



Association of Mutual Funds in India

C-701 Naman Corporate Link, Plot Nos. C-31 / C-32, G Block, Bandra Kurla Complex, Bandra – East, Mumbai – 400 051

135/BP/ 105 /2022-23

January 09, 2023

To,

All AMFI Members

Dear Members,

AMFI Best Practice Guidelines Circular No.105 /2022-23

Implementation of mandatory requirement of Nomination for Mutual Fund Unit holders

Please refer to SEBI circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2022/82 dated June 15, 2022 read with circular no. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105 dated July 29, 2022, regarding Nomination for all eligible Mutual Fund Unit holders.

In order to bring uniformity in practices across all constituents in securities market, SEBI has, vide the aforesaid circulars stipulated that investors subscribing to mutual fund units on or after October 1, 2022 shall have a choice of either (a) providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996; or (b) opting out of nomination through a signed declaration form as specified in the circular.

In this regard, a Working Group was formed by AMFI for examining the matter and recommend standardization of the process for nomination requirements. The recommendations of the Working Group as per Annexure A hereto, were reviewed and endorsed by the AMFI Operations & Compliance Committee and duly approved by the Board of AMFI for uniform implementation by all Members as best practices guidelines.

Accordingly, Members are requested to take note of the guidelines given in Annexure A for uniform implementation. These guidelines provide the minimum standards to be implemented by all AMCs. AMCs may implement more stringent controls, based on their risk management framework and policies.

Members are requested to place this Best Practice Guidelines Circular before their Board of Trustees and the Board of AMC for information.

With best regards,

B. M. Kini
Dy. Chief Executive

ANNEXURE A

AMFI Best Practice Guidelines Circular No.105 /2022-23

Implementation of mandatory requirement of Nomination for Mutual Fund Unit holders

In order to bring uniformity in practices across all constituents in securities market, vide circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2022/82 dated June 15, 2022 read with circular no. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105 dated July 29, 2022, in case of nomination for eligible Mutual Fund Unit Holders, SEBI has decided as follows –

Investors subscribing to mutual fund units on or after October 1, 2022, shall have the choice of:

- a. Providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996; or
- b. Opting out of nomination through a signed Declaration form as provided in Annexure - A to the above circular.

The aforesaid formats are appended hereto.

A. Applicability of mandatory nomination

The requirement of mandatory nomination or Opt-out, wherever applicable, is mandatory for all New folios created in respect of individual investors from 1st October'22 except for:

- Folios getting created from triggers of SIPs registered prior to October 01, 2022
 - Purchase or Switch In Transactions received prior to October 01, 2022 wherein the credit has been received on or after October 01, 2022
 - Units held in Demat (i.e., new folios created through Demat mode)
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- For existing folios created prior to October 01, 2022 including prospect folios and folios having NIL balance as on September 30,2022, where Nominee details / Opt-out is not registered, the registration of nomination / Opt-out of nomination needs to be completed by March 31, 20'23.
 - Folios where Nominee registration / Opt-out is not completed by March 31,2023 shall be frozen for any debits including redemption.

B. Modes of acceptance and validations

AMCs shall provide an option to the mutual fund investors to submit either the 'Nomination form' or the 'Declaration form for Opting out of nomination' in physical or online mode. AMCs or their RTAs shall validate the nomination form or opt-out declaration form as per the following process:

- In case of physical mode, the forms shall carry the wet signature of all applicant(s)/ unit holder(s) irrespective of the mode of holding.
- In case of online mode, AMCs or their RTAs shall enable Nominee registration / Opt-out using any of the following modes.
 - a) Using e-Sign facility recognized under Information Technology Act, 2000; or
 - b) Upload of wet-signed Nomination form or
 - c) Using two factor authentication (2FA) in which one of the factors shall be a One-Time Password (OTP) sent to all the applicant(s) / unit holder(s) on their email/phone number registered with the AMC/RTA records / provided as part of the transaction.

