



Association of Mutual Funds in India

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CIR/ ARN-25 / 2023-24

March 28, 2024

To:
All AMFI Members
Mutual Fund RTAs &
Mutual Fund Distributors

Dear Sir/Madam,

Sub: Standard / Centralised Process for Transfer of AUM of one MFD to another MFD

Background

AMFI has been receiving feedback from mutual fund distributors (MFD) that there is lack of uniformity amongst the AMCs in respect of procedure for transfer of AUM from one distributor/ARN to another and has received requests to prescribe a standard procedure, including the documents / forms required in this regard. AMFI has also received requests to centralise the process, so that the distributors are not required to submit the request for transfer of AUM individually to each AMC.

The matter was examined by AMFI in consultation with a working group of members from AMFI ARN Committee and AMFI Operations Committee and based on the recommendations of the working group, the following guidelines are being issued w.r.t. the standard procedure for transfer AUM from (i) one distributor/ARN to another; and (ii) the ARN of deceased distributor to the ARN of the nominee/legal heir, including the documents / formats required in this regard.

(A) Standard Process for Transfer of clientele / AUM from ARN one MFD to another

- 1) For transfer of mutual fund clientele/ AUM from one distributor to another, the transferee distributor should be necessarily empanelled (if not already empanelled) with all the AMCs with whom the transferor distributor is empanelled.
- 2) As a first step, the transferor distributor needs to have an up-to-date list of mutual fund clients under his/her/its ARN. The distributor may obtain the same from the RTAs' mail-back services or distributor portal or submit a written request the respective RTA to provide the same.
- 3) The transferor distributor needs to send a written communication to all his/her/its mutual fund clients by email or letter informing them about the proposed change in ARN in their folios in accordance with AMFI Best Practice Guidelines circular no. 135/BP/ 106 /2022-23 dated March 21, 2023, requesting the clients to write to the respective AMC/s within 15 days if they have any objection in moving their MF folios under the transferee MFD's ARN.



The letter/email should clearly mention the last date by which the client should inform the AMC (since there is a cooling period of 15 days from the last date of sending the communication to the clients). The letter/email should also mention the email ID and address of the RTA (CAMS & KFinTech) to which the investors may send their response to. A specimen of the communication to be sent by the transferor distributor to the mutual fund clients in this regard is attached herewith as **Annexure 1(a) & Annexure 1(b)**.

- 4) The transferor distributor may send a common letter/email to the clients for various mutual fund schemes in which clients have invested.
- 5) Thereafter, the Transferor distributor needs to submit AMC-wise application for Transfer of AUM in the prescribed format as per **Annexure 2** to the respective RTAs with a covering letter in the prescribed format as per **Annexure 3**.

The reason for the proposed AUM transfer / merger (in case of the transferor MFD tying up with a principal MFD as a sub-distributor) shall be clearly mentioned in the application for transfer of AUM (since the reason for transfer of AUM has a direct bearing on the trail commission rate computation i.e. to determine whether the existing rate or lower rate of trail commission would be applicable).

- 6) Along with the application for Transfer of AUM in the prescribed format, the Transferor distributor needs to submit the following documents:
 - (i) A sample of the communication sent to the mutual fund clients.
 - (ii) Proof of dispatch/certificate of posting (in case of physical letters) OR email logs.
 - (iii) List of the investors to whom the communication has been sent, mentioning their PAN & folio numbers.
 - (iv) Declaration from the Transferee distributor as per **Annexure 4**.
 - (v) Application of cancellation of Transferor's ARN post transfer of AUM. *(Not applicable in case the transferor distributor is tying up with a Principal distributor as a sub-distributor)*.
- 7) The RTAs shall initiate the AUM transfer process after a cooling-off period of 15 days from the date of communication to the investors (last date of communication in case the period is spread over multiple days).
- 8) Folios of investors who have dissented for the change in ARN, if any, shall be excluded from the AUM transfer and the transferor distributor shall be informed immediately in this regard by the respective RTA.
- 9) In such cases where the investor has dissented for the proposed change in ARN, the AMC/RTA shall promptly request the concerned investor to write back to the AMC (i) mentioning the name and ARN of any other distributor under whose ARN the investor wants to shift his/her/its mutual fund holdings/folios, OR (ii) submit a request to Switch the unitholding under the ARN of the transferor distributor to Direct Plan (if the investor has not already written to the AMC in this regard).

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- 10) The RTAs shall complete the AUM transfer across all the AMCs serviced by them within 15 calendar days of submission of AUM transfer request/completion or cooling period, whichever is later, and send an email confirmation to the transferor and transferee distributor, with copy to the concerned AMC (as per sample / draft attached).
- 11) The RTAs shall simultaneously send a confirmation of completion of AUM transfer to CAMS - AMFI unit along with the application for cancellation of ARN submitted by the transferor distributor (wherever applicable).
- 12) CAMS-AMFI Unit shall process the cancellation of Transferor ARN within 2 working days from the receipt of the intimation from RTAs.

