



## Association of Mutual Funds in India

135/BP/15/10-11

May 7, 2010

To all members,

### **AMFI Best Practice Guidelines Circular No.15/2010-11**

#### **Guidelines for changing agent-distributors during the currency of investment - Clarification regarding payment of Trail Commission**

AMFI vide Best Practice Circular No.135/BP/11/07-08 dated September 5, 2007 had issued guidelines suggesting uniform procedure for changing agent-distributors during the currency of investment, where change is initiated by the investor or the existing distributor. It was also stated in the said circular that the Trail Commission in respect of business done by old distributor (under old ARN Code) may be payable to new distributor (Under New ARN Code) on prospective basis subject to terms and conditions if any, entered into by AMCs with such distributors.

SEBI has since issued a circular No.SEBI/IMD/CIR No.13/187052/2009 dated December 11, 2009 advising Mutual Funds/ AMCs to ensure compliance with instruction of the investor informing his desire to change his Distributor and/or go direct, without compelling that investor to obtain an NOC from the existing Distributor.

It has been observed after the issuance of the said Circular by the SEBI that there has been tremendous increase in the trend of receiving requests for change of distributor and the data at R&TAs has revealed that the same has reached to an alarming situation. Moreover, the fund houses are following different practices with regard to payment of Trail Commission on the assets transferred from old distributor to new distributor. The AMFI Board has therefore discussed and decided after getting the feedback from the members to issue the following clarification on payment of Trail Commission on such transferred assets. At the General Membership Meeting on May 5, 2010, the Members had unanimously agreed with this decision of the Board.

“On change of distributor (ARN Code) and on transfer of AUM from one distributor (ARN Code) to another distributor (ARN Code), the trail commission in respect of transferred assets should not be paid to old distributor (ARN holder) as well as to new distributor (ARN holder). The amount of commission so saved be accounted for separately and utilized for the purpose of education of investor.”

The members are requested to take careful note of the contents of this Circular for due compliance with immediate effect.

With kind regards,

Yours sincerely,

**H. N. Sinor**  
**Chief Executive**