

August 27, 2010

Dear All,

Introduction of Know Your Distributor (KYD) process for Mutual Fund Distributors

As you are aware there are increasing numbers of instances of financial frauds played on the investors by Mutual Fund distributors/ their employees. On detecting such frauds/ on reporting of such frauds by AMCs, AMFI has initiated penal actions against such distributors including suspension of their ARN, advising all the AMCS to suspend payment of commission, trail commission, incentives, etc. . As one of the measures to control this situation, Securities and Exchange Board of India (SEBI) has advised AMFI to tighten the procedure for Distributor Registration. On reviewing the current procedure for registration of distributors, it was decided by the Board to introduce a more stringent Know Your Distributor (KYD) process involving obtaining relevant documents and validation of such documents, personal verification and bio-metrics.

As informed to you during the General Membership Meeting held on August 11, 2010, it has been decided to introduce Know Your Distributor (KYD) for Mutual Fund Distributors with effect from September 1, 2010, which would be similar to that of Know Your Client (KYC) for investors, requiring the distributors to submit mandatorily identity proof, address proof, PAN and bank account details with proof. It is also decided to introduce bio-metrics as a part of KYD process.

The prescribed form for KYD and updation of information such as change of address, contact details, bank account, etc. are available on AMFI Website.

To start with, KYD norms will be applicable for fresh ARN registration and ARN renewal effective from September 1, 2010. The existing ARN holders would also be required to comply with KYD norms within 6 months i.e. by end of February 2011, failing which AMCs shall suspend payment of commission till the distributors comply with the requirements.

Since AMFI has retained the services of Computer Age Management Services Pvt. Ltd. (CAMS) for issuing ARN, it was decided by the Board to use the services of CAMS for the purpose of KYD including bio-metrics as there would be better control on movement of documents and data. CAMS will be initially providing KYD facilities at 60 Point of Services (POS) which is expandable to more centers, if required. CAMS has also agreed to provide this facility on temporary basis at places other than these POS if requested by AMC and if the number of distributors are not less than 50. The details of POS will be uploaded on AMFI Website as well as on the website of CAMS shortly.

We have finalized the process note for KYD based on inputs from SEBI/ ARN committee/ KYC committee, which is attached. KYD application forms are under finalization and shall be hosted on AMFI Website shortly.

We would like to inform you that AMFI has decided not to charge ARN holders for carrying out KYD process, at present.

While, AMFI is sending communications to all existing ARN holder and advising them to send to your AMC xerox copy of acknowledgement issued by CAMS as a confirmation of having complied with KYD requirements, we would appreciate if you could initiate following steps to ensure effective compliance of KYD by the distributors empanelled with your AMC :-

- 1) Please advise your Sales team to educate the distributors empanelled with your AMC about the KYD requirements.
- 2) Please make available KYD process note on your website prominently as well as display the same on the notice boards of AMC's offices.
- 3) Please advise your R & TAs to remind the distributors about the deadline of February 2011 for complying with the KYD requirements alongwith commission statement/ cheques to them.
- 4) Please review on monthly basis, status of KYD compliance by the distributors empanelled with your AMC and ensure that all the distributors empanelled KYD complaint by February 2011.

We will appreciate a line in confirmation of having noted the contents of this e-mail for due compliance.

With Regards,

H N Sinor
Chief Executive



Association of Mutual Funds in India

Know-Your-Distributor (KYD) Process

For

Mutual Fund Distributors

Know Your Distributor (KYD) Process for Mutual Fund Distributors

A. Document Verification

The distributors will have to submit their applications for registration with AMFI, alongwith the KYD application (Refer annexure 1) and self attested photocopies of relevant documents as mentioned against their respective category in the table below. AMFI has engaged the services of Computer Age Management Services Ltd. (CAMS) to carry out the KYD process through their centres in 60 locations initially (hereinafter referred to as "CAMS Point of service" / "CAMS POS"). KYD application along with the requisite documents could be submitted at any of the CAMS POS, a list of which is available at www.amfiindia.com or www.camsonline.com. The distributors are required to produce, in person, the original documents for over the counter verification at the time of submission of their applications along with self attested photocopies of the same.

