

Multiple bank account registration

1. Ref: AMFI best practices guidelines circular no: 135/BP/17/2010-11 dated 22nd October 2010

2. Background:

The AMFI Committee constituted by SEBI on ‘Operational Risk Issues related to Investor Service processes in Mutual Funds’ has given recommendations on select service processes which are not standard across the industry, are ambiguous or are high risk due to higher possibility of errors or frauds. The said report has been shared with all the AMCs. It was also advised that AMFI is working on implementation plan on various recommendations of the committee.

NISM Report on Operational Risk issues in Mutual Funds Investor Service Processes (NISM Report) highlighted the risks related to simultaneous change of bank mandate and Redemption requests on multiple occasions. As a risk mitigation step, the Report has recommended that the investor must be provided the facility to register multiple bank accounts by providing necessary documents, after which investors can use any of the registered bank accounts to receive redemption / dividend proceeds into. These accounts should also be used for verification of pay-ins (i.e. receiving of subscription funds) to ensure that a third party payment is not used for mutual fund subscription.

3. Current practice:

- 3.1 As per current regulations, every investor must register a bank account with the mutual fund, which will be used for payment of redemption and dividend proceeds, if any.
- 3.2 Currently, investors register one bank account while investing with the fund. However, when the investor wishes to redeem and seeks redemption proceeds to be transferred in a new bank account, the investor provides a "change of bank account" request along with redemption proceeds.
- 3.3 Such simultaneous request raises the risk of fraudulent transactions. Further, there is risk of redemption proceeds being transferred to an incorrect account because of an error in capturing new bank account details along with redemption.

4. New process:

#	Activity	Process
4.1	Registration	<ol style="list-style-type: none"> 1. Individuals, HUFs, Sole proprietor firms can register upto five bank accounts and a non-individual investor can register upto ten bank accounts in a folio 2. Investors should register their various bank accounts well in advance and continuously update the bank accounts details with the mutual fund and specify any one of registered bank account for payment of redemption proceeds. 3. Investor shall use Part A of the Bank Accounts Registration Form along with any one of the documents (in original) specified below this section to register bank mandates 4. If a copy is submitted, the copy should be certified by the bank or investors may bring the original to the office of the fund or the registrar for verification.

		<p>5. Bank accounts registration is at folio level and is applicable for investments in all the schemes in that folio.</p> <p>6. Subject to documents being in order, bank accounts will be registered or any subsequent addition/ change/ deletion in the registered bank accounts would be effected within 10 business days from the receipt of a duly completed application form and a confirmation letter will be sent within 15 business days.</p>
4.2	Documents to be submitted for registration	<ul style="list-style-type: none"> ✓ Bank Accounts Registration Form ✓ Cancelled cheque leaf, or ✓ Bank Statement with account holders' name, account number and branch address, or ✓ Certified copy of Pass Book Page with account holders' name, account number and branch address.
4.3	Default bank account	<p>While registering multiple bank accounts, the unit holder(s) may specify any one bank account as the 'Default Bank Account' for credit of redemption and dividend proceeds, using Part B of the registration form.</p> <p>If the 'Default Bank Account' is not specified, Karvy reserves a right to designate any of the bank accounts as 'Default Bank Account'.</p> <p>In case of existing investors, the existing bank mandate will be treated as default bank account till the investor gives a separate request to register multiple bank accounts and change the default bank account to any of other registered bank account.</p> <p>In case of new investors, the bank account mentioned on the purchase application form, used for opening the folio, will be treated as default bank account till the investor gives a separate request to register multiple bank accounts and change the default bank account to any of other registered bank account.</p>
4.4	Change in Default Bank Account	<p>The investors can change the default bank account anytime by mentioning a registered bank account in Part B of the designated form.</p> <p>In case multiple bank accounts are mentioned as default bank account or no bank account is mentioned, Karvy retains the right to register any one of them as the default bank account at it's discretion</p>
4.5	Change in Bank Account	<p>If the investor wishes to receive redemption proceeds in a new bank account which is not registered with the fund, the investor should follow-up the following steps:</p> <ul style="list-style-type: none"> ✓ Filling up "Bank Accounts Registration Form" ✓ Mentioning the new bank mandate in Part A of the form and enclosing necessary documents for account validation. ✓ Mentioning the new bank mandate in Part B (Default Bank Mandate) of the form. ✓ If the new bank is not mentioned in Part B, the bank is only registered

		but not used for future payment proceeds.
4.6	Deletion of Registered Bank Accounts	<p>The investor shall use the Part C of the Bank Accounts Registration Form to delete a registered bank account.</p> <p>Investor will not be allowed to delete a default bank account unless he/she registers another registered account as a default account.</p>
4.7	Redemption	<p>Proceeds of any redemption request will be sent only to a bank account that is already registered and validated in the folio at the time of redemption transaction processing.</p> <p>Any of the existing registered bank account may be mentioned by the investor with redemption request for receiving redemption proceeds. If no registered bank account is mentioned, default bank account will be used for payment of redemption proceeds.</p> <p>Proceeds for any redemption request received in the interim will be sent to existing registered bank account only</p>
4.8	Redemption process – important points	<p>Consequent to introduction of “Multiple Bank Accounts Facility”, the existing facility of redemption with change of bank mandate is discontinued wef 15th November 2010.</p> <p>If investor provides a new and unregistered bank mandate with a redemption request (with or without necessary supporting documents) such bank account will not be considered for payment of redemption proceeds and redemption proceeds will be sent to existing registered bank account only.</p> <p>Karvy is not be responsible for sending redemption proceeds without considering unregistered bank account mentioned with the redemption request.</p> <p>New bank account mentioned with redemption request will not be registered and redemption proceeds will be sent to existing registered bank account only.</p>
4.9	Other points	<p>The requests for addition/change/deletion/modification in the registered bank account(s) should be submitted using the designated application form only</p> <p>Requests received on a plain paper are liable to be rejected</p> <p>Only SOA will be send as a confirmation to investors</p> <p>Single redemption with multiple payments is not allowed</p>
4.10	Registration form	<p> Multiple Bank Account Registration</p>