



Association of Mutual Funds in India

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March 28, 2022

To,
All AMFI Members

Dear Members,

AMFI Best Practice Guidelines Circular No.97 /2021-22

Standardization of Process for Validation of Email ID, Mobile Number, Bank Mandate & Two Factor Authentication for Redemptions for Non-Demat folios

Dear Members,

SEBI Circular SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634 dated October 4, 2021 requires AMFI to issue guidelines, in consultation with SEBI, to strengthen control with respect to verification of key details of investors like Bank account details, email id, mobile number and address etc. The above circular further requires authentication of redemption transactions using Two-Factor Authentication (for online transactions) with one of the factors being a One-Time Password (OTP) sent to the unit holder at his/her email/phone number registered with the AMC.

AMFI has already issued best practice guidelines for uniform procedure for change/updation of bank details vide AMFI communication dated March 21, 2012. Further, the address of the investor is captured from the KYC Registration Agency (KRA) database and the current process in this regard shall continue to be followed for address validation.

A Working Group was formed by AMFI to deliberate on the standardization of process for validation of email id, mobile number, bank mandate and two factor authentication for redemptions. The Best Practices Guidelines, based on the recommendations of the Working Group and finalised in consultation with SEBI, is appended hereto.

These Guidelines stipulate the minimum standards that shall be mandatorily implemented by all AMCs. AMCs may implement more stringent controls, based on their risk framework and policies shall be effective from April 1, 2022

Members are requested to place this Best Practice Guidelines Circular before their Board of Trustees and the Board of AMC.

With regards,


B. M. Kini
Dy. Chief Executive



AMFI Best Practices Guidelines for
(a) Verification of Email ID, Mobile Number, Bank Mandate and
(b) Two Factor Authentication for Redemption of Units in non-demat folios

I. Definitions:

- a. **Contact details** means Email ID and / or Mobile number
- b. **Family** means self, spouse, dependent children, dependent siblings, dependent parents, and a guardian in case of a minor
- c. **Intermediaries** means mutual fund distributor registered with AMFI (MFD), investment advisor registered with SEBI (RIA), Portfolio Management Services providers (PMS), stock brokers registered with SEBI and having a AMFI Registration Number (ARN)
- d. **Platform** means any platform provided by an intermediary, MF Utilities India Private Limited (MFU), MF Central, recognised stock exchanges, depository participant (DP), registrar & transfer agent registered with SEBI, and other entities having a valid agreement with the AMC(s) and permitted to distribute /advise on/ execute mutual fund transactions and submitting new accounts/transactions digitally to AMC/RTA.
- e. **RTA** means SEBI registered registrar and transfer agent acting in the capacity of a Registrar and Transfer Agent to a mutual fund.
- f. **Source document** means account opening form or non-financial transaction form submitted by the investor in physical or digital mode requesting registration or modification of contact details.

II. Sources for obtaining contact details:

- a. Source document collected by the AMC/RTA or collected by Platforms and submitted to the RTA.
- b. KRA records in case contact details are not available in the Source document or the contact details provided in the Source document does not pass the Verification Process as stated in Para III to V below.
- c. It is clarified that for demat accounts, Depositories / DPs shall continue to follow their existing practice for verification of email id, mobile number, bank mandate, etc.



III. Validation: RTA shall carry out basic validations to check for correctness in terms of the syntax, invalid mobile number/email address/ domain, etc. RTA shall update only validated contact details in investor folio, including those sourced from KRA. Few illustrations of invalid contact details are listed in **Annexure 1**. It is recommended that the validation be performed by AMC/RTA Web Portal/Mobile App, Intermediaries and Platforms prior to submission, to avoid rejection by RTA.

IV. Authentication:

- a. RTAs shall take necessary steps to verify that the mobile number / email updated in the unitholder's account is accessible by sending an SMS / email directly to the unitholder at the email id and / or mobile number captured in the account. In case an electronic confirmation is received from the said mobile number / said email id, the same shall be considered as verified and verified flag will be enabled against such mobile number / and or email id.
- b. If authentication fails for any of the contact detail(s), the same shall not be updated in the investor folio and an intimation to investor shall be sent electronically if any one contact detail is authenticated, else through a physical letter if both contact details fail validation. RTA shall also intimate the relevant Platform of the same.
- c. Platforms are advised to authenticate the contact details received in digital mode prior to submission to RTA to avoid failures.

