

To All Members

Dear Sir/ Madam,

Re: AMFI Circular on payment of commission in case of demise of Agent / Distributor

Background

AMFI had advised AMCs vide its circular No. CIR/ARN-04/03-04 dated January 27, 2004 to offer nomination facility to the Agent/ Distributor for receiving commission by nominees in the event of demise of Agent/Distributor. AMFI vide its Circular No. CIR/ARN-09/08-09 dated July 18, 2008 clarified that nominees will be entitled to receive commission on business procured by Agent/Distributor till the date of demise of the Agent/Distributor. It was also clarified that the nominees will not be entitled to any commission on SIP investments post demise of Agent/Distributor.

AMFI has re-examined and deliberated the matter and felt the need to revise the above guidelines for payment of commission in case of demise of Agent/Distributor. The revised guidelines will supersede **Clause no. 7. Nomination facilities to Agents/Distributors and Payment of Commission to Nominee of AMFI Circular No. CIR/ARN-09/08-09 dated July 18, 2008. The revised Guidelines are as follows:**

7. Nomination facilities to Agents / Distributors and Payment of Commission to Nominee

7.1 Nomination facilities to Agents / Distributors

The AMFI ARN Committee has examined the possibility of offering nomination facility to the ARMFA and has recommended the members to offer nomination facility to the ARMFA, as a uniform practice across the industry to enable nominee to receive commission including upfront and trail commissions on business done (including registered systematic transactions) before the demise of ARMFA holding ARN card. Members are therefore, requested to provide nomination facility to ARFMA at the time of empanelling them.

7.2 Payment of upfront and trail commission, where the Agent / Distributor has sourced the business (one time purchase and systematic transactions before the date of death) and has expired before the payment of commission by AMC on such business.

In such cases, upfront and trail commission shall be paid to the nominee/s or legal heir/s (where no nominee is registered) of the deceased Agent / Distributor. The AMCs may require the legal heir/s to produce necessary documents evidencing legal heirship / succession where nomination is not registered. Such commission shall be payable till such time the ARN code of the deceased agent / distributor is not changed by the investor. It is clarified that no new business should be permitted under the ARN code of the deceased Agent / Distributor.

7.3 Payment of upfront and trail commission in case of systematic transactions registered before the date of death of the distributor (for ongoing instalments after the date of death of Agent / Distributor).

The upfront and trail commission shall be paid to the nominee/s or legal heir/s (where no nominee is registered) of the deceased Agent / Distributor. The AMCs may require the legal heir/s to produce necessary documents including death certificate

and documents evidencing legal heirship / succession where nomination is not registered. Such commission shall be payable till such time the ARN code of the deceased agent / distributor is not changed by the investor. It is clarified that no new systematic transactions or changes to existing systematic transactions can be registered under the ARN code of the deceased Agent / Distributor.

- 7.4 Individual Agents / Distributors shall be encouraged for nomination. This will reduce the unnecessary hurdles which the legal heirs of a deceased Agent/ Distributor may face in obtaining legal heir certificate / succession certificate etc. Wherever the nominees are registered, the payment of commission can be made to the registered nominees, without the requirement of legal heir certificate, succession certificate etc. on submission of necessary documents such as death certificate.
- 7.5 A nominee / legal heir need not be an ARN holder to claim and receive the upfront and trail commission as stated in this circular.
- 7.6 ARN Validity – Upfront and Trail commission can be paid to the nominee / legal heir only for those assets which were procured by the deceased Agent / Distributor during the validity of his ARN prior to his demise. ARN of the deceased agent / distributor should be valid on the date of demise of ARN holder and commission payment/ ARN should not have been suspended by AMFI, for whatsoever reason, at the time of demise of ARN holder. It is however clarified that the future expiry of the ARN of the deceased Agent / Distributor post his demise shall not be taken into account for continued payment of upfront and trail commission to the nominee / legal heir. Commission can be paid to the nominee till AUM under the ARN of the deceased ARN holder becomes nil.
- 7.7 Nominee shall receive the commissions only as trustee for the legal heirs of the deceased Agent / Distributor.
- 7.8 Nominee/s or Legal heir/s shall not be allowed to transfer the assets to his/her account unless specific request is received from the investor/s in this regard. In case a specific request is received from the investor, the assets can be transferred provided the nominee / or legal heir is valid ARN Holder.
- 7.9 The format of nomination form is annexed herewith.
- 7.10 Nominee/ legal heir of the ARN holder would intimate AMFI about demise of ARN holder along with a true copy of death certificate duly attested by Gazetted Officer. On receipt of such intimation, AMFI will intimate all AMCs about the demise of the ARN holder.
- 7.11 The above guidelines do not apply to Overseas Distributors.

You are requested to adopt the above procedure for settling the claims made by nominee/ legal heir of the deceased ARN holder.

In case of any exceptions to the above prescribed procedure, you are advised to refer the same to AMFI for clearance. Such cases will be referred to AMFI ARN Committee.

Regards,

C G Parekh
Sr. Vice President

Form No. D

Nomination Form by ARMFA (For Individuals/ Sole Proprietors only)

To _____ (AMC)

Dear Sir / Ma'am,

*ARMFA Details

Name: _____

ARN Code: _____

Address: _____

I, _____ do hereby nominate the following person as my nominee to receive the amount of commission pertaining to the business done by me, in the event of my death.

Nominee Details

*Full Name : Shri/Smt/Kumari _____

*Complete Address : _____

* Date of birth : _____ (DD/MM/YYYY)

Contact No.: _____ E-mail id: _____

The above nominee is a minor whose guardian's name, address and signature are as under:

Guardian Name : Shri/Smt _____

Complete Address : _____

Guardian's Signature : _____

This nomination is in substitution of the nomination dated _____ and registered in your books which nomination shall stand cancelled on registration of this nomination.

Place: _____

Date: _____

Signature of Distributor

* *Mandatory*

Delete / Strike off if not applicable

(For AMC use only)

Signature verified:

Signature of authorized person:

Objections if any:

Nomination verified _____