



Association of Mutual Funds in India

135/ BP/ 37/ 2012-13

March 28, 2013

To All members

Dear Sir / Madam,

Sub : Amendments to AMFI Best Practices Circular no. 33 dated December 31, 2012 on EUIN validation

Further to AMFI Best Practice Guidelines Circular No. 135/BP/33/2012-13 dated December 31, 2012 the AMFI Operations and Compliance Committee (OPCOM) deliberated on the process of validation of EUIN and suggested modification of clauses (3.b), (2), (5) and (6) of the above circular as follows:

Clause 3 - EUIN Maintenance:

- b. EUIN is allotted to Sales Persons of all ARN holders and to Individual/Sole Proprietorship ARN holders in their individual capacity as Sales Person.

Clause 5 – Implementation Process

- a. AMC's shall create spaces for the following information in their transaction forms – ARN code, Sub Broker ARN code, EUIN, Sub broker code (as allotted by ARN holder).
- b. AMC's shall advise distributors to ensure that the sub broker affixes his/her ARN code and the EUIN of the Sales Person in the columns separately provided in addition to the current practice of affixing the internal code issued by the main ARN holder.
- c. AMFI has dispatched EUIN to individual ARN holders as well. Individual ARN holders who are Sales Persons themselves (either as the main distributor or the sub broker) shall affix the EUIN allotted to them.
- d. AMC's shall validate the EUIN in the transaction form with the records provided and updated by AMFI-unit of CAMS to ensure that the EUIN is valid and correctly mapped to the ARN code/Sub Broker ARN code as the case may be.
- e. AMC's shall highlight in the KIM the importance of providing EUIN, particularly in advisory transactions, and state that EUIN will assist in tackling the problem of mis-selling even if the employee/relationship manager/sales person leave the employment of the ARN holder / Sub broker.

Clause 6 - Proposed Business Rules:

- a. Channel distributors and on-line distributors shall be advised to provide the EUIN in the electronic transaction feeds.
- b. AMC/RTA transaction portals shall also have a provision for capturing EUIN.
- c. In case EUIN is not provided or fails the validation test as stated in 5 (b) above, ARN holder shall remediate the same within 90 days either by providing the EUIN or the following declaration signed by the investor:
“I/We hereby confirm that the EUIN box has been intentionally left blank by me/us as this is an “execution-only” transaction without any interaction or advice by the employee/relationship manager/sales person of the above distributor or notwithstanding the advice of in-appropriateness, if any, provided by the employee/relationship manager/sales person of the distributor and the distributor has not charged any advisory fees on this transaction”.
- d. In case EUIN or the above declaration is not provided within 90 days, brokerage on the transaction shall be forfeited permanently.
- e. AMC's shall conduct a due diligence on the distributor's activities if they observe significantly large number of transactions being submitted without EUIN.

Clause 7 – Phase wise timeline:

AMCs are advised to put in place necessary systems and processes in order to implement the above guidelines by June 1, 2013, except for the following modes which shall be implemented by August 1, 2013.

Modes of Transaction

- Mobile Transactions/ SMS based
- Stock Exchange Platform
- ATM based
- Call Center originated

AMCs are advised to put up this Circular in the immediate next meeting of their Trustees for information.

With Regards,

C G Parekh
Sr. Vice President