

## **DRAFT CIRCULAR FOR PUBLIC COMMENTS**

### **“Service platform for investors to trace inactive and unclaimed Mutual Fund folios: MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)”**

#### **Background**

1. Over a number of years, Mutual Fund investors may lose track of their investments considering investments might have been made in physical form with bare minimum KYC details. The investments in open-ended growth option mutual fund schemes may remain invested perpetually until and unless investor/his nominee/legal heir approaches the concerned AMC for redemption/transfer/transmission. Due to unavailability of PAN, email ID or valid address it is also possible that these folios do not appear in the unitholder's Consolidated Account Statement. Thus, inactivity in Mutual Fund folios could be on account of investor losing track of his/her investment, demise etc. Such inactive folios may become susceptible to fraudulent redemptions.

#### **Service platform for investors to trace inactive and unclaimed Mutual fund folios: MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)**

2. To address the aforesaid concerns, a platform has been developed by the RTAs to provide investors with a searchable database of inactive and unclaimed Mutual Fund folios at an industry-level which will empower the investors in the following manner:
  - 2.1. Enable investors to identify the overlooked investments or any investments made by any other person for which he/she may be rightful legal claimant;
  - 2.2. Encourage investors to do KYC as per the current norms thus reducing the number of non-KYC compliant folios;
  - 2.3. The platform database will lead to reduction in the unclaimed Mutual Fund folios;
  - 2.4. Contribute towards building a transparent financial ecosystem and will be reliable medium for investors to find their inactive Mutual Fund investments.
  - 2.5. Build/Incorporate mitigants against fraud risk

**Public Comments:**

3. Public comments are invited on the draft Circular on “**Service platform for investors to trace inactive and unclaimed Mutual fund folios: MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)**”, placed at Annexure A. The comments / suggestions should be submitted latest by January 07, 2025, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

4. The instructions to submit comments on the consultation paper are as under:
- i. *Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.*
  - ii. *Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.*
  - iii. *All fields in the form are mandatory.*
  - iv. *Email ID and phone number cannot be used more than once for providing comments on a particular consultation paper.*
  - v. *If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.*
  - vi. *There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.*
  - vii. *If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “Do you want to comment on the proposal” and use the text boxes provided for the same.*
  - viii. *After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to*

*record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.*

- ix. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.*
- x. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page. xi. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.*

5. In case of any technical issue in submitting your comment(s) through web based public comments form, you may send email to priyankam@sebi.gov.in, harshadp@sebi.gov.in, hitesha@sebi.gov.in with the subject “Service platform for investors to trace inactive and unclaimed Mutual fund folios: MITRA (Mutual Fund Investment Tracing and Retrieval Assistant”.

**Encl.: Annexure A**

**Issued on: December 17, 2024**

**DRAFT CIRCULAR**

**SEBI/HO/IMD/IMD-II DOF3/P/CIR/XXX**

**January XX, 2025**

**All Mutual Funds (MFs)**

**Asset Management Companies (AMCs)**

**All Trustee Companies/Boards of Trustees of Mutual Funds**

**Registrar and Transfer Agent (RTAs)**

**Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

**Subject: Service platform for investors to trace inactive and unclaimed Mutual Fund folios: MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)**

1. Over a number of years, Mutual Fund investors sometimes lose track of their investments considering investments might have been made in physical form with bare minimum KYC details. The investments in open-ended growth option mutual fund schemes may remain invested perpetually until and unless investor/his nominee/legal heir approaches the concerned AMC for redemption/transfer/transmission. Due to non-availability of PAN, email ID or valid address it is also possible that these MF folios may not appear in the unitholder's Consolidated Account Statement. Thus, inactivity in Mutual Fund folios could be on account of the investor losing track of his/her investment, demise etc. Such inactive folios may become susceptible to fraudulent redemptions.
2. In order to address the aforesaid concerns, a service platform is proposed to be developed by the RTAs to provide investors with a searchable database of inactive

and/or unclaimed Mutual Fund folios at an industry-level which will empower the investors in following manner:

- 2.1. Enable investors to identify the overlooked investments or any investments made by any other person for which he/she may be rightful legal claimant;
- 2.2. Encourage investors to do KYC as per the current norms thus reducing the number of non-KYC compliant folios;
- 2.3. The platform will lead to reduction in the unclaimed Mutual Fund folios;
- 2.4. Contribute towards building a transparent financial ecosystem and will be reliable medium for investors to find their inactive/ unclaimed Mutual Fund investments.
- 2.5. Build/Incorporate mitigants against fraud risk.

#### **Criterion for classifying a Mutual Fund folio as inactive**

3. An inactive folio shall be defined as *“Mutual Fund Folio(s) where no investor initiated transaction/s (financial and non-financial) have taken place in the last 10 years but unit balance is available”*.
4. Thus, the inactive folios will include those folios where the investor might have remained invested in an open ended scheme and has either chosen not to redeem or simply might have lost track of the investment. There is no consequence for those folios appearing in the platform where the unitholder is aware of the investment and has chosen to remain invested. The objective of the platform is to encourage the investors to search for forgotten MF investments and update KYC as per the current norms.

**Details of the Platform:**

5. The platform will be hosted jointly by the two Qualified RTAs (QRTAs) viz. Computer Age Management Services Limited (CAMS) and KFIN Technologies Limited as agents of AMCs and available through a link on the website of MF Central, AMCs, AMFI, the two QRTAs and SEBI.
6. The cyber security and cyber resilience framework as applicable to QRTAs in terms of SEBI Master Circular on Mutual Funds dated June 27, 2024 shall be applicable to the platform.
7. The QRTAs are jointly and severally responsible for compliance with all the applicable regulations including system audit and cyber security audit. Further, the QRTAs shall ensure that the platform complies with the guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) specified by SEBI from time to time to "MIIIs.
8. AMCs, QRTAs, AMFI and Mutual Fund Distributors are advised to create awareness about this initiative amongst the investors.
9. The QRTAs shall make the platform operational within XX working days of release of circular. Beta version shall be launched for 2 months.
10. Any RTA providing its services to Mutual Fund(s), subsequent to issuance of this circular, shall follow the guidelines specified in this circular or amendments thereto as may be intimated by SEBI from time to time.
11. In terms of Regulation 25(24) of SEBI (Mutual Funds) Regulation, 1996, AMCs are responsible for constitution of Unit Holder Protection Committee (UHPC). As per clause 6.7C.2 (a) of Master circular on Mutual Funds dated June 27, 2024, UHPC is responsible for protection of interest of unit holders of Mutual Fund schemes vis-à-vis all products and services. Further, as per clause 4.3(c) in Annexure 15 of Master circular on Mutual Funds dated June 27, 2024 it is the function of the UHPC to review unclaimed amounts of dividend and redemptions and take measures to reduce the quantum of such unclaimed amounts.

12. The Clause 4.3 (c) is revised as under to include review of inactive folios:

**“ANNEXURE 15: UNIT HOLDER PROTECTION COMMITTEE (UHPC)**

...

**4.3 Regulatory and other functions**

...

*c) Review of inactive folios, unclaimed amounts of dividend and redemptions and measures taken by AMC to reduce the quantum of such unclaimed amounts.”*

13. Towards achievement of objective of aforementioned clause 4.3 (c), AMCs through their RTA shall provide the service platform for investors to trace inactive and unclaimed Mutual Fund folios.

14. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**Priyanka Mahapatra**

**General Manager**

Email: [priyankam@sebi.gov.in](mailto:priyankam@sebi.gov.in)