NCDEX Nidhi

Distributor - FAQs (English)

NCDEX Nidhi
Next-Gen Mutual Fund Platform

Frequently Asked Questions (FAQs)

Distributor - FAQs

A comprehensive FAQ guide for NCDEX Members/FPOs as Mutual Fund Distributors (MFDs). This FAQ is intended to help Members/FPOs understand mutual fund distribution, regulatory requirements, industry practices, investor servicing responsibilities, compliance expectations, and business continuity considerations.

1. Understanding the Role of a Member/FPO as a Mutual Fund Distributor

Q1. Can an NCDEX Member or a FPO become a Mutual Fund Distributor (MFD)?
Yes. Eligible NCDEX Members or eligible FPOs can become Mutual Fund Distributors once they meet the applicable regulatory, certification, registration, and industry requirements. After those requirements are fulfilled, the Member/FPO can distribute mutual fund products and assist investors in accessing mutual fund schemes.

Q2. Why would a Member consider mutual fund distribution?
Mutual fund distribution allows a Member to expand its service offerings beyond its existing business activities. It can help strengthen customer relationships, support long-term investor engagement, and create an additional business opportunity through participation in the regulated mutual fund ecosystem.

Q3. Why would a FPO consider mutual fund distribution?
Mutual fund distribution allows a FPO to expand its service offerings to its members beyond its existing business activities. It can help create an additional business opportunity through participation in the regulated mutual fund ecosystem.

Q4. What is the role of a Mutual Fund Distributor?
A Mutual Fund Distributor helps investors understand mutual fund products, complete transactions, and access suitable mutual fund solutions based on their financial goals and risk appetite. The distributor also supports transaction-related servicing such as account updates, nominations, SIP registrations, redemptions, and other investor requests.

Q5. What is the difference between a Mutual Fund Distributor and an Investment Adviser?
A Mutual Fund Distributor facilitates mutual fund investments, while a Registered Investment Adviser (RIA) provides investment advice under a separate SEBI framework. The two roles are governed by different regulatory requirements, responsibilities, and compensation structures.

Q6. Who regulates mutual fund distribution activities in India?
Mutual fund distribution is regulated primarily by the Securities and Exchange Board of India (SEBI). AMFI administers distributor registration, ARN issuance, EUIN administration, and other distributor-related operational frameworks.

Q7. Why are mutual funds considered an important investment product?
Mutual funds are collective investment vehicles that pool money from many investors and invest in securities such as equities, bonds, government securities, and money market instruments. They offer diversification, professional management, transparency, and investment options for different goals, risk profiles, and horizons.

2. Eligibility, Certification, ARN, EUIN and KYD

Q8. What certification is required to become a Mutual Fund Distributor?
The designated person responsible for mutual fund distribution is required to clear the NISM-Series-V-A: Mutual Fund Distributors Certification Examination. This certification establishes the basic knowledge benchmark for persons involved in selling and distributing mutual funds.

Q9. What is the NISM-Series-V-A certification?
The NISM-Series-V-A certification is a professional examination for persons involved in selling and distributing mutual funds. It covers mutual fund concepts, scheme categories, regulations, investor servicing, risk management, ethics, and distributor responsibilities.

Q10. How long is the NISM certification valid?
The NISM-Series-V-A certificate is valid for 3 years from the date of the examination. It should be renewed before expiry so that mutual fund distribution activities can continue without interruption.

Q11. What is ARN?
ARN stands for AMFI Registration Number. It is the registration issued by AMFI to eligible mutual fund distributors and serves as their unique identification number for undertaking mutual fund distribution activities.

Q12. Why is ARN important?
ARN identifies the distributor across the mutual fund ecosystem and establishes eligibility to distribute mutual fund products. AMCs, RTAs, investors, and other market participants use ARN details for transaction processing and distributor record maintenance.

Q13. What is KYD?
KYD stands for Know Your Distributor. It is the distributor identity and credential verification process used in the mutual fund distribution registration framework.

Q14. What is EUIN?
EUIN stands for Employee Unique Identification Number. It identifies the employee or representative who interacted with the investor and facilitated the transaction under the Member's/FPO’s ARN.

Q15. Why is EUIN important?
EUIN promotes transparency and accountability by identifying the individual involved in investor interactions. It helps maintain proper transaction and investor-engagement records.

Q16.How should one apply for an ARN or EUIN?
An ARN or EUIN can be applied by going on the AMFI website after 8 days of taking the NISM Exam.

Q17. Can a Member/FPO begin mutual fund distribution without ARN?
No. Mutual fund distribution should begin only after the required registration, certification, ARN issuance, and related compliance requirements are completed successfully.

