



From The Editor's Desk

Dear Reader,

As we all know that "Know Your Customer" (KYC) process plays a vital role to identify the person's credentials for any financial institutions thus preventing theft, fraud etc. In order to carry out the onetime KYC process, a client has to submit documents pertaining to Proof of Identity (POI) & Proof of Address (POA). NSDL Database Management Limited (NDML) which is a wholly owned subsidiary of NSDL, has been granted In-principle approval by SEBI to function as a KYC Registration Agency (KRA). KRA provides for centralization of the KYC records in the securities market. The client who is desirous of opening an account/trade/deal with the SEBI registered Intermediary shall submit the KYC details through the KYC Registration form and supporting documents. The Intermediary shall perform the initial KYC and upload the details on the system of the KYC Registration Agency (KRA). This KYC information can be accessed by all the SEBI Registered Intermediaries while dealing with the same client. As a result, once the client has done KYC with a SEBI registered intermediary, he need not undergo the same process again with another intermediary.

KYC processes are followed by all companies from financial domain for the purpose of safety of investors and safeguarding financial markets. Financial Institutions are increasingly demanding that customers provide detailed anti-corruption due diligence information to verify their probity and integrity. Related procedures also enable organizations to know or understand their customers and their financial dealings better. This helps them manage their risks prudently. Organizations usually frame their KYC policies incorporating the four key elements viz., Customer Policy, Customer Identification Procedures, Monitoring of Transactions and Risk management.

With the modernisation in technology, Internet has become a massive boom amongst individuals. Therefore, to make life simpler for individual, NSDL e-Governance Infrastructure Limited (NSDL e-Gov), a company formed after the demerger of NSDL, has come up with services of e-KYC which is an online internet service to ease the documentation process for the individual. The e-KYC service has the potential to revolutionize service delivery in the public and private sector and drive innovation in the market. e-KYC service provides an instant, electronic, non-repudiable Proof of Identity and Proof of Address along with date of birth and gender.

In this issue of Kaleidoscope, we will provide insights about e-KYC & its benefits to investors.

Best Regards,
NSDL

Click & Find : Introduction to e-KYC

In this issue of Kaleidoscope, we will take a look on different aspects of e-KYC, its features & how can an investor benefit from e-KYC. e-KYC services offered by UIDAI, enables a resident having an Aadhaar number to share their demographic information (Name, Address, Date of Birth etc.) and photograph with a UIDAI partner organization in an online, secure, auditable manner with the residents consent. The consent by the resident can be given via Biometric authentication (Finger Print) or an One Time Password (OTP) authentication.

Know your customer (KYC) refers to due diligence activities that financial institutions and other regulated companies must perform to ascertain relevant information from their clients for the purpose of doing business with them. The objective of the KYC guidelines is to prevent fraud intentionally or unintentionally. e-KYC is a process where the KYC process is complied electronically and the client is not required to submit physical documents.

Verification of the Proof of Identity (PoI) and Proof of Address (PoA) is a key requirement for access to financial products (payment products, bank accounts, insurance products, capital market products, etc.), purchasing SIM cards for mobile telephony, buying LPG, and access to various Central, State, and Local Government services. Today, customers provide physical PoI and PoA documents. Aadhaar is already valid KYC document for banking, insurance, capital markets, telecom, LPG, Railways, and various Government services. In addition, the UIDAI now also proposes to provide an e-KYC service, through which the KYC process can be performed electronically with explicit authorization by resident. As part of the e-KYC process, the resident authorizes UIDAI (through Aadhaar authentication using either biometric/OTP) to provide their demographic data along with their photograph (digitally signed and encrypted) to service providers. The e-KYC service has the potential to revolutionize service delivery in the public and private sector, and drive innovation in the market.

Aadhaar is a 12 digit unique identification number issued by Unique Identification Authority of India (UIDAI). Aadhaar identifies individuals uniquely on the basis of their demographic and biometric information and will give resident individuals the means to clearly establish their identity to public and private agencies across the country. The Aadhaar e-KYC service provides an instant, electronic, non-repudiable Proof of Identity and Proof of Address along with date of birth and gender. In addition, it also provides the resident's mobile number and email address to the service provider, which helps further streamline the process of service delivery. e-KYC may be performed at an agent location using biometric authentication, as well as remotely using an OTP on a website or mobile connection.

