



FAQs on Seeding of Aadhaar

Why is Aadhaar being asked now from investors?

Ministry of Finance (Dept. of Revenue) in consultation with Reserve Bank of India (RBI) has issued a Notification No 439 dated June 1, 2017, carrying out certain amendments to Prevention of Money Laundering (Maintenance of Records) Rules, 2005. As per the amended rules, Aadhaar or proof of enrolment of Aadhaar is required to be provided by Individuals who are eligible to be enrolled for Aadhaar. In case of a client who is other than an individual, then, Aadhaar numbers and PAN is required of Managers, Officers or employees holding an attorney to transact on behalf of such client. Please refer to Notification G.S.R 538 dated June 1, 2017 of Department of Revenue, Ministry of Finance for more details.

From which date is Aadhaar mandatory?

On reading of notification, Aadhaar requirement comes in to effect immediately from the date of notification for the new accounts opened.

AMFI has deliberated the matter in detail and a guidance note was issued to AMCs and RTAs for implementation of Aadhaar seeding.

As per AMFI's guidance note dated 29th Sep'2017, Aadhaar **will be mandatory effective 1st Jan'2018.** However, AMFI as a best practice has recommended AMCs to start collecting Aadhaar number as part of account opening process effective 16th Oct'2017.

What happens to the accounts / folios opened after June 1, 2017, but before Jan 1, 2018?

Aadhaar needs to be provided and seeded before December 31, 2017. While some fund houses may permit opening of new folios without Aadhaar or proof of enrolment till such date, no new client initiated transaction will be permitted from Jan 1, 2018 if Aadhaar is not seeded in such folio. In other words, the folios / accounts will be made 'inoperative'.

What about the accounts / folios that were pre-existing as on the date of notification?

Pre-existing Folios / Accounts i.e. before June 1, 2017 where Aadhaar is not seeded by December 31, 2017, shall be made inoperative. Once an account is made inoperative, transactions will be restricted.

In other words, no new client initiated transactions will be permitted, while non-customer initiated transactions will go through till further advice.

How does one provide his Aadhaar number?

- Aadhaar number can be provided online on the RTA's website. RTAs have either enabled it or are in the process of making this facility available. Thereafter, the concerned RTA will authenticate it with the UIDAI.
- Form for submitting Aadhaar will be available with ISCs and AMC Offices.
- Emailers and SMS with links will be sent to investors to enable them to provide Aadhaar number..

AMCs have either made changes or are in the process of making changes to their Account Opening forms to provide consent and Aadhaar number.

What is consent in the context of Aadhaar?

The investor in case of individual and the Authorised signatory in case of Non-Individual investor is required to provide consent for collection, storage and usage of Aadhaar in accordance with the Aadhaar Regulations. Therefore, investor needs to provide his / her consent in the standard form provided.

Why is consent required?

Regulation 15 & 16 of the Aadhaar (Authentication) Regulations 2016 govern the authentication, storing and sharing the information for a specified purpose, upon obtaining separate consent for every such sharing from the Aadhaar number holder for that purpose. Further, information shall be provided to the investor on the purpose of collection and usage of Aadhaar. Consent of the Investor(s) shall be obtained for authentication and sharing of data (see the standard form as stated above) Such consent enables sharing of data across the Funds / RTAs for updation against the folios held either as sole or joint against the corresponding PAN in such folios.

Is it mandatory to provide copy of Aadhaar document?

No. It is sufficient to provide correct Aadhaar number as allotted by UIDAI. However, investor may submit copy of the Aadhaar number, if he / she wishes to, though the same is not required.

What is the difference between Aadhaar 'provided' & 'seeded'?

Merely, providing Aadhaar Number / Aadhaar Card is not sufficient. The Aadhaar Number needs to be authenticated with UIDAI. Once authenticated, the same is "seeded" in the folios held by the Investors across funds.

Does the investor need to submit Aadhaar individually to every fund house / RTA?

No. Since the investor will be submitting his / her consent to collect, store, use and share the Aadhaar number, it can be provided to any AMC/ RTA where he / she has an investment along with the necessary consent in the standard format. Once Aadhaar is provided along with necessary consent, the same will be authenticated by the RTA as per the defined process. After the authentication is successful, the same will be seeded across folios in different fund houses.

Does it mean Aadhaar number will be shared between the RTAs?

Yes. The Aadhaar number will be shared between the RTAs to check if the same has been authenticated earlier.

What is the mechanism of sharing Aadhaar between the RTAs?