V. Additional Verification 1:

- a. RTA shall run a verification process to detect seeding of contact details of intermediaries (MFD, RIA, RTA, AMC) or their employees in folios which do not belong to such persons/entities. RTA shall look up the Central Distributor master and Employee Unique Identity Number (EUIIN) master maintained by CAMS (as a service provider to AMFI for management of ARN and EUIIN), RIA master maintained by RTA, employee master of RTA and employee master shared by AMC.
- b. The contact details of PMS and Custodians for Foreign Portfolio Investors (FPI) shall be permitted to be registered in the relevant folios.
- c. On detection of any instance of contact details during verification as noted in clause V.a, such contact details shall be removed from the investor folios and an intimation sent to the investor either electronically using an alternative verified and registered contact detail or via a physical letter. RTA shall also intimate the relevant Platform of the same.



VI. Additional Verification 2:

- a. RTA shall run a process to detect seeding of same contact details for more than one investor (based on First holder PAN), excluding the accounts which are flagged as “Family”.
- b. AMC shall modify the format of Source document to capture declaration by the investor that the submitted contact details belong to the Family of the investor. Platforms shall also modify their system to capture this information. Alternately, a separate declaration may be submitted by the investor in this regard either via physical mode or electronically.
- c. On detection of any such instance of multiple investors with common contact details, RTA shall request the investor to either submit a declaration stating that the contact details belong to the Family of the investor or submit a request to modify contact details. Such communication shall be sent either electronically using an alternative verified and registered contact detail or via a physical letter. RTA shall intimate the Platform through which the information was originally submitted for them to independently follow up with the investor to submit the required information.
- d. RTAs on behalf of AMCs shall make regular efforts to collect the declaration stating that the contact details belong to the Family of the investor or to submit modified contact details.

VII. Modification in existing account:

- a. AMC/RTA shall carry out the following processes to authenticate the contact details prior to updating a new contact detail in investor records.
 - i. Physical requests: Verify investor signature/s.
 - ii. Digital request via AMC/ RTA WebPortal or Mobile App: OTP based authentication. If only one of the contact details is changed, OTP shall be sent to the other registered detail not being changed. If both details are changed, authentication shall be done based on OTP sent to the old (registered) contact detail or as authentication of registered bank account number along with proof thereof. Few scenarios for illustration purpose are:
 1. Mobile number shall be updated post OTP authentication using the registered email ID.



2. Email ID shall be updated post OTP authentication using the registered mobile number.
3. Where a request is received to update both email ID and mobile number the following process shall be put in place:
 - (a) The change shall be validated by sending OTP to the old (registered) email ID and mobile number
 - (b) If the client does not have access to the old email ID and mobile number, the client may be requested to input any of their registered bank account number and upload a self-attested cheque copy evidencing the same
 - (c) In cases where a client is unable to validate the change via the OTP sent to the old details, or provide proof of ownership of a registered bank account, the client shall be required to provide a written request for change of mobile and email id, which shall be processed post signature verification
- b. Platforms shall authenticate the contact details received in digital mode prior to submission to RTA.
- c. RTA shall also perform validation, authentication, and additional verification procedures for modification request as outlined in clauses III, IV, V & VI.
- d. .RTAs shall send intimation of change to both old and new contact details, including existing registered contact detail which has not been changed. For e.g. if a new mobile number has been updated, intimation SMS shall be sent to old and new mobile numbers, and a mail shall be sent to the registered email ID in the folio. If a new email id has been updated, intimation email shall be sent to both old and new email address and an SMS shall be sent to the registered mobile number in the folio. Where both email id and mobile number are changed, intimation shall be sent to both the old and new email id and mobile number, and a physical letter shall be sent to the investor's registered address.
- e. Where the request to update email id and / or mobile number fails, intimation of such rejection or failure shall be sent to the existing email id and / or mobile number registered with the AMC.



VIII. Synchronisation of details maintained by Platforms:

RTA shall provide information of contact details registered in the investor folios and any changes to such registered contact details to Intermediaries and Platforms through downloadable reports or API. However, AMC/RTA shall provide information only relating to investor folios or transactions which are routed through such Intermediaries/Platforms.

IX. Two-Factor Authentication for Redemption of units through non-physical mode

Two-Factor Authentication (2FA) shall be required to be performed for all redemptions received in non-physical modes, i.e. where signature verification is not possible including web, app, sms, email, WhatsApp, etc.