C. Recommended process for implementation

(a) Physical applications

1. The Nomination Form and the Opt-out form can be made a part of Scheme application form, provided all required information along with terms and conditions and disclaimers are covered as part of Nomination section. No separate signature will be needed for nomination section, provided the nomination form is incorporated before the box for signature(s) of the applicant(s).
2. AMCs should facilitate availability of the Nomination form and Opt-out form in the attached prescribed format and insist on the same to be submitted duly filled and signed with the application form, if an old version of the form is used by the investor.
3. AMC / RTA shall validate the correctness and completeness of the Nomination form / Opt-out form submitted with the application form or filled as part of the application form including availability of signature of all unit holders irrespective of mode of holding and pattern as per the table given in Annexure -1 hereto.
4. If the nominee / opt-out details are incomplete or the mandatory information is not provided, the form shall be considered as 'Not in good order' (NIGO) and the investor shall be notified promptly to remediate the same.

(b) Online/Digital transactions (AMC/ RTA website / digital platforms)

1. Nomination / opt-out details shall be mandatory as part of new folio creation as per the matrix given vide Annexure -1 and prescribed formats of Nomination / opt-out forms attached herewith.
2. Valid email and/or mobile phone number of (all) applicant(s) for new folio creation + family declaration shall be mandatory.
3. Option should be given to investors to use e-Sign filled form / scanned copy of wet-signed document or 2FA (OTP) mode to register the nomination / opt-out.
4. Where nomination form / opt-out form is e-Signed or a scanned copy of wet-signed Nomination form is uploaded or done using 2FA (OTP), it is required to have signatures of all the applicants/ holders or OTP confirmation from all the applicants/ holders, irrespective of the mode of holding.
5. As the data is entered by the customer, 2FA (OTP) will be sent by email / SMS immediately on acceptance of transaction and upon successful OTP validation, transaction will be transmitted to the RTA database. Since OTP validation is done by RTA / AMC as part of acceptance, RTAs may not do any subsequent validation by sending transaction confirmation is required for these transactions.
6. If the contact details provided as part of the transaction are matched with contact details of the distributor / AMC or RTA employee email / mobile master, such contact information should not be accepted, if family declaration has not been not provided or the distributor is not part of the folio as First holder / Joint Holder / Guardian.
7. AMC/RTA shall ensure appropriate mechanism for validation of e-Signed document by matching the name(s) as per e-Signed document and name(s) as per the transaction and only valid e-Signed / wet-signed form with signatures of all unit holder(s) shall be treated as valid application.

(c) Online/Digital platforms (Channel Partners, Exchange (Non-Demat), MFU) – collectively referred as ‘Intermediaries’

1. Intermediaries shall use the standard feed format prescribed by RTAs.
2. Nomination / opt-out details shall be mandatory for new folio creation, by either providing e-Signed form or scanned copy of wet-signed Form or via 2FA (OTP) validated for all the unit holders (including joint holders) on their registered email/phone number submitted along with the fresh purchase/folio creation.
3. For transactions where 2FA has been used as mode of validation, valid email and/or mobile of the respective holder(s) with family declaration shall be mandatory.
4. Intermediaries shall upload the e-Signed document / scanned copy of wet-signed document along with the transaction to RTA for each new folio creation or latest by 6 p.m. on the same day of reporting the transaction.
5. Where 2FA is used for validation of Nomination/Opt-out details, intermediaries shall validate by sending OTP to all the holders in the transaction. Contacts of all holders, used for sending OTP, shall be given as part of the transaction feed.
6. Wherever intermediaries have used 2FA for validation, RTA shall independently send the transaction confirmation email/SMS to all the holders, based on the contact details given in the transaction feed and track for delivery status. Transaction will be accepted subject to successful delivery of communication to at least one of the contacts.
7. If both email and SMS transaction confirmation delivery fails, such transaction shall be considered for processing subject to availability of complete e-Signed / Wet-signed nomination form.
8. If the contact details provided as part of the transaction are matched with distributor details/AMC/RTA employee email/mobile master, such contact information shall not be updated in the system, unless family declaration has been provided or the distributor is one of the holders in the folio. In such circumstances, the transaction will be subjected to availability of valid e-Signed / Wet-signed nomination form.
9. AMC/RTA shall ensure appropriate mechanism for validation of e-Signed document by matching Name(s) as per e-Signed document and Name(s) as per the folio and only valid e-Signed form by all unit holder(s) shall be treated as valid application.

