



Central Depository Services (India) Limited

Convenient ⊕ Dependable ⊕ Secure

COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/OPS/DP/POLCY/2022/187

April 01, 2022

DISCONTINUATION OF USAGE OF POOL ACCOUNTS FOR TRANSACTIONS IN THE UNITS OF MUTUAL FUNDS, TWO FACTOR AUTHENTICATION ('2FA') FOR REDEMPTION AND OTHER RELATED REQUIREMENTS: EXTENSION OF TIMELINE

DPs are advised to refer to SEBI Circular no. **SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41** dated March 31, 2022, regarding **Discontinuation of usage of pool accounts for transactions in the units of Mutual Funds, Two Factor Authentication ('2FA') for redemption and other related requirements: Extension of timeline** [refer Annexure].

DPs are advised to take note of the same.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cDSLindia.com.

sd/-

Nilesh Shah
Asst. Vice President - Operations



CIRCULAR

SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41

March 31, 2022

To

All Recognized Stock Exchanges and Clearing Corporations

All Depositories

All Mutual Funds

All Asset Management Companies ('AMCs')

All Trustee Companies/ Boards of Trustees of Mutual Funds

All Registrar to an Issue and Share Transfer Agents ('RTAs')

Association of Mutual Funds in India ('AMFI')

Dear Sir / Madam,

Subject: Discontinuation of usage of pool accounts for transactions in the units of Mutual Funds, Two Factor Authentication ('2FA') for redemption and other related requirements: Extension of timeline

1. Based on discussions with stakeholders and recommendations of the Mutual Fund Advisory Committee, SEBI, *vide* circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635 dated October 4, 2021 and circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634 dated October 4, 2021 discontinued intermediate pooling of funds and/or units in Mutual Fund transactions by stock brokers / clearing members on Stock Exchange platforms and by other entities including online platforms, respectively. The provisions of the said Circulars were to come into effect from April 01, 2022. Subsequently, for smooth implementation of the aforesaid circulars, SEBI, *vide* circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022, *inter-alia*, clarified various modalities of discontinuation of pooling and migration of existing mandates (the aforementioned circulars are collectively referred to as "Circulars"). Various other requirements related to the modalities of discontinuation of pooling, measures to prevent third-party payments and to safeguard the interest of unitholders including 2FA for redemption, were also prescribed in the "Circulars".
2. SEBI is now in receipt of a representation from AMFI, sent in consultation with various stakeholders, seeking additional time for completion of various activities towards implementation of the "Circulars". The activity-wise extended timelines sought by various stakeholders have been provided by AMFI (Annexure A).



3. On examination of the representation of AMFI, in the interest of the investors, it has been decided to extend the date of applicability of “Circulars” including the clauses relating to 2FA for redemption and source account verification to July 01, 2022.
4. Also, Clause 2.1.4 of the SEBI circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022 stands modified as under:
“On or after July 01, 2022, new mandates shall be accepted only in favour of SEBI recognized Clearing Corporations and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose.”
5. The AMCs, recognised Stock Exchanges, Depositories, recognised Clearing Corporations and Registrar to an Issue and Share Transfer Agents shall take necessary steps for implementing the “Circulars” (along with the clauses relating to 2FA for redemption and source account verification) including the required processes and systems to ensure compliance with the provisions of the “Circulars”. Stock Exchanges/Clearing Corporations and AMCs are also advised to ensure strict adherence to the activity wise timelines given at Annexure –A.
6. Stock Exchanges and Depositories are directed to bring the provisions of this circular to the notice of their members / participants, disseminate the same on their websites and ensure strict adherence to the timelines.
7. All other requirements of the Circulars dated October 4, 2021 and March 15, 2022 shall remain unchanged.
8. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

R. Anand
Deputy General Manager
Investment Management Department
Tel: 022 – 26449237
Email: anandr@sebi.gov.in



Annexure - A

Timelines given by AMFI in consultation with various stakeholders to implement discontinuation of pooling of funds and/or units in mutual funds and Two Factor Authentication

A. Stock Exchange ('SE') Platforms:

Parameters	Timeline
1. Discontinuation of Pooling of Funds and Units	1 st July 2022
2. Other processes including Third Party Verification (TPV), Two Factor Authentication (2FA), and verification of key investor details as applicable to the SE platforms	1 st July 2022
3. Standardizing the recipients and contents of information at various stages of transaction processing	1 st July 2022

B. Non SE Platforms:

Parameters / Task	Timeline
1. All intermediate pooling will stop from 1 st April 2022	--
2. Signing of Agreements with Payment Aggregators (PAs) and Banks	1 st May 2022
3. Verification / validation of email and mobile for new folios / new email IDs and mobile numbers. Validation of the entire existing database of email IDs and / or mobile numbers will be taken up progressively w.e.f. 1 st May 2022	1 st May 2022
4. Enhanced TPV with independent traceability of source bank account information	1 st June 2022
5. 2FA for online redemptions	1 st June 2022
6. Standardizing the recipients and contents of information at various stages of transaction processing	1 st July 2022
