



Association of Mutual Funds in India

135/BP/31/12-13

November 08, 2012

To all Members

Dear Sir/ Madam,

Re : **Amendments to AMFI Best Practice Guidelines Circular No.15/10-11 dated May 7, 2010**

AMFI vide its Best Practice circular No. 15/2010-11 dated May 07, 2010 issued guidelines regarding payment of trail commission on change of distributors (ARN Code) initiated by investors during the currency of investment as under:

“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.**”

SEBI vide its circular No. CIR/IMD/DF/21/2012 dated September 13, 2012 has subsequently advised Mutual Funds/Asset Management Companies, effective from October 01, 2012 to set apart annually at least 2 basis points on daily net assets within the maximum limit of TER for Investor Education and Awareness initiatives.

In light of this, AMFI guidelines for transferring the amount of commission saved due to non-payment of the same to new as well as old distributors to a separate account and utilizing the same for investor education were reviewed by the ARN Committee. The AMFI Board at its meeting held on November 07, 2012 also reviewed the matter and based on the recommendations of the ARN Committee, has decided to modify the said guidelines. Accordingly, the guidelines issued vide captioned circular stands modified as under:

“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). **AMCs should stop accruing commission on the transferred assets as soon as change in distributor (ARN Code) is effected in the investors’ folio/s.**”

The revised guidelines are to be made effective from October 01, 2012. However, accumulated balance as on September 30, 2012, if any in the separate account should be utilized for the purpose of investor Education and Awareness initiatives.

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

With regards and season’s greetings,

C G Parekh
Vice President – Finance & Administration