SEBI's KYC Simplification: KRAs, Portability and the New Rules

PCSMANTRA.COM

Published: 26 November 2026

News context: 25 November 2026

Prelims: capital markets, investor protection, financial inclusion

Mains: General Studies III (capital markets, investor protection, financial inclusion)



Original symbolic illustration: pcsmantra.com

Why in the News

On 25 November 2026 SEBI issued a circular on simplifying client on-boarding and rationalising the risk management framework at KYC Registration Agencies (KRAs). The changes amend the October 2023 KYC Master Circular. [1]

Basic Terms

KYC (Know Your Client): verifying an investor's identity and address. **KRA:** an agency under the SEBI (KRA) Regulations, 2011 that keeps KYC records so one KYC can serve other intermediaries. **CKYCR:** the Central KYC Records Registry, which issues the CKYC identifier. **DIGIPIN:** a 10-character alphanumeric geo-coded addressing system developed by the Department of Posts. **OVD:** Officially Valid Document. [1]

Also read
Investment-group impersonation: SEBI's warning

Main Changes (Paragraphs 3.1 to 3.7)

1. Centralising supplementary information: common information in Part II of the account opening form (income range, FATCA/CRS details, Politically Exposed Person status, occupation) will now sit at KRA level. The intermediary must also upload the CKYC ID and DIGIPIN, if available, and the OVD expiry date to the KRA. Upload is required within three working days of completing KYC. [1]

2. Updating records: intermediaries will update client KYC records from updates received from the KRA and CKYCR, and give the client an option to confirm the update. [1]

3. Aadhaar-seeded mobile: if the mobile number in the KRA system is already verified and tagged as seeded with Aadhaar, verifying it at on-boarding becomes optional for the intermediary. [1]

4. Account closure or non-association: intermediaries other than mutual funds must inform the KRA within five working days of account closure, and the KRA updates or delinks the record within two working days. If an account is not opened within 21 working days of downloading a record from the KRA, the intermediary informs the KRA within five working days. For mutual funds, a folio with zero balance for six months must be notified within five working days. Status of existing records must be reported within three months. [1]

5. OCI and foreign nationals: for an OCI cardholder or foreign national who is a 'resident' under section 6 of the Income Tax Act, 2025, overseas address proof becomes optional, provided the client gives proof of address in India. [1]

6. Change of name: if the new name is already updated in PAN and Aadhaar, no separate proof is needed. Otherwise, for a name change on marriage: marriage certificate issued by the State Government, passport showing the husband's name, or gazette notification. For other reasons: gazette notification. A change in the name of a father, mother or spouse also

needs a gazette notification. For Karnataka and Punjab, where no gazette is possible for private individuals, additional documents apply only to name changes for reasons other than marriage (request letter, sworn affidavit, newspaper publications and KYC in the changed name). [1]

7. Portability: if all required attributes (with either the current or the permanent address) are verified by the KRA against official databases (such as the Income Tax PAN database, Aadhaar XML, DigiLocker or mAadhaar) and PAN-Aadhaar linkage is verified, the record is treated as 'Validated' and is portable across intermediaries. KRAs will share attribute-wise validation status. For records that are not validated, the intermediary seeks additional information. [1]

Effective Date and Scope

Paragraph 6 of the circular says the provisions come into force on 24 December 2026 unless specified otherwise. The circular also describes this as thirty days from issue. In an exam, quote the date written in the circular, 24 December 2026. KRAs must issue a Standard Operating Procedure (SOP) within 30 days. Paragraphs 3.1 to 3.4, 3.6 and 3.7 also apply to individual Persons Resident Outside India (PROI) clients from FATF-compliant countries. All other provisions remain unchanged. [1]

What Not to Say

This is not a new law; it amends SEBI's KYC Master Circular. Verification of an Aadhaar-seeded verified mobile becomes optional, not abolished. 'Validated' only means verification against official databases on the conditions in the circular. [1]

Way Forward

Analysis: Shared, validated KYC means investors need not submit documents repeatedly, and compliance costs fall. Data privacy and accuracy will depend on the quality of centralised data, KRA accountability and timely notice of account closures. [1]

Prelims Practice Questions

Question 1. With reference to SEBI's KYC circular of 25 November 2026, consider the following statements:

Statement 1: If the mobile number in the KRA system is verified and tagged as seeded with Aadhaar, its verification at on-boarding is optional for the intermediary.

Statement 2: For each new account closure, intermediaries other than mutual funds have three months to inform the KRA.

Which of the statements given above is/are correct?

(a) 2 only

(b) Both 1 and 2

(c) Neither 1 nor 2

(d) 1 only

▼ **Answer and Explanation**

Answer: (d)

Statement 1 is correct: verification is optional in that case.

Statement 2 is incorrect: closure must be reported within five working days. The three-month period applies only to reporting the status of existing records.

PCSMANTRA.COM

Question 2. According to the circular, which one of the following makes a KYC record 'Validated'?

(a) A self-declaration by the client of the current address

(b) All required attributes verified by the KRA against official databases (address: either current or permanent), with PAN-Aadhaar linkage verified

(c) Only a self-attested copy of documents held by the intermediary

(d) Only the presence of a CKYC ID

▼ **Answer and Explanation**

Answer: (b)

Answer (b): Para 3.7.1: all attributes verified by the KRA with official databases (either address) and PAN-Aadhaar linkage verified.

The other options are not the circular's condition.

Mains Practice Question

How can centralisation and portability of KYC balance investor convenience and data security in the capital market? Discuss with reference to SEBI's circular of 25 November 2026. (150 words, 10 marks)

Answer outline

Introduction: State the role of KYC and KRAs and the circular's aim.

Main body: Cover centralised information, portability of validated records, optional verification of an Aadhaar-seeded mobile, closure timelines, and concerns about data quality and privacy.

Conclusion: Conclude with KRA accountability, oversight and the investor's option to confirm updates.

Sources

- https://www.sebi.gov.in/sebi_data/attachdocs/nov-2026/1795605346389.pdf

Frequently Asked Questions (FAQ)

▼ When does the circular take effect?

Paragraph 6 states 24 December 2026, unless specified otherwise.

▼ Is Aadhaar-seeded mobile verification abolished?

No. It is optional for the intermediary when the KRA shows the number as verified and Aadhaar-seeded.

▼ What does a validated KYC record offer?

It is portable across intermediaries, so clients do not have to submit documents repeatedly.

PCSMANTRA.COM