

KYC for Foreign Portfolio Investors – News Flash



Securities and Exchange Board of India (SEBI), through its circular dated 10 April 2018, has mandated all Foreign Portfolio Investors (FPIs) to adhere to more stringent KYC norms. In light of the concerns raised by the industry, SEBI has appointed the HR Khan Committee to consider allowing NRIs to act as Beneficial Owner of FPIs subject to compliance with KYC norms. Additionally, on 9 September 2018 SEBI has initiated public consultation for revising the 10 April 2018 guidelines. Such comments can be submitted till 17 September 2018.

Regulatory provisions and related timelines

The new KYC guidelines for FPIs have mandated the following key provisions:

Beneficial Ownership

- Application of low materiality threshold of 10% for FPIs coming from 'high risk jurisdictions', instead of the previous threshold of 15% or 25%, based on the nature of the entity.
- Where no BO is identified the Senior Managing Official of the FPI will be considered to be the BO.
- NRI/OCI holders and Resident Indians cannot be BO of FPIs. Existing FPIs will need to confirm compliance with this requirement by 31 December 2018.
- BOs of FPIs can no longer be issuers of bearer shares. They require to comply by 31 December 2018.

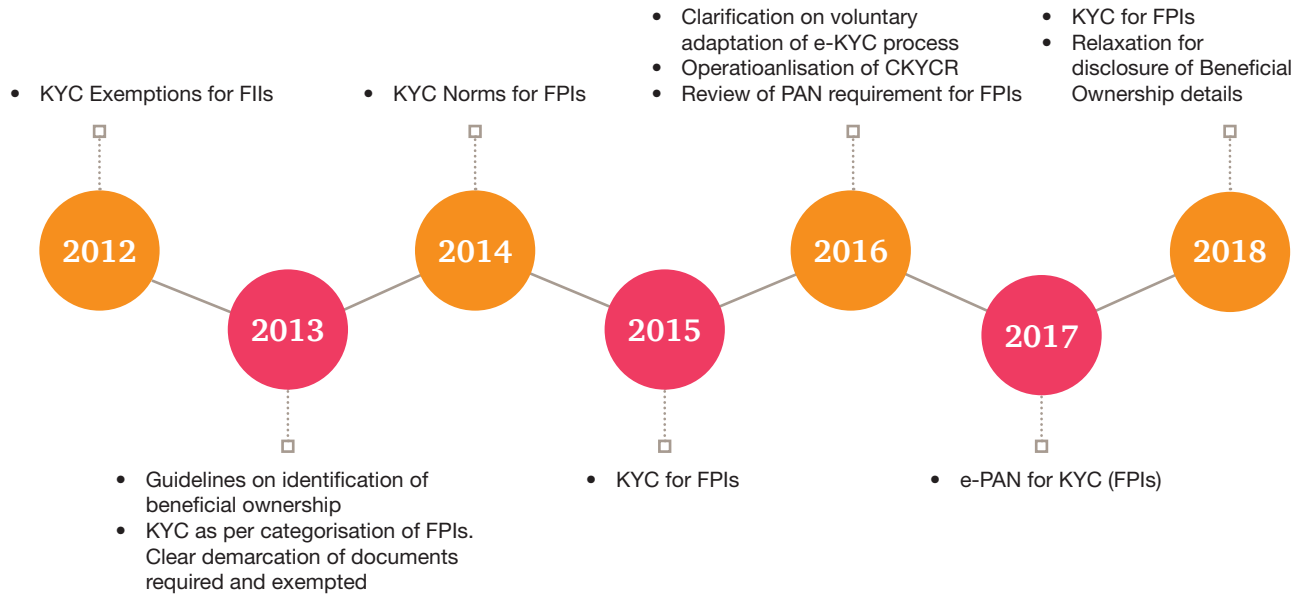
KYC documentation

- BOs/Ultimate Beneficial Owner will be required to provide more documentation than before.
- FPIs are exempted from providing documentation, to submit undertaking, by 31 December 2018 to Designated Depository Participants or custodians, regarding presenting such exempted documents to regulatory bodies upon request.

KYC review and categorisation

- High risk—annually; others—once in 3 years.
- FPI Category III categorised as high risk.

Regulatory timelines



How we can help

- Assist with conducting gap analysis of current AML/KYC/CFT framework with respect to key aspects such as – Governance, Policy/Procedures, Risk profiling and categorisation, Transaction Monitoring and Reporting, Training etc.
- Provide assistance with understanding and performing KYC and due diligence for such FPIs and related parties
- Help with registering for entities such as FIU, CKYCR, UIDAI etc., as mandated under law
- Provide ongoing assistance with queries related to compliances under the AML/KYC/CFT laws and regulations in India

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