

CIRCULAR

SEBI/HO/MIRSD/PODFATF/P/CIR/2025/123

September 05, 2025

To,

All KYC (Know Your Client) Registration Agencies (KRAs)

Dear Sir/Madam,

Subject: Streamlining of the process for surrender of (Know Your Client) Registration Agency (KRA) registration.

1. Background :

1.1. Regulation 13 of {KYC (Know Your Client) Registration Agency} Regulations, 2011 provides that a KRA, who has been granted a certificate of registration under the Act or the regulations made there under, may make a request for surrender to the Board, duly satisfying the Board, about the factors, as it deems fit, including but not limited to :

- The arrangements made by KRA for maintenance and preservation of records and other documents required to be maintained under these regulations;
- Transfer of records of its clients;
- The arrangements made by it for ensuring continuity of service to the clients;
- Redressal of investor grievances;
- Defaults or pending action, if any.

1.2. In this context, based on the inputs received from the stakeholders, it is decided that the process for surrender of KRA registration should be streamlined for voluntary/involuntary scenarios so that critical operations and services of KRA are wind down in orderly manner.

1.2.1. **Voluntary:** The KRA wishes to surrender its registration i.e. wind down its critical operations and services and exit as a result of strategic or business decision.

1.2.2. Involuntary: Where surrender of registration (winding down) arises, is due to financial distress, or regulatory actions, including suspension or cancellation of SEBI registration.

2. Critical Operations and Services of KRAs :

- 2.1. The registration and modification of KYC records of investors through registered intermediaries and maintaining interoperability amongst KRAs for facilitating portability of such records is a core function of KRAs and shall be considered as critical.
- 2.2. KRA surrendering its certificate of registration (hereinafter referred as "Transferor KRA") must transfer KYC records available with it to another SEBI-registered KRA (hereinafter referred as "Transferee KRA") ensuring complete transfer of client records, including updates and modifications thereof along with audit trail without loss or tampering of data enabling seamless client services of KRAs without requiring fresh KYC.

3. Standard Operating Procedure :

- 3.1. KRA shall have in place, a Standard Operating Procedure (SOP) to be followed in case any of the scenarios as mentioned at paragraphs no. 1.2 above, getting triggered. The SOP shall be approved by the board of the KRA.
- 3.2. SOP should outline the manner in which the critical operations and services of the Transferor KRA to be transferred to Transferee KRA ensuring continuity and protection of KYC data of investor and registered intermediaries, settlement of contractual and statutory obligations and avoidance of disruption in the securities market. The SOP should specify, the operational modalities relating to transfer of records, data, documents etc. in detail, duly considering interoperable as well as non-interoperable scenarios, as applicable.
- 3.3. Considering KRAs are interoperable, to ensure the portability of KYC records, the SOP shall be uniform and mutually agreed upon amongst KRAs. Model SOP in this regard is provided at **Annexure A**

4. Oversight for Winding Down :

4.1. KRA surrendering its certificate of registration shall constitute an Oversight Committee which shall be responsible for monitoring the winding down process including transfer of KYC data, seamless investor services, etc as specified under the SOP.

5. Compliance :

5.1. KRAs shall ensure compliance with the SEBI Act, Regulations, Rules and relevant guidelines issued from time to time. Applicable Acts/Codes such as Rules made under Prevention of Money Laundering Framework, Insolvency and Bankruptcy Code (IBC) shall also be adhered to.

5.2. The provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and various circulars and guidelines issued thereunder, shall continue to apply during the entire period of winding down of critical operations and services of KRA.

6. Applicability and Review :

6.1. KRA shall make the SOP available on their websites within 90 days from the date of issuance of this circular.

6.2. The SOP shall be reviewed periodically as and when circumstances warrant/necessitates or at least once in a 5 years.

7. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV 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 markets and shall come into effect from the date of this circular.

8. The Circular is issued with the approval of the competent authority.
9. This circular is available at www.sebi.gov.in under the link “Legal --- Circulars”.

Yours faithfully,

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Encl.: As above

ANNEXURE A – MODEL STANDARD OPERATING PROCEDURE (SOP)

1. Selection of Transferee KRA:

- 1.1. The KRA intending to surrender its certificate of registration shall disclose details pertain to its KRA operations and services such as number of KYC records, infrastructure, employees, contractual agreements/obligation and other relevant information to all other KRAs, communicating its intention to wind down its critical operations and services.
- 1.2. Transferee KRA may be identified through transparent process such as inviting interest from other KRAs. The procedures for selection of Transferee KRA should be included in the SOP.
- 1.3. Transferor KRA and Transferee KRA shall execute a non-disclosure agreement in addition to the agreement for transfer of KRA operations which should contain transition plan for winding down of critical operations and services of Transferee KRA.

