

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

Twenty third Authority Meeting held on 26.03.2025

Gist of Agenda Item: Draft International Financial Services Centres Authority (KYC Registration Agency) Regulations, 2025

1. Introduction

- 1.1. The Regulated Entities in IFSC are subject to the Know Your Customer (KYC) and Customer Due-Diligence (CDD) requirements as per the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines {hereinafter referred to as “AML-CFT Guidelines” }.
- 1.2. The AML-CFT Guidelines have been prepared in accordance with the recommendations of the Financial Action Task Force (FATF), the Prevention of Money Laundering Act, 2002 (PMLA), the Rules issued under PMLA and the best practices prevailing in the AML-CFT regulatory regimes across the globe.
- 1.3. These Guidelines enable a Regulated Entity to adopt Risk-Based Approach (RBA) to identify and assess the Money Laundering and Terrorist Financing risks and undertake the measures of CDD accordingly.
- 1.4. The AML-CFT Guidelines have also enabled the Regulated Entities to rely on the third party to perform the CDD measures subject to following conditions:

(a) The Regulated Entity shall obtain records or information of the client due diligence carried out by the third party, within 2 days;

(b) The Regulated Entity shall take adequate steps to satisfy itself that the copies of identification data and other relevant documentation relating to the client due diligence will be made available by the third party upon request, without delay;

(c) The Regulated Entity is satisfied that the third party, it intends to rely upon, is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements

mentioned under recommendation 10 and 11 of the FATF recommendations and also are in line with the requirements and obligations under the Act;

- (d) The third party is not based in a country or jurisdiction assessed as high risk;*
- (e) No Regulated Entity shall rely on a third party to conduct ongoing monitoring of business relations with customers;*
- (f) No Regulated Entity shall rely on a third party specifically precluded by the Authority from relying upon;*
- (g) The Regulated Entity shall document the basis for its satisfaction that the requirements under sub-clause (c) above, have been met;*
- (h) The reliance on Third Party shall also be subject to the conditions that are specified in rule 9 (2) of the Rules and shall be in accordance with the regulations and circulars/guidelines issued by Authority from time to time; and,*
- (i) The Regulated Entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.*

1.5. The AML-CFT Guidelines, have permitted Third-Party Reliance for undertaking the CDD measures. However, as per feedback received, the Regulated Entities, in certain cases, do not find it easy to satisfy the conditions for such a reliance. The Regulated Entities may not be able to obtain the documents from the other entity within the specified timeline of 2 days (refer para 7a of AML CFT Guidelines) if a specific bilateral agreement for such a purpose is not in place between such parties.

1.6. In the absence of such Third Party-Reliance, if a client has to open accounts with different types of Regulated Entities, the client will have to undergo the KYC process with each Regulated Entity separately. This results in duplication of CDD, reductions of efficiency and expenditure of manpower which can be avoided. To resolve such issues, it is imperative to have a centralized repository of KYC information of the

clients to eliminate the need for such duplication of efforts at the end of Regulated Entities.

1.7. It is pertinent to note that Rule 9A of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 deals with the Central KYC Records Registry (CKYCRR) for purpose of receiving, storing, safeguarding and retrieving electronic copies of KYC records obtained by the reporting entities from their clients. However, an exemption has been provided for the foreign nationals transacting in IFSC to upload their records at CKYCRR.

1.8. To facilitate the seamless onboarding of clients by a registered intermediary, SEBI had come up with the concept of a KRA in 2011 which would serve as the repository of KYC data and identification documents. Such KRA(s) would have:

- a. the provision of inter-connectivity with other KRA(s) and
- b. a secure data transmission link with each of the registered intermediaries for upload / download of KYC documents.

1.9. SEBI notified the SEBI (KYC Registration Agency) Regulations, in 2011 which deals with the regulatory framework for KRAs in India. On similar lines, in order to smoothen the process of CDD for the Regulated Entities in IFSC, a regulatory framework for KRAs in IFSC is proposed to be issued.

