

Ultimate Beneficiary Owner (UBO) requirements:

Q1. What is the definition of UBO (Ultimate Beneficiary Owner)

A1. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner (UBO) is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement

Q2. What are the changes to UBO (Ultimate Beneficiary Owner) requirements?

A2. Controlling ownership interest means ownership of/ entitlement to:

- a) more than 'X'% of shares or capital or profits of the juridical person, where the juridical person is a company.
- b) more than 'X'% of the capital or profits of the juridical person, where the juridical person is a partnership or
- c) more than 'X'% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

As per recent PMLA amendments, % of such beneficial owners has been reduced from 25% and 15% respectively to 10%.

Q3. Who will be the UBO if no individual holds more than the defined threshold % control or interest?

A3. If no individual person (directly / indirectly) holds the defined controlling ownership, details of the individual who holds the position of Senior Managing Official (SMO) to be declared with additional details.

Q4. Is UBO requirements applicable for Listed Companies?

A4. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies, hence UBO is not applicable for Listed Companies or to their subsidiaries.
Currently, this is identified based on the self-declaration by the respective entities only.

Q5. Apart from UBO information, what additional information required?

A5. The intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons. To identify and verify such persons, additional information is sought as part of the UBO declaration form.

- ✓ UBO PAN is mandatory. In case of Foreign National, TIN/Social Security Number to be provided.
- ✓ UBO Date of Birth is mandatory.
- ✓ UBO Country of Tax Residency and relevant TIN is mandatory.
- ✓ UBO PEP information is mandatory.
- ✓ UBO KYC will be validated

Q6. Is UBO be KYC validated?

A6. Yes, UBO should be KYC validated.

Q7. Is UBO applicable for HUF investors?

A7. Yes, UBO should be applicable for HUF investor where Karta's individual PAN should be provided as UBO and associated information in the revised format.

Q8. What is implemented from April 01, 2024?

A8. Following requirement is effective from April 01, 2024.

- a) For new investors – UBO declaration in the revised format is mandatory for all sources. If UBO is not provided, RTA will inform AMC for remediation by T+1 and if not remediated, it will be treated as NIGO and refund will be made.
- b) For existing investors - UBO declaration in the revised format is preferable for all sources, provided UBO declaration/information is already available in RTA database, else UBO declaration in the revised format should be submitted.

Non-Individual investors should be encouraged to submit the UBO declaration in new format as it is one-time requirement (unless there is any change thereafter) for seamless transactions thereof.

Comparison of existing and new process in UBO requirements - all modes – Physical / online / digital / MFU / exchange (non-demat).

S. No.	Current Process	Revised process effective from April 01, 2024
1	New Folio creation transactions accepted if UBO declaration is provided. No additional validations done.	For new folio creation, UBO declaration in the new format with all the required information is required. UBO PAN is mandatory along with KYC validity.
2	For Existing folios where UBO is already registered, no information is solicited.	For existing folios, updated UBO declaration with additional information is preferred.
3	UBO PAN is accepted and its KYC is not validated	For new investors, UBO PAN and KYC validation is must.
4	Communication is sent to AMC branches to remediate the transaction wherever UBO declaration is not provided.	Communication to be sent to investor and AMC branches to provide additional information and the communication sent must be stored for Audit

Non-Profit Organization (NPO) requirements.

Q1. What is the new definition of NPO (Non-Profit Organization)

A1. "Non-profit organization" means any entity or organization, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013);"

Q2. What is the need for specific Non-Profit Organization (NPO) form?

A2. As MFs do not have access to NPO information, MF/RTAs shall need to rely on NPO declaration. All applicable Trusts/Societies/Section 25/Section 8 companies should submit the NPO declaration form for registration with RTA/MF.

Q3. Registration of NPOs in DARPAN portal of NITI Aayog?

A3. All NPOs are mandated to register themselves in DARPAN portal of NITI Aayog <https://ngodarpan.gov.in/>.

All applicable Trusts/Societies/Section 8 companies should register themselves suitably and submission of declaration along with NPO registration number allotted by DARPAN portal to MF/RTA is mandatory for all new folios else it might result in transaction rejection.

All applicable Trusts/Societies/Section 25/. Other Trusts/Societies who do not fall under the new NPO definition should confirm that they are not falling under the referred NPO definition.

Q4. If NPOs do not register themselves with DARPAN portal of NITI Aayog, what would happen?

A4. All NPOs are mandated to register themselves in DARPAN portal of NITI Aayog <https://ngodarpan.gov.in/>. If they are not registering, Financial institutions like MFs are mandated to register such NPOs in the DARPAN portal. As MFs are not sure about NPO status and provision for Financial institutions/MF do not have provision to upload their information, self-registration and self-declaration is mandated and hence subject to treatment of transaction as Not In Good Order (NIGO).

Q5. What if NPO Registration Number given is invalid?

A5. MF/RTA will validate the NPO Registration Number in DARPAN portal either manually or with any provision facilitated by DARPAN portal in future. All NPOs are mandated. If the investor has provided incorrect NPO Registration Number, folio will be restricted for all transactions.

Q6. What is implemented from April 01, 2024?

A6. Following requirement is effective from April 01, 2024.

- a) For new investors – NPO declaration in the revised format is mandatory for all sources. If NPO is not provided, RTA will inform AMC for remediation by T+1 and if not remediated, it will be treated as NIGO and refund will be made.
- b) For existing investors - NPO declaration in the revised format is preferable for all sources.

All applicable Trusts/Societies/Section 25/Section 8 companies should be encouraged to submit the NPO declaration in new format as it is one-time requirement (unless there is any change thereafter) for seamless transactions thereof.

Comparison of existing and new process in UBO requirements - all modes – Physical / online / digital / MFU / exchange (non-demat).

S. No.	Current Process	Revised process effective from April 01, 2024
1	New Folio creation, no specific NPO declaration is mandated.	For new folio creation, specific NPO declaration in the new format with all the required information is required. If the entity declares themselves as NPO, NPO Registration number is mandatory.
2	For Existing folios, no specific NPO declaration is mandated.	For existing folios, new NPO declaration is preferred.
3	NPO Registration Number is not applicable	If they declare themselves as UBO, NPO Registration Number is mandatory as allotted by DARPAN portal.

FAQs on UBO/NPO requirements



4	Communication is sent to AMC branches to remediate the transaction wherever NPO declaration is not provided.	Communication to be sent to investor and AMC branches to submit NPO declaration with the requisite information and the communication sent must be stored for Audit
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Actions at MF/RTA end:

- ✓ New folios should not be created without valid UBO/NPO forms in the new format.
- ✓ All mandatory fields indicated in the UBO/NPO forms to be validated
- ✓ The NPO Registration Number issued by DARPAN portal is mandatory and to be verified in the NPO form and Trusts/Societies/Section 8 companies who do not fall under the new NPO definition should confirm that they are not falling under the referred NPO definition.
- ✓ All new Non-Individuals must provide UBO declaration and other mandatory information, KYC status will be validated.
- ✓ For existing corporates, they are advised to comply the new UBO additional requirements for seamless transactions in future.
- ✓ The proof of communication sent to be stored in the respective folio.

Action By AMC/Channels/Exchanges

- ✓ AMC/Channels/Exchanges to modify their applications as per the format shared by RTA for acceptance of transactions.
- ✓ AMC/Channels/Exchanges to share the transactions to RTA as per the changed format.