



Date: 3<sup>rd</sup> February'26

APMI/2025-26/01

To: The Portfolio Managers Registered with SEBI

Dear Sir/Ma'am,

**Subject: Best Practice for Inflow & Outflow of Funds & Securities**

In line with the regulatory framework under the Prevention of Money Laundering Act, 2002 (PMLA), the SEBI Guidelines on Anti-Money Laundering (AML), and the AMFI Circular dated April 20, 2015, APMI, after due deliberation with its Board and Working Committees, has framed the following best practice recommendations to guide the Portfolio Management Services (PMS) industry.

**Background**

1. The PMLA guidelines are aimed at ensuring prevention of money laundering and specifically bar acceptance or payment of third-party funds/securities in portfolio accounts.
2. With a view to standardize practices across the PMS industry, APMI submitted its recommendations to SEBI on 31<sup>st</sup> Oct'25.

**References**

1. AMFI vide Circular dated April 20, 2015, defined a third party as *anyone who is not one of the account holders in the said investment account/folio*. APMI concurs with this definition.

**Key Risks**

Acceptance of inflow/outflow from third parties exposes Portfolio Managers and investors to:

1. *Fraud Risk*: Example- one investor's funds being used to fund another investor's account.
2. *Regulatory Risk*: Non-compliance with PMLA requirements.

**APMI Best Practice Recommendations**

**A: Common Account Holder Principle:**

1. At least one common account holder must exist between the PMS account and the linked personal bank/demat account for inflows and outflows.
2. This ensures alignment of ownership and prevents acceptance of third-party funds or securities.



#### **B: Multiple Account Combinations:**

1. Where clients maintain multiple accounts in different combinations (individual, joint, family accounts etc.), APMI has prepared a reference matrix with remarks for clarity.

#### **C: Verification Responsibility:**

1. Portfolio Managers, as SEBI-registered intermediaries, must independently satisfy themselves that no inflow/outflow constitutes a third-party transaction.
2. This verification must form a key component of the client onboarding and transaction approval process.

#### **D: Redemption/Outflow:**

1. In case of redemption or payout, where there are multiple possible account holder combinations, the common account holder principle must also apply to ensure that at least one of the account holders in the PMS account is common with the personal bank/demat account receiving the funds/securities.

#### **E: Illustrative Matrix:**

Please find appended herewith here's an **illustrative** matrix that helps in laying out various combinations of PMS account holders vs. personal (bank/demat) account holders and provides remarks for industry adoption.

#### **Illustrative Matrix on Inflow & Outflow of Funds/Securities**

##### **(A) Inflow of Funds/Securities**

Sl. No.	PMS Account Holder(s)	Personal Bank/Demat Account Holder(s)	Common Account Holder	Allowed / Not Allowed	Remarks
1	Single (Mr. A)	Single (Mr. A)	Yes	Allowed	Self-account, no third party involved.
2	Single (Mr. A)	Joint (Mr. A + Mr. B)	Yes (Mr. A)	Allowed	At least one holder (Mr. A) is common.
3	Joint (Mr. A + Mr. B)	Joint (Mr. A + Mr. B)	Yes (A & B)	Allowed	Both holders are common.
4	Joint (Mr. A + Mr. B)	Single (Mr. A)	Yes (Mr. A)	Allowed	One common holder exists.
5	Joint (Mr. A + Mr. B)	Single (Mr. C)	No	Not Allowed	Third party involvement (C not part of PMS).
6	Single (Mr. A)	Single (Mr. B)	No	Not Allowed	Entirely third party.
7	Single (Mr. A)	Joint (Mr. B + Mr. A)	Yes	Allowed	One common holder exists.



