

# Mutual Fund Insight

www.valueresearchonline.com

**Interview 37**

Ritesh Jain of Tata Mutual Fund shares his outlook for the economy

**Category Watch 40**

Best large-cap funds

**Fund Radar 18**

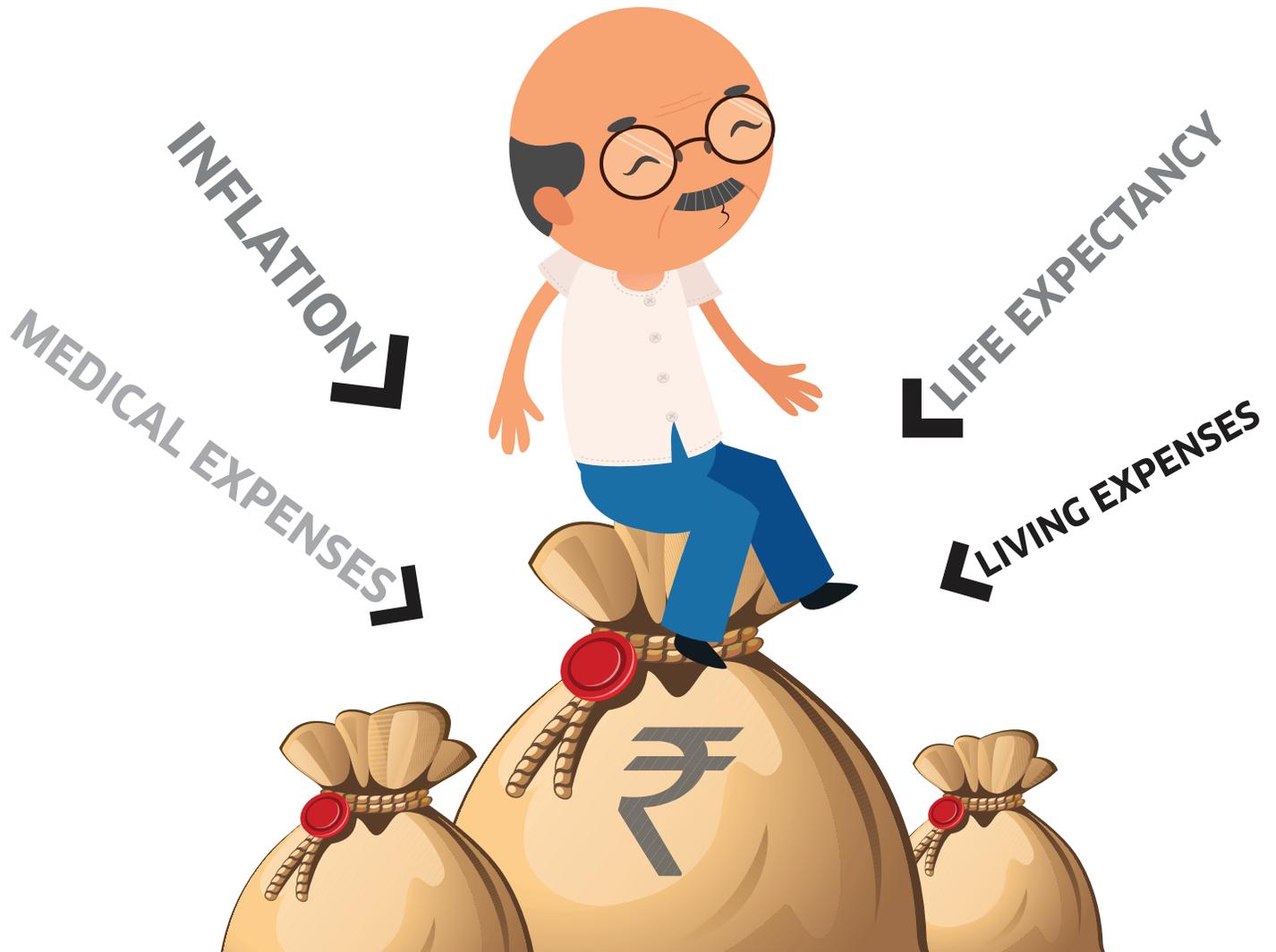
Exploring MF Utilities with V Ramesh, MD & CEO, MF Utilities

