The journey of MF Utility: reaching far and wide

It was late-2010 when the thought of creating a mutual funds aggregating system germinated. I was the deputy CEO of Association of Mutual Funds of India (Amfi) then. Earlier, in 2007 Amfi had planned to launch a platform but subsequently shelved the idea for various reasons. In June 2011, Amfi's Board approved creation of a transaction aggregating system called MF Utility (MFU) and an MFU committee was formed.

The objective was that the utility should be an enabler and a 'middleware' for all stakeholders, including platforms. Therefore, MFU was designed in such a way that it does not replace anybody in the system and had no intention to disrupt. This fact was acknowledged by the then chairman of Securities and Exchange Board of India (Sebi) U.K. Sinha, during the inauguration of MFU in January 2015.

A platform is expected to provide features like portfolio performance, research materials, pre- and post-sales support, besides the transaction facility. Since MFU's objective is to only be a middleware and an enabler, it refrained from these activities to ensure that the interests of platforms were not affected. Other stakeholders too are able to use MFU without compromising with their business objectives. Such a positioning has helped MFU strike a chord with many mutual fund distributors who want to go paperless.

Initially, MFU had some naysayers. But eventually everyone came around and understood the benefit that the utility could accrue to the industry. MFU is a shared services initiative and was formed as a no-profit-oriented company.

MFU is positioned between the transactors (investors, distributors, asset management companies, platforms, banks, independent advisers, and others) and the processors (the registrar and transfer agents), thus insulating the front-end (the transactors) from dealing with multiple agencies on a continuous basis and also from any impact from changes happening in the back-end (the processors). MFU's role as an aggregator increases efficiency through standardization and consolidation.

The underlying processes have been devised largely to ensure removal of existing duplications, to bring convenience for all stakeholders, to enhance efficiency by reducing the turnaround time and thereby facilitating higher volume of transactions.

The technology infrastructure at MFU has been designed taking into consideration the key aspects of information security, availability, scalability, integrity, efficiency and auditability. It is designed to work across mobile, tab and desktop interfaces.

The application program interface (API) and other integration facilities allow distributors and other entities to integrate with MFU to submit the transactions at one place without having to separately establish integration with each of the RTAs (registrar or transfer agents) or AMCs (asset management companies), thus reducing the effort needed to build and maintain technology stacks.

With 27 mutual funds participating, MFU is growing. Joining MFU was not mandated, but is voluntary. More than 225,000 common account numbers (CANs) have been opened covering about 1.5 million folios in the industry. CAN helps investors transact across AMCs through this single number. This is the 'universal folio' for mutual fund industry. More than 92% of CANs are opened by distributors for their clients.

Everyday, around Rs15,000 crore worth of transactions are put through the MFU system. More than 89% of the transactions are paperless. Everyday, more than 800 CANs are being opened, 40% of them paperless. On an average, close to 1,000 systematic investment plans (SIPs) are registered through MFU. Being an always-available online system, about 15% of the transactions received are from B15 (beyond the top 15 cities) locations and this share is increasing. The total AUM of these CANs is close to Rs1 trillion. Over the last 1 year, it has grown at least five times in volume.

The mobile app, goMF, further helps distributors create transactions while they are discussing investment plans with their clients, even on holidays. Two popular features are Create and Schedule Transaction (CaST) and Create and Retain Transaction (CaRT). With CaSTplus, transactions can be scheduled for multiple frequency options as well. CaRT is essentially a 'template'. This is particularly helpful for frequently transacted cases. For example, if someone invests in a liquid fund every month or much more frequently, the transactions can be submitted without having to enter the data every time, by creating CaRT. CaST helps schedule a transaction for a future date. Let's say an investor is expecting some cash flow on a particular day. A purchase transaction in a liquid fund can be created and scheduled for that day. Similarly, for redemption. CaSTplus helps in adding frequency to that.

Let's say an investor withdraws his investment from a liquid fund every month-end to honour an EMI on the 1st of every month. A CaST can be created for redemption on a particular day with monthly frequency. Similarly, a CaSTplus purchase transaction with monthly frequency acts as a pseudo SIP.

MFU is keen to support new platforms with regard to transaction submission, irrespective of location. We daily receive transactions from smaller locations such as Basti, Chachar, Gonda, Gondia, Kaital, Kangra, Kaital, and Kher.

While MFU has won many accolades, the best compliments are the fact that distributors tell us that MFU has increased their business because it helped them focus on business rather than operations.

And, mutual fund associations in a couple of countries are looking to create an industry aggregating system like MFU in their countries.

V. Ramesh is managing director and chief executive officer of MF Utilities India Pvt. Ltd.