During enrollment for Aadhaar, the following data is collected from resident:

1. Demographic details such as name of the resident, address, date of birth, gender, etc.
2. Biometric details such as the fingerprints, iris scans and photograph

Get Started : Features of e-KYC

As we have read above, e-KYC is a process where the KYC process is complied electronically and the client is not required to submit physical documents, let us now look at the features of e-KYC.

- ✓ The KYC data can only be provided upon authorization by the resident through Aadhaar authentication, thus protecting resident privacy.
- ✓ e-KYC service is fully electronic thereby promoting paperless environment avoids the cost of repeated KYC, the cost of paper handling and storage and the risk of forged documents.
- ✓ Elimination of photocopies of various documents that are currently stored in premises of various stakeholders reduces the risk of identity fraud and protects resident identity.
- ✓ The real-time e-KYC service makes it possible for service providers to provide instant service delivery to residents, which otherwise would have taken a few days for activation based on the verification of KYC documents, digitization, etc.
- ✓ Both end-points of the data transfer are secured through the use of encryption and digital signature as per the Information Technology Act, 2000 making e-KYC document legally equivalent to paper documents.
- ✓ The service is fully automated and KYC data is furnished in realtime without any manual intervention.
- ✓ Digitally signed electronic KYC data provided by UIDAI is machine readable, making it possible for the service provider to directly store it as the customer record in their database for purposes of service, audit, etc. without human intervention making the process low cost and error free.

Benefits of e-KYC

NSDL e-Governance Infrastructure Ltd., a company formed with the demerger of NSDL, is registered with UIDAI as Authentication Service Agency (ASA) & KYC Service Agency (KSA) to provide the authentication and KYC services respectively. It is currently providing these services to various entities such as Banks, Depository Participants, Insurance Companies, State Governments, Broking Firms, Passport Offices, Payment Gateways etc. Following are the benefits of e-KYC:

- ✓ Under the electronic know-your-customer (e-KYC) process, customers can open a bank account online based on just their Aadhar card. A lot of people in rural areas do not have the documents which would be required for KYC by financial institutions. This will be a good instrument to get new accounts opened, especially in rural and un-banked areas.
- ✓ While the physical KYC process takes five-seven working days, the time would be reduced to three days in the case of e-KYC thus saving time, money and manpower required for the verification process.
- ✓ Using this process will also mean less documentation for insurance companies and customers.
- ✓ Managing & tracking of documents is easier.
- ✓ e-KYC is highly flexible & easy to use.

Applications of e-KYC:

e-KYC can be used to fulfill the KYC requirements in following areas/departments:

- | | |
|----------------------|-----------------------------------------|
| ➤ Bank accounts | ➤ Train travel service |
| ➤ Insurance | ➤ Market products |
| ➤ LPG connections | ➤ Access to various Central, State, and |
| ➤ Passport | Local Government services. |
| ➤ Mobile connections | ➤ Hospitals |
| ➤ PDS scheme | ➤ Hotels |
| ➤ PAN Card | ➤ Colleges |

“Did You Know”

As on January 31, 2015, 851 SEBI registered market Intermediaries have registered with NDML KRA and KYC records of 50.23 lakh applicants were uploaded in the KRA system.

“Quote of the month”

"To know who you are is the greatest power of all" - **Sherrilyn Kenyon & Dianna Love**

1. **Unique Identification Authority of India (UIDAI):** UIDAI is the regulator and overseer of the 'Aadhaar' authentication system. UIDAI owns and manages the Central Identities Data Repository (CIDR) that contains the personal identity data of all Aadhaar-holders.
2. **Authentication Service Agency (ASA) :** ASAs are entities that have secure leased line connectivity with the CIDR. ASAs transmit authentication requests to CIDR on behalf of one or more AUAs.
3. **KYC Service Agency (KSA) :** The KSA provides connectivity to the UIDAI's CIDR. Every ASA is also KSA.
4. **Authentication User Agency (AUA):** An AUA is any entity that uses Aadhaar authentication to enable its services and connects to the CIDR through an ASA.
5. **KYC User Agency (KUA) :** The resident Service Agency is called KUA. The KUA access the e-KYC service through KSA. Every AUA is also KUA.
6. **Sub AUA :** Sub AUA is an entity desiring to use Aadhaar authentication to enable its services through an existing AUA.
7. **Aadhaar holders :** Aadhaar holders are the residents who are the holders of Aadhaar no. issued by UIDAI.

