Version 1.0 – April 2024

FAQs on PAN validation process

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FAQs on revised PAN validation process

Q1. What is the need for PAN validation?

A1. As per SEBI Master Circular on KYC dated October 12, 2023 (in continuation of earlier circular dated April 25, 2007) - The registered intermediaries shall verify the PAN of their clients online at the Income Tax website without insisting on the original or copy of PAN card. Hence, MFs/RTAs are validating the PAN with Income Tax records through authorized service providers namely Protean (erstwhile NSDL database) / UTITSL.

Q2. What is the existing process of PAN validation?

A2. Registered entities like MFs/RTAs will pass the PAN in the defined structure and response feed from Protean (NSDL)/UTITSL will return the Name as per ITD, Name as per PAN card, PAN valid status, PAN Aadhaar status, Last modified Date. Response feed with name as per ITD and PAN card, was helping RTAs to build additional name-matching logic and facilitating transaction acceptance for instances where variation is only to the extent of expansion of initials, change in order of names etc. Examples:

S. No.	Name as per MF application / KYC application (not actual names – it is assumed)	Name as per ITD / PAN Card (not actual names – it is assumed)	How it is considered now – Existing process before circular goes live
1	Suresh Mehta	SURESH MEHTA	It is considered as Valid Match.
2	Mark Anthony	MARK ANTHONY	It is considered as Valid Match.
3	S K Raja	SUPER KRISHNA RAJA	Based on the initial's expansion check, it might be considered as Valid match.
4	XYZ Industries Pvt. Ltd.	XYZ Industries Private Limited	It is considered as Valid Match.
5	R K Singh (HUF)	R K Singh HUF	It is considered as Valid Match.
6	Mohd. Irfan	Mohammed Irfan	It is considered as Valid Match.
7	ABC & Co	ABC AND CO.	It is considered as Valid Match.
8	Kumar Babu	Babu Kumar	It is considered as Valid Match.
9	Srinivasan Kumar Kannan	Kannan Srinivasan K	It is considered as Valid Match.
10	Kumar S Shah	Kumarbhai S Shah	It is considered as Valid Match.

Q3. What is the revised process of PAN validation that has been proposed?

A3. As per the revised process, in lieu of passing name as per ITD and PAN Card, reverse feed will be provided only with a 'Yes' or 'No' confirmation for the values passed by MFs/RTAs. This removes the possibility of RTAs building name matching logic at their end and will lead to rejection of transactions where the variation is only for reasons like expansion of initials, change in the order of names etc. thereby causing significant impact to MF industry. Examples:

S. No.	Name as per MF application / KYC application (indicative names – not actual names)	Name as per ITD / PAN Card (indicative names not actual names)	How it will be considered after April 29, 2024
1	Suresh Mehta	SURESH MEHTA	Matched (subject to the flag received from ITD feeds)
2	Mark Anthony	MARK ANTHONY	Matched (subject to the flag received from ITD feeds)
3	S K Raja	SUPER KRISHNA RAJA	Not matched
4	XYZ Industries Pvt. Ltd.	XYZ Industries Private Limited	Not matched
5	R K Singh (HUF)	R K Singh HUF	Not matched
6	Mohd. Irfan	Mohammed Irfan	Not matched
7	ABC & Co	ABC AND CO.	Not matched
8	Kumar Babu	Babu Kumar	Not matched
9	Srinivasan Kumar Kannan	Kannan Srinivasan K	Not matched
10	Kumar S Shah	Kumarbhai S Shah	Not matched

Q4. What is the effective date for the changes in PAN validation process?

A4. New PAN validation process changes are effective from April 30, 2024

Q5. What is being validated by this PAN validation process?

A5. All holders PAN including Guardian PAN(for minors), and DOB (Date of Incorporation for Corporates) will be validated against the information available in Income Tax database. Hence, investors must specify the Name(s) and Date of Birth/Incorporation as per ITD / PAN card in the application / KYC form for seamless transactions. If the Name and DOB/I found exactly matched with ITD/PAN card, account opening/transactions will get effected, else such forms/transactions are treated as Not In Good Order (NIGO). UBO PAN-Name validation process might be implemented in near future.

If the application is treated as NIGO and communicated, investor is required to update the name either in ITD/PAN card or in MF Folio(s) including for all holders/related persons. On rectification, investor has to resubmit the transactions and fresh validation will be done by MF/RTA with ITD and found matched, application will get processed.

Q6. What action required for the investor for seamless validation?

A6. Application form should contain all holders Name [including Guardian Name (for minors), UBO Name] and DOB (Date of Incorporation for Corporates) as per Income Tax database (ITD) or as printed in PAN card.

Q7. What are the requirements for minor folios?

A7. If case of investments made on behalf of Minor, Guardian PAN is mandatory and accordingly Guardian Name and DOB should be mentioned as per ITD or as printed in PAN card for seamless transaction.

Q8. Is there any need to provide Names as per ITD and PAN Card?

A8. No, it is sufficient to mention the names as per ITD or PAN card in the existing columns.

Q9. What are the proposed actions for the existing folios in the Funds serviced by CAMS?

A9. CAMS has already exchanged the PANs with ITD as an one-time activity for PAN-Aadhaar linkage status and thereafter exchanging the same daily for the respective Funds for PAN + Name validations as per ITD. CAMS will create a consolidated master and scrubbing the existing folios and tagged as Verified for Name matched records using fuzzy logic method on best effort basis. In the existing validation process, Date of Birth is not available.

Wherever Name validation flag is updated as 'Matched' in the existing folios, subsequent transactions are allowed based on existing flag and there is no separate validation required including date of birth/incorporation.

Wherever Name validation is updated as 'Not matched', CAMS has performed one time validation for all existing folios including zero balance folios and updated the flag in RTA database schema level. This has not been done for archived folios.

Q10. What is the treatment for prospective folios?

A10. At the time of creation of prospective folios, PAN validation process will be carried out and transactions shall be allowed in such folios only if the validation is successful.

Q11. What actions will be taken if investor is deceased?

A11. If the investor is deceased, depending upon the pattern of the holding, the requirements may vary. If the transmission is to be made to the new claimant/joint holder/Nominee PAN or new PAN is updated, then all the stated validation will be carried out and only if the validation is successful in all aspects, transmission shall take place. Claimant/Joint Holder/Nominee shall specify the name and DOB as per the ITD or PAN card.

Q12. Is PAN validation process applicable for all modes/sources of transactions?

A12. Yes, PAN validation process is applicable for all sources of transactions including for Exchange (Non-Demat) transactions. In case of Exchange (Demat) transactions, such validation process will be limited to Purchase transactions.

Q13. What are the transactions impacted?

A13. Following is the matrix where transactions might get impacted based on various status as given below.

Transaction Type	All Holder Names*		DOB/I		Valid PAN status		PAN-Aadhaar linking status	
	Matched	Not Matched	Matched	Not Matched	Existing and Valid	Other than Existing and Valid	Linked / Not Applicable	Not Linked / Rejected
Fresh Purchase	√	X	√	X	√	X	√	X
Additional Purchase	√	X	√	X	√	X	√	X
Switches	√	X	√	X	√	X	√	X
Redemptions	√	X	√	X	√	X	√	X
Exchange (Demat) – Fresh Purchase	√	X	√	√	√	√	√	√
Exchange (Demat) – other than Fresh Purchase	√	√	√	√	√	√	√	√
Off-market transfers	√	√	√	√	√	√	√	√
New Systematic Registrations	√	X	√	X	√	X	√	X
Existing Systematic Registrations	√	X	√	X	√	X	√	X
Prospect Folio creation	√	X	√	X	√	X	√	X
Transmission	√	X	√	X	√	X	√	X
NFTs#	√	X	√	X	√	X	√	X

* including Guardian Name, POA Holder Name, UBO Name (UBO name validation still under discussion) and all related persons wherever PAN/KYC validation is mandated.

Q14. What are the non-financial transactions (NFTs) that might get impacted?

A14. If PAN validation process fails as per the revised process, following NFTs might get impacted: Updation of PAN, Change/Correction of PAN, Updation of KYC status, Change of Bank Mandate, Registration/Change of Nominee, Change of Name, Change of Signature, PAN based service request, Minor attaining Majority, Transmission, Consolidation of Folios, FATCA/CRS declaration, Multiple Bank Mandate registration, Change of Guardian, UBO Updation, Change of Tax status, Demat, Others.

Q15. If there is a change of Name taking place at ITD, will it have an impact on MF Folios?

A15. If the investor changes the name in Income tax records which is similar to what is available in MF Folios, then there is no impact. If there is a variance, investor has to rectify the name in the respective records (ITD or MF folios).

Q16. Is POA holder PAN in scope for validation?

A16. Yes, POA holder is also in scope for the validation and the POA holder also needs to submit the DOB mandatorily and the validation process remains the same.

Q17. What would be the impact for IDCW transactions?

A17. If PAN validation process is unsuccessful, then higher TDS will be deducted for IDCW transactions, payout will be withheld and the amount will be transferred to unclaimed schemes.

Q18. Existing investor where Name as per MF is not matching with the ITD. What action required?

A18. For the existing investor where Name(s) as per MF Folio is not matching with the Name as per ITD/PAN card, then MF/RTA will send communication indicating the same. Such investors are required to update their Name as per ITD/PAN Card either in MF Folio(s) or in ITD along with the Date of Birth/Incorporation.

Q19. Should PAN card be attached mandatorily along with the Fresh Purchase/New Folio creation form?

A19. No, but it is preferable to cross check the correctness of the information captured in case of any ambiguity in writing. However, note that no information will be captured from PAN card and used for validations. It is being reiterated that investor must write the exact name(s) and DOB/I as per ITD or PAN card for seamless transactions.

Q20. What are the validations applicable for HUF?

A20. For HUF, HUF PAN is mandatory and hence the name should be as per ITD/PAN card including special characters like HUF in brackets e.g. HUF or (HUF). Karta information is required as part of UBO and hence Karta PAN, Name and DOB should be mentioned as per ITD/PAN card. Similarly, Date of Incorporation as per ITD/PAN card should be mentioned in the application form.

Q21. What are the validations applicable for Corporates / other Non-Individuals?

A21. For Corporates /other Non-Individuals, Name as per ITD/PAN card including abbreviations / special characters Private/Pvt./(P), Limited/Ltd./LTD, prefix with M/s. etc, should be mentioned in the application form. UBO PAN and Name is required as part of UBO and hence UBO PAN, Name and DOB should be mentioned as per ITD/PAN card. Similarly, Date of Incorporation as per ITD/PAN card should be mentioned in the application form. PAN validation process shall be applied wherever related persons PAN is sought now or in future like Directors PAN, Name, DOB, Authorized Signatories PAN, Name and DOB.

Q22. Is the PAN validation applicable for PAN Exempt Categories of Investors (PEKRN) and Sole proprietors?

A22. No. In the case of sole proprietors, name and DOB will not be matched – only availability and validity of PAN status will be checked.

Q23. For Single Entity, can investments be made in different names with suffix/prefix?

A23. Yes, provided if the Name is exactly as per PAN card/ITD. However, in most of such instances, it would not match. Any division or sub-division name can be used in address columns for communication purpose. Say Name as per PAN card/ITD – ABCD Trust and if the investments have to be made in the name of ABCD XYZ School which is part of ABCD Trust, then Name should be mentioned as ABCD Trust and in address1, it should be mentioned as C/o. ABCD XYZ School including in KYC records for uniformity purpose.

Q24. Should DOB/I be mentioned mandatorily in the MF application form?

A24. Yes. Currently, if DOB/I is not provided, it is getting updated from KYC data received from KRA. As such exchange happens post processing, DOB/I have to be mentioned mandatorily in the MF application / KYC form.

Q25. If Nominee PAN and DOB is provided in the MF application form, will it be validated?

A25. While it is preferable to have the Nominee name and DOB in the MF application form, the same will not go through the same validations as mentioned above and will not result in transaction restrictions but it might have an impact at the time of transmission.