



# Association of Mutual Funds in India

135/BP/33/2012-13

31 December 2012

To All members

Dear Sir / Madam,

## **AMFI Best Practices on implementation of Employee Unique Identification Number (EUIN)**

### **1. Background**

- a. SEBI circular dated September 13, 2012 has directed mutual funds to capture the unique identity number (EUIN) of the employee/relationship manager/sales person of the distributor (Sales Person) interacting with the investor for the sale of mutual fund products in addition to the AMFI Registration Number (ARN) of the distributor.
- b. As intimated through AMFI circular 35P/MEM-COR/14/12-13 dated October 30, 2012, AMFI-unit of CAMS will be sharing a comprehensive list of EUIN to all RTAs. They will also be sending a daily incremental list to all RTAs indicating new EUIN generated and deletions/modifications of existing EUIN. The data format shall contain the following details: Corporate ARN, Name of the Corporate, Employee name, EUIN, Validity date (from and to) of EUIN.
- c. AMCs are requested to implement the following recommendations made by the AMFI sub-committee constituted to frame procedures and business rules for implementation of EUIN.

### **2. Implementation timeline**

- a. The recommendation of the sub-committee is to implement EUIN in two phases depending on the mode of transacting. It is recommended that EUIN be implemented for transactions routed through the following modes in Phase II as the respective stakeholders need to make changes to their systems. The date of implementation of Phase II will be notified after discussions with the respective stake holders.

#### **Modes of Transaction**

- Mobile Transactions/ SMS based
- Stock Exchange Platform
- ATM based
- Call Center originated

### **3. EUIN Maintenance:**

- a. EUIN will be maintained by the AMFI-unit of CAMS.
- b. This is largely applicable to sales persons of non individual ARN holders only (whether acting in the capacity of the main distributor or sub broker). Individual/Sole Proprietorship ARN holders have been instructed to intimate AMFI-unit of CAMS in case they employ any Sales Person so that EUIN could be allotted to them.
- c. EUIN will not be applicable for overseas distributors who comply with the requirements as per AMFI circular CIR/ ARN-14/12-13 dated July 13, 2012.
- d. EUIN will be a unique number allotted to each Sales Person holding a valid NISM certificate and associated with a ARN holder.
- e. EUIN validity is not linked to the main ARN holder's expiry as the Sales Person may move from one ARN to another.
- f. AMFI-unit of CAMS will track the period for which a Sales Person / EUIN is tagged to a particular ARN holder i.e. both start date and end date of an EUIN's association with a ARN holder will be recorded and maintained for future reference.
- g. ARN holders shall notify AMFI-unit of CAMS about a Sales Person involved in distribution of MFs, joining or exiting the organization quoting his/her EUIN at the earliest.
- h. For complaints received against a Sales Person from investors, distributors, AMCs, Regulators, etc. AMFI ARN Committee shall carry out investigations and advise AMFI-unit of CAMS about the continuation or suspension of the EUIN.

### **4. Applicability of EUIN**

- a. Transactions to be included - Purchases, Switches, Registrations of SIP / STP / Trigger STP / Dividend Transfer Plan.
- b. Transactions to be excluded – Installments under SIP/ STP / SWP / STP Triggers, Dividend Reinvestments, Bonus Units, Redemption, SWP Registration, Zero Balance Folio creation and installments under Dividend Transfer Plans.

### **5. Implementation Process**

- a. AMCs shall create separate spaces for Sub broker ARN code and EUIN in mutual fund application forms / transaction forms, in addition to the existing spaces for ARN code and Sub broker code.
- b. AMCs shall advise distributors to ensure that the sub broker affixes his/her ARN code in the column separately provided in addition to the current practice of affixing the internal code issued by the main ARN holder and the EUIN of the Sales Person (if any) in the EUIN space.

- c. AMCs shall put in place a system to capture the EUIN and the Sub broker ARN code and validate the same with the records provided and updated by the AMFI.
- d. AMCs shall highlight in the SAI and the notice to unit holders about the importance of providing valid ARN code, Sub broker ARN code, and EUIN. AMC shall also state that EUIN would assist in tackling the problem of mis-selling even if the Sales Person on whose advice the transaction was executed leaves the employment of the distributor or his/her sub broker. Investors shall be informed to use the new application forms/ transaction forms which will have spaces for the Sub broker ARN code and the EUIN.
- e. AMCs shall include the following confirmation in their application / transaction forms:  
*"I/We hereby confirm that where the EUIN space has been left blank by me/us, the transaction is an "execution-only" transaction"*
- f. AMCs shall periodically conduct a review of EUINs recorded against transactions to identify inconsistencies, if any, between the number of transacting EUINs vis-à-vis total number of EUIN registered by the ARN holder or the total sales staff of the distributor/sub broker.

#### 6. Proposed Business Rules:

- a. As regards availability, validity of ARN No. in transactions, AMCs shall follow the current AMFI guidelines in terms of processing/rejecting transactions, withholding/release of commissions, suspending/terminating distributors, etc.
- b. AMCs shall also validate the Sub broker ARN code and the EUIN mentioned in the application form/transaction form. Following business rules shall be uniformly adopted by all AMCs for the validation process:

| Sr no | Scenario   | Business Rule   |
|-------|--|---|
| 1.    | Valid EUIN and Valid ARN Sub-broker code   | Process the transaction   |
| 2.    | Invalid EUIN or Invalid ARN Sub-broker code (If there is no declaration as per 5 (e) the form should contain either a valid ARN Sub broker code or a valid EUIN. | Process the transaction and intimate the ARN holder to furnish the correct EUIN / ARN Sub-broker code. Commission of the ARN holder may be withheld as deemed appropriate by the Trustees till the deficiency is rectified. |
| 3.    | "Null" EUIN or "Null" ARN Sub-broker code  | Process the transaction provided the application/transaction form contains a declaration as per 5(e) above.   |

|    |  |                         |
|----|--|-------------------------|
| 4. | "Null" EUIN or "Null" ARN Sub-broker code with no ARN code or "Direct" | Process the transaction |
|----|--|-------------------------|

- c. AMCs shall direct their channel/on-line distributors to maintain a trail of their Sales Person for each transaction. They shall be advised to enhance their system to provide the Sub broker ARN code (if applicable) and the EUIN in the daily transaction feeds. In case the investor has not provided the EUIN, they shall create a provision for the investor to make the confirmation as per 5 (e) above.
- d. AMC/RTA transaction portals shall also seek the confirmation as per 5 (e) above if the transaction is routed through a ARN code and EUIN is not provided by the investor.
- e. AMFI has received representations from several distributors that they are in the process of reconciling the EUINs received from AMFI, updating the same in their internal systems, intimating their sub brokers, and streamlining their internal processes to capture EUIN. AMFI is also receiving queries from several distributors with regard to the EUIN list sent to them.

- 7. AMCS are advised to put in place necessary systems and processes in order to implement the above effective January 07, 2013. In order to give some time to all stake holders to stabiles their systems and processes, it is recommended that business rules with regard to rejection of transactions and withholding of commissions as per 6 (b) above may be implemented effective April 1, 2013.

Regards,

V RAMESH

Dy Chief Executive | Association of Mutual Funds in India