Blog

By Firoz Ujjainwalla
M.L. Dahanukar College of Commerce

National Securities Depository Limited, popularly known to industry and the general public as NSDL, is the leading depository in India, in terms of investor accounts handled and total valuation of securities in demat accounts under its purview. NSDL is known to all for providing the all-important DEMAT function. DEMAT stands for dematerialization where it holds securities in an electronic form for individuals and enables them easy access to their holdings while also providing easy transfer of securities from one place to another and from one person to another. A demat account has now become a pre-requisite for any investor who wants to buy and sell securities.

Demat accounts are not only used for holding shares but are also used to hold various debt instruments such as bonds, debentures, commercial papers, certificates of deposit etc. The major advantages of holding securities in demat are:

- ✓ No stamp duty payment for transfer.
- ✓ Safe transfer mitigating the risk of loss or damage during transport.
- ✓ Securities such as shares, bonds, investments in mutual funds etc. can be dematerialized.
- ✓ Easy track of current value of holdings.
- ✓ Securities can be held for huge periods of time without any physical damage on share certificates or any other certificate documents.
- ✓ Easy nomination from one person to another which enables seamless passing on of wealth.

NSDL has various publications which are regularly released on its website, for the benefit of current and future investors. These publications deal with NSDL's ongoing effort to bring demat facilities to everyone in the country and also provide existing holders with information regarding their rights and information for their protection from various unscrupulous elements of the capital markets.

In conclusion, NSDL provides the most important service to any investor; that of keeping his hard earned money safe through all periods, and under any circumstance.





1. What is the e-KYC service?

UIDAI offers the e-KYC service, which enables a resident having an Aadhaar number to share their demographic information and photograph with a UIDAI partner organization in an online, secure, auditable manner with the residents consent. The consent by the resident can be given via a Biometric authentication or an One Time Password (OTP) authentication.

2. What information is shared in the e-KYC service?

The Aadhaar holders demographic information i.e. Name, Address, Date of Birth, Gender, Phone & Email (where available) & Photograph which is currently available with the resident is shared via the e-KYC service.

3. Who can use the e-KYC service?

The e-KYC service is envisaged as a public benefit service. Any organization, authorized and approved by UIDAI to use this service can deploy the e-KYC service to serve its business interest. UIDAI envisages, initially organisations such as Banks, Telecom, Financial Services etc. who have a regulatory compliance to perform a KYC function will be the front runners in leveraging this service.

4. What is the process to start using the e-KYC service?

Organizations interested in using the e-KYC service, will need to get approved and authorized by UIDAI to use this service. The details of the process of making an application, supporting documents required, technical integration guidelines etc. can be found at the following link:

<http://uidai.gov.in/authentication-2/more.html>

5. What are the key features of the e-KYC service?

Some of the key features of the e-KYC service are:

- ✓ **Paperless:** The service is fully electronic, enabling elimination of KYC document management.
- ✓ **Consent based:** Data is shared by the resident consent through Aadhaar authentication, thus protecting resident privacy.
- ✓ **Secure and compliant with the IT Act:** Data transfer are secured through the use of encryption and digital signature as per the Information Technology Act, 2000 making e-KYC document legally equivalent to paper documents.
- ✓ **Non-repudiable:** The use of resident authentication for authorization, the affixing of a digital signature by the service provider originating the e-KYC request, and the affixing of a digital signature by UIDAI when providing the e-KYC data makes the entire transaction non-repudiable by all parties involved.
- ✓ **Instantaneous:** The service is fully automated and KYC data is furnished in real-time, without any manual intervention.
- ✓ **Regulator friendly:** The service providers can provide a portal to the Ministry/Regulator for auditing all e-KYC requests.

6. What is the regulatory stance on the e-KYC service?

RBI, IRDA, PFRDA & SEBI have accepted UIDAI's e-KYC service as a valid KYC.

NSDL Articles

Redressal of investor grievances through SEBI Complaints Redress System (SCORES) platform

To redress grievances of investors, SEBI launched a centralized web based complaints redress system 'SCORES' in June 2011. The purpose of SCORES is to provide a platform for aggrieved investors, whose grievances, pertaining to securities market, remain unresolved by the concerned listed company or registered intermediary after a direct approach. SCORES also provides a platform, overseen by SEBI through which the investors can approach the concerned listed company or SEBI registered intermediary in an endeavor towards speedy redressal of grievances of investors in the securities market. It would, however, be advisable that investors may initially take up their grievances for redressal with the concerned listed company or registered intermediary, who are required to have designated persons/officials for handling issues relating to compliance and redressal of investor grievances.