Q18. Does a non-individual entity need certified personnel?
Yes. Non-individual entities should ensure that appropriately qualified and certified personnel are available to perform mutual fund distribution responsibilities.

3. Registration, Documentation and Industry Framework

Q19. What documents are required from the members/FPOs?
Every member/FPO needs PAN, address proof, photograph, NISM certification details, and the documents required for identity verification and KYD-related processes.

Q20. What is the role of AMFI in the mutual fund distribution ecosystem?
AMFI is the industry body of SEBI-registered mutual fund AMCs and administers distributor-related frameworks such as ARN issuance, ARN renewal, EUIN administration, and distributor guidance resources.

Q21. What role does CAMS play in distributor registration processes?
AMFI has engaged CAMS to carry out end-to-end registration and renewal services for MFDs and their employees, including ARN and EUIN renewal.

Q22. How long does distributor registration usually take?
No fixed public timeline is specified for distributor registration. Processing depends on document completeness, verification requirements, and the current application load.

Q23. What happens if submitted documents are incomplete or incorrect?
Incomplete or inaccurate documentation delays the registration process. Applicants need to submit missing information or corrected documents before the application can proceed.

Q24. Can a distributor work with multiple AMCs?
Yes. Eligible distributors may empanel with multiple Asset Management Companies (AMCs) and distribute the schemes offered by those AMCs, subject to the applicable empanelment requirements.

Q25. Is GST registration relevant for mutual fund distributors?
GST applicability depends on the prevailing tax laws and the nature and scale of the Member's/FPO's business activity. Members/FPOs should review their obligations under current law or seek professional advice where needed.

4. NCDEX Nidhi Platform and Distribution Operations

Q26. What is NCDEX Nidhi?

NCDEX Nidhi is a Mutual Fund transaction platform that enables Mutual Fund Distributors (MFDs), Mutual Fund Intermediaries (MFIs), and Registered Investment Advisors (RIAs) to seamlessly onboard investors and transact in mutual funds through a single integrated ecosystem. The platform supports end-to-end mutual fund transaction journeys including investor onboarding, lumpsum investments, SIPs, redemptions, mandate management, reconciliation, refunds, and transaction notifications.

Q27. How is this new NCDEX Nidhi platform unique?

NCDEX Nidhi is designed with a structured verification, consent, reconciliation, and settlement framework and has the following 5 USPs :

- **Accurate NAV Timestamping :** Timestamping for NAV ensures precise transaction timing and full compliance with regulatory standards.
- **Transaction Failure Transparency :** Complete visibility into transaction failures helps users and investors identify and resolve issues efficiently.
- **Universal UPI Autopay Access :** Granted to all members without restrictions, unlike competitors who limit it to select users.
- **Flexible Transaction Support :** Allowing External Folio investment through NCDEX Nidhi platform.
- **Flexible SIP Execution :** Calendar-day SIP feature allows investors to select any day, including weekends, for SIP order executions.

Q28. How can NCDEX Nidhi support a Member/FPO acting as an MFD?

The platform provides a unified environment for investor servicing, transaction execution, order tracking, and operational workflows. This helps support more efficient transaction management and reduce manual effort.

Q29. What types of mutual fund transactions can generally be facilitated through the platform?

Depending on the available functionality and applicable rules, the platform supports purchases, SIP registrations, redemptions, switches, mandate-related activities, and other permitted transaction requests.

Q30. What role does NCCL play in the ecosystem?

National Commodity Clearing Limited (NCCL), a wholly owned subsidiary of NCDEX, supports clearing and settlement functions for transactions executed through the platform in accordance with the applicable operational framework.

Q31. What operational infrastructure should a Member/FPO maintain?

Members/FPOs are advised to maintain reliable internet connectivity, trained personnel, secure systems, appropriate record-keeping practices, and operational controls that support transaction processing to ensure seamless connectivity and services to their investors.

Q32. Can multiple branches or employees participate in mutual fund distribution activities?
Yes. Members/FPOs may structure their operations across multiple branches and personnel, provided all applicable registration, compliance, supervision, and control requirements are properly maintained.

5. Investor Education, Suitability and Servicing

Q33. What should a Member/FPO explain to a first-time mutual fund investor?
A first-time investor should understand that mutual funds are market-linked investments and that returns are not guaranteed. The investor should also understand the scheme objective, investment horizon, risk level, costs, and the expected investment approach before investing.

Q34. What is Systematic Investment Plan (SIP)?
A SIP is a method of investing a fixed amount in a mutual fund scheme at regular intervals, such as monthly or daily. AMFI explains that SIP is a convenient method in which the amount can be debited from a bank account through standing instructions. The investor chooses a fund, fixes an amount and date, and authorizes automatic debit from the bank account. Units are allotted on the applicable NAV (Net Asset Value) of the transaction day subject to cut-off time and payment receipt rules. SIPs help investors invest in a disciplined way and reduce the impact of timing decisions by spreading purchases over time.

