Ultimate Beneficial Owner (UBO) in Mutual Funds

As a part of the Client Due Diligence (CDD) Process under PMLA 2002 read with PMLA Rules, 2005 every SEBI registered entity, which inter alia includes Mutual Funds, is required to obtain sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control the securities account.

1. Why Regulator focuses on UBO Disclosure

SEBI mandates identification of the **Ultimate Beneficial Owner (UBO)** to:

- Prevent **money laundering and terror financing**
- Ensure **transparency in ownership and control**
- Identify the **natural persons who ultimately own or control investments**
- Strengthen **KYC and risk-based supervision** of market participants

UBO identification is a **core element of the KYC framework** applicable to mutual funds.

2. Legal and Regulatory Basis

UBO requirements for mutual funds arise from:

- **SEBI Master Circular on KYC norms** (issued through AMFI / KRA framework)
- **PMLA Rules, 2005** (as amended)
- **FATF recommendations** adopted in India
- **AMFI Best Practice Guidelines**

Mutual funds, AMCs, RTAs and distributors are **reporting entities** under the **Prevention of Money Laundering Act (PMLA)**.

3. What is a UBO?

A **UBO is the natural person(s)** who ultimately:

- Own(s) the investor entity, **or**
- Exercise(s) effective control over the investor, **or**
- On whose behalf the investment is made

Only natural persons can be UBOs — not companies or trusts.

4. When is UBO Identification Required?

UBO identification is mandatory when the mutual fund investor is a **non-individual entity**, such as:

- Company
- Partnership / LLP
- Trust
- Society
- Association of Persons (AOP)
- Body of Individuals
- Foreign entity / FPI (where applicable)

UBO declaration is not required for individual investors.

5. SEBI-Prescribed Thresholds for UBO Identification

A. Companies / LLPs

UBO is the natural person(s) who:

- Hold **more than 10% ownership**, **or**
- Exercise control through **voting rights or other means**

If no such person is identified → the **senior managing official** is treated as the UBO.

B. Partnership Firms / Unincorporated Bodies

UBO is the natural person(s) with:

- **More than 15% ownership or entitlement to profits or capital**

C. Trusts

UBO includes **all** of the following:

- **Settlor**
- **Trustee(s)**

- **Protector** (if any)
- **Beneficiaries**
- with **10% or more interest in the trust**
- Any other person exercising **ultimate effective control**

D. Exemption from UBO Identification – Listed Companies & Foreign Investors

Where the client or the person holding the controlling interest is:

- a company listed on a recognized stock exchange, or
- a majority-owned subsidiary of such a listed company,

identification and verification of individual shareholders or beneficial owners is not required. Accordingly, such entities are exempt from furnishing a UBO declaration, provided that all other prescribed KYC and regulatory information is duly submitted.

Further, in respect of foreign investors, including Foreign Institutional Investors (FIIs), Sub-Accounts and Qualified Foreign Investors (QFIs), intermediaries shall comply with the beneficial ownership identification norms and clarifications as prescribed by SEBI from time to time.

6. Key Compliance Expectations from Regulator/s

SEBI expects AMCs and RTAs to ensure:

✓ UBO declaration at the time of onboarding
✓ **Periodic review and updating** of UBO details
✓ Proper **documentation and verification**
✓ Refusal of transactions if UBO information is **not provided or is incomplete**
✓ Reporting of suspicious transactions to **FIU-IND**, where applicable

7. Consequences of Non-Disclosure or Incorrect UBO Information

- Investment **cannot be accepted or processed**
- Accounts may be **frozen or restricted**
- Transactions may be reported as **suspicious**
- Regulatory action under **SEBI and PMLA** provisions

7. What is expected from investors

- Providing information about beneficial ownership along with subscriptions from all categories of investors except exempted by Regulator.
- KYC acknowledgement along with the declaration form for 'Ultimate Beneficial Ownership' are required to be submitted to AMC/RTA.
- In case of any change in the beneficial ownership, the investor should immediately intimate AMC / its Registrar / KRA, as may be applicable, about such changes.

UBO compliance is therefore not merely a procedural requirement, but a **shared responsibility** that strengthens **market integrity, investor protection and regulatory confidence**.

Disclaimers:

• An Investor Education and Awareness Initiative by Unifi Mutual Fund.

• To know more about KYC documentation requirements and procedure for change of address, phone number, bank details, etc., please visit: https://www.unifimf.com/kyc-corner/

• Please deal only with registered Mutual Funds, details of which can be verified on the SEBI website under 'Intermediaries / Market infrastructure institutions.

• All complaints regarding Unifi Mutual Fund may be directed to services@unifimf.com and enq_ufi@camsonline.com and/or https://scores.sebi.gov.in/ (SEBI SCORES portal) and/or https://smartodr.in/login

• Nomination is advisable for all folios opened by an individual, especially with sole holding, as it facilitates an easy transmission process.

This communication is a part of the investor education and awareness initiative of Unifi Mutual Fund.

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.