Category of ARN holder	KYD Documents required to be submitted	
	Documents for Identity Proof	Documents for address proof (any one of the following)
Individuals & Senior Citizens	Photo PAN Card (Mandatory)	<ul style="list-style-type: none"> i) Ration Card (Vernacular language) ii) Passport iii) Latest Demat/ Bank Account Statement ** iv) Voter Identity Card v) Latest Utility (Electricity / Municipal tax/ Water-tax/ Land Line Telephone) Bill* vi) Driving License vii) Lease / Sale Agreement of Residence
Proprietary Concern	<ul style="list-style-type: none"> i) PAN card of the Concern (if available) or ii) Photo PAN card of the Proprietor 	<p>If the address of the proprietary concern and the proprietor is same, the following documents in the name of proprietor :</p> <ul style="list-style-type: none"> i) Ration Card (Vernacular language) ii) Passport iii) Latest Demat / Bank Account Statement ** iv) Voter Identity Card v) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Land Line Telephone) Bill* vi) Driving License vii) Lease / Sale Agreement of Residence <p>In case location of concern is different, then the following documents in the name of</p>

		<p>proprietary concern:</p> <ul style="list-style-type: none"> i) Latest Bank Account Statement ** ii) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Land Line Telephone) Bill * iii) Lease/ Sale Agreement of office
HUF	PAN card of HUF	<p>If the address of the HUF and the Karta of HUF are same, the following documents in the name of Karta:</p> <ul style="list-style-type: none"> i) Ration Card (Vernacular language) ii) Passport iii) Latest Demat/ Bank Account Statement ** iv) Voter Identity Card v) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Land Line Telephone) Bill * vi) Driving License vii) Lease / Sale Agreement of Residence <p>In case location of HUF is different, then the following documents in the name of HUF:</p> <ul style="list-style-type: none"> i) Latest Bank Account Statement ** ii) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Land Line Telephone) Bill * iii) Lease / Sale Agreement of Office
Partnership Firm/ Societies/ Trust	PAN card of Firm	<ul style="list-style-type: none"> i) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Landline Telephone) bill * ii) Lease / Sale Agreement iii) Latest Bank Account Statement / Bank Passbook **
Corporates (Pvt./ Public Ltd. Co., Banks, NBFC)	PAN card of the corporate entity	<ul style="list-style-type: none"> i) Latest Utility (Electricity/ Municipal tax/ Water-tax/ Landline Telephone) bill * ii) Lease / Sale Agreement iii) Latest Bank Account Statement / Bank Passbook **

* Not more than 2 months old.

** Where bank account statement is submitted as proof of address, the said bank account should have been opened at least six months prior to the submission of application and the statement should not be more than 2 months old.

For any other category of Distributors not covered in the above list, please contact AMFI/ CAMS for assistance.

B. Bio-metric :

The Bio-metric process involves taking impression of right hand index finger and registering the same for identification purpose. The said process will be carried out at the CAMS POS, at the time of submission of applications for registration or renewal of ARN alongwith KYD application form.

- Individual and Senior Citizen Category Distributors are required to visit in person for Biometric registration.
- In case of non individual entities, bio-metric is required to be carried out for the authorised persons/ officials as indicated in the below mentioned table:-

Category of ARN holder	Persons required to undergo bio-metric process
Proprietary Concern	Proprietor
Partnership firm	All the Partners
HUF	Karta of HUF and the signatory to the application (if the signatory is a person other than the Karta).
Societies & Trust	Principal Officer/Chief Trustee and the signatory to the application (if the signatory is a person other than these officials).
Corporates (Pvt./ Public Ltd. Co., Banks, NBFC)	Authorized official who has signed ARN application

In case of non individual entities, the persons who are required to undertake bio-metric process as indicated in the above table are also required to comply with the document verification process by submitting the required documents i.e. proof of identity and proof of address as applicable to individual applicants.

KYD Process flow

- 1) Distributors have to visit nearest CAMS POS with duly completed KYD applications, self attested photocopies of relevant documents and 2 self attested passport size colour photographs.
- 2) Also carry original documents and get the photocopies verified with original by CAMS official.
- 3) Obtain the acknowledgement from the CAMS POS confirming completion of KYD process.
- 4) The existing ARN holders will have to send photocopy of the said acknowledgement to the AMCs with which you are empanelled.