



Association of Mutual Funds in India

135/BP/25/11-12

January 16, 2012

To All Members,

Dear Sir/Madam,

AMFI Best Practice Guidelines Circular No.25/2011-12

AMFI Best Practice Guidelines Circular No.16/2010-11 dated August 16, 2010 on Risk mitigation process against Third-Party Cheques in mutual fund subscriptions

Kindly refer to the AMFI Best Practice circular No. 135/BP/16/2010-11 dated August 16, 2010 on Risk mitigation process against Third Party cheques in Mutual Fund subscription. In this regard AMFI Committee on Operation & Compliance had received request to consider exempting Units from the said guidelines the payments made by AMC's on behalf of distributors empanelled with them on account of commission/incentives etc. in the form of the Mutual Fund. Committee deliberated the matter and decided to insert new clause as under:

“New clause 3. A.d: Payment by Asset Management Company to a Distributor empanelled with it on account of commission/incentive etc. in the form of the Mutual Fund Units of the Funds managed by such AMC through Systematic Investment Plans or lump sum / one-time subscription, subject to compliance with SEBI Regulations and Guidelines issued by AMFI, from time to time. Asset management companies should exercise extra due diligence in terms of ensuring the authenticity of such arrangements from a fraud prevention and ensure compliance with provisions of PMLA Act regarding prevention of money laundering etc.”.

You are requested to take note of the contents of the circular for due compliance.

With Regards,

C G Parekh
Sr. Vice President