Q35. What is Lumpsum Investment?
A lump sum investment means putting the full amount into a mutual fund in one single payment, instead of spreading it out over time through installments. In mutual fund terms, this is simply a one-time investment made at the time of purchase. The entire amount is invested at once, and the investor receives units at the applicable NAV (Net Asset Value).

Q36. What is a Folio Number?
A Folio Number is a unique reference number assigned to a particular mutual fund folio by the AMC for the investor to identify and manage their mutual fund holdings. It is used to track investments, process transactions, and maintain investor records for a specific mutual fund.

Q37. What is nomination in mutual funds?
Nomination allows an investor to designate one or more persons who can claim or receive the units through the prescribed process if the investor dies. It can simplify the transmission process for eligible claimants.

Q38. Can investors update their bank account or nominee details later?
Investors can update bank account or nominee details by following the AMC's prescribed process and submitting the required supporting documents. The exact requirements may vary by AMC and regulation.

Q39. What is the Member's/FPO's role in suitability assessment?
The Member/FPO should help investors understand available products and align investment choices with their financial goals, investment horizon, and risk tolerance. Investors should receive

enough information to make informed decisions.

Q40. Can a Member/FPO guarantee returns to investors?
No. Mutual fund investments are subject to market risks and future performance cannot be guaranteed. Members/FPOs should avoid promises, assurances, or misleading claims about returns.

6. Compliance, Conduct and Record Keeping

Q41. What are the key compliance responsibilities of a Member/FPO acting as an MFD?
Members/FPOs should ensure proper documentation, KYC compliance, valid ARN & EUIN,transparent communication, suitability assessment, accurate disclosures, secure record keeping, and adherence to applicable regulatory requirements.

Q42. What is the AMFI Code of Conduct?
The AMFI Code of Conduct sets standards for ethical behaviour, fair dealing, responsible communication, investor protection, and avoidance of mis-selling by mutual fund distributors.

Q43. What is mis-selling?
Mis-selling occurs when an investor is encouraged to invest in a product that does not fit the investor's needs, objectives, or risk profile, or when misleading information is used to influence the decision.

Q44. Can a distributor charge a separate advisory fee?
Unless separately registered as a SEBI Registered Investment Adviser, a distributor should not charge a separate advisory fee for investment advice.

Q45. What is the Declaration of Self Certification (DSC)?
The DSC is an annual self-certification declaration that distributors submit through AMFI's online module to confirm adherence to the applicable conduct and compliance requirements.

Q46. Why are ARN and EUIN renewals important?
Renewal helps maintain uninterrupted eligibility to distribute mutual funds and avoids breaks in ARN or EUIN status. AMFI provides the online renewal workflow through its distributor corner resources.

Q47. Why is investor data confidentiality important?
Investor information should be protected and used only for legitimate servicing, compliance, and operational purposes. Proper confidentiality practices help strengthen trust and support regulatory compliance.

Q48. What records should a Member/FPO maintain?
Members/FPOs should maintain investor onboarding records, transaction records, communications, declarations, service requests, compliance documentation, and other records required under the applicable framework.

Q49. Can social media and advertising be used for promotion?
Yes, but all communication must comply with SEBI requirements, AMFI guidelines, disclosure standards, and fair communication principles.

7. Investor Protection and Grievance Handling

Q50. How can a Member/FPO help an investor with a complaint?
The Member/FPO should first help the investor approach the AMC, registrar, or relevant service provider for resolution. If a complaint is related to NCDEX Nidhi platform, they can reach out at askmf@ncdex.com or Toll free number 18002662339. Proper documentation and timely follow-up can often help resolve operational issues efficiently.

Q51. What is SCORES?
SCORES is SEBI's online grievance redressal platform that enables investors to lodge complaints against regulated market participants and track complaint resolution progress.

Q52. What should a Member/FPO explain if a mutual fund scheme is wound up?
The Member/FPO should explain that the scheme ceases operations in accordance with the applicable regulatory process. The scheme assets are realised and distributed to investors as per the prescribed framework.

Q53. What happens to mutual fund units in case of an investor's death?
The units are transmitted to the nominee or eligible legal claimant after the required documents are submitted and the prescribed transmission process is completed.

Q54. Can a nominee automatically continue the investment?
Nomination and investment continuation are separate matters. The nominee must first complete the transmission process and then decide on future investment actions as permitted under the applicable framework.