2. Proposal

2.1. IFSCA has received feedback from market participants on the requirement of a centralized repository of KYC records in IFSC. IFSCA therefore proposes to introduce a regulatory framework for KRAs in IFSC.

2.2. The following are the salient features of the proposed IFSCA (KYC Registration Agency) Regulations:

A. Eligibility Criteria for registration as KRA

An entity shall be eligible to be registered as KRA only if it belongs to one of the following categories, namely:

- (a) a wholly owned subsidiary of a stock exchange recognized in India, in IFSC or in Foreign Jurisdiction; or
- (b) a wholly owned subsidiary of a depository recognized in India, in IFSC or in Foreign Jurisdiction; or
- (c) a wholly owned subsidiary of a KRA registered in India or in Foreign Jurisdiction.

B. Functions and Obligations of a KRA

The obligations of KRA registered with IFSCA shall include:

- (a) A KRA shall have electronic connectivity with other KRA(s) in IFSC and it may also have inter-operability with the KRAs registered in domestic jurisdiction.
- (b) A KRA shall have a secure data transmission link with other KRA(s) and with each Regulated Entity that uploads the KYC documents on its system and relies upon its data.
- (c) A KRA shall be responsible for storing, safeguarding and retrieving the KYC documents and submit to the Authority or any other statutory authority as and when required.
- (d) A KRA shall carry out an independent validation of the KYC records uploaded onto its system by the Regulated Entity in such a manner as specified by the Authority from time to time.
- (e) Any information updated about a Client shall be disseminated by a KRA to all intermediaries that avail of the services of the KRA in respect of that Client.

- (f) A KRA shall take all precautions necessary to ensure that the KYC documents/records are not lost, destroyed or tampered with and that sufficient back up of electronic records is available at all times at a different place.
- (g) A KRA shall have checks built in its system so that a Regulated Entity can access the information only for the Clients who approach him.
- (h) A KRA shall maintain an audit trail of any upload/ modification /download regarding the KYC records of each Client.

C. Functions and Obligations of the Regulated Entities

The Regulated Entity shall have the following functions and obligations:

- (a) The Regulated Entity shall perform the initial KYC/due diligence of the Client, upload the KYC information with proper authentication on the system of the KRA within 3 working days from the date of completion of KYC process.
- (b) When the Client approaches another Regulated Entity subsequently, the intermediary shall verify and download the Client's details from the system of KRA.
- (c) Upon receipt of information on change in KYC details and status of the Clients by the Regulated Entity or when it comes to the knowledge of the Regulated Entity, at any stage, the Regulated Entity shall be responsible for uploading the updated information on the system of KRA and retaining the physical documents
- (d) A Regulated Entity 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

- (e) A Regulated Entity shall have the ultimate responsibility for the KYC of its Clients, by undertaking enhanced KYC measures commensurate with the risk profile of its Clients

D. Sharing of KYC information with other financial sector regulators

The entities, regulated by other regulators in the financial sector, in India or overseas, (and as specified by the Authority from time to time) may access the KRA for undertaking KYC of their Clients.

E. Principal Officer, Compliance Officer and Other Human Resources

I. Principal Officer and Compliance Officer

A KRA shall designate a Principal Officer, and a separate Compliance Officer with the following minimum qualification and experience:

- (a) A professional qualification or post-graduate degree or post graduate diploma (minimum one year in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA or a FRM from Global Association of Risk Professionals or any other relevant educational qualifications as may be specified by the Authority:

Provided that a graduation degree in any field from a university or an institution recognised by the Central Government or any State Government or a foreign university would suffice where the Principal Officer or the Compliance Officer has a work experience of at least fifteen years in the financial services market:

Provided further that a person who has a qualification of Bachelor of Law from a university, or an institution recognised by the Central Government or any State

Government or a recognised foreign university or institution or association is also eligible for appointment as a Compliance Officer.