Sl. No.	PMS Account Holder(s)	Personal Bank/Demat Account Holder(s)	Common Account Holder	Allowed / Not Allowed	Remarks
8	Single (Mr. A)	Joint (Mr. B + Mr. C)	No	Not Allowed	Third Party Funds are not allowed.
9	Single (Mr. B) (Guardian)	Single (Mr. A) (Minor)	No	Not Allowed	Minor cannot invest in the name of the Guardian.
10	Joint (Mr. A + Mr. B)	Joint (Mr. B + Mr. A)	Yes	Allowed	Both parties are common.
11	Joint (Mr. A + Mr. B)	Single (Mr. B)	Yes	Allowed	One common holder exists.
12	HUF (Karta: Mr. A)	Single (Mr. A)	Yes (Karta is common)	Not Allowed	Not permissible as it is not an HUF account.
13	HUF (Karta: Mr. A)	Single (Mrs. A / son/daughter)	No	Not Allowed	No common holder; family relationship not sufficient.
14	Corporate (XYZ Pvt Ltd)	Bank/Demat of XYZ Pvt Ltd	Yes	Allowed	Entity's own account.
15	Corporate (XYZ Pvt Ltd)	Bank/Demat of Director/Promoter	No	Not Allowed	Separate legal entity, not permissible.
16	Trust (ABC Trust)	Bank/Demat of ABC Trust	Yes	Allowed	Entity's own account.
17	Trust (ABC Trust)	Bank/Demat of Trustee (Mr. A)	No	Not Allowed	Trustee's personal account is not same as Trust.

#### (B) Outflow of Funds/Securities

Sl. No.	PMS Account Holder(s)	Personal Bank/Demat Account Holder(s)	Common Account Holder	Allowed / Not Allowed	Remarks
1	Single (Mr. A)	Joint (Mr. A + Mr. B)	Yes	Allowed	A is the first holder in both cases
2	Single (Mr. A)	Joint (Mr. B + Mr. A)	Yes	Allowed	Letter required for both Bank and PMS - as pattern is different.
3	Single (Mr. A)	Joint (Mr. B + Mr. C)	No	Not	Can't give it to 3rd



Sl. No.	PMS Account Holder(s)	Personal Bank/Demat Account Holder(s)	Common Account Holder	Allowed / Not Allowed	Remarks
				Allowed	party
4	Single (Mr. A)	Single (Mr. A)	Yes	Allowed	Straightforward case
5	Single (Mr. A)	Single (Mr. B)	No	Not Allowed	Can't give it to 3rd party
6	Joint (Mr. A + Mr. B)	Joint (Mr. A + Mr. B)	Yes	Allowed	Straightforward case

#### **F: Conclusion**

This Best Practice seeks to enhance investor protection, mitigate the risk of fraud and regulatory non-compliance within the PMS industry, and ensure adherence to the spirit of PMLA and SEBI's AML guidelines.

It is further clarified that the acknowledgement from the Portfolio Managers should be shared with both the holders to maintain uniform communication and transparency.

This is submitted to the Portfolio Managers for adoption as a guiding standard in their operations, in addition to complying with all applicable laws and regulatory requirements.

APMI believes that the above will significantly enhance the investment framework within the Portfolio Management industry, fostering innovation, investor protection, and financial market depth.

APMI remains committed to supporting the PMS Industry in this journey and would be happy to engage in further discussions or provide any additional inputs required to take these recommendations forward.

Warm Regards,

*Association of Portfolio Managers in India*

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**APMI:** <https://www.apmiindia.org/apmi/welcome.htm>

**APMI INSIGHTS:** <https://insights.apmiindia.org/dashboard>

**#INDUSTRYSPEAKS:** <https://www.apmiindia.org/apmi/industrySpeaks.htm?action=industrySpeak>

**PMS Industry Compendium:**

<https://www.apmiindia.org/apmi/industryCompendium.htm?action=downloaddecember2025compendium>

**APMI Compliance**

**Sutra:** [https://www.apmiindia.org/storagebox/images/Important/APMI%20Compliance%20Sutra%20Sessions-%20Summary\\_1.pdf](https://www.apmiindia.org/storagebox/images/Important/APMI%20Compliance%20Sutra%20Sessions-%20Summary_1.pdf)