



Association of Mutual Funds in India

135/BP/26/11-12

March 21, 2012

To all members,

AMFI Best Practice Guidelines Circular No.26/2011-12

Uniform Procedure for Change/Updation of Bank details, Change of Address

1. Background:

- 1.1 The report of NISM Committee constituted by SEBI on Operational Risk Issues related to Investor Service process in Mutual funds was forwarded to all members vide our e-mail dated July 28, 2010. It was stated in the said e-mail that AMFI was working on the implementation plan on various recommendations made by the Committee.
- 1.2 Some of the recommendations such as risk mitigation against third party cheques, registration of multiple bank mandates etc. have already been implemented by the Mutual Funds.
- 1.3 The NISM committee in the aforesaid report has also highlighted the risk associated with change of address and change of bank details submitted with or without redemption.
- 1.4 AMFI circular 135/BP/17/10-11 dated October 22, 2010, has recommended all AMCs to provide the facility of Registration of Multiple Bank Accounts for pay-in and pay-out to the investors. The same circular also mandates the supporting documents towards updation of new bank mandate as part of Multiple Bank Accounts Registration Form.
- 1.5 Further, vide clause 3.3.3.2 of AMFI circular 135/BP/17/10-11 dated October 22, 2010 AMCs were advised to segregate the forms containing redemption request and change of bank account request to ensure that two different requests are handled and executed separately for all existing and new customers.
- 1.6 NISM committee report also recommended in section 3.2, Recommendation 2 (d) as "Redemption proceeds are only credited to registered bank accounts. In case a redemption request is received before the change of bank details has been validated and registered, the redemption request would be processed to the currently registered (old) bank account. (This is akin to how banks would treat such a request)."
- 1.7 It is observed that these practices have not been implemented in letter and spirit by all the AMCs. In recent times, Mutual Fund industry has witnessed

increasingly fraudulent attempts by external elements by changing the address and / or bank details of the genuine investor.

- 1.8 In order to protect the interests of the investors and mitigate the risks, based on the recommendations made by the NISM committee as well as AMFI circular 135/BP/17/10-11 dated October 22, 2010, uniform procedure for carrying out change of bank or registering multiple banks is re-emphasized by way of this circular.
- 1.9 Additionally, in case of request for change of address by the investors, a uniform procedure, in line with NISM committee report recommendation under section 3.10 and modified with current applicable KYC norms, has now been devised as mentioned below.

2. Change of Bank details: Document Requirements, Forms and Processes

- 2.1 Updation of bank accounts in a customer's account/folio should be either through Multiple Bank Account Registration Form or a standalone separate Change of Bank Mandate form.
- 2.2 In case of standalone change of bank details, Mutual Funds shall collect the supporting documents towards the proof of new bank details as per **Annexure I-A**. Based on AMC's internal risk assessment, they may also consider collecting proof of old bank account and proof of identity of the clients, while effecting a change of bank account.
- 2.3 AMCs are advised to segregate the forms for redemption request and change of bank account request to ensure that the two different requests are handled and executed separately for all existing and new customers, as per clause 3.3.3.2 of AMFI circular 135/BP/17/10-11 dated October 22, 2010 by the implementation date of this circular.
 - 2.3.1 In other words, forms like common transaction forms, or any other form containing redemption request should not have the facility to change the bank mandate or update a new bank mandate.
 - 2.3.2 AMCs should also advise distributors to segregate forms for redemption and change of bank account where the distributors use their own transaction slips and have combined redemption and change of bank mandate request.
 - 2.3.3 Customers should be encouraged to register multiple bank accounts and choose any of the registered bank accounts towards receipt of redemption proceeds.
 - 2.3.4 Any unregistered bank account or a new bank account forming part of redemption request should not be entertained or processed.
- 2.4 In case of folios/accounts where the bank details were not provided by the investor at the time of making investment (pertains to the period when bank details were not mandatory), AMCs shall collect the documents such as proof of new bank details and photo identity proof. The list of suggested documents is as per **Annexure I-B**.
- 2.5 Where in a folio held on behalf of minor, when the minor attains the age of majority, Mutual Funds shall collect the documents relating to his/her bank mandate registration as specified in AMFI circular 135/BP/20/10-11 dated February 09, 2011.