Annexure – 1

Sr. #	Column Name	Remarks
1	Nominee's PAN/ any permitted OVD.	Optional - Cannot be same as the PAN of 1 st Holder / Jt.Holder1 / Jt.Holder 2. Even then, PAN cannot be the same as of holder(s) for Nominee, only minor Guardian PAN can be the holders PAN. In the absence of PAN, any other OVD document proof is preferred.
2	Nominee's Name	Mandatory field [no junk values like special characters alone, numeric characters alone, dummy values like 'NA', 'Not applicable, 'not applicable', 'N.A.', 'N A', so on will not be accepted]. Cannot be the same as FH/JH1/JH2.
3	Nominee's Date of Birth	Mandatory field if nominee is a minor as on date of nomination. (Where it is not mentioned that the nominee is a minor, it will be deemed that the nominee is a major).
4	Nominee Relationship (with First Holder)	Mandatory field if the nominee details are provided.
5	Nominee Allocation Percentage	Only whole numbers to be allowed (i.e., no decimals or special characters allowed) - Mandatory field. Total allocation % for all nominees should be 100%.
6	Guardian's PAN / any other allowed OVD	Optional. In the absence of PAN, any other OVD proof may be obtained
7	Guardian's Name	Mandatory if the age as per DOB of nominee on the date of nomination is < 18 years.
8	Relationship of Guardian with Minor	Mandatory if the age as per DOB of nominee on the date of nomination is < 18 years. Relationship can be either Father, Mother or Legal Guardian.
9	Nominee Signature	Optional.

Form for Fresh Nomination / Change of Existing Nomination

Applicable for Individual Unitholders only - whether holding Units Singly or Jointly with other holders
Please read the instructions carefully before filling up this form

Name of 1st Holder _____

Name of 2nd Holder _____

Name of 3rd Holder _____

I/We, the above-named investors of _____ Mutual Fund, do hereby nominate the person(s) more particularly described hereunder to receive the Units held my/our Folio/s listed below in the event of my / our death by cancelling the nomination(s) made by me / us previously in respect of the units held by me/ us in the Folio/s listed below.

Folio No. / Application No.
1.
2.
3.

Name of the 1 st Nominee*	% of Allocation*
PAN of the Nominee [§]	Date of Birth of Nominee** DD/M/YYYY
Nominee Relationship*	
Name of the Guardian **	PAN of Nominee Guardian [§]
Guardian's Relationship with Nominee** <input type="checkbox"/> Mother <input type="checkbox"/> Father <input type="checkbox"/> Legal Guardian	
Proof of relationship [§] <input type="checkbox"/> Birth Certificate <input type="checkbox"/> School Leaving Certificate <input type="checkbox"/> Passport <input type="checkbox"/> Others	
Address [§]	
City	State PIN
Nominee Signature [§]	

Name of the 2 nd Nominee*	% of Allocation*
PAN of the Nominee [§]	Date of Birth of Nominee** DD/MM/YYYY
Nominee Relationship*	
Name of the Guardian **	PAN of Nominee Guardian [§]
Guardian's Relationship with Nominee** <input type="checkbox"/> Mother <input type="checkbox"/> Father <input type="checkbox"/> Legal Guardian	
Proof of relationship [§] <input type="checkbox"/> Birth Certificate <input type="checkbox"/> School Leaving Certificate <input type="checkbox"/> Passport <input type="checkbox"/> Others	
Address ^{§§}	
City	State PIN
Nominee Signature [§]	