A KRA shall ensure that the Principal Officer and Compliance Officer meet the following experience requirements:

(a) A Principal Officer shall have an experience of at least ten years in the financial services market

(b) A Compliance Officer shall have an experience of at least five years in the financial services market

II. Other human resources

A KRA shall have adequate manpower commensurate with its business activities in the IFSC.

F. Other features

The draft KRA Regulations, inter-alia, also specify the:

(a) registration requirements,

(b) fit and proper requirements,

(c) Annual Audit,

(d) Inspection

(e) Risk Management and

(f) Code of Conduct to be followed by KRAs.

3. Statement of Object and Reasons (SOR) of the proposed regulations

3.1. The purpose of the proposed IFSCA (KYC Registration Agency) Regulations, 2024 (“KRA Regulations”) is to provide a regulatory framework for registration, regulation and supervision of KRAs set up in the IFSC.

3.2. The objective of the KRA Regulations is to enable the KRAs to be set up in IFSC and to centralize the KYC records of the clients/customers onboarded by various types of regulated entities. The purpose is to facilitate smooth onboarding of the

clients/customers by Regulated Entities and enhance their processing speed, accuracy and efficiency with respect to CDD.

4. Benchmarking with international best practices

4.1. The proposed Regulations have been prepared, taking into consideration the regulatory framework of the KRAs in domestic jurisdiction i.e. SEBI (KRA) Regulations, 2011.

4.2. In the proposed KRA Regulations, the obligations of the KRA and Regulated Entities in IFSC are similar to the obligations of KRA and intermediaries in domestic jurisdiction. However, there are certain differences in the proposed regulatory framework for a KRA in IFSC from the domestic jurisdiction which are summarized as under:

Particulars	SEBI Regulations	Proposed IFSCA Regulations
Eligibility Criteria	SEBI regulations permit the wholly owned subsidiary of Stock Exchange, Depository or any other Intermediary to apply for registration as KRA	Wholly owned subsidiary of Exchange, Depository or a KRA registered in domestic jurisdiction has been proposed. Subsidiaries of any other intermediaries has not been permitted.
Net Worth Requirements	Twenty five crore	USD 1 Million
Principal Officer and Compliance Officer	Qualification and experience requirements not specified	Qualification and experience requirements for PO and CO are specified in the Regulations

4.3. Additionally, various models of KYC utilities like KRAs or entities performing similar functions in various jurisdictions were studied. A summary of these models is as under:

- a) **Singapore's Digital ID and e-KYC system¹**: Singapore's Digital ID and e-KYC, driven by the Monetary Authority of Singapore (MAS), is built on the "MyInfo"

¹ <https://www.mas.gov.sg/development/fintech/technologies---digital-id-and-e-kyc>

service, a government-verified personal data platform that enables seamless digital identity verification. Integrated with Singpass, Singapore's national digital identity, this utility allows financial institutions (FIs) to onboard customers efficiently, authenticate identities, and facilitate digital authorizations without requiring redundant document submissions. While the utility streamlines identity verification, FIs remain responsible for transaction monitoring and ongoing customer due diligence (CDD), maintaining regulatory oversight.

- b) **'Invidem', A Nordic Banks' KYC Utility²:** In 2019, six Nordic banks established a centralized KYC utility called Invidem, designed as a hub-and-spoke model. Its primary function was to collect and validate customer data, allowing new customers to submit their information once for validation and share it with any financial institution within the ecosystem. Any updates were processed through Invidem and distributed to authorized institutions. Acting as a central hub for customer data validation, Invidem aimed to streamline compliance and reduce redundancy. However, in 2023, the utility ceased operations and discontinued its services.
- c) **South African KYC Utility³:** The South African KYC Utility, powered by Thomson Reuters Org ID, is designed to simplify compliance for businesses by reducing redundancy and ensuring secure, up-to-date KYC information. Several South African Banks have adopted this utility to help clients save time and effort by providing their KYC documents once to a centralized platform, which they can then share with selected banks. Clients have full control over who can access their data, and it is strictly used for KYC and regulatory compliance, not for marketing or other purposes. Governed by the Privacy and Data Protection Act, the utility ensures high data security through a Unique Digital Identifier. Once onboarded, clients register on the portal, authorize the banks and Thomson Reuters to access and process their KYC records, upload any missing information, and select the banks that can view their data.