2. Procedure to be followed in scenario of voluntary surrender of registration / winding down

- 2.1. Transferor KRA shall get the proposal for voluntary surrender of certificate of KRA registration (and thereby winding down its critical operations and services), approved by its Board for the trigger event so specified.
- 2.2. Transferor KRA shall apply to SEBI for surrender of its registration as per extent process along with transition plan for winding down of its critical operations and services, within 7 working days of approving the decision by its Board.
- 2.3. The KRA proposing winding down its critical operations and services, shall require to obtain in-principle approval from SEBI to commence the process of winding down and comply with directions /instructions as may be advised by SEBI.
- 2.4. Transferor KRA shall notify stakeholders (intermediaries including other KRAs, investors, creditors, Industry Associations etc) within seven working days, regarding its decision to wind down duly mentioning a sufficient notice

period for inviting objection, if any, on commencement of procedure for such winding down. For this purpose Transferor KRA shall send a communication to the existing KYC holders clearly informing them the name of the Transferee KRA and the timeline for transfer of such records. A public notice in national & regional dailies should also be published.

- 2.5. Transferor KRA shall declare a cut-off date in the notice indicating date from which critical operations of Transferor KRA are being taken over by the Transferee KRA. No new records in the system of Transferor KRA would be created after said cut-off date.
- 2.6. Transferor KRA should provide sufficient time and opportunity to registered intermediaries integrated with it, to shift their integration to any other KRA, if intermediaries so desired.
- 2.7. Transferor KRA shall perform audit of its KYC records to ensure completeness and accuracy of KYC data and submit report to SEBI and Transferee KRA.
- 2.8. Transferor KRA should transfer securely, investors KYC data and integration records of registered intermediaries to Transferee KRA in an agreed format with full audit trail ensuring encryption, completeness and integrity as per agreed transition plan.
- 2.9. Transferor KRA shall continue limited operations such as facilitating updation of existing KYC record, fetch of KYC records through intermediaries and investor assistance until such a time the secured transfer of data is completed.
- 2.10. Transferor KRA shall obtain final audit certificate effecting such transfer of KYC records from its system to the system of Transferee KRA.
- 2.11. Once transfer of data is complete an internal auditor of Transferee KRA shall audit the KYC records on a random basis and tally the total number of records transferred between the Transferor and Transferee KRA. Transferee KRA shall confirm receipt and integration of all records within a period as prescribed under the SOP.

- 2.12. Transferor and Transferee KRA shall submit a jointly signed compliance report to the SEBI confirming complete transfer of records, seamless continuity of services, and no inconvenience caused to the investors or intermediaries.
- 2.13. Within a period of three months of going live post transfer of the data and records of Transferor KRA, Transferee KRA shall provide approval/no objection for exit of Transferor KRA. During this period Transferor KRA should extend all technical and operational support to Transferee KRA.
- 2.14. SOP so disclosed on the website of KRAs shall also provide timeline for deactivation of website, system access and shut down of front end API.
- 2.15. Transferor KRA and Transferee KRA shall ensure that intermediaries integrated with Transferor KRA continue to access KRA records. Suitable clause to this effect may be incorporated in their operation transfer agreement.
- 2.16. Transferor KRA shall settle regulatory dues, contractual obligations with intermediaries, service providers, and investor complaints before exit.
- 2.17. Transferor KRA should continue to operate investor support desk for a period of twelve months post approval of surrender of its registration by SEBI.
- 2.18. Transferor KRA and Transferee KRA shall ensure seamless transition as provided in the approved transition plan submitted to SEBI. In this regard, an indicative timeline for wind down is provided hereunder:

Activity	Timeline
Approved Board Resolution	Day T
Intimation to SEBI	T+7 days
Communication to stakeholders	T+14 days
Data migration & system deactivation	T+ 60 days
Audit & Closure	T+75 days
Submission of compliance report to SEBI	T+90 days

2.19. Supervisory inspections remarks/queries raised by SEBI or any other statutory authority, if any pending, shall be addressed.

2.20. SEBI may conduct an inspection/audit of the Transferor KRA's system and records before accepting/disposing the application for surrender of KRA registration.

3. Procedure to be followed in scenario of involuntary surrender of registration / winding down (due to factors such as financial distress)

3.1. In a scenario of involuntary winding down due to factors such as financial distress, the KRA would be required to follow similar procedure as laid down for voluntary winding down mentioned at para 2 above.

3.2. In specific regulatory enforcement scenarios, SEBI in the interest of investors and market stability, may or may cause to appoint a temporary administrator, directly nominate an acquirer (Transferee) KRA and mandate winding down timelines, override provisions and timelines prescribed under the SOP.

4. Procedure to be followed in scenario of involuntary surrender of registration / winding down (due to regulatory action)

4.1. SEBI or any other statutory/regulatory authority may direct a KRA to wind down its critical operations and services on the grounds, including but not limited to the non-compliance of either the conditions of grant of registration or renewal, wherever applicable.

4.2. In such scenario, procedure as laid down at para 2 above should be followed, except for para 2.2, wherein such regulatory action directing to wind down the operations of KRA shall be construed as a trigger event and case specific direction(s)/relaxation(s), if any issued by the SEBI, shall prevail over such pertinent stipulations of para 2.

4.3. In specific regulatory enforcement scenarios, SEBI may or may cause to appoint a temporary administrator, directly nominate an acquirer KRA and mandate winding down timelines, override SOP timelines in the interest of investors and market stability.