalize this circular and the same shall be uniform across all KRAs

E. Intimation on Transmission of assets of the deceased investor

Upon receipt of notification from KRA as "Blocked Permanently", all intermediaries shall:

- a. Immediately block all debit transactions in the account / folios of the deceased investor
- b. Intimate the notifier / nominee, within 5 days about the procedure for transmission, provide the transmission request form and the list of documents required for the transmission. In case of joint account/s, the intermediary shall intimate the surviving joint account holder(s) as aforesaid.

F. Transaction request in accounts / folios flagged off as "On Hold"

If there is any transaction request received by any intermediary in the account / folio held by it, which is flagged off as "On Hold", it shall allow the transaction only after conducting additional due diligence as may be appropriate, including through video call with the investor or In-Person Verification (IPV) which serves to establish that the investor is alive.

In case where the information about demise of the investor is proven to be incorrect when the intermediary is able to establish contact with the concerned investor, the intermediary shall submit a 'KYC modification request' in the KRA system as, "intimation of death of investor is false" and also upload a report of its additional due diligence to the KRA. This shall be done on the same day in order to avoid any inconvenience to the investor.

The KRA shall in turn, revert the status of the KYC to 'Clear or Validated' and issue this update to all linked intermediaries, all on the same day.

G. Other obligation of Intermediaries

All intermediaries who have account or folios of investors whose status has been updated as deceased by the KRA, shall submit the data w.r.t. intimation of transmission as per paragraph 4 b. above, and its outcome thereof, to SEBI, in the format as may be prescribed.

In order to have uniformity for operationalizing this circular, Stock Exchanges, Depositories and industry associations like Association of Mutual Funds in India (AMFI), Registrars Association of India (RAIN) etc. in consultation with stakeholders including KRAs, may put in place common Standard Operating Procedure (SOP). The SOP shall be made available on their websites as well as that of the intermediaries.

Notes:

1. Broker/depository participant will block trading/demat for transaction as and when they receive information on demise of account holder from any source.
2. Account holder/joint holder/nominee will have to furnish POI and other documents as ask by Broker/depository participant to activate account for transaction if the demise information is wrong/incorrect receive by them.
3. Contact your nearest branch and get details on latest list of document for closure/transfer of account on demise of account holder.