

Digital Onboarding V2 SOP for Portfolio Management Clients

Submitted to:

The Securities and Exchange Board of India

Submitted by:

Association Of Portfolio Managers in India

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1. BACKGROUND

This SOP is prepared as required by the SEBI vide their circular No. SEBI/HO/IMS/IMD- PoD/OP/CIR/2024/35 dated May 02, 2024 regarding Portfolio Managers - Facilitating ease in digital on-boarding process for clients and enhancing transparency through disclosures to facilitate ease in digital on-boarding for clients of Portfolio Managers.

2. PURPOSE

The purpose of the document is to:

- 2.1 Streamline the Onboarding process: To have a smooth and efficient process reducing the time and effort required for account opening as compared to the physical paperwork.
- 2.2 Ensure Compliance with Regulatory Requirements: To adhere to all legal and regulatory standards, such as those set by SEBI (Securities and Exchange Board of India), ensuring that all necessary documentation and verification processes are correctly followed.
- 2.3 Enhance Client Experience and Satisfaction: To provide a seamless digital experience that meets modern client expectations, improving overall client satisfaction and retention.

3. SCOPE

3.1 Type of accounts that can be catered

Individual (Single/Joint): Individual can open single/joint account (maximum 2 joint holder). Individual can opt for maximum of three nominees along with

3.2 Residential Status that can be catered

Resident Indian (RI): Currently as per existing regulations digital onboarding is available for Resident Individual client singly and/or jointly with or without opting for nomination.

3.3 Digital onboarding should encompass:

- 3.3.1 Online DEMAT account opening
- 3.3.2 Online filling and signing of Risk Survey
- 3.3.3 Online generation and signing of Client Agreement
- 3.3.4 Online generation and signing of POA.
- 3.3.5 Online generation and signing of MITC.
- 3.3.6 Online generation and signing of KRA template / form

The idea of this Digital Onboarding SOP is that a client and/or his/her representative should be able to fill, generate and sign the above forms online in one go.

4. WHO CAN OPT FOR DIGITAL ONBOARDING

There is a limitation to go ahead with Digital Onboarding due to various factors/variables and hence there is a clear distinction on who can opt for Digital workflow and who cannot.

Here's a [checklist of the prerequisite](#) which needs to perform before taking any client for the Digital flow to have smooth client experience:

- 4.1 Clients' Aadhar and PAN should be linked.
- 4.2 Clients should pass the AML (anti money laundering) and SEBI restricted database and there shouldn't be true match.
- 4.3 Client should have access to the phone number which is linked to his/her Aadhar to receive the OTP while e-signing with Aadhar.

The client or the Portfolio Manager (PM) should implement a verification mechanism to ensure compliance with the aforementioned points. If any of these points are not met, the client should not proceed with the Digital Journey. Instead, these clients should complete the demat account opening process using physical paperwork with wet signatures or go ahead with the KRA modification process and proceed further.

5. DIGITAL ONBOARDING PROCESS FLOW

Once the above requirements are fulfilled, the process for the Digital Onboarding is mentioned below.

5.1 Data Fetching from KRA

- 5.1.1 Fetch the data from KRA using PAN and DOB of all clients of the PMS.
- 5.1.2 In case client data is not available in KRA digital onboarding can be allowed however KRA needs to be uploaded as per SEBI regulatory timelines.
- 5.1.3 Basic details mandatory for filling in the form: Name (as per PAN validated from ITD), DOB, Email, Phone number, Address, Gender, Marital status, Occupation, PEP, Tax status, Residential Status, Fathers/Spouse's name, Mother's name, Nationality, Gross Annual Income
- 5.1.4 FATCA details: If the client tax resident is other than India, then additional details like Country of Birth, Citizenship, Tax Identification Number (TIN), if applicable are required.

5.1.5 If a client wants to update any of the following details, a KRA modification form must be generated:

1. Gender
2. Email id
3. Mobile no
4. Address
5. Father's name.

For any other changes, it is not covered under this circular.

5.2 Matching Email ID and Mobile

5.2.1 Check if the email ID and mobile number entered during account opening match the details available in the KRA records.

5.2.1.1 If they match, continue with the account opening process.

5.2.1.2 If they don't match, create a KRA form to update the email and mobile number and Upload to KRA.

5.2.1.3 Only the updated email ID and mobile number should be included in the Common Application Form and Demat account details.

5.3 Include any details of restricted holdings provided by the client, if applicable.

5.4 Enter Bank account details:

5.4.1 Clients must provide bank details where the account is in their name. For joint holding accounts, the bank details should be in the name of either account holder. Funds from unregistered bank accounts will not be accepted.