**Scoreboard 61**

A complete guide to funds

SUBSCRIBER COPY NOT FOR RESALE

# Can the **NPS** Rescue Your Retirement?



# Simplifying mutual fund investing

V Ramesh, MD & CEO, Mutual Fund Utilities, speaks to Vibhu Vats about MF Utilities, the newly launched mutual fund system, which promises to be a game-changer

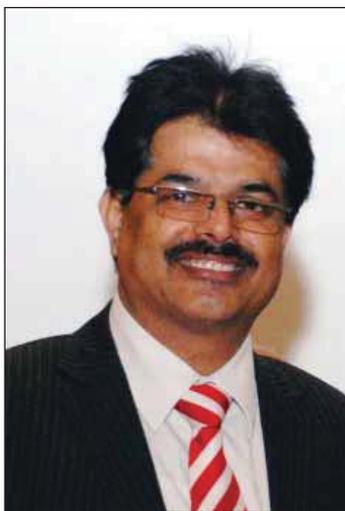
### Could you tell us about the time line of MF Utilities? What led to the development of the system?

The discussion on the MF Utilities system was first initiated in January 2011. The AMFI Board later discussed the initiative and decided to go ahead with it in June 2011 and a committee was formed, which started working on the project since then. It discussed the various ways in which the system could be created. That's how the initiative started.

There were two primary motives of this system. First was to aggregate mutual fund transactions. Second was to digitise the transactions as soon as possible in the transaction chain.

MF Utilities is not a platform; it is only a system that aggregates. A platform provides decision-making information, such as performance of mutual funds, their ratings, comparison of funds, etc., to the investors and distributors signed up with it. MF Utilities doesn't provide any such information. Its pure motive is aggregation; it does not provide investing information.

Towards creating this system, the committee first listed the inconveniences that the stakeholders of the MF industry faced in the current scenario. We wanted to create a system that could address all the inconveniences. The primary inconvenience was that investors needed to fill multiple transaction forms and write multiple cheques if they wanted to make a single payment across the assets allocated to multiple schemes. Also, investors were required to open multiple accounts with mutual funds. So, one customer would have many folio numbers. Today, as we speak, there are some 570 investor service centres across India. These service centres serve around 230 towns only. This is because uniquely in India the transaction processing chain is tied between the back office and the front office of an RTA. So, the transactions of an AMC can be submitted only at the front office of the RTA of an AMC. If you have opted for multiple mutual fund schemes, you have to go to multi-



ple RTAs. Today primarily we have three RTAs: CAMS, Karvy and Sundaram. These RTAs have created the infrastructure but the scale is not there because the infrastructure created is for serving a specific RTA. Therefore, there is multiplicity here too, where at the same place there are multiple offices accepting MF transactions. If these RTA front offices were neutral, their infrastructural resources would have been more useful to investors as well and they could have spread to more geographies.

Another problem which we observed was that if you have invested in the schemes of several AMCs, you will have to visit them individually to get any changes done to your records. All this is duplication of effort. All such difficulties faced motivated us to develop MF Utilities.

### Are you planning to make the CAN application process and the transaction process online?

Yes, we intend to make the transaction process online also in three-four months. Whoever wants to transact online can do so. We will also be making the CAN application process online at an appropriate time.

### How has been the response to MF Utilities so far? What are the numbers of investors and distributors who have joined the system?

It has been 25 days since we started CAN registrations. So far close to 1,700 people have opened the CAN. We are getting around hundred forms every day. Around 4,000 distributors have already signed up from some 480 cities in the country.

We are seeing a lot of interest from distributors to get CANs for investors. We have also started accepting transactions through MF Utilities across India. Those investors who have not opened the CAN will be able to transact in multiple schemes under the same folio through a single form called the folio-based form. In such a case, the investor can't transact across mutual

## FUND RADAR

funds through the folio-based form. For that the investor will need a CAN and use the CAN-based form. The folio-based form also does away with duplicity of effort as otherwise you will need to fill multiple forms for multiple schemes under the same folio.

