



Association of Mutual Funds in India

135/BP/19/10-11

January 6, 2011

To all members,

Dear Sir/ Madam,

AMFI Best Practice Guidelines Circular No.19/2010-11

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 – Clarification regarding acceptance of Demand Drafts for subscription of units

With reference to the above circular, the following is clarified with regard to acceptance of Demand Drafts (DDs) for subscription of Units:

1. Payments towards subscription of Units - DD issued against debit to investor's bank account:

Where an investor subscribes for units vide a DD issued by way of debit to his / her bank account, fund houses may now accept any one of following :

- a. a proof of debit to the investor's bank account in the form of a bank manager's certificate with details of account holder's Name, bank account number and PAN as per bank records, if available.
- b. a copy of the acknowledgement from the bank, wherein the instructions to debit carry the
bank account details **and** name of the investor as an account holder are available.
- c. a copy of the passbook/bank statement evidencing the debit for issuance of a DD

The above will be a valid supporting document in such subscriptions

2. Payments towards subscription of Units - DD issued by bank against cash:

In such instances, a banker's certificate for issuance of a DD against cash that also states the investor's Name, bank account number and PAN as per bank record, if available, is a must.

However, it must be ensured for both the examples as shown above, that such bank account number of the investor is the same as the / one of the registered bank account mandate(s) with the fund or the bank details mentioned in the application form.

In terms of meeting obligations under PML Act, Fund Houses may apply additional due diligence measures / take necessary steps in such applications as deemed appropriate, to consider reporting suspicious transactions if any abuse / misuse of the facility is found.

With regards,

V RAMESH

Dy Chief Executive | Association of Mutual Funds in India