- a. Demat units: Process of authentication as laid down by the Depositories shall be followed and AMCs may rely on the same to comply with the requirements of 2FA as laid down in the circular.
- b. Non-Demat units: 2FA shall be undertaken as follows:
 - i. Submitted directly to AMC/RTA: OTP to the Contact details registered in the investor folio with the AMC
 - ii. Submitted to Platform: OTP to contact details registered in the investor folio with the RTA / AMC. Platforms shall use the feeds / APIs provided by RTAs to ensure the contact details used are in sync with the contact details registered in the AMC. As part of transaction feeds, Platforms shall provide contact details viz. email ID and/or mobile number used for 2FA. RTAs shall reject redemption transaction if the contact details provided by the Platform do not match with the registered contact details in the investor folio of the AMC.
 - iii. It is imperative that AMC/RTA and Platforms collaborate to reconcile contact details prior to 15th April 2022.
 - iv. 2FA for various types of redemptions shall be carried out as follows:
 1. Redemption: at the time of investor placing the redemption transaction
 2. Switch Out (Inter and Intra scheme): at the time of Investor placing the switch transaction.



3. Systematic plans (Withdrawal and Transfer) and Dividend sweeps: One-time, at the time of registration by the investor. Platforms need to provide the authentication information as per clause IX.b.ii above as part of the 1st instalment/registration details.
 - (a) For subsequent instalments, it is mandatory for Platforms to provide all the basic details of the systematic plans, e.g registration date, instalment number, start from date, end to date, etc. to enable RTA to correlate with the 1st instalment/registration.
 - (b) If the details are not provided in subsequent instalments, such instalments shall be treated like a Redemption/Switch out and subject to fresh 2FA.
4. Exclusions: Redemption triggered by the AMC (maturity, merger, winding up of a scheme) will not require 2FA.

X. Other important points:

RTAs shall segregate legacy folios containing both demat and non demat holdings into separate folios for demat and non demat holdings. It is understood that new folios are being created in a segregated manner.

XI. Bank Mandate:

- a. No bank account shall be registered in the investor account as part of account opening or subsequent addition or change of bank request unless a validation is undertaken through any one of the following modes whereby the investors name, account number /details are verified:
 - i. Original cancelled cheque
 - ii. Self-certified cheque copy & verified with the original by AMC / RTA
 - iii. Self-certified copy of bank passbook and verified with the original by AMC/RTA
 - iv. Penny Drop Facility or PAN based account validation facility provided by NPCI.
- b. Redemption proceeds shall be credited only to a verified Bank Mandate.
- c. There shall be a cooling period of 10 days for acceptance of change of bank mandate digitally post change of both email ID and mobile number in an investor folio.



- d. Confirmation of registration / change of bank details, or information regarding rejection of a registration or change of bank details shall be intimated via a physical letter sent to the investor's registered address , in addition to sms and / or email at the mobile number and email id registered in the AMC records.

XII. Remediation of Contact details in existing folios:

- a. AMC shall take steps to validate and verify the Contact details registered in existing folios based on the process laid out in clauses III, V and VI.
- b. Contact details that fail the validation (clause III) or the verification in clause V shall be removed from investor accounts and an intimation shall be sent to such investors and the concerned Platform. This process shall be completed by September 30, 2022.
- c. For contact details that fail the verification in clause VI, RTAs / AMCs shall make continuous efforts to collect the family flag declaration or to get updated contact details.



Annexure 1 – Illustrations of invalid contact details

1. The following shall not be considered as a valid mobile number:
 - a. Mobile no. is of 10 digits but starts with any number between 1 to 5
 - b. Captured with all 10 digits being the same, for example as '0000000000', '6666666666', '7777777777', etc.
2. The RTAs should evolve a different process for validation of overseas mobile numbers. The process should include a validation of the Country code mentioned as part of the mobile number with the Country Code of the investor's overseas address.
3. The following shall not be considered as valid email ID:
 - a. '@' is missing.
 - b. Contains 'notprovided', 'Noemail', and 'xyz'
 - c. Invalid email domain
 - d. There is a '.' (dot) at the end of Email ID
 - e. There is no '.' (dot) before the top-level domain viz. "com", "org", "in", etc.
 - f. More than one '@'