

**OFFICER ON SPECIAL DUTY  
INTEGRATED SURVEILLANCE DEPARTMENT**

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**ISD/AML/CIR-2/2009**

**October 23, 2009**

**To Stock Exchanges, Depositories and Intermediaries registered with SEBI  
under section 12 of the SEBI Act.**

Dear Sir/Madam

**Sub: Combating Financing of Terrorism (CFT) under Unlawful Activities  
(Prevention) Act, 1967 – Directions to stock exchanges, depositories and  
all registered intermediaries.**

1. Please refer to the Master Circular ISD/AML/CIR-1/2008 dated December 19, 2008 and Circular no.ISD/AML/CIR-1/2009 dated September 1, 2009 on Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under PMLA, 2002 and Rules framed there-under.
2. Vide paragraph 2 of the Circular dated September 01, 2009, it has been brought to the notice of registered intermediaries that an updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by Security Council Committee established pursuant to various

United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Registered intermediaries have been directed that before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, it has been directed that registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities. Full details of accounts bearing resemblance with any of the individuals/entities in the list are required to be intimated to SEBI and FIU-IND.

3. The Unlawful Activities (Prevention) Act, 1967 (UAPA) was enacted for the prevention of certain unlawful activities of individuals and associations and for matters connected therewith. UAPA has been amended by the Unlawful Activities (Prevention) Amendment Act, 2008. The Government has, since issued an [Order dated August 27, 2009](#) (copy enclosed) detailing the procedure for implementation of Section 51A of the UAPA, relating to the purpose of prevention of, and for coping with terrorist activities. In terms of Section 51A, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism and prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

- 4. It is directed that stock exchanges, depositories and registered intermediaries shall ensure expeditious and effective implementation of the procedure laid down in the UAPA Order dated August 27, 2009.**
5. On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries for the following purposes:
- i. To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
  - ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, stock exchanges, depositories and intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jsis@nic.in](mailto:jsis@nic.in).
  - iii. Stock exchanges, depositories and registered intermediaries shall send the particulars of the communication mentioned in (ii) above

through post/fax and through e-mail (**sebi\_uapa@sebi.gov.in**) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

- iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities **beyond doubt**, stock exchanges, depositories and registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jsis@nic.in](mailto:jsis@nic.in).
- v. Stock exchanges, depositories and registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above carried through or attempted, as per the prescribed format.

## **6. Freezing of financial assets:**

- i. On receipt of the particulars as mentioned in paragraph 5(ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or

economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

- ii. In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND.
- iii. The order shall take place without prior notice to the designated individuals/entities.

## **7. Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.**

- i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

- ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.
- iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.
- iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to stock exchanges, depositories and intermediaries and the procedure as enumerated at paragraphs 5 and 6 shall be followed.
- v. The freezing orders shall take place without prior notice to the designated persons involved.

**8. Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person**

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

**9. Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.**

All Orders under section 51A of Unlawful Activities (Prevention) Act, relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and intermediaries through SEBI.

10. Stock Exchanges, depositories and registered intermediaries are directed to bring the provisions of the UAPA, the Government Order dated August 27, 2009 and the contents of this circular to the notice of their staff concerned and ensure strict and meticulous compliance of the same.
11. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**S. Ramann**