(B) Procedure for Transfer of AUM from ARN of deceased MFD to ARN of nominee/legal heir

- 1) On death of a mutual fund distributor, the nominee / legal heir of the deceased distributor should promptly submit a written intimation to CAMS - AMFI unit informing about the same, mentioning the name, PAN and ARN of the deceased distributor along with his/her ARN card and a true copy of the death certificate of the deceased distributor duly attested by a Notary or by a Gazetted officer.
- 2) On receipt of the above, CAMS -AMFI unit shall cancel the ARN of the deceased MFD in the ARN database and inform all AMCs and RTAs and also send a confirmation to the nominee/ legal heir.
- 3) The following are the pre-requisites for being eligible for transfer of AUM of the deceased distributor to the ARN of nominee or legal heir -
 - (a) ARN of the deceased agent / distributor should have been valid as on the date of demise and his/her commission payment or ARN should not have been suspended for any reason on the date of demise.
 - (b) The Nominee/ legal heir should have -
 - (i) a valid ARN as on the date of request for transfer of AUM.
 - (ii) should be KYD compliant.
 - (iii) should have submitted his/her annual declaration of self-certification (DSC) due as on the date of request for transfer of AUM (where applicable).
 - (c) If the nominee/legal heir is not already empanelled as a distributor with the AMCs with whom the deceased distributor was empaneled, he/she should make an application for empanelment as distributor to each of the AMCs.
 - (d) If the Nominee / Legal heir does not have NISM certificate and/or ARN already, he/she is required to:
 - (i) clear the NISM-Series-V-A: Mutual Fund Distributors Certification Examination (if not done already);
 - (ii) thereafter apply for the ARN online through AMFI website or submit a physical application for ARN at any of CAMS' POS and obtain the ARN.
 - (iii) After obtaining the ARN, the Nominee / Legal heir needs to apply to individual AMCs for empanelment as a distributor in the respective AMC's prescribed empanelment form.

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- (e) Only those assets which were mobilised by the deceased distributor prior to his/her demise (including SIP's registered prior to death) and during the validity of his/her ARN can be transferred to the ARN of the nominee/ legal heir.
- (f) The nominee/legal heir needs to submit an application for transfer of AUM of the deceased distributor no later than six months from the date of demise of the deceased distributor.

Note:

- (i) *The period of six months has been stipulated so as to provide reasonable and adequate time for the nominee/legal heir to clear NISM certification and obtain ARN; and also to ensure that the clients of the deceased MFD do not remain un-serviced indefinitely.*
 - (ii) *In case there are different nominee's registered across different fund houses, separate requests for empanelment as distributor and Transfer of AUM needs to be submitted by each nominee to each AMC/ RTAs.*
- 4) The nominee / legal heir should send a written communication to all mutual fund clients of the deceased distributor by email or letter informing them about the demise of the distributor whose ARN is registered against their folios and the proposed change of the distributor/ ARN code of the nominee/legal heir, along with the name & contact details and ARN of the nominee / legal heir who will be servicing the clients after the transfer of AUM. It shall also be clearly stated in the letter/email that if the client has any objection for the change in the distributor/ARN code, he/she/they must promptly write to the respective AMC directly; and that the AMCs will effect the change of distributor/ARN after 15 days' cooling off period, unless they hear from the unitholder to the contrary within 15 days from the date of the nominee/legal heir's letter. A sample of the communication to be sent to the clients of the deceased MFD is attached herewith as **Annexure 1(c)**.
- 5) The transferor distributor may send a common letter/email to the clients for various mutual fund schemes in which clients have invested.
- 6) Thereafter, the nominee / legal heir should submit the application for Transfer of AUM in the prescribed form as per **Annexure 5** addressed to the concerned AMC, along with a covering letter in the prescribed format as per **Annexure 3** to the respective RTAs, attaching therewith the following supporting documents –
- i. A copy of death certificate of the deceased distributor.
 - ii. A sample of the letter / email sent to the clients regarding the proposed change of ARN.
 - iii. Proof of dispatch of the letters / email logs.
 - iv. List of clients (containing their name, PAN & folio numbers).
 - v. Bank Attestation of signature of the nominee/legal heir by a Bank Manager in prescribed format as Annexure-9.

Where the applicant is a legal heir (not nominee) of the deceased –

- i. Any appropriate document evidencing relationship of the legal heir with the deceased distributor.
- ii. NOC from other legal heirs as per Annexure 6.
- iii. Individual affidavit to be given by each legal heir as per Annexure 7.

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- iv. Bond of Indemnity as per Annexure 8 (to be furnished by the legal heirs for transfer of AUM without production of Legal Representation).

Provided that if the legal heir is submitting a certified copy of a Succession Certificate or Probate of Will or Letter of Administration of appropriate court order wherein the legal heir is named as a beneficiary, an affidavit as per Annexure 7 from such legal heir would be sufficient, i.e., Bond of Indemnity is not required.

- 7) For further steps / action to be taken by the RTAs, please refer to paragraphs A(7) to A(12) hereinabove.

All AMFI Members, RTAs and mutual fund distributors are requested to take note of the abovementioned guidelines for uniform implementation w.e.f. April 01, 2024.

With best regards,


Balkrishna Kini
Dy. Chief Executive