5. Public Consultation

² <https://norbloc.com/the-sad-conclusion-of-an-effort-to-make-bank-customers-happier-and-banks-and-regulators-too/>

³ https://www.rmbcorvest.co.za/files/pdf/legal/KYC_UTILITY_FAQ.pdf

5.1. IFSCA issued the [consultation paper](#) on the draft IFSCA (KYC registration Agency), Regulations, 2024 on December 06, 2024, seeking comments from the public and regulated entities. IFSCA received comments and suggestions from nine entities (SEBI-registered KRA, IFSC Banking Units, fintech firm, law firms, depository and GIFT Company Limited).

5.2. A compilation of the comments received along with our point wise response is attached at **Annexure – 1**.

6. Expert Committee on Secondary Markets

6.1. IFSCA is being advised by Standing Committee on secondary market related issue i.e. ‘Expert Committee on Secondary Markets (ESM)’ under the chairmanship of Shri S K Mohanty, Former Whole Time Member, SEBI. The ECSM has participation from various stakeholders such as legal experts, Clearing Corporation, Depository, Investment Banks, Commercial Banks, Consultancy Firms, etc.

6.2. The Draft IFSCA (KYC Registration Agency) Regulations, 2025 were placed before the ECSM in its meeting held on January 20, 2025. The suggestions of the Committee and response of IFSCA to the same has been summarized as under:

Comments from the Committee

- a) The draft regulations permit only a separate legal entity to be set up as a KRA in IFSC, which may not be viable in the initial period. Therefore, the IFSCA may also explore permitting a KRA in India to operate in IFSC through branch mode.

IFSCA’s response

- b) Considering the critical role being played by a KRA, it would be appropriate if a separate legal entity is set up as a KRA in IFSC. To ensure that the KRAs are economically viable, the draft regulations have mandated all the Regulated Entities to upload the KYC records to a KRA.

Comments from the Committee

- c) The Committee deliberated that KRAs may have Disaster Recovery (DR) Site outside the IFSC in India. This may create issues pertaining to taxation. Therefore, a clarification in this regard from IFSCA may be helpful.

IFSCA's Comments

- d) IFSCA has issued similar clarifications for the Market Infrastructure Institutions, Broker-Dealers and Clearing Members (IFSCA circular dated [June 22, 2021](#) and May 09, 2023) and similarly, IFSCA may consider issuing the same for KRAs.

7. Expected Regulatory Impact

- 7.1. The regulatory objective of the KRA Regulations is to specify the regulatory framework for registration, supervision and regulation of KRAs operating in the IFSC with the objective to create a centralized database of KYC information in IFSC and to smoothen the CDD process for the Regulated Entities.
- 7.2. These Regulations aim to promote the Ease of Doing Business by enabling interoperability amongst the KRAs in IFSC and also with SEBI registered KRAs.
- 7.3. It is also envisaged that KRA may also be able to upload the records of the regulated entities on CKYCRR. SEBI has permitted the same vide its circular dated June 06, 2024. This shall enable the uploading of the KYC records on KRA which are independently verified by a KRA.

8. Proposal to / decision sought from Authority

- 8.1. The Approval of the Authority is sought for notifying the draft International Financial Services Centres Authority (KYC Registration Agency) Regulations, 2025 in the Official Gazette, after carrying out changes, if any, of drafting and consequential nature. The Authority is further requested to authorize the Chairperson to take such necessary, consequential and incidental steps to operationalize these Regulations.
