



INVESTMENT MANAGEMENT DEPARTMENT  
DIVISION OF FUNDS - 1

SEBI/IMD1/DoF-1/SK/2021/25517/1  
September 06, 2021

Association of Mutual Funds in India  
One Indiabulls Centre,  
701, Tower 2, B Wing, (7th Floor)  
841, Senapati Bapat Marg,  
Elphinstone Road,  
Mumbai - 400 013

**Subject: Clarification sought by AMFI with regard to transactions under Direct Plan in Mutual Fund units by the Mutual Fund Distributors, registered Investment Advisers, Portfolio Managers and Stock Brokers**

Dear Sir,

This has reference to your e-mail dated October 01, 2020 on the captioned subject. In this regard, our comments are as below:

1. If any entity is acting as a Mutual Fund Distributor (MFD) for a particular client, then he cannot deal in direct plans for such a client and thus, the question of data feed of such plans does not arise.
2. With respect to SEBI registered intermediaries (Stock Broker/Investment Adviser (IA)/Portfolio Manager (PMS)), it may be noted that in terms of Regulation 4(g) of the SEBI (Investment Advisers) Regulations, 2013 {the IA Regulations}, PMS/brokers are required to comply with the general obligation(s) and responsibilities specified in Chapter III of the IA Regulations as applicable to IAs, which *inter alia* provides that client level segregation of advisory and distribution activities needs to be ensured at the entity and group level. Further, as per Regulation 22(1) of the IA Regulations, an individual IA cannot provide distribution services. Accordingly,
  - a. In case a stock broker/non-individual IA/PMS is offering distributor service to the client, they can offer only Regular Plans for that client using their distributor code/Application Reference Number (ARN). Accordingly, they may have visibility of their client's transaction data feeds only for such plans.
  - b. In case a stock broker/non-individual IA/PMS is offering advisory service to the client, they can execute/invest only in direct plans of Mutual Funds for that client using their Broker/IA/PMS code. Accordingly, they may have

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अनुवर्ती : -२-  
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और विनिमय बोर्ड  
**Securities and Exchange  
Board of India**

visibility of their client's transaction data feeds only for such plans. They will not be entitled for any commission/compensation in any form, from the Asset Management Companies (AMCs).

3. In terms of SEBI Circular dated November 28, 2002, all entities engaged in selling and marketing i.e. distribution of mutual funds units (distributors, agents, brokers, sub-brokers or called by any other name, whether individuals or of any other organisation structure) should be registered with AMFI. Accordingly, they have to quote a valid ARN and Employee Unique Identification Number (EUIN), in order to place transactions in Regular Plan and receive commissions, as per extant requirements.

You may bring the above clarification to the notice of all AMCs and MFDs including IAs/PMS/Brokers who have a distributor code/ARN, for compliance and make this available on the website of AMFI.

Yours faithfully,

**Supriya Kabra**