

ASSOCIATION OF MUTUAL FUNDS IN INDIA

July 14, 2009

AMFI Guidelines for Uniform Implementation of SEBI letter dated June 19, 2009 on exemption of PAN for Systematic Investment Plans (SIP) upto Rs. 50,000 per year per investor.

1. Background:

- 1.1. Common KYC process for mutual fund investors through CDSL Ventures Ltd (CVL) was commenced on February 1, 2008.
- 1.2. SEBI, vide circular dated April 27, 2007, had made income-tax Permanent Account Number (PAN) mandatory for all transactions in securities market.
- 1.3. Currently, all investments of Rs. 50,000 or more is subject to KYC with PAN as the sole identification number (except for bonafide Sikkim residents or any other specific exempt category of investors) and PAN is mandatory for Investments less than Rs 50,000 (including SIPs).
- 1.4. AMFI received a letter dated June 19, 2009 from SEBI (attached as Annexure A for reference) wherein it has been conveyed that micro schemes such as SIPs upto Rs. 50,000 per year per investor shall be exempted from the requirement of PAN. The letter further states that this may be operationalised by accepting other standard specified identification instruments like Voter ID card, Government/Defense ID card, Card of Reputed employer, Driving License, Passport in lieu of PAN.
- 1.5. The following paragraphs outline a uniform procedure for implementation of the SEBI letter referred to in point 1.4 above.

2. Applicability & Transactions covered:

- 2.1. The following transactions will be covered:
 - 2.1.1. Systematic Investment Plans (SIPs) where aggregate of installments in a rolling 12 month period or in a financial year i.e. April to March does not exceed Rs 50,000 (to be referred as "Micro SIP" hereinafter).
- 2.2. The following transactions will not be covered as they are currently not considered either for PAN or KYC requirement:
 - 2.2.1. Redemption
 - 2.2.2. Switch
 - 2.2.3. Systematic Transfer Plans

2.2.4. Systematic Withdrawal Plans

2.2.5. Dividend Reinvestments / Sweep transactions

2.3. This exemption will also not be applicable to normal purchase transactions upto Rs. 50,000 which will continue to be subject to PAN requirement.

2.4. This exemption will be applicable ONLY to investments by individuals (including NRIs but not PIOs), Minors and Sole proprietary firms. HUFs and other categories will not be eligible for Micro SIPs.

2.5. The exemption is applicable to joint holders also.

3. **KYC procedure:**

3.1. Micro SIP will not be subject to common KYC process through CVL.

3.2. It is recommended that the process be handled at Registrars (RTA) level.

3.3. Investors (including joint holders) will submit a photocopy of any one of the documents identified in Para 4 along with Micro SIP applications.

3.4. Supporting document must be current and valid.

3.5. Supporting document copy shall be self attested by the investor / attested by the ARN holder mentioning the ARN number.

3.6. While making subsequent Micro SIP applications with a mutual fund, investor can quote the existing folio number where a Micro SIP has been registered and therefore need not resubmit the supporting document.

3.7. It is suggested that existing SIP forms may be modified to provide for additional columns for (1) identifying the application as 'Micro SIP" (2) providing the date of birth and (3) listing the type of the supporting document and identification number (if any).

3.8. RTA will capture the details given under 3.7 as part of the investor registration.

4. **Any one of the following PHOTO IDENTIFICATION documents can be submitted along with Micro SIP applications as proof of identification in lieu of PAN.**

4.1. Voter Identity Card

4.2. Driving License

4.3. Government / Defense identification card

4.4. Passport

4.5. Photo Ration Card

- 4.6. Photo Debit Card (Credit card not included because it may not be backed up by a bank account).
- 4.7. Employee ID cards issued by companies registered with Registrar of Companies (database available in the following link of Ministry of Company affairs <http://www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=31>)
- 4.8. Photo Identification issued by Bank Managers of Scheduled Commercial Banks / Gazetted Officer / Elected Representatives to the Legislative Assembly / Parliament
- 4.9. ID card issued to employees of Scheduled Commercial / State / District Co-operative Banks.
- 4.10. Senior Citizen / Freedom Fighter ID card issued by Government.
- 4.11. Cards issued by Universities / deemed Universities or institutes under statutes like ICAI, ICWA, ICSI.
- 4.12. Permanent Retirement Account No (PRAN) card issued to New Pension System (NPS) subscribers by CRA (NSDL).
- 4.13. Any other photo ID card issued by Central Government / State Governments /Municipal authorities / Government organizations like ESIC / EPFO.