SEBI has issued various circulars/directions from time to time with respect to SCORES. In order to enable the users to have an access to all the applicable circulars/directions at one place, this Circular on SCORES consolidates the current provisions.

The salient features of SCORES are:

During November 2014, three more Participants have subscribed to the facility viz.,

- ✓ Centralised database of investor complaints
- ✓ Online movement of complaints to the concerned listed company or SEBI registered intermediary
- ✓ Online upload of Action Taken Reports (ATRs) by the concerned listed company or SEBI registered intermediary
- ✓ Online viewing by investors of actions taken on the complaint and its current status

Further details about this circular are posted on NSDL website www.nsdl.co.in.

(Ref: Circular No. NSDL/POLICY/2014/0130 dated December 26, 2014)

Investor Education initiatives undertaken by NSDL

- **Regional Investor Awareness Programme with Securities and Exchange Board of India (SEBI):** In order to reach out to masses spread across the country and to apprise them about the facilities available in NSDL depository system, NSDL conducted a Joint Awareness Programme with SEBI in December 2014 at Nellore in Andhra Pradesh which was attended by around 160 investors.



- **Participation in events conducted by Institutions :** A stall was put at Bally Charukala Utsav Fair, Bally, Hooghly, West Bengal during December 2014, jointly with SKP Securities Limited. Approx 300 participants visited the NSDL stall and gathered valuable information on dematerialization and other value added services of NSDL.



Regional Investor Awareness Seminar with SEBI at Nellore, Andhra Pradesh in December 2014

- **Sponsorship in events conducted by Institutions :** In December 2014, NSDL sponsored an event titled “4th India Finance Conference 2014” organized by Indian Institute of Management Bangalore (IIMB), Indian Institute of Management Calcutta (IIMC) and Indian Institute of Management Ahmedabad (IIMA) at Bengaluru which was attended by over 180 participants across India. Various aspects on Depository related services were explained to the participants attending this event.



Joint Awareness Programme organized by NSDL in association with ICICI Securities Limited at Puri, Odisha in December 2014

- **Joint Awareness Programmes with ICICI Securities Limited & India Infoline Limited:** In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducted five Joint Awareness Programmes in association with ICICI Securities Limited at Damanjodi, Jeypore & Puri in Odisha, Saharanpur in Uttar Pradesh & Diamond Harbour in West Bengal & also four Joint Awareness Programmes in association with India infoline Limited at Patna in Bihar, Bangalore in Karnataka, Tripprayar in Kerala & at Hyderabad in Telangana during December 2014 which were attended by more than 500 investors.

- **Events conducted by NSDL during December 2014:**

- ❖ **NSDL Brand Ambassador:**

NSDL has been carrying out various Investor Education initiatives like Investor Depository Meets (IDMs), Corporate Awareness Programmes (CAPs), promotion through media etc. in order to educate the Investors. Apart from these initiatives, in order to reach out to students, NSDL has been conducting educational programmes like workshops for students from various colleges across India, sponsorships and setting up of stalls during college festivals. NSDL launched an initiative called “NSDL Brand Ambassador (NSDL BA)” last year for student community education and to popularize demat products and related concepts amongst eight different colleges in Mumbai which was appreciated by various Institutes.

In order to keep the same temperament amongst different colleges, NSDL conducted two NSDL Brand Ambassador (NSDL BA) contests at M.L. Dahanukar College, Vile Parle & at Maharshi Dayanand College of Arts, Science & Commerce, Parel in Mumbai during December 2014. More than 350 students participated in these Brand Ambassadorship programmes. Ms. Shivani Talim, Ms. Neeti Vaingankar & Mr. Firoz I Ujjainwalla from M.L. Dahanukar College and Mr. Shubham Shahu Rane & Mr. Sandesh Shrikant Dadarkar from Maharshi Dayanand College of Arts, Science & Commerce were selected as the Brand Ambassadors of NSDL for year 2014-15. NSDL BA's will be acting as face of NSDL in their colleges and will help NSDL to spread awareness about the depository and its related features to other students of colleges.

With a view to bring uniformity in the KYC requirements in the securities markets, SEBI has initiated usage of uniform KYC by all SEBI registered intermediaries. SEBI has also issued the SEBI {KYC (Know Your Client) Registration Agency (KRA)}, Regulations, 2011. These Regulations create the framework for registration of KYC data and documents of clients with a third party agency i.e. KYC Registration Agency (KRA). KRA will provide facilities for recording this information and making it available to SEBI Registered Intermediaries for verification and use. NDML has been granted certificate of registration by SEBI to act as a KYC Registration Agency (KRA) under the KYC (Know Your Client) Registration Agency Regulations, 2011.

