



Association of Mutual Funds in India

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135/BP/ 111 /2023-24

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To,
All AMFI Members

AMFI Best Practices Guidelines Circular No.111 /2023-24 **Treatment of Transactions received with invalid ARNs.**

Attention of the Members is invited to the SEBI's email communication dated 28-Apr-2015 w.r.t. treatment of applications received with wrong/ invalid/ incomplete ARN codes and AMFI Best Practice Guidelines circular no. 81 dated 24-Sep-2019 on Standard Process for treatment of transactions received through suspended distributors. (Copies attached for ready reference)

Based on the feedback received by AMFI from members, it was felt expedient to review the the definition of 'Invalid ARN' as well as the matrix for treatment of purchase transactions wherein the ARN is found to be invalid and wherever deemed necessary, fine-tuned the same.

The matter was therefore reviewed by AMFI, in consultation with AMFI's Operations & Compliance Committee / ARN Committee and the RTAs. After extensive deliberations /debate, based on the recommendations of the committees, which has been duly approved by the Board of AMFI, the following guidelines are being issued to be uniformly followed / adopted by all AMC as well as the RTAs.

Definition of "Invalid ARN":

"Invalid ARNs" shall include the following situations –

- 1) ARN validity period expired.
- 2) ARN cancelled /terminated.
- 3) ARN suspended.
- 4) ARN Holder deceased
- 5) Nomenclature change, as required pursuant to IA Regulations, not complied by the MFD.
- 6) MFD is debarred by SEBI.
- 7) ARN not present in AMFI ARN database.
- 8) ARN not empanelled with an AMC.



Guidelines for Processing of transactions received under Regular Plan with invalid ARN

Transactions received in Regular Plan with Invalid ARN to be processed in Direct Plan of the same Scheme (even if reported in Regular Plan), applying the below logic:

Transaction Type	Primary ARN			SUB distributor ARN		EUIN*	Execution Only Mentioned	Regular Plan / Direct Plan
	Valid	Invalid	Empanelled	Valid	Invalid	Valid	Yes	
Lump Sum/ Registration	Y		Y				Y	Regular
	Y		N	Not applicable				Direct
	Y		Y	N.A.	N.A.	N.A.	N	Regular*
	Y		Y	Y		Y		Regular
		Y						Direct
	Y		Y	Y			Y	Regular
	Y		Y		Y			Direct
Trigger	Y			Not applicable				Regular
		Y		Not applicable				Direct

Note:

- 1) *If the EUIN is invalid/missing, the transactions shall be processed in Regular plan, and the distributor/investor shall be given 30 day period from the date of the transaction for remediation of the EUIN. In such cases, the investor to be advised to either provide a different EUIN linked to the ARN who would be engaged in servicing the investor OR switch to Direct Plan. The commission shall not be paid to the ARN holder if the Switch transaction does not happen, or fresh EUIN is not provided within 30 days. The commission may be paid if the fresh EUIN is provided by client within 30 days.
- 2) For SIP & STP facilities, the ARN validity shall be verified / validated at the time of registration. For instances where the registration details not available in RTA records the transaction shall be treated as lumpsum purchase for validations. Distributors must reconcile the active / inactive SIPs with RTA's at regular intervals.
- 3) SIPs registered under ARN of deceased to continue till end of SIP registration period or investor's request as per AMFI guidelines; No fresh transactions or SIPs to be booked under the ARN of deceased MFD post cancellation of ARN at AMFI.
- 4) Only Sub-distributor's ARN with valid "ARN-" values in the transaction will be considered for validation of Sub- distributor ARN for all types of transactions (lumpsum/SIP/STP).



- 5) If the ARN is invalid as on date of SIP / STP registration, such registration and future transactions thereunder will be processed under DIRECT plan.
- 6) Transactions other than the physical mode which are found to be not in order basis above matrix, will be rejected at the time of upload / submission for following reasons:
 - a. To give opportunity for the intermediary / platform to rectify details before submitting transactions or to report transactions as DIRECT.
 - b. If these transactions are accepted and processed as DIRECT, the intermediary placing the transaction will not be receiving reverse feeds and hence will not be able to reconcile.Since the validation cannot be carried out at the time of acceptance for transactions received in physical form, the same will be done at the time of processing the transaction, and if found to be invalid, the transaction will be processed under DIRECT.
- 7) Transactions received from the stock exchange platforms in Demat mode with invalid ARN shall be rejected instead of processing in Direct Plan for following reasons -
 - a. Settlement of units will fail at clearing corporation due to mismatch of ISIN.
 - b. If the RTA processes the transaction in DIRECT Plan, the AMC will face issues with corporate action wherein the clearing corporation will not be able to reconcile and credit the units.
 - c. The distributor/broker will not be able to download the reverse feed/mail back report for the transactions reported by the respective distributor in case if we process under Direct Plan.
- 8) Dividend reinvestment transactions, being a corporate action, will be excluded from the above validation.

Members are requested to take note of the contents of this circular for uniform implementation and also place a copy of the same for information before their Trustees and AMC Board at their next board meetings.

With regards,

A handwritten signature in blue ink, appearing to read 'B. M. Kini', written over a white rectangular stamp.

B. M. Kini
Dy. Chief Executive