Name of the 3 rd Nominee*	% of Allocation*
PAN of the Nominee [§]	Date of Birth of Nominee** DD/MM/YYYY
Nominee Relationship*	
Name of the Guardian **	PAN of Nominee Guardian [§]
Guardian's Relationship with Nominee** <input type="checkbox"/> Mother <input type="checkbox"/> Father <input type="checkbox"/> Legal Guardian	
Proof of relationship [§] <input type="checkbox"/> Birth Certificate <input type="checkbox"/> School Leaving Certificate <input type="checkbox"/> Passport <input type="checkbox"/> Others	
Address [§]	
City	State PIN
Nominee Signature [§]	

Signature of the 1st holder	Signature of the 2nd holder	Signature of the 3rd holder
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* Mandatory

§ Optional

**Mandatory & Applicable in case the Nominee is a Minor

Instructions

1. The nomination can be made only by individuals applying for/holding units on their own behalf singly or jointly.
2. Non-individuals including a Society, Trust, Body Corporate, Partnership Firm, Karta of Hindu undivided family, a Power of Attorney holder and/or Guardian of Minor unitholder **cannot nominate**.
3. Nomination is not allowed in a folio of a Minor unitholder.
4. If the units are held jointly (i.e., in case of multiple unitholders in the folio), all joint holders need to sign the Nomination Form (even if the mode of holding/operation is on “Anyone or Survivor” basis).
5. A minor may be nominated. In that event, the name and address of the Guardian of the minor nominee needs to be provided.
6. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust.
7. The Nominee shall not be a trust (other than a religious or charitable trust), society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a Power of Attorney holder.
8. A Non-Resident Indian may be nominated subject to the applicable exchange control regulations.
9. **Multiple Nominees:** Nomination can be made in favour of multiple nominees, subject to a maximum of three nominees. In case of multiple nominees, the percentage of the allocation/share should be in whole numbers without any decimals, adding upto a total of 100%. If the total percentage of allocation amongst multiple nominees does not add up to 100%, the nomination request shall be treated as invalid and rejected. If the percentage of allocation/ share for each of the nominee is not mentioned, the allocation /claim settlement shall be made equally amongst all the nominees.
10. Every new nomination for a folio/account shall overwrite the existing nomination, if any.
11. Nomination made by a unit holder shall be applicable for units held in all the schemes under the respective folio / account.
12. Nomination shall stand rescinded upon the transfer of units.
13. **Death of Nominee/s:** In the event of the nominee(s) pre-deceasing the unitholder(s), the unitholder/s is/are advised to make a fresh nomination soon after the demise of the nominee. The nomination will automatically stand cancelled in the event of the nominee(s) pre-deceasing the unitholder(s). In case of multiple nominations, if any of the nominee is deceased at the time of death claim settlement, the said nominee’s share will be distributed equally amongst the surviving nominees.
14. **Transmission of units in favour of a Nominee shall be valid discharge by the asset management company/ Mutual Fund / Trustees against the legal heir(s).**
15. The nomination will be registered only when this form is completed in all respects to the satisfaction of the AMC.
16. In respect of folios/accounts where the Nomination has been registered, the AMC will not entertain any request for transmission / claim settlement from any person other than the registered nominee(s), unless so directed by any competent court.

Form for Opting out of Nomination

[To be signed by ALL holders, irrespective of Mode of Holding or Mode of Operation.]

Date

D	D
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M	M
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Y	Y	Y	Y
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To

_____ Mutual Fund

Declaration of Opting out of Nomination

I / We, the undersigned applicant(s)/unitholder(s) hereby confirm that I / we do not wish to appoint any nominee(s) in respect of the mutual fund application(s) / units held in my / our mutual fund folio(s) mentioned hereinbelow :

Application Number(s)/ Folio Number(s) /		

I/We understand the implications / issues involved in non-appointment of any nominee(s) and am/ are further aware that in case of my demise / death of all the unit holders in the folio, my / our legal heir(s) would need to submit all the requisite documents issued by the Court or such other competent authority, as may be required by the Mutual Fund / AMC for settlement of death claim / transmission of units in favour of the legal heir(s), based on the value of the units held in the mutual fund folio/s.

	Name of the Applicant/ Unitholder	Signature
Sole / 1 st Holder		
2 nd Holder		
3 rd Holder		