### How much time does it take for CAN to be generated?

For an existing KRA-verified customer CAN generation happens instantly. For a new customer, CAN is created immediately after he fills the CAN form but the CAN is approved after the KYC is cleared.

### Are there AMC's that haven't joined the Utilities yet?

Twenty-five AMC's have joined the system as of now.

These 25 AMC's account for about 92 per cent of the industry AUM and about 94 per cent transactions. The AMC's that haven't joined yet are in the process of getting clearance. Many of these AMC's have a foreign partner.

MF Utilities is in the cooperative spirit of AMC's. The AMC's that want to use the MF Utilities system need to be shareholders in it. All AMC's have equal stakes and equal rights irrespective of their sizes. Since shareholding is required, foreign partners need to take clearances and hence they haven't joined yet. We are pursuing discussions with the AMC's that haven't joined the system yet. They will soon be on board. For now an investor in such AMC's won't be able to use MF Utilities.

## In a nutshell: MFU FAQs

### What is Mutual Fund Utilities (MFU)?

MFU is a system where investors can transact across various asset management companies (AMC's) by using a common account number (CAN). Investors can also use the system to map their existing folios across AMC's.

### How does MF Utilities benefit an investor?

MFU makes life easier for investors in many ways. One, it provides a common account number (CAN), a single reference for all the mutual fund investments. It also offers the know-your-customer (KYC) registration facility, through KRAs, for the purpose of CAN creation. Investors can also use the common transaction form to transact in multiple schemes at a time across mutual funds. It also offers a single payment facility for investments in multiple schemes across mutual funds using a single form. Investors can view consolidated investments across the industry using the CAN. They also have the facility of industry-level alerts, triggers, reminders, etc., for transactions. Another big plus is the centralised complaint management and tracking system to log in complaints across the industry.

### How can an investor join MFU?

Investors must get a common account number by submitting the CAN registration form (CRF) at any point of service (POS) of MF Utilities India Pvt Ltd (MFUI) or at a distributor signed up with MFUI or at a participating AMC branch. An investor has to fill the CAN registration form along with the KYC form, bank details and relevant transaction form, say, purchase, redemption, STP or SWP, and submit the relevant documents at the nearest MFU point of service.

### Can an investor submit the CAN registration form to her distributor?

Investors can submit the CAN registration and transaction forms to their distributors. If the distributor has signed up with MFU for online access, he can scan and submit the transaction in MFU. Otherwise, he can submit the transaction at an MFU POS or redirect you to the nearest MFU POS.

### Can an investor get KYC registration done through MFU?

MFU will not enable standalone KYC registration like a KRA. However, MFU will facilitate KYC registration for investors along with the creation of CAN. That is, it will facilitate submission of KYC documents to KRA for KYC registration.

### I am not KYC compliant. Can I get a CAN?

KYC compliance is compulsory for CAN creation. If an investor is not already KYC compliant, MFU will facilitate KYC registration for investors along with the creation of CAN.

### Is CAN transferable?

CAN is not transferable. In case of eventualities like demise of one or more holders of the CAN, the surviving holders have to place a request for the transmission of the CAN with MFUI.

### Will my folio number be redundant after the CAN is generated?

Ideally, the CAN will be a single reference number for all your investments/transactions across the mutual fund industry. However, if an investor has multiple folios for the same combination within the same mutual fund, the folio number under which the transaction is required to be processed should also be quoted while transacting.

### Will the existing folios/investments migrate to MF Utility?

The existing investments of investors will not migrate to MF Utilities. However, MFU will map the existing folios of the investors across mutual funds to the CAN based on the PAN, holding pattern and other parameters.

### How can I transact through MFU?

One can transact by submitting a physical transaction form at an MFU POS or through a distributor who has signed up with MFUI.

### Will MFU consolidate the redemption/dividend payments from different mutual funds and make a single payment?

The redemption/dividend payments from mutual funds will continue to be paid as they are currently done. ■