



Association of Mutual Funds in India

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March 28, 2024

To:

All AMFI Members

Mutual Fund RTAs and

Mutual Fund Distributors

Dear Sir/Madam,

Sub: Facility / Option to apply for 'Provisional' ARN to non-individual entities pending EUIN mapping

1. Background

- 1.1. As per extant SEBI MF Regulations and AMFI guidelines, non-individual mutual fund distributors (MFDs) need to have at least one employee/ relationship manager/ salesperson who has cleared the NISM-Series-V-A: Mutual Fund Distributors Certification Examination and holds a valid NISM certificate, and a valid Employee Unique Identity Number (EUIN) allotted by AMFI for engaging with the investors for sales promotion / distribution of mutual fund products.
- 1.2. Accordingly, along with the application for ARN, a non-individual entity seeking AMFI registration/ ARN needs to compulsorily submit an application for linking/mapping the EUIN of at least one employee/sales personnel who holds valid NISM certificate and valid EUIN to the ARN of the applicant.
- 1.3. After obtaining the ARN, the entity needs to apply to individual AMCs to get empanelled as a distributor and complete the empanelment process before beginning to promote the schemes of the concerned mutual funds.
- 1.4. For a newly established corporate entity, it may take some time to hire sales personnel having valid NISM certification/EUIN. Consequently, such an entity cannot apply for ARN until and unless it has recruited at least one employee who holds a valid NISM certificate and holds valid EUIN.
- 1.5. An increasing number of individual MFDs are choosing to convert their mutual fund distribution business into a corporate model (such as a Private Limited Company/ LLP etc.) for various reasons such as prudent tax planning / business continuation-cum-succession planning etc. The steps involved in this regard, including transfer of AUM to the new entity are as follows -



- i) Formation of new company or LLP, as the case may be.
- ii) Applying for ARN in the name of the newly established entity, with all supporting documents, including application for EUIN registration / mapping of EUIN of at least one employee having a valid EUIN to the new entity's ARN.
- iii) After obtaining the ARN, getting the new entity empanelled as distributor with individual AMCs.
- iv) Requesting each AMC for transfer of AUM from individual ARN to the ARN of the new entity, in accordance with AMFI guidelines.
- v) Surrender of ARN of the individual MFD for cancellation, post the transfer of AUM.

Typically, the entire process listed above takes at least a couple of months to complete.

1.6. It is observed that in most such cases, the individual distributors generally prefer to register their own (existing) EUIN under the ARN of the newly established company/LLP, as it may not be feasible for a new start-up to hire an employee who holds a valid NISM certificate/EUIN. However, since the same EUIN cannot be mapped to two separate ARNs at the same time, the individual MFDs cancel their individual ARN, so as to enable mapping their (individual) EUIN to the new entity's ARN. However, this results in subsequent purchase/switch transactions sourced under the individual ARN being processed under Direct Plan, since the individual ARN is cancelled before the process of AUM transfer to the new ARN of the company/ LLP is completed.

1.7. The matter was deliberated by AMFI ARN Committee to arrive at a suitable solution whereby individual MFDs who wish to convert their mutual fund distribution business from individual to a corporate model could apply for corporate ARN without having to do EUIN mapping upfront, so that they may continue to operate under their individual ARN till the date of AUM transfer (after completing the process of getting empaneled with various AMCs and transferring the AUM from the individual ARN to the new corporate ARN across all fund houses). Accordingly, based on the committee's recommendations to address the above issue, which have been duly approved by the Board of AMFI, it has been decided to introduce a concept of "Provisional ARN" in respect of non-individual ARN applicants by allotting ARN "provisionally" pending completion of EUIN within a specified time limit, as explained hereinbelow.

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2. Grant of Provisional ARN – To facilitate conversion of an individual’s mutual fund distribution business to a corporate structure:

2.1. An individual MFD who wants to convert his/her individual distribution business into a corporate set-up may, after setting up the company / LLP as the case may be, apply for a ARN in the name of the new entity *provisionally*, and undertake to complete the EUIN mapping subsequently, within 6 months from the date of ARN application.

In such a case, the ARN application shall be submitted along with all other supporting documents and applicable ARN registration fees and a **Letter of Undertaking** in the prescribed format as per **Annexure A**, undertaking to complete the EUIN mapping within 6 months from the date of application.

