



Association of Mutual Funds in India

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AMFI/ CIR/ ARN-27 / 2023-24

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To,
All AMFI Members

Dear Members,

**Sub: (i) Discontinuation Biometric Process for grant of ARN for MFDs and
(ii) Mandatory Online process to apply for ARN & EUIN**

(1) Background:

- (i) In the year 2010, when there were no restrictions or guidelines against acceptance of third-party payments, in order to strengthen and tighten the procedure for Distributor registration it was felt expedient to introduce personal verification of the applicants who seek AMFI Registration Number (ARN) through a biometric process. Accordingly, with the approval of the AMFI Board, it was decided to introduce a bio-metrics process for ARN applicants as part of the "Know Your Distributor" (KYD) process effective from September 1, 2010, and the then existing ARN holders were requested to comply with KYD process within 6 months. Since then, Computer Age Management Services Pvt. Ltd. (CAMS) has been conducting / collecting the biometrics of mutual fund distributors as part of ARN registration / KYD process.
- (ii) In July 2017, AMFI introduced a completely paperless online ARN Registration process which is based on Aadhaar authentication, wherein the individual applicant's identity / Aadhaar is authenticated with UIDAI by CAMS (since CAMS is registered with UIDAI as KYC User Agency). Since the biometric information verified by the UIDAI includes fingerprints of all ten fingers, iris scans of both the eyes, and a facial photograph, the need to conduct separate biometrics at CAMS' POS has been eliminated in the online ARN Registration process based on Aadhaar authentication.
- (iii) Over the years Aadhaar has become the most important Officially Valid Document (OVD) for proof of identity as well as proof of address for KYC purposes. This is clear from the fact that currently for KYC status to be considered as "Validated", the OVD data should have been validated with the issuing authority, i.e. UIDAI, PAN-Aadhaar linking done, and email and/or mobile is also validated. Further, it is now mandatory for individual taxpayers to link their PAN with Aadhaar, failing which the PAN will be treated as inoperative.
- (iv) Over the past fourteen years, based on regulatory guidelines and AMFI best practice guidelines strictly prohibiting the acceptance of third party instruments / payments for subscriptions in mutual funds, the AMCs and the RTAs have implemented several robust risk mitigation measures to safeguard the interest of the investors including the mandatory validation the bank account of the unitholders, which were not in existence when the bio-metrics process for ARN applicants was first introduced.



(2) Discontinuation of physical biometrics & Mandatory submission of Aadhaar for KYD process:

In view of the above factors, with the approval of the Board of AMFI, it has been decided to –

- (i) discontinue the physical biometrics process for KYD compliance for grant of ARN; and
- (ii) make it mandatory for ARN applicants / MFDs either provide Aadhaar and PAN; or have a “valid” KYC with the KRAs (i.e., KYC with “Validated” status) for the KYD purpose.

(3) AMFI Registration / Application for ARN to be allowed only via online mode

- (i) Since the time AMFI introduced the completely paperless online ARN Registration process in July 2017, number of online applications has been steady increasing, and the data of fresh ARN registration indicates that nearly 90 % of ARN applications have come via the online mode, indicating the preference for the online process.
- (ii) AMFI has already made it compulsory for MFDs to renew their ARN & EUIN through online mode w.e.f. 01-Jul-2022, and the paper-based process has been since discontinued.
- (iii) Hence, in consultation with the ARN Committee and the approval of the Board of AMFI, it has now been decided to make it compulsory for individual applicants to apply for AMFI registration (fresh ARN & EUIN) only via online mode to facilitate Aadhaar & PAN authentication online seamlessly and discontinue the paper-based process.
- (iv) This will facilitate speedy and efficient processing and eliminate human error, delay in postal / courier transit.

(4) Date of Implementation

The changes / revised process specified under para (2) & (3) above shall be effective from 01-Oct-2024.

Regards,

Venkat N. Chalasani
Chief Executive