

**MEMO# 20206**

July 21, 2006

## **Securities and Exchange Board of India Favorably Revises New Account Opening Requirement**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20206] July 21, 2006 TO: INTERNATIONAL MEMBERS No. 13-06 INTERNATIONAL INVESTING SUBCOMMITTEE No. 16-06 RE: SECURITIES AND EXCHANGE BOARD OF INDIA FAVORABLY REVISES NEW ACCOUNT OPENING REQUIREMENT The Securities and Exchange Board of India (SEBI) published a circular yesterday that revised account opening requirements to permit Foreign Institutional Investors (FIIs) and certain other entities registered with SEBI to open new depository accounts without first obtaining a Permanent Account Number (PAN) and PAN card from the Indian Income Tax Department. In accordance with the new SEBI guidance, An FII may open a depository account and begin trading immediately following SEBI approval, then will have 30 days following account opening to present its PAN card to the depository.<sup>1</sup> Background In March 2006, SEBI issued a directive requiring a depository to (1) obtain a copy of the account holder's PAN card, (2) verify the copy against the original PAN card, and (3) verify the name of the account holder on the Income Tax Department website before opening a depository account. Although the requirement to obtain a PAN was not new, the directive effectively lengthened the FII and subaccount registration process and delayed their ability to place trades. The directive became effective for new accounts on April 1, 2006 and will apply to existing accounts on October 1, 2006. SEBI's action yesterday directly addresses the concern we raised with them that implementation of the March directive would unnecessarily delay the ability of FIIs to participate in the Indian market.<sup>2</sup> Glen S. Guymon Assistant Counsel - International Affairs 1 See <http://www.sebi.gov.in/circulars/2006/cir906.html>. 2 See Memorandum No. 19886, dated March 24, 2006; Letter to D. Chanda, Chief General Manager, SEBI, dated March 22, 2006.