As per UIDAI circular, Reference Key needs to be generated for every Aadhaar number. Mapping of reference key and Aadhaar number is to be maintained in a separate Aadhaar data Vault.

Reference Keys will be shared between the RTAs. PAN / PEKRN / CKIN will be the basis for sharing the Aadhaar number for getting a reverse confirmation on its authentication. The data sharing will be in an encrypted mode.

Will the Aadhaar number be shown in the account statement?

No. A yes / no for the Aadhaar is proposed to be shown in the account statement to reflect the seeding in the folio. As per UIDIA regulations, Aadhaar number cannot be stored in any business databases other than Aadhaar Data Vault.

Which transactions are treated as Customer initiated?

The following transactions are treated as Customer initiated

- a) New or additional Purchase
- b) Redemptions & Switches
- c) New Registration (SIP, SWP, STP, DTP)
- d) Unclaimed money (dividends / redemptions)
- e) New Lien Marking
- f) Transmission (unless Aadhaar is made available for the person in whose favor units are proposed to be transmitted)

Which type of transactions are treated as Non-Customer initiated transactions?

Following transactions are treated as Non-Customer initiated

- a) Corporate Action (Dividend Reinvestment/Payouts)
- b) Pre-existing SIPs / SWP / STP in the folios
- c) Close ended funds maturity payout
- d) KRA led changes, Non-Financial / Non Commercial Transactions
- e) Lien invocation by Financial Institution or pledgee
- f) Any transaction pursuant to a Court or a Regulatory order

What will be the fate of registered SIP / STP /SWP which got registered till 31st Dec'17?

Transactions under the existing SIP / STP / SWP in the folios opened till December 31, 2017 may continue till further advices. However, no new SIPs / STPs or SWPs or renewal of SIPs/STPs or SWPs can be registered from Jan 1, 2018 if the folio is not compliant with Aadhaar requirement.

What will happen to the existing SIPs, if the bank account itself is made inoperative by the bank?

It is important that investors to seed their bank accounts with Aadhaar number. Notification for same would have been received from such banks from time to time.

If the bank account is made inoperative by the Bank because Aadhaar is not provided by such investor to the Bank for seeding in to his / her account and the bank does not allow debits from such bank accounts consequently for SIP transactions, then the SIP cycle transactions would miss for those investors and the treatment by AMCs for such SIPs shall be in accordance with practice followed by them currently.

Is Aadhaar required for Non-Residents?

Non-residents are not eligible to be enrolled for Aadhaar. Hence it is not required.

Investor has done his eKYC. Is he / she required to still provide Aadhaar?

No.

Investor has done CKYC by providing Aadhaar as POI / POA. Is he /she required to provide Aadhaar number again?

No.

Investor holds units in demat form. Is he / she required to provide Aadhaar?

If the units are held in demat form, it is the responsibility of the DP to collect, authenticate and store Aadhaar number.

How is Aadhaar authentication done?

The method proposed for Aadhaar authentication is the **Yes / No authentication**. This Yes / No authentication facility is also proposed to be used for ASL of non-individual investors. If the authentication fails, then e-KYC authentication method will be adopted.

What is required in case of Non-Individual clients?

As per Board Resolution, all Authorized Signatories (ASL) shall have to provide Aadhaar No along with their consent. A separate consent Form for Non-Individuals will be available for use.

How is the treatment of folios in case of non-individuals?

In case of non-individual investors, if the authentication fails for some of the ASL officials, then the Folio will not be frozen, but the transactions authorized by such officials will be rejected till successfully validated. Transactions authorized by other officials whose Aadhaar is authenticated, will however be permitted. If the authentication fails for all the names in the ASL, then the folio will be frozen.

The investor has proof of enrolment for Aadhaar. Can he still invest?

Yes, he can. However, the investor needs to submit the Aadhaar within the prescribed timeline of six months, failing which the folio will be made 'inoperative'

Whose Aadhaar number is required for authentication in different scenarios?

The consent form for collecting Aadhaar for authentication and seeding is to be collected from investors as follows:

Resident: For all joint holders in a folio

Minor: Optional for Minor and mandatory for the Guardian

POA holder: POA holder and all the joint holders in the folio. If POA holder is an institution, then Aadhaar is to be collected from ASL, provided the POA holder has the discretionary authority to sign / submit transactions on behalf of the client

Non individual investor: Aadhaar and PAN of individuals forming part of ASL shall be taken apart from consent of the Co Secretary / Director / Authorized official of the non-individual investor