3 Change of Address: Document requirements and processes

- 3.1 **KYC Not Complied Folios/Clients:** In case of change of address for KYC Not Complied Folios, Mutual Funds shall collect the following supporting documents:
 - 3.1.1 Proof of new Address (POA), and
 - 3.1.2 Proof of Identity (POI): Only PAN card copy if PAN is updated in the folio, or PAN/other proof of identity if PAN is not updated in the folio.
 - 3.1.3 Based on AMCs internal risk assessment, they may also consider collecting proof of old address, while effecting a change of address.
- 3.2 **KYC Complied Folios/Clients:** In case of change of address for KYC complied Folios, Mutual Fund Intermediaries shall collect the following supporting documents:
 - 3.2.1 Proof of new Address (POA),
 - 3.2.2 Any other document/form that the KRA may specify from time to time.
- 3.3 Existing clients who are currently KYC not complied as per SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011 should be encouraged to comply with the same so as to enable the clients to seamlessly invest/trade in future.
- 3.4 List of admissible documents for Proof of new Address (POA) and Proof of Identity (POI) as mentioned in points 3.1 and 3.2 above should be in conformity with SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011.
 - 3.4.1 Copies of all the documents submitted by the applicants/clients should be self-attested and accompanied by originals for verification.
 - 3.4.2 In case the original of any document is not produced for verification, then the copies should be properly attested / verified by entities authorized for attesting/verification of the documents as per extant KYC guidelines.

4 Cooling period:

- 4.1 AMCs should follow the concept of cooling period as enumerated in AMFI circular number 135/BP/17/10-11 dated October 22, 2010, whenever any change of bank mandate request is received / processed few days prior to submission of a redemption request or on the same day as a standalone change request.
- 4.2 The entire activity of verification of cooling period cases and release of redemption payment shall be carried out within the period of 10 working days from the date of redemption. This is in accordance with sub clause (c) of Regulation 53 of the Securities and Exchange Board of India (Mutual Fund) regulations, 1996 and SEBI circular no. SEBI/MFD/CIR/2/266/2000 dated 19th May 2000.

5 Intimation to investors

- 5.1 The mode of communication to the investor regarding any changes or rejection of their requests may be by more than one mode like letters, emails and SMS.

- 5.2 On receipt of change of address or change of bank account requests and after carrying out any changes in their records, Mutual Funds or their respective Registrars & Transfer Agents (RTA) should follow the verification process of sending intimation letter to both old and new addresses; as well as intimation via email and/or sms to the clients.
- 5.3 In case of rejection of change of address request due to any reason like signature difference etc, the rejection intimation letter should be sent to both old and new the address mentioned, as well as via email and/or sms to the clients.
- 5.4 Similar procedure of intimation to clients shall also be followed for address updation in case of KYC Complied Folios.
- 5.5 In case of change of email ID or mobile number, the change intimation should be sent to both old and new email IDs and/or mobile numbers.
- 5.6 In case if the investor is not able to produce any of the supporting documents, Mutual Funds shall devise an alternate procedure to establish genuineness of the request before executing the request or making payment to the investor.
- 5.7 All the processes included in clauses 2 to 4 above should be made a part of SID / SAI.

6 Implementation timelines:

AMCs are directed to:

- 6.1 Incorporate the guidelines in scheme related documents,
- 6.2 Put in place systems and processes with R&TAs to implement the above mentioned facilities and processes at the earliest but not later than May 01, 2012.
- 6.3 Bring the contents of this circular to the information of distributors and investors for their understanding and benefit.

All AMCs are requested to confirm having noted the contents of this circular for due compliance. They are also advised to put up this Circular in the immediate next meeting of their Trustees for information.

With regards,

V. Ramesh

Dy. Chief Executive