Circular No.: NSDL/POLICY/2022/055 April 08, 2022

Subject: SEBI Circular on 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.

Attention of Participants is invited to SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635 dated October 04, 2021 (NSDL circular No. NSDL/POLICY/2021/0103 dated October 06, 2021) and SEBI Circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022 (NSDL Circular No. NSDL/POLICY/2022/039 dated March 21, 2022) regarding discontinuation of usage of pool accounts for transactions in units of Mutual Funds. In this regard, SEBI vide its circular no. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41 dated March 31, 2022 (Copy enclosed) issued extension of timeline with respect to discontinuation of usage of pool accounts for transactions in the units of Mutual Funds, Two Factor Authentication (2FA) for redemption and other related requirements.

Participants are requested to take note of the above.

For and on behalf of
National Securities Depository Limited
Arockiaraj
Manager
Enclosed: One

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Artificial Intelligence /Machine Learning Reporting Form (if offering or using such technologies as defined) (Quarterly)	By 15th of the following month.	Through e-PASS	1. Circular No. NSDL/POLICY/2019/0016 dated March 27, 2019 2. Circular No. NSDL/POLICY/2021/0102 dated October 04, 2021
Cyber Security & Cyber Resilience framework of Depository Participants (Quarterly)	By 15th of the following month	Through e-PASS	1. Circular No. NSDL/POLICY/2019/0039 dated July 9, 2019. 2. Circular No. NSDL/POLICY/2020/0069 dated May 15, 2020
Tariff Sheet (yearly)	April 30th every year	By email at dpfees@nsdl.co.in	1.Circular No. NSDL/POLICY/2006/0064 dated December 26, 2006. 2.Circular No. NSDL/POLICY/2007/0003 dated January 8, 2007
Internal/ Concurrent Audit Report (October - March)	May 15th every year	Through e-PASS	Circular No.: NSDL/POLICY/2022/049 dated April 01, 2022
Risk Assessment Template (October - March)	April 30th every year.	Through e-PASS	Circular No. NSDL/POLICY/2018/0050 dated September 25, 2018
Reporting of status of the alerts generated by Participants- (Quarterly)	Within 15 days from end of the quarter	Through e-PASS	1. Circular No. NSDL/POLICY/2021/0072 dated July 15, 2021 2. Circular No.: NSDL/POLICY/2022/001 dated January 03, 2022

AROCKIARAJ
Authentication
2022.04.08 19:06:37 +05'30'

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

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	1st 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	1st July 2022
3.	Standardizing the recipients and contents of information at various stages of transaction processing	1st July 2022

B. Non SE Platforms:

	Parameters / Task	Timeline
1.	All intermediate pooling will stop from 1st April 2022	--
2.	Signing of Agreements with Payment Aggregators (PAs) and Banks	1st 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. 1st May 2022	1st May 2022
4.	Enhanced TPV with independent traceability of source bank account information	1st June 2022
5.	2FA for online redemptions	1st June 2022
6.	Standardizing the recipients and contents of information at various stages of transaction processing	1st July 2022

******