2.2. CAMS-AMFI unit, after due scrutiny of the application, shall allot the ARN to the entity *provisionally*, pending EUIN registration / EUIN mapping of at least one employee on the basis of the Letter of Undertaking, subject to the ARN application being otherwise found to be in order. The status of the ARN shall be flagged as “PROVISIONAL” in the ARN database till the entity complies with the requirement of EUIN mapping of at least one EUIN holder/ registering at least one employee under the corporate ARN. In the ARN allotment letter, CAMS shall clearly state that the ‘ARN is allotted *provisionally* and *has not been activated*, and that it would be activated only after complying with EUIN registration / EUIN mapping’.

2.3. On receiving the ‘provisional ARN’ in the name of the new entity, the individual MFD shall notify all his/her MF clients via email /letters about the proposed change of the distributor/ ARN, the reason for the same, along with the details of the new corporate entity who will be servicing them after the transfer of assets.

The clients shall also be advised that if they have any objection for the change in the distributor/ARN code, they must urgently write to the respective AMC directly and that in case no objection is received from the client, it would be deemed that the client has no objection for the proposed change in ARN and the AMCs will effect the change in the ARN code in the client’s folios after a cooling off period of 15 days from the date of receipt of distributor’s letter / email. A sample of the communication to be sent by the individual MFD to his/her clients in this regard is attached herewith as **Annexure B**.

2.4. The newly formed entity (i.e., the ‘provisional’ ARN holder) shall simultaneously apply to all AMCs with whom the individual MFD is empanelled, for getting empanelled as a distributor.





- 2.5. Parallely, the individual MFD shall submit a request to the concerned AMCs to shift the folios of all the unitholders in Regular Plan of all the Schemes linked to his/her ARN (i.e., for transfer of AUM) to the ARN of the transferee MFD (i.e., the newly set up entity) clearly mentioning that it is essentially conversion of the individual's distribution business into a non-individual corporate business model, and confirming that he/she has informed all the existing clients through letters / emails about the proposed the change of distributor/ARN. A list of all the clients along with a sample letter/email along with proof of dispatch of letters / email logs shall also be submitted.
- 2.6. The respective AMCs shall send a confirmation of *provisional* empanelment as a distributor to the new entity and also issue an *in-principle approval* for transfer of AUM to the individual (transferor) MFD (with a copy to their respective RTA) after the cooling off period of 15 days from the date of receipt of the distributor's letter/ email.
- 2.7. Once the new entity receives empanelment confirmation and the individual (transferor) MFD receives *in-principle approval* for transfer of AUM from all the AMCs, the individual MFD and the new entity shall together submit the following requests to CAMS - AMFI unit -
- i) Application for mapping the EUIN of the individual MFD to the ARN of the new entity.
 - ii) AMC-wise application for Transfer of AUM from the ARN of individual MFD to the ARN of the new entity, attaching a copy of confirmation of empanelment of the new entity and in-principle approval for transfer of AUM issued by each AMCs.
 - iii) Application for cancellation of the ARN of the individual MFD.
- 2.8. On receiving the above in good order, CAMS - AMFI unit shall -
- i) Cancel the ARN of individual MFD and map his/her EUIN to the ARN of the new entity, effective from the first calendar day of the subsequent month.
 - ii) Update the status of the provisional ARN of the entity in the ARN database from "PROVISIONAL" to "ACTIVE" from the first calendar day of the subsequent month.
 - iii) Send an email confirmation to the individual (transferor) MFD as well as the new entity (transferee MFD) regarding (i) and (ii) above, including the effective date thereof.
 - iv) Notify all AMCs and RTAs regarding (i) and (ii) above.





v) Forward the copy of confirmation of empanelment of the new entity and in-principle approval for transfer of AUM issued by individual AMCs, and the AMC-wise applications for Transfer of AUM from the ARN of Individual MFD to the ARN of the new entity and to the respective RTAs.

2.9. On receiving the documents mentioned at para 2.8(v) above from CAMS-AMFI unit, the respective RTAs shall effect the transfer of AUM from the ARN of the individual MFD to the ARN of the new entity effective from the same date on which individual ARN is cancelled and provisional ARN is activated, including the SIPs/STPs/SWPs registered under the ARN of transferor MFD and send a confirmation to the Transferor (individual) MFD as well as the Transferee (corporate) MFD, and the concerned AMC.