Information Collection and Usage

The client who is desirous to trade/invest/deal through a SEBI registered Intermediary shall submit the KYC details i.e. KYC Registration form and the supporting documents to the intermediary. The Intermediary shall perform the initial KYC and upload the details on the system of KRA. Intermediaries shall upload scanned images of KYC application forms and KYC documents to KRA. KRA shall verify the KYC documents and confirm the same in KRA system. KRA shall be responsible for maintaining the KYC information in electronic form. This KYC data contains demographic information and contact details of the investor investing in capital market.

Information Sharing and purpose

The KYC information available with NDML KRA can be accessed by all the SEBI Registered Intermediaries. The client whose KYC is available with KRA and is KYC compliant need not undergo the same KYC requirement when he approaches another SEBI registered intermediary. When the client approaches another intermediary subsequently, the intermediary will verify and download the client's details from the system of KRA. NDML KRA has established connectivity with all other KRAs to determine whether KYC information of a client is already available with other KRA.

In case of any change in KYC information, the client may approach any SEBI registered intermediary with whom he chooses to trade/invest/deal with. Upon receipt of information on change in KYC details and status of the clients by the intermediary or when it comes to the knowledge of the intermediary, at any stage, the intermediary will be responsible for uploading the updated information on the system of KRA. Whenever KYC information gets updated in KRA, KRA provides KYC data download to all intermediaries who have established relationship with the investor.

An intermediary can access information of only that client which chooses to trade/invest/deal through it. SEBI KRA Regulations cast an obligation on the intermediary to use the information received from the KRA only for intended purpose.

Confidentiality and Security

Confidentiality of KYC information is of prime importance to NDML KRA. NDML has put in place comprehensive risk management policies and procedures to eliminate/ limit the risk with respect to its operations in view of the critical nature of the KRA system. For the KRA system, the controls instituted by NDML KRA can be segregated into preventive controls and detective controls, as described below:

Preventive Controls:

- In terms of SEBI KRA Regulations, the KYC information can be accessed only by a SEBI registered intermediary and not by any third party.
- SEBI KRA Regulations cast an obligation on the intermediary to use the information received from the KRA only for intended purpose.
- Before registering any SEBI registered intermediary with NDML KRA, they are required to accept the terms and conditions of usage of the KRA system which include a clause on the intermediary ensuring confidentiality of the KYC information downloaded by the intermediary.
- For an intermediary to access the KYC information for any Client who is registered in the KRA System, the intermediary will have to provide the PAN and Date of Birth or Date of incorporation of the Client, as may be applicable.
- Access to the KRA system and to KYC information of Clients is provided only to authentic users and a strong authentication mechanism is used using Digital Signature Certificates and passwords.
- KRA shall take all reasonable measures to prevent unauthorized access to its database and shall secure the same from third parties.
- Download of KYC information requires a maker-checker control i.e. one user of intermediary has to request for KYC information and other user of intermediary having supervisory rights needs to authorize the request.

Detective Controls:

- For every access of information of KYC details of the Client, a complete audit trail of the intermediary and the user of the intermediary who accessed the information is maintained.
- If any intermediary accesses the information of a client registered with KRA, KRA will send intimation about such usage to the Client through email which is recorded with the KRA.

The above controls along with the state-of-the-art hardware and technology tools ensure the security, integrity and confidentiality of the data in the NDML KRA system.

Actions for Investor

○ Ensure that Your KYC details are registered with KRA

- ❖ Check status on <https://kra.ndml.in> or contact your intermediary
- ❖ Update KYC details by submitting KYC Form with POI & POA to intermediary with whom you trade/deal/invest.
- ❖ Intermediary will upload KYC details to KRA
- ❖ KRA will send acknowledgement letter to you on registration of KYC details

- No need to submit KYC Form if you wish to trade/deal/invest through any other intermediary. Advise intermediary to download KYC details from KRA.

Read and Win!

What is e-KYC?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - January 2015' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final.

KNOWLEDGE WINS Contest

Lucky 25
Winners will
Win Free
Goodies



Your suggestions for newsletter are valuable to us. Send in your suggestions mentioning your contact details (contact name, address & contact number) with the subject "Suggestions for the newsletter" to info@nsdl.co.in

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