



Association of Mutual Funds in India

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To,
All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No. 86/ 2020 -21
Updated Guidelines w.r.t. Minors' Accounts & Change in status from Minor to Major

Please refer to AMFI Best Practice Guidelines Circular No. 20/2010-11 dated Jan. 28, 2011 on the captioned subject.

On a review, in consultation with AMFI's Standing Committee on Operations Compliance, it has been decided to revise and update the existing guidelines and introduce standard forms/ formats in this regard, with a view to make it simpler and easier for the clients as well as the AMCs, RTAs and the intermediaries.

1. "On Behalf of Minor" Accounts:

Where the account/folio (account) is opened on behalf of a minor, mutual funds and RTA should follow these guidelines:

- 1.1 The minor shall be the sole holder in an account. There shall not be any joint accounts with the minor, either as the first holder or as joint holder.
- 1.2 Guardian in the folio on behalf of the minor should either be a natural guardian (i.e. father or mother) or a court appointed legal guardian.
 - 1.2.1 AMCs shall mandatorily obtain information on the relationship/status of the guardian as father, mother or legal guardian in the application form.
 - 1.2.2 In case of natural guardian, AMC shall obtain a document evidencing the relationship with the minor, if the same is not available as part of the documents submitted as per 2.3 below.
 - 1.2.3 In case of court appointed legal guardian, a copy of the court order in respect of the appointment of the Legal Guardian shall be obtained.
- 1.3 Date of birth of the minor along with photocopies of the supporting documents as enumerated below shall be mandatory while opening the account on behalf of minor:
 - 1.3.1 Birth certificate of the minor, or
 - 1.3.2 School leaving certificate / Mark sheet issued by Higher Secondary Board of respective states, ICSE, CBSE etc., or
 - 1.3.3 Passport of the minor, or
 - 1.3.4 Any other suitable proof evidencing the date of birth of the minor.
- 1.4 Standing instructions like SIP, SWP, STP in respect of a minor's folio shall be registered / executed only till prior to the date of the minor attaining majority, even if the standing instructions in the SIP, SWP, STP mandate form might be for a period beyond that date.



AMCs shall build a system control at the account set up stage itself to suspend the standing instructions in respect of SIP, STP and SWP, when the minor attains the age of majority, till the status is changed to major as mandated in SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2019/166 dated December 24, 2019

2. Change of Guardian

When there is a change of guardian of the minor unitholder either due to mutual consent between the parents or due to demise of the existing guardian, mutual funds shall seek the following documents prior to registering the new guardian:

- 2.1 An application for change in guardian of the minor unitholder in a standard / prescribed form, as per the format attached hereto along with PAN card copy and KYC acknowledgement of the new guardian and a cancelled cheque evidencing the change of guardian in respect of the minor's registered bank account with the new guardian's name.
- 2.2 A Consent Letter from existing guardian or Court Order for new guardian, in case the existing guardian is alive.
- 2.3 A copy of the Death Certificate of the deceased guardian, where applicable duly attested by a Notary Public or a Judicial Magistrate First Class (JMFC) or a Gazetted Officer. The attestation may also be done by authorised official of the AMC after verifying the original.
- 2.4. The new guardian must be a natural guardian (i.e. father or mother) or a court appointed legal guardian and the new guardian's name & signature should have been registered as the guardian with the minor's bankers in respect of the minor's bank account.
 - 2.4.1 AMCs shall invariably obtain the information regarding the relationship/ status of the guardian as father, mother or legal guardian in the application form.
 - 2.4.2 In case of natural guardian, AMC shall obtain a document evidencing the relationship with the minor, if the same is not available as part of the documents submitted as per 2.3 above.
 - 2.4.3 In the case of a court appointed legal guardian, a copy of the court order in respect of the appointment of Legal Guardian shall be obtained.
- 2.5 In case of change in guardian with mutual consent between the parents, the signature of the new guardian shall be duly attested by the existing guardian whose signature is registered in the records of the mutual fund against the folio of the minor unitholder in the space provided in the form.
- 2.6 In all other cases, Bank attestation in respect of the signature of the new guardian shall be obtained on a separate letter / form as per format given in Annexure 1 hereto, from the bank where the bank account of the minor where the new guardian should have been registered as the guardian.
- 2.7 The new guardian shall be registered as the guardian in respect of the registered bank account of the minor unitholder. A cancelled cheque evidencing the change of guardian in respect of the minor's registered bank account shall be attached to the application for change in Guardian of Minor Unitholder.