2.10. Thereafter, the new entity can start MF distribution under its now 'Active' ARN from the effective date, i.e., from the first calendar day of the subsequent month. Thus, the individual MFD will be able to continue to conduct the MF business as an individual MFD under his/her individual ARN without any break till one day prior to the date of transfer of AUM without having to cancel his/her individual ARN before the AUM transfer.

3. Extending the Provisional ARN model to all non-individual ARN applicants

3.1. Since it may take a newly formed corporate entity some time to engage/hire sales personnel having requisite NISM certification, it has been decided to extend the *Provisional ARN* model to all non-individual ARN applicants as well.

3.1.1 Thus, a non-individual entity applying for AMFI registration/ARN may choose to (i) apply for ARN along with the EUIN registration/EUIN mapping request with the ARN application (if it already has an employee holding valid EUIN) or (ii) apply for ARN *provisionally* and undertake to complete the EUIN mapping subsequently within 6 months from the date of application, if the entity is yet to appoint an employee having valid EUIN.

3.1.2 If the applicant chooses to complete the EUIN registration/EUIN mapping upfront, the existing standard process shall be applicable, i.e., the process for grant of Provisional ARN mentioned below shall not be applicable.

3.2. In case an entity chooses to apply for AMFI registration/ ARN provisionally i.e., opting to complete the EUIN mapping requirement subsequently, the following procedure shall be followed -

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- 3.2.1 The entity / applicant shall submit a duly completed corporate ARN application to CAMS along with all supporting documents and registration fees, along with a Letter of Undertaking in the prescribed format as per **Annexure C**, undertaking to complete the EUIN mapping subsequently, but within 6 months from the date of application.
- 3.2.2 In such a case, CAMS-AMFI unit shall allot the ARN to the applicant *provisionally*, on the basis of the Letter of Undertaking, and the status of the ARN shall be flagged as “PROVISIONAL” in the ARN database till the entity submits / complies with the requirement of registration of at least one EUIN holder under the ARN.
- 3.2.3 On the basis of the provisional ARN, the entity may apply to the individual AMCs for empanelment as distributor.
- 3.2.4 The AMCs shall, after deciding the suitability of the entity for empanelment as a distributor, issue a *provisional empanelment letter* to the entity, with a copy to their respective RTA, pending compliance of EUIN registration / EUIN mapping of at least one EUIN holder under the ARN of the entity.

It will be clearly stated in the AMC’s empanelment letter that –

- (a) the entity is not eligible to canvass any business under the provisional ARN until and unless AMFI / CAMS confirms that the entity has complied with EUIN registration / EUIN mapping of at least one EUIN holder and the ARN status has been updated as “ACTIVE” in the ARN database.
- (b) If any transactions are submitted to /received by the AMC/RTA under the provisional ARN, the same shall be processed under Direct Plan and there will be no recourse to any appeal in this regard.**
- 3.2.5 The entity shall complete the EUIN registration / EUIN mapping of at least one employee under the provisional ARN within 6 months from date of ARN application.
- 3.2.6 On receiving the application for EUIN registration / EUIN mapping of at least one employee in good order within the stipulated period of 6 months, CAMS - AMFI unit shall update the status of the provisional ARN of the entity in the ARN database from “PROVISIONAL” to “ACTIVE” and send an email confirmation to the entity and also notify all AMCs and RTAs regarding the same.



- 3.2.7 On receiving the confirmation of activation of the ARN from CAMS-AMFI unit, the respective AMCs shall issue a final empanelment letter mentioning the terms and conditions of empanelment, along with welcome kit to the entity / new distributor.
- 3.2.8 The distributor can thereafter start selling MF Units under its now 'Active' ARN.
- 3.2.9 If the entity does not comply with EUIN registration / EUIN mapping of at least one employee with valid EUIN within the specified time limit of six months, the provisional ARN shall be cancelled and the ARN registration fees paid by the entity shall be forfeited.

CAMS-AMFI Unit has since confirmed that their systems development and testing to implement the provisional ARN process is ready, and both the RTAs have confirmed their readiness to implement the same.

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

With best regards,

A handwritten signature in blue ink, appearing to read 'Balkrishna Kini', written over a light blue diagonal line.

Balkrishna Kini
Dy. Chief Executive