

Frequently Asked Question – Mutual Fund Service System (MFSS) for Investors

1. What is MFSS?

Mutual Fund Service System (MFSS) is an online order collection system provided by NSE to its eligible members for placing subscription or redemption orders on the MFSS based on orders received from the investors.

2. How is MFSS different from existing process for subscription to and redemption of mutual funds?

Hitherto, an investor interested in subscribing to a mutual fund had to identify a distributor of the mutual fund and submit all documents along with payment instrument where applicable to the distributor or directly to Mutual Fund/AMC/RTA. The subscription/redemption request would thereafter get processed and investor would know about status of the request only in the form of direct communication from Mutual Fund/AMC/RTA.

In the MFSS, investor will have an opportunity to deal with SEBI registered NSE member who is eligible to participate in MFSS for subscription/redemption of units. Members would enter the order into MFSS. Investor would be able to know the order details and modify his order details till the order acceptance time ends i.e. up to 3.00 pm. By end of the day investor would also get to know about the validity of his order and the value at which the units would get credited/redeemed to his account.

3. What are the benefits of using MFSS for participation in mutual funds?

- Investor would be able to get a single view of his portfolio across multiple assets like securities, mutual fund units etc.,
- Investor would be able to get services from same intermediary for different asset class
- Investor would be able to optimize his investment decisions due to reduced time lag in movement of funds
- Investor would have a voice in agreeing on charges to be paid for services rendered.
- Reduction of paperwork
- Transparency in knowing status of order till completion thereby reducing disputes
- Recourse to grievance resolution in case of deficiency in service provided by member

4. Who all can are eligible to participate in MFSS?

Individuals, HUF and Body Corporate can participate in MFSS subject to completing the KYC procedure. In case of a minor the guardian would have to be KYC compliant.

5. Can Units of all Mutual Funds and all Schemes be subscribed or redeemed using MFSS?

Asset Management Companies (AMC) desirous of offering MFSS to their existing and prospective customers enter into an arrangement with Exchange and only schemes of such AMCs would be available on MFSS. All schemes which are available on MFSS would be informed to the Participants and investors through issue of circulars from time to time. The currently available schemes on MFSS are available on NSE website (http://www.nseindia.com/content/mfss/mf_schemes.htm)

6. Can I approach any member for placing order on MFSS?

Only Trading Members who have obtained AMFI Registration Number (ARN) from Association of Mutual Funds of India (AMFI) are eligible to participate in MFSS. Further, eligible members also have to register as distributor with the Mutual Fund Company. Hence, eligible members would be able to place orders only in respect of Mutual Fund Companies where they have registered as distributor.

7. Are there specific timings when MFSS orders could be placed?

MFSS would be available for placing of orders between 9.00 am and 3.00 pm on all the working days of the Exchange. Any order placed beyond these timings could be for placing it on the MFSS the next day.

8. If I already have an existing relationship with a MFSS eligible member, what is the additional documentary requirement for MFSS?

If you are already using the services of NSE member for your other investment needs and you already hold units of one or more mutual fund, member would require you to sign up a letter consenting to participate on MFSS. Thereafter, you could place subscription/redemption order by meeting the requirements applicable for placing such order.

9. In Equity/F&O I have myself as client. However, I use the demat account in which I am the first holder and one of my family member is second holder. Is this sufficient for MFSS?

For dealing in MFSS, client details entered in MFSS should exactly match the account holders name in the demat account. In other words, if, A and B are joint account holders of a demat account, for placing orders on MFSS, client particulars to be given to member would be that of both A and B.

10. I have so far not invested in mutual funds. What are the KYC requirements for a Mutual Fund Investor?

Every investor investing more than Rs.50,000 in mutual fund has to necessarily complete KYC process.

The Association of Mutual Funds of India (AMFI) has facilitated a centralized platform to carry out one time KYC procedure on behalf of all Mutual Funds. Once the KYC is duly completed in all regards, the investor needs to produce a copy of the acknowledgement when investing for the first time with Mutual Fund. There is no need to repeat the KYC process individually for each mutual fund.

For more details on KYC visit AMFI site:

<http://www.amfiindia.com/showhtml.aspx?page=kyc>

11. Should mutual fund units be held in physical form or demat form?

Investors have a choice of holding units either in physical form or in demat. However, for convenience of operations and ease of entry and exit it would be advisable to hold the units in demat form.

12. For the purpose of holding units in demat account, is there a requirement of opening a separate demat account?

If you already have an existing demat account say for holding of your securities, same account can be used for holding units in demat form also.

13. After I provide the member with all particulars along with required documents for registering me as a client would I get any ID or code allotted?

After receiving complete particulars from you, member would allot a Unique Client Code (UCC) to you and report all the details to Exchange by way of UCC Upload. This UCC would form an important reference point for you. Member may allot same UCC as in Equity/F&O or allot a different UCC for MFSS.

14. When I wish to subscribe for a mutual fund through MFSS, what are the details I need to give to the Member for placing of order?

For placing a subscription order, you would need to give the name of the Mutual Fund, Name of the Scheme, the value (i.e. money) that you intend investing, whether you would like units in physical form or demat form, whether your subscription is fresh (first time investor for a Mutual Fund company) or additional. In case you choose physical option for an additional purchase you need to provide the existing folio number also.