Q55. Can investors redeem their mutual fund investments at any time?
Most open-ended schemes allow redemption subject to scheme-specific conditions, cut-off timings, and applicable exit loads. Investors should review the scheme information document for the relevant provisions.

8. Business Continuity and Growth

Q56. What should a Member/FPO do if a certified employee leaves the organisation?
The Member/FPO should update the relevant mappings, maintain eligible certified personnel, and complete any required administrative actions promptly. Proper succession planning helps avoid disruption to business operations.

Q57. Is it advisable to train multiple employees?
Yes. Training multiple employees improves operational resilience, reduces dependency on one individual, and supports continuity during employee transitions or periods of absence.

Q58. How can a Member/FPO grow a mutual fund distribution business responsibly?
Responsible growth should be based on investor education, transparent communication, quality servicing, regulatory compliance, and long-term relationship building. Sustainable growth comes through trust, consistency, and investor-centric practices.

Q59. How can a Member/FPO support financial inclusion through mutual funds?
Members/FPOs can support financial inclusion by helping suitable investors understand mutual fund products, encouraging disciplined investing habits, and improving access to regulated investment opportunities through education and awareness initiatives.

Q60. What should a Member/FPO focus on after becoming an MFD?
After becoming an MFD, the Member/FPO should focus on investor education, compliance readiness, service quality, operational efficiency, record keeping, staff training, and continuous improvement of investor experience.

9. Useful Basics for Members/FPOs and Investors

Q61. What is KYC?
KYC stands for Know Your Customer. It is the customer-identification process used by financial entities to establish the identity and address of an investor before opening or maintaining an investment account.

Q62. What is Net Asset Value (NAV)? How is it calculated?
NAV stands for Net Asset Value. In simple terms, it is the market value of one unit of a mutual fund scheme on a given day. NAV is computed by dividing the Net Assets (Total Assets – Total Liabilities) of the scheme by the Number of units outstanding on the valuation day. NAV rises or falls as the market value of the underlying portfolio changes. It is not a fixed rate like a bank deposit interest rate. For more details on NAV, visit AMFI website (Link).

Q63. What is exit load?
Exit load is a charge applied when an investor exits a scheme through redemption, depending on the holding period, amount invested, or other criteria specified by the AMC. Equity funds often use a 1% exit load for redemptions made before one year, but the exact rule depends on the scheme. The maximum cap on Exit Load has recently been reduced from 5% to 3%.

Q64. What is cut-off time in mutual funds?
Cutoff time is the outer limit within a business day that is relevant for deciding the applicable NAV for purchase or redemption transactions. The applicable NAV depends on when the transaction and the funds are received relative to the cut-off time.

Q65. What is CPE or eCPE for mutual fund distributors?
CPE means Continuing Professional Education. NISM provides CPE and eCPE routes for mutual fund distributor certificate renewal, and the validity of the certificate obtained through CPE is three years from the date of expiry of the relevant certificate.

Disclaimer :- This guide/ FAQ/ brochure on Mutual Funds is published for information purposes only and shall not be construed as a legal, financial or regulatory advice. Readers, including but not limited to Investors, Mutual Fund Distributors (MFDs), Farmer Producer Organisations (FPOs) are advised to apprise themselves with the Circulars, Master Circulars and directives issued by the Association of Mutual Funds in India (AMFI), the Securities & Exchange Board of India (SEBI) and other relevant regulatory authority from time to time on matters covered herein, and in the event of any discrepancy between this document and such Circulars, and/ or Master Circulars and/ or directives, the latter shall prevail and be conclusive. While reasonable care and diligence have been exercised in the preparation of this document, NCDEX Nidhi, its affiliates, subsidiaries and associates make no representation, express or implied, as to the accuracy, completeness, or correctness of the information contained herein, and expressly disclaim all liability for any direct, indirect, incidental, or consequential loss or damage, including but not limited to loss of profits, goodwill arising from any reliance placed on it. NCDEX Nidhi neither warrants nor guarantees the suitability or applicability of this information for any purpose and readers are advised to exercise independent judgment and conduct their own due diligence. Any reliance placed on this document without independent verification shall be entirely at the reader's own risk. Nothing contained herein shall be construed as creating any obligation or a binding commitment on NCDEX Nidhi in any manner whatsoever. NCDEX Nidhi, NCDEX and its affiliates, or their employees, directors or agents shall not be liable or responsible for any loss or costs or any action whatsoever arising out of use or relying on the information provided herein.

NCDEX Limited

Akruti Corporate Park, 1st Floor, LBS Road, Kanjurmarg (W.), Mumbai-400078.

E: askmf@ncdex.com **W**: www.ncdex.com **T**: 1800-266-2339

Follow us on: