

## Deep Dive session of Mutual Funds on Account Aggregator

13<sup>th</sup> July 2023

## Mutual Funds on AA

1.

AA Ecosystem Update

2.

Mutual Funds Use Cases

3.

Mutual Funds and SIP on AA - Technical Specs and Demo



**Most Indian adults have a bank account, mobile and internet connection**

**860 Million+** Aadhaar seeded bank accounts today

**1 Billion +** Mobile Phone subscribers

**780 Million+** broadband subscribers

**...But still struggle to access financial services!**



**Low insurance penetration**

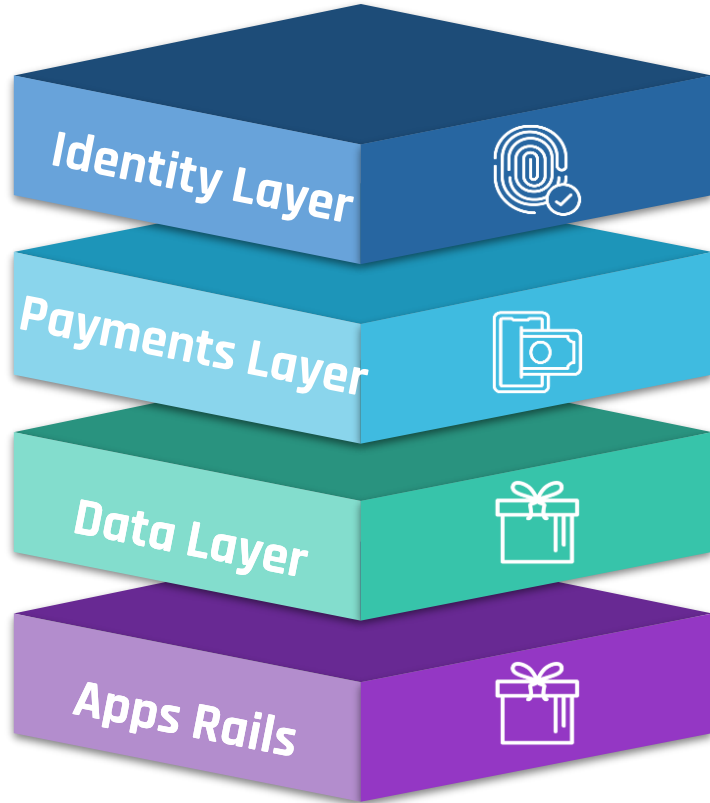


**Unmet formal credit demand of 20-25 L Cr**



**Extremely limited use of securities & investment opportunities**

# India Stack is a set of technologies; Account Aggregator is building the data layer



## Identity Layer

Giving every resident a unique id and enabling them to prove “I am who I claim to be”

- Aadhaar
- eKYC
- eSign

## Payments Layer

Allowing anyone to pay anyone else! interoperable, fast and cheap - not just smartphones

- Unified Payments Interface
- Aadhaar Payments Bridge
- Aadhaar Enabled Payment Service

## Data Empowerment

To enable secure sharing of data

- Consent Artefact
- DigiLocker
- Account Aggregator

## Cooperative Apps

To make it easier to interoperate

- Open Credit Enablement Network
- National Health Stack
- Open Network for Digital Commerce
- Digital Ecosystem for Skilling and Livelihood

# Account Aggregator are RBI regulated NBFCs, introduced to data-empower the citizens through explicit consent based data sharing and digital data portability

## Financial Information Providers



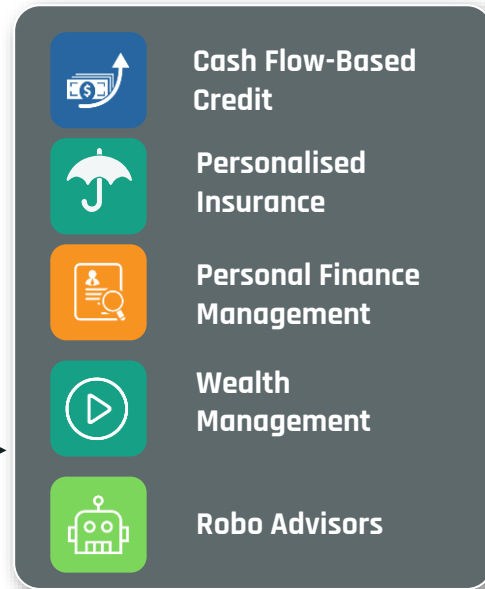
1. **Consent** to share data



2. **Request Data** through Open APIs

3. **Data Flows to FIUs**  
End-to-End Encrypted

## Financial Information Users



# Account Aggregator at Scale: More information types and innovative use cases

## Financial Information Providers

- Banks & NBFCs 
- Mutual Fund Houses/AMCs 
- Insurance Providers & NPS 
- Tax Data: GST & CBDT\* 
- Telcos\* 
- EPFO\* 
- Digilocker\* 








1. **Consent** to share data

**Consent Managers:**  
e.g. Account Aggregator

2. **Request Data** through Open APIs

3. **Data Flows**  
End-to-End Encrypted

## Financial Information Uses

-  Small ticket, short tenure MSME Credit
-  New to Credit, small ticket Personal Loan
-  Auto Loans, Home Loans
-  Insurance, Demat account opening
-  Personal Finance Management, Wealth Management

# Account Aggregator is foundational Digital Public Good- immense benefits for citizens & market players



## Individuals

**Seamless convenience** of secure data sharing

**Ease of access to small ticket** cash flow based credit without collateral, and insurance

**Integrated view** of financial health

**Eligibility based offers** for insurance/securities products



## Market Players

**Lower drop offs** on loans/insurance/securities

**0% Fraud**, trusted data for better financial risk assessment and eligibility calculation

**Lower operating costs: viable small ticket** products at high volumes

**Access to wider market** and increase in credit and insurance penetration

**Lower default rates, higher renewal rates and claim settlement ratios:** Better **data analytics/ML**

**Takeoff of PFM, wealth management, robo advisory,** and more.



**Banking**



**Insurance**



**Securities**

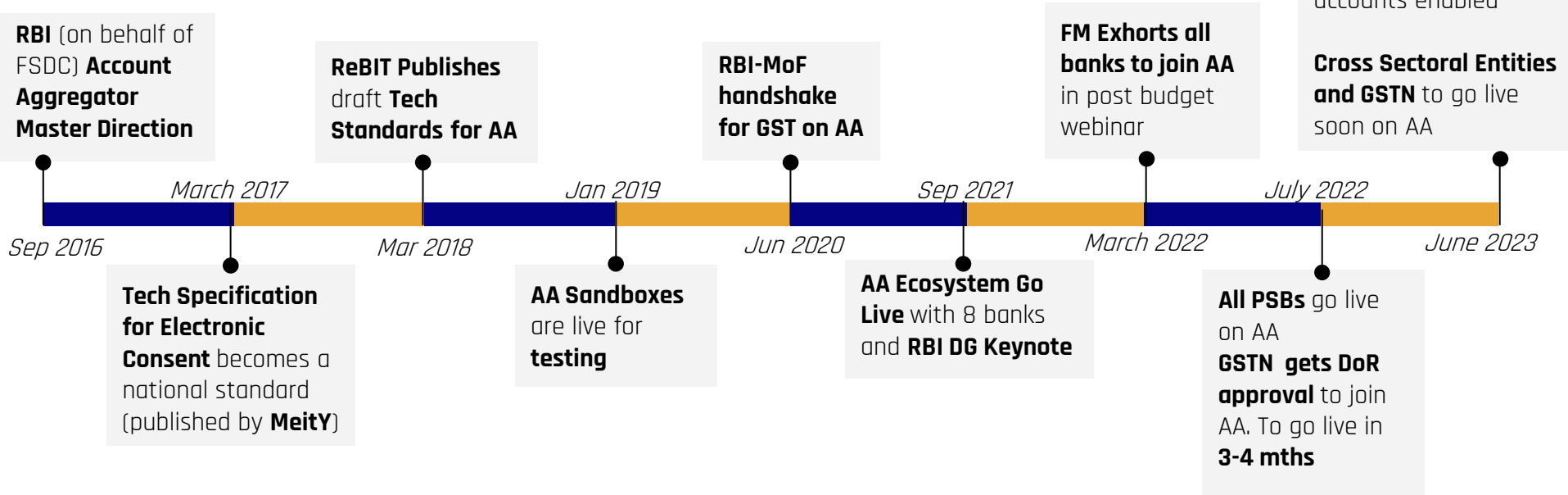


**Pensions**

**ACCOUNT AGGREGATOR**

# Account Aggregator: after years of progress, it's time for scale!

## Significant Ground Covered Starting Sep 2016





# AA has **successfully scaled up** nationwide!



**1.13 billion**

Bank Accounts have the facility of AA



**13.76 million successful**

Consent-based data sharing Transactions



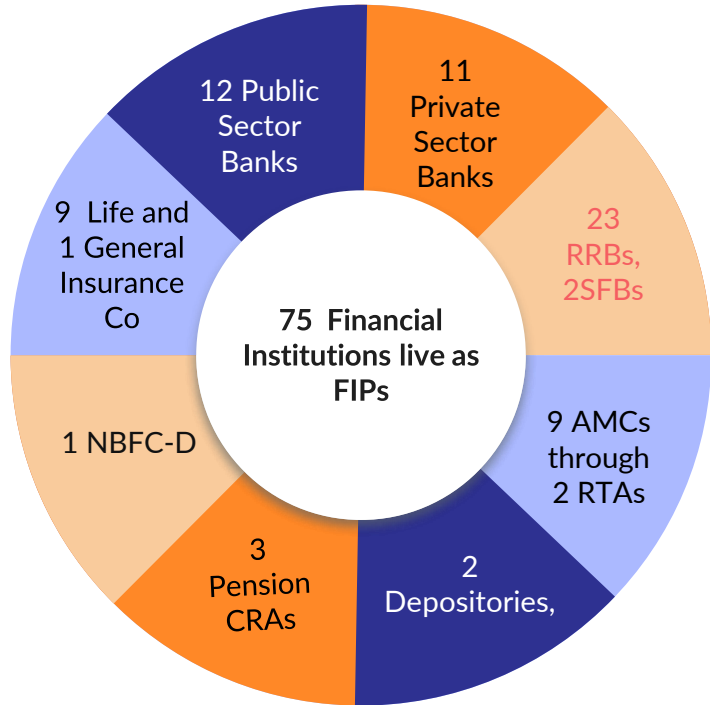
**28% Monthly**

Growth Rate



# Account Aggregator is enabled with cross sectoral data types-

## 30th Jun 2023



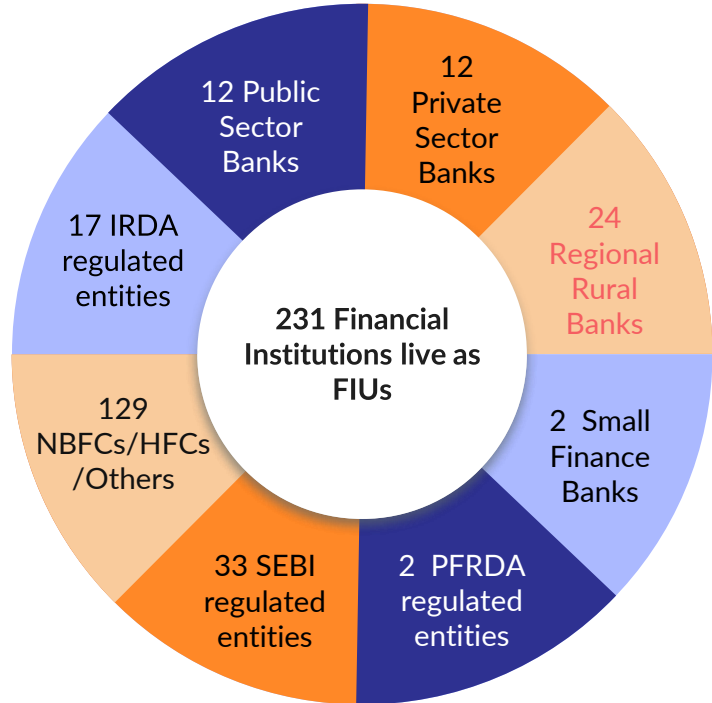
### Already Live !

- ✓ Deposits (Singly held savings a/cs & sole-prop current a/cs)
- ✓ Term Deposits
- ✓ Recurring Deposits
- ✓ Equity Shares (Demat)
- ✓ Mutual Funds Units (Demat)
- ✓ Insurance Policies
- ✓ Unit Linked Investment Plan
- ✓ Balances under National Pension System
- ✓ Mutual Fund Units, SIPs

### Coming soon !

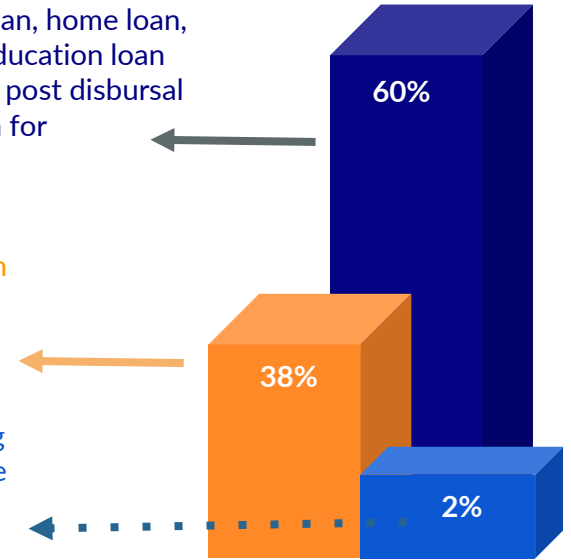
- ✓ GST Returns (GSTR-1 and GSTR-3B)

# AA has successfully scaled up across multiple use cases- 30th June 2023



## Exciting Live Use Cases!

- To underwrite personal loan, home loan, auto loan, MSME loan, education loan
- To monitor loan accounts post disbursal
- Bank Account verification for onboarding
- Demat Account Opening
- Bank Account Verification
- Personal Financial Management
- Pension Account Opening
- Income estimation for Life Insurance Policy issuance



Consents Fulfilled through AA

# RBI Licensed Account Aggregators

## Operational Account Aggregators



## In-Principle Approved Account Aggregators

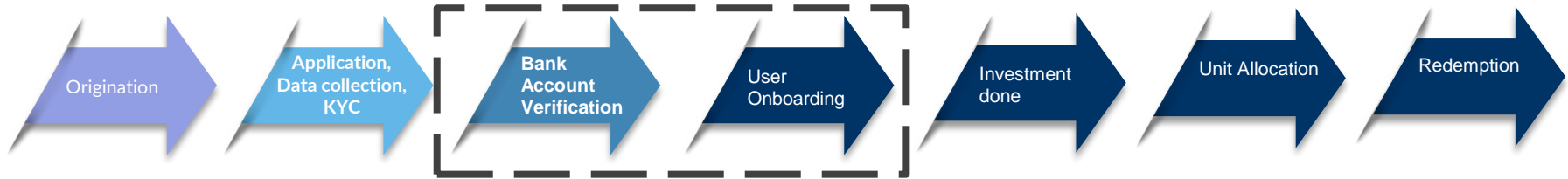


1. **AA Ecosystem Update**

2. **Mutual Funds Use Cases**

3. **Mutual Funds and SIP on AA - Technical Specs and Demo**

# Mutual Fund Use Case 1: Mutual Fund User Onboarding



## Current Process

- In digital onboarding, 'penny drop' process is used for account verification
- Customer shares account statement/cancelled cheques for bank account verification

## Challenges

- Drop off due to penny drop failure
- Success rate for penny drop is approx. 80%
- Cancelled cheque verification takes significant time (1-2 days)

## Benefits of Account Aggregator

- **Increasing Accuracy:** Success rate for bank account verification will improve
  - 100% success rate can be achieved in some cases\*
  - Reduction in the cost of Bank validation
- \*Subject to availability of complete bank account number.*

# Mutual Fund Use Case 2: Credit Reconciliation



## Current Process:

- Use of PDF and OCR system for credit reconciliation
- Credit reconciliation is semi-automatic process involves to machine and human which is time consuming

## Challenges

- May cause delay in unit allocation due to delay in credit reconciliation at AMC/RTA
- Involves human eyeball verification and prone to human error

## Benefits of Account Aggregator\*

- Accuracy of credit reconciliation can be improved using Bank Statement and transaction file
- Time of unit allocation can be reduced
- Risk of human error is completely mitigated

*Subject to inclusion of Non Individuals customers to framework*

# Investment Use Case 3: Notify before Payment Commitments

## For Asset Management Companies and Registered Investment Advisers

### Current Process:

- Investors have commitments of drawdowns for AIF and SIP instalments periodically

### Challenges

- Customer misses SIP payments due to insufficient balances in bank account.
- Charges are levied on customer for missing payments

### Benefits of Account Aggregator

- With bank statement AMCs will know investors with insufficient balance 3-4 days before installment date
- Send notification or SMS to only such customers which is cost efficient for AMCs
- SIP bounce for AMCs will be reduced



# Investment Use Case 4: Consolidated 360° view of Investor Portfolio Dashboard

## For Wealth Managers and Registered Investment Advisers

### Current Process:

- Consolidated Account Statement (CAS) is used for tracking all investments
- Investor has to provide consent for every time RIA requests for CAS

### Benefits of Account Aggregator

- **360° View:** visualisations to review portfolio
- Deep insights on portfolio with asset allocation, portfolio growth
- Easier way to access held away portfolio

- Managing investments across multiple Mutual Funds and SIPs is complex and time consuming.
- SIP Analyzer: To identify the persistency of investor in the financial markets
- RIAs can do portfolio rebalancing and investment recommendation

# Investment Use Case 5: Analytic Models based Products

## Future Use Cases: Analytics Model

- Based on bank statement and current mutual fund and SIP data analytics powerful modules can be developed
- AI/ML based more accurate cross sell and up sell opportunities can be generated for AMCs/Wealth Managers and other financial institutions.

# Cross Sectoral Use Cases: Mutual Funds and SIP Data on AA

## Lending

- Identify the possibility of lending against mutual fund, since AA provides information on lien marked units
- Analysing of Statement of Account to find repayments capabilities

## Insurance

- Customised product pricing can be offered to customers based on their investment behaviour and commitments
- Increase in customer base for Insurance industry

# Schema Details: Mutual Fund and SIP



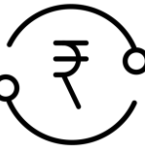
## Profile

- Includes Profile data such as address, date of birth, email, mobile no, PAN
- Also, It contains account information such as KYC details, folio no, nominee details



## Holding Summary

- Summary information of holdings such as AMC details, Scheme Details, Folio No, NAV, Closing Units, Registrar Information, Lock in Period, Lock in Units
- Shows aggregated Portfolio Value and cost value of investor in scheme invested in and in every Mutual Fund House



## Transaction Data

- Date of transaction for each transaction along with unique transaction ID, amount, units, NAV, transaction type, AMC Name, Scheme details
- Also contains special information such as Lock in Units and Lock In Period for ELSS which is useful for Loan against securities Use case



## SIP data

- Helps establish monthly commitments of investor from SIP details
- Amount, No of installments, Completed installments, start date of SIP, installment day, Pending Installments, last and next installment date

# Mutual Fund Data can be powerful for various other sectors to offer customised and value-added products

Key Aspects	Description
Financial Information Providers (FIPs)	<ul style="list-style-type: none"> <li>● AMC</li> <li>● RTAs</li> </ul>
Financial Information Users (FIUs)	All entities registered and regulated by SEBI, RBI, IRDAI, PFRDA
Category of Citizens than can use AA Facility	<ul style="list-style-type: none"> <li>● Single account/folio Holders</li> <li>● All mutual fund holders irrespective of the entity types (individual, sole proprietorship)</li> </ul>
Type of Information shared through AA	<ul style="list-style-type: none"> <li>● <b>Profile:</b> Name, address, PAN, Email, Folio No, DOB, KYC Status, Nominee Details</li> <li>● <b>Summary:</b> Cost Value, Current Value</li> <li>● <b>Transactions:</b> Purchase/Redemption Amount, NAV, Units, Transaction Date, Scheme Code, Scheme Name, AMC, Scheme Plan, SIP Amount, No of Instalments, Completed Instalments, SIP Start Date , Cease Date</li> </ul>
Identifier for discovery and linking Accounts	PAN and Mobile no of the Investor as updated with AMC/RTA

## Demo 1: Wealth management using AA

# Account Aggregator Use Case Demos

1. MF average withdrawals per quarter vis a vis investments per quarter - is it possible? - Underlying objective of MF investment
2. Risk profiling of funds like debt, equity - do we get any readily collated data OR is it a complete raw data? - Risk appetite
3. Do we get returns over the last 2 years - either in the form of a performance graph Or raw data? - Financial awareness
4. How much of it is tax savings funds out of total portfolio which is locked in? - to check overall liquidity
5. I guess Mutual Funds are registered based on the PAN card, and are not registered based on the mobile number (please correct me if my understanding is incorrect). If they are registered with the PAN card, how does the consent request in AA platform work for MFs, as AA consent request is mainly done based on the mobile number.
6. What Mutual Fund data would be fetched using the AA system?
7. Does the data show the (i) rate of returns as of date, (ii) bifurcation of the category of the mutual funds viz., Debt Funds vs. Equity Funds? (iii) Details of the SIP dates? (iv) Returns% for each of the SIP investments, as of date?

# Account Aggregator Use Case Demos

8. Does the data bifurcate between Direct Investments and Regular Investments?
9. Does the data bifurcate between Growth Investments and Dividend investments? or, do we need to find out manually based on the indication in the name of the Fund as 'G' or 'D'?
10. Does the data bifurcate between Large cap vs. Mid-cap vs. Small-cap fund investments?, or do we need to find out manually based on the name of the Fund?
11. Need clarity on whether individual AMCs need to be onboarded
12. Whether historical data upto last 10 years can be pulled.
13. Can the folio numbers be unmasked based on customer request.
14. Does the schema provide information on the average cost price of the holding



Open to Discussion