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**Chief Executive Officer,  
Association of Mutual Funds of India (AMFI)**

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

Dear Sir,

**Sub: Method of Bank Account validation to be adopted by Mutual Funds**

1. Based on the modus operandi adopted/learning from the recent fraudulent cases observed at various AMCs and after consultation with stakeholders, following additional control mechanism are prescribed:
  - 1.1. All AMCs shall develop system level alerts for accessing signature record of investors and key details in folio of investors by the employees of AMCs/RTAs to prevent unauthorized access of such information;
  - 1.2. In case of detection of fraudulent instance in any AMC, the details of the such instance shall be shared with industry to prevent further occurrence or spill over impact of such frauds;
  - 1.3. All AMCs to capture IP address logs for online access by investors for audit trail and to mitigate the risks relating to repudiation.
2. Further, based on the recommendations of the AMFI Operational Committee and discussion with various stakeholders, the following chronological order has been decided to be implemented by all AMCs with respect to Bank Account validation to be adopted by Mutual Funds:
  - 2.1. Bank Account validation based on Investor's PAN (PAN based Validation);
  - 2.2. Bank Account validation based on Penny Drop (XML) format method;
  - 2.3. Bank Account validation based on Penny Drop (ISO messaging method), till the Banks migrate to XML format;
  - 2.4. Where bank account cannot be validated by any of the above methods, the Bank account validation may be done on the basis of cheque leaf.

However, in case of redemption, the payout to be issued by way of warrant/cheque with account number and name printed on it and dispatched to the registered address of the investor.

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- 2.5. For validation of bank account of NRI "IMPS Name Match" facility of NPCI to be used wherein there is no requirement to credit 1 Rupee in the account of investor to verify account details.
- 2.6. For verification of Bank account of Minors, bank account validation method mentioned above to be followed in chronological order mentioned at para 2.1 to 2.4.
3. No bank account shall be registered in the investor account or subsequent addition or change of bank request unless a validation is undertaken whereby the investors name, account number/details are verified.
4. At the time of processing the transmission request, bank account of new investors shall be validated as per above mentioned chronological order.
5. In respect of the above, AMFI is advised to communicate to all AMCs of Mutual Funds and RTAs for implementation of the same by April 01, 2024.

Yours faithfully,



**Chetan Fumakiya**