2.8 Wherever the minor's PAN has been provided in the MF folio, TDS should be paid against / quoting the minor's PAN. This would enable the parents of the minor to report the minor's dividend amount against the PAN of the parent in whose income the minor's income needs to be clubbed while filing their tax returns.

3. Change in Status on Minor attaining Majority (MAM):

When the units are held on behalf of the minor, the ownership of the units, vest with the minor. The guardian may operate the minor's account only until the minor attains the age of majority.

In this regard, SEBI has, vide circular no. SEBI/HO/IMD/DF3/CIR/P/2019/166 dated December 24, 2019 mandated that upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled original cheque leaf of the new account. No further transactions shall be allowed till the status of the minor is changed to major.

Accordingly, when a minor turns a major, AMCs shall obtain relevant documents and follow the guidelines as mentioned below:

3.1 The AMC shall send an advance intimation to the registered address of the minor unitholder at least 30 days prior to the minor attaining the age of majority, advising the unitholder to submit a prescribed application form for change in status of the Unitholder from Minor to Major (hereinafter referred to as MAM form for brevity), along with the prescribed documents (as per para 3.5 below). The prescribed MAM form shall be enclosed with the above intimation. AMCs may also consider sending a reminder via email / SMS advising the unitholder to complete the process for change in status from minor to major.

3.1.1 It should also be stated in the advance intimation that before submitting the MAM application form for change in status from Minor to Major, the unitholder should –

- i. Apply for PAN & obtain a PAN card;
- ii. Complete the KYC process; and
- iii. Change his/her status in his/her existing bank account from Minor to Major OR open a new bank account immediately upon becoming a major and procure a new cheque book with his/her name pre-printed on the cheque.

Only after fulfilling the above steps, he/she should submit the prescribed MAM form duly completed to the AMC/ Registrar along with the requisite supporting documents.

3.1.2 It shall also be clearly stated in the above communication that –

- a. The guardian shall not be allowed undertake any financial or non-financial transactions from the date of the minor attaining majority.
- b. All existing standing instructions like SIP, SWP & STP, if registered for a period beyond the date on which the minor attains majority, will cease to be executed from the date of the minor attaining majority.



- c. The unitholder (erstwhile minor) will need to submit a fresh SIP, STP, SWP mandate in the prescribed form while applying for change in status from minor to major, in order to continue the SIP, STP, SWP.

3.2 The minor's account shall be frozen for operation by the guardian on the day the minor attains the age of majority and no further customer-initiated transactions shall be permitted till the the status is changed from minor to major.

Note:

Dividend pay-out or dividend reinvestment shall continue to be processed, being a corporate action and not investor initiated. In such cases, dividend amount, net of TDS (wherever applicable), shall be credited to the unitholder's registered bank account or reinvested in the folio, as the case may be.

3.3 AMC shall discontinue all standing instructions like SIPs, SWPs, STPs etc. with effect from the date of the minor attaining majority. In other words, all existing running SIP, STP, SWP transactions shall be discontinued from the date on which the minor attains the age of majority.

3.5. List of documents to be obtained to change the status from minor to major:

- i. The prescribed MAM form as per specimen attached, duly filled in all respects.

Signature of the applicant (minor who has turned major) in the MAM form shall be duly attested in the space provided therein by the parent/guardian whose signature is registered in the records of the mutual fund against the folio of the minor unitholder or by a Notary or a Judicial Magistrate First Class. Alternatively, the applicant's signature may be attested by the unitholder's bankers in the prescribed form as per format given in Annexure 1.

- ii. Copy of PAN Card of the applicant
- iii. KYC Acknowledgment or a duly completed KYC form.
- iv. A cancelled cheque leaf with the applicant's name pre-printed or the applicant's latest Bank Statement/Passbook.
- v. Nomination Form.

The above guidelines were approved by the Board of Directors of AMFI at the AMFI Board Meeting held on July 15, 2020 for being adopted uniformly by all AMFI Members as Best Practice.

Members are requested to take note of the above guidelines for uniform implementation latest by August 1, 2020.

Members are also requested to confirm having noted the contents of this circular for compliance and to place the circular before their Trustees for information at their next meeting.

With best regards,


B. M. Kini
Dy. Chief Executive