15. At the time of placing order if I make a mistake in giving details would I be in a position to correct or modify the order?

Orders can be placed between 9.00 am to 3.00 pm. Within this time period, you would be able to request your member for correction of mistake if any including cancellation of order or placing a fresh order altogether.

16. What will be the number of units that I would get for the value that I decided to invest?

For all orders received up to 3.00 p.m Net Asset Value (NAV) of the business day will be the rate at which units would be allotted to you. Illustratively if you invested Rs. 1 Lakh, NAV of the scheme is say Rs.10/- you would get 10000 units allotted to you.

17. For subscription, how should I make payment?

For subscribing to Mutual funds through MFSS, you need to make payment in favour of the Member necessarily through cheque/Demand Draft. Member is obliged to place order only when clear balance from your end is available in Member's account.

18. When and how I would get credit of units to my demat account ?

After closure of order acceptance time, Exchange would provide details to Mutual Fund/AMC/RTA and to Depository for validation. On receipt of valid order information from both of these entities, on T+1 day as per the settlement calendar (currently at around 10.00am), Exchange would debit the Settlement account of the Member towards all valid orders and then transfer the money to the concerned AMC/Mutual Fund Company. Thereafter the AMC/Mutual Fund/RTA would process the subscription request and credit units to your demat account by T+1 end of the day.

19. What would be the process if in case I have opted for subscription of units in physical form?

In case you have subscribed for units in physical form, the subscription form along with documents like copy of PAN of all holders, KYC acknowledgement of all holders needs to be sent by member to RTA/Mutual Fund essentially before 4.00pm. Based on order data sent by Exchange RTA/Mutual Fund would validate the order information along with physical papers received and return the validated order information to Exchange. Exchange would debit the funds from settlement account of the member only in respect of valid orders. In case the papers have not reached RTA/Mutual Fund order would get invalidated. Information on invalid orders would be given to Trading members who would in turn inform the investor.

20. Once my subscription order is placed on the MFSS, what confirmation would I get from my Member?

Immediately on placing of order on MFSS, Member would be in a position to confirm the details of order to the investor. By end of the day member would be able to issue transaction confirmation memo containing particulars like Mutual Fund, Scheme, value of subscription, Physical/demat mode, brokerage and service tax applicable. In cases of rejection of the order, reason for rejection would also be communicated by the member.

21. What are the particulars that I need to provide the member while placing redemption order?

At the time of placing order for redemption in respect of demat units, you need to mention name of the Mutual Fund, Scheme, and Number of Units to be redeemed.

22. Once my redemption order is placed on MFSS, what confirmation would I get from the member?

Immediately on placing of order on MFSS, Member would be in a position to confirm the details of order to the investor. By end of the day member would be able to issue transaction confirmation memo containing particulars like Mutual Fund, Scheme, value of subscription, Physical/demat mode, brokerage and service tax applicable. In cases of rejection of the order, reason for rejection would also be communicated by the member.

23. In case of redemption of units in demat form, to whom and how should I transfer units?

In respect of redemption of units in demat form, you should transfer units to the pool account of “National Securities Clearing Corporation (NSCCL)”. You should ensure that you have given appropriate delivery instruction to your Depository participant and that you also ensure that units have been transferred to NSCCL account before 4.30 pm.

24. When and how would I get redemption proceeds after transferring the units to NSCCL?

NSCCL on T+1 day at the specified time would transfer units in its pool account to the concerned AMC/RTA’s pool account. Thereafter AMC/RTA would process the redemption request at Transaction day’s NAV and directly credit the proceeds to investors’ bank account.

25. How would I deal with redemption of physical units?

In respect of redemption of physical units, order would be placed by member on receipt of necessary redemption request form along with documents including statement of account issued by mutual fund reflecting your units. Member needs to send the papers to RTA/Mutual Fund. Thereafter, the RTA/MF would process redemption request and send the payment directly to investor. If the physical papers do not reach the RTA/MF within the time stipulated for the purpose, orders may get invalidated.

26. What are the charges that I need to pay for utilizing the services of a Member for placing orders on MFSS?

There are no regulatory restrictions on the fees to be charged by the member for services rendered on MFSS. However, investor and the member may mutually agree on the commission/brokerage for services rendered on MFSS and it would be advisable to agree to

terms of charges in writing. Service tax would be applicable on charges so levied by the Member.

27. If I need to intimate changes to my personal information, should I intimate through my member?

Changes to personal information would have to be directly informed to the concerned Mutual Fund as well as to AMFI's centralized KYC platform. MFSS as a system can be used only for subscription or redemption.

**28.(a) If I have paid my money for subscription but not received units to my credit , or
(b) if there is significant delay in placing of my orders despite availability of clear balance which has impact on units allotment price whom should I approach for resolution of my grievance ?**

Investor can approach investor services cell of the Exchange for resolution of dispute relating to service rendered by the broker.

29. Are there any restrictions on maximum value or quantity for a single order on MFSS?

In case of demat transactions the maximum value of subscription or redemption for a single order is pegged at Rs. 1 Crore and there is no restriction on number of orders that can be placed. However, with reference to redemption of physical units a maximum limit of Rs.1,00,000/- per order has been kept.