5.4.2 The bank account must be validated by performing a penny drop which validates the bank account by depositing a small amount of money into the account to check if the account is in the name of the client and is active.

5.4.3 No other proof to be asked from client if the penny drop is successful.

5.5 Enter Nominee details:

5.5.1 It is recommended to add a nominee to the demat account in a PMS. If no nominee is designated, the "No Nomination" form must be signed by all holders. When designating a nominee, provide details as per the table below. Up to three nominees can be appointed. If a nominee is a minor, include guardian details, and account holders cannot act as guardians. Holders can decide the shareholding percentage for each nominee, ensuring the total adds up to 100%.

5.5.2 Nominee Details: Nominees cannot be the applicant or joint applicant (nominees can be more than one, share details separately for all nominees), the portal must capture all the below details pertaining to the nominee.

- Name:
- DOB:
- Relation with Applicant:
- Phone Number:
- Email:
- Address:
- ID Number (PAN/Driving License/Aadhar, in case of NRI only passport number can be accepted):
- Share of each Nominee: (In case of more than one nominee)

If Nominee is a minor, please share same details for guardian: (cannot be the applicant or joint applicant)

- Guardian Name:
- Address to be printed on PMS form

5.6 **Documents to be uploaded:** There would be certain documents which would be required to be uploaded:

5.6.1 Photograph: Client's photo to be Captured/uploaded and printed on the PMS and Demat application form.

5.6.2 OVD upload is mandatory where KRA doesn't have OVD for permanent or correspondence address. The list of officially valid documents (OVDs) includes:

- Passport
- Aadhar
- Driving license
- Voter's identity card
- NREGA job card
- Proof of possession of Aadhaar number

5.7 **In person verification (IPV)/ Video IPV (VIPV):**

5.7.1 IPV /VIPV is mandatory along with Liveliness check in the system. (refer SEBI circular SEBI/HO/MIRSD/SECFATF/P/CIR/2023/169 October 12, 2023)

5.7.2 Based on KRA communique CVL/OPS/INTERM/GENRL/23-176, the following needs to be adhered to by all SRIs:

- 5.7.2.1** If the investor requests for certain modifications, modification request may be collected, processed and uploaded to the KRA system for validation of modified details. New investor onboarding by SRIs from September 1, 2023 where KYC record available in KRA.
 - 5.7.2.2** KYC records in “KYC Validated” status: To be used by the SRI by fetching the same from KRA without requiring re-KYC unless the investor wishes to modify some details.
 - 5.7.2.3** KYC records in “KYC Registered” status: SRI will fetch the KYC record from the KRA, but re-KYC will be required to be performed by the SRI who is onboarding such new investor. SRI will need to submit modification request to the KRA for validation.
 - 5.7.2.4** The KYC mode should be selected as “ONLINE” as per the instructions given in the KRA circular.
- 5.8 Generate the DEMAT account opening form with the above data and ask the client to e- sign or esign post the PMS’s review.
- 5.9 Generate the POA, Agreement and Risk survey from the above details provided by the client and ask for client to e-sign or e-sign post the PMS’s review.
- 5.10 The Agreement date should be the document generation date or e-sign date
- 5.11 If any of the documents uploaded (POA, POI, photo and AADHAR) are found to be incorrect or of poor quality, there should be an option to edit the same and re-submit.
- 5.12 In case a PMS is using a third-party vendor whose e-stamp papers are not tech integrated for digital onboarding, the PMS can send the POA separately for e-sign. Such PMS’s should tech integrate their e-stamp vendors in digital onboarding within 180 days of this digital onboarding circular.
- 5.13 The link shall be used to E-sign the PMS and Demat application form via Aadhar OTP.
- 5.13.1** A same or a different link should be generated to capture the Declaration stating, “Understood the structure of fees and charges”, this is typed using keyboard or written electronically using fingers/a stylus pen in case the client is on-boarded through digital mode. The fees illustrations and tables should be part of the agreement which is e-signed by the client. PMS should provide an option to the end

client for receiving or downloading Client e-signed form.

5.14 An audit trail is supposed to be maintained which will authenticate the documents used for electronic signatures. The audit trail should have the below details:

- Date and time stamp of the e sign.
- IP address and Geo location of the e sign
- Details of client as well as Portfolio Manager
- Authentication type such as OTP

6. CML GENERATION

Once the forms are signed, the Demat account opening form should reach the Depository Participant (DP) with a copy to the client and the Portfolio Manager. The DP processes the form and creates a Demat account with either of the depositories (NSDL/CDSL).

7. RESPONSIBILITY

The Portfolio Manager holds the sole responsibility to maintain the records of the Demat account opening in the digital form and update the KRA details of the client on a periodic basis or whenever there is a change in the client's profile.