

Changes made in AMFI's Best Practice Guidelines circular no. 78 dated 26-Mar-2019

Existing Clause	Revised Clause
Para II “Distributor (ARN Code) change initiated by the existing distributor”	
<p>A. Change in Distributor (ARN code) upon request of an existing distributor may be effected only in the following circumstances:</p> <ol style="list-style-type: none"> Change in the name / legal status of the distributor (such as an individual MF distributor converting his MF distribution business to a partnership firm, a partnership firm converting itself into Limited Liability Partnership (LLP), a private limited company converting itself into a public limited company or vice versa; Merger / acquisition / consolidation / transfer of business / new code acquired within the same group in case of non-individual distributors; Transfer of AUM / consolidation initiative within the same family / close relatives in case of individual distributors; and Transfer of business by individual distributors. 	<p>A. Change in Distributor (ARN code) upon request of an existing distributor may be effected only in the following circumstances:</p> <ol style="list-style-type: none"> Change in the name / legal status of the distributor (such as an individual MF distributor converting his MF distribution business to a partnership firm, a partnership firm converting itself into Limited Liability Partnership (LLP), a private limited company converting itself into a public limited company or vice versa; Mergers / acquisitions / consolidation of business / transfer of business / demergers / dissolution of business / change in partnership firms or LLP / new code acquired by the distributors (ARN Holders); Transfer of AUM of an ARN Holder acting as a sub-distributor under a principal ARN Holder, provided the entire AUM of the sub-distributor is being transferred out. Both the sub-distributor and principal ARN Holder need to certify to the AMC that the entire AUM of the sub-distributor is being transferred.
<p>B. Change in Distributor / ARN code may be effected only upon completion of the following formalities in cases at Serial Nos. i to iv above:</p> <ol style="list-style-type: none"> Request for change in distributor/ ARN code may only be initiated by a distributor whose ARN is valid, who is 'KYD' Compliant and who has furnished all the requisite self-certifications due as on the date of request. <p><i>Explanatory Note: Any Transferor Distributor who has surrendered his valid ARN in order to obtain a fresh ARN/EUIN, shall be considered eligible to transfer his assets to the fresh ARN, even if on the date of application for transfer of AUM, the Transferor ARN is “surrendered / not valid”. Provided that the application for transfer of AUM should be made within a period of six months from the date of cancellation of ARN.</i></p> <ol style="list-style-type: none"> Transfer should be of full assets and after the transfer, the Transferor Distributor shall cease to operate / function and his ARN code shall be surrendered to AMFI for cancellation. An undertaking to this effect shall be furnished by the Transferor Distributor to the concerned AMCs. The Transferor Distributor shall thereafter submit a letter to AMFI for cancellation of ARN along with the original ARN card/ Certificate/ Letter of Registration within 15 days of completion of transfer of AUM. A copy of the aforesaid letter submitted to AMFI shall also be filed with the AMCs, where the distributor has submitted request for transfer of AUM. <p>Provided that the Transferor Distributor need not surrender his/her ARN, if he/she becomes a sub-distributor of the Transferee Distributor in order to service the clients. However, after transferring the assets, the Transferor Distributor shall not do any business independently under his/her ARN.</p> <ol style="list-style-type: none"> Request letter for transfer of assets submitted to the AMCs by the Transferor Distributor shall also contain: 	<p>B. Change in Distributor / ARN code may be effected only upon completion of the following formalities in cases at Serial Nos. i to iii above:</p> <ol style="list-style-type: none"> Request for change in distributor/ ARN code may only be initiated by a distributor whose ARN is valid, who is 'KYD' Compliant and who has furnished all the requisite self-certifications due as on the date of request. Transfer should be of full assets (other than cases that qualify under clause 2.A.iii) and after the transfer, the Transferor Distributor shall cease to operate / function and his ARN code shall be surrendered to AMFI for cancellation. An undertaking to this effect shall be furnished by the Transferor Distributor to the concerned AMCs. The Transferor Distributor shall thereafter submit a letter to AMFI for cancellation of ARN along with the original ARN card/ Certificate/ Letter of Registration within 15 days of completion of transfer of AUM. A copy of the aforesaid letter submitted to AMFI shall also be filed with the AMCs, where the distributor has submitted request for transfer of AUM. <p>Provided that the Transferor Distributor need not surrender his/her ARN, if he/she becomes a sub-distributor of the Transferee Distributor in order to service clients. However, after transferring the assets, the Transferor Distributor shall not do any business independently under his/her ARN. The AMC shall conduct periodic checks in this regard and report to AMFI if any distributor is found to be non-compliant / doing business as a sub-distributor as well as the main ARN holder.</p> <ol style="list-style-type: none"> Any Transferor Distributor who has surrendered his valid ARN in order to obtain a fresh ARN/EUIN, shall be considered eligible to transfer his assets to the fresh ARN, even if on the date of application for transfer of AUM, the Transferor ARN is “surrendered / not valid”. Provided that the application for transfer of AUM should be made within a period of six months from the date of cancellation of ARN.

Existing Clause	Revised Clause
<p>a. The reason for the transfer, duly supported by documentary evidence;</p> <p>b. A specimen copy of the letter of intimation regarding the change of distributor sent to the clients; and</p> <p>c. Certification that the letters have been sent to all the existing clients (a list of the clients should be attached along with proof of dispatch of letters).</p> <p>iv. The Transferor Distributor must send a suitable letter to his/her MF clients informing about the impending change of the distributor/ARN code, the reason for the same, along with the details of the new distributor who will be servicing them after the transfer of assets. It must also be highlighted in the letter that if the clients have any objection for the change in the distributor/ARN code, they must write to the respective AMC directly; and that the AMCs will effect the change of distributor/ARN unless they hear to the contrary from the investors within 15 days from the date of the distributor's letter.</p>	<p>iv. The Transferor Distributor must send a suitable letter / email to all his/her MF clients informing about the impending change of the distributor/ARN code, the reason for the same, along with the details of the new distributor who will be servicing them after the transfer of assets. It must also be highlighted in the letter / email that if the clients have any objection for the change in the distributor/ARN code, they must write to the respective AMC directly, and that the AMCs will effect the change of distributor/ARN unless they hear to the contrary from the investors within 15 days from the date of the distributor's letter / email.</p> <p>v. Request letter for transfer of assets submitted to the AMCs by the Transferor Distributor shall also contain:</p> <p>a. The reason for the transfer, duly supported by documentary evidence;</p> <p>b. Certification that letters / emails have been sent to all the existing clients intimating them of the change of distributor. A list of all these clients needs to be provided along with sample letter/email for proof of dispatch of letters / email to these clients.</p> <p>vi. Commissions to the Transferee Distributor shall be paid only on the valid assets i.e., where commissions would have been rightfully and legitimately payable to the Transferor Distributor. Payment of commission to the Transferee Distributor on transferred assets should be released only on cancellation of transferor ARN, except for the cases where the transferor distributor becomes a sub-distributor of the transferee distributor in order to service the clients and hence, retains his/her ARN, as explained under point no. 2 above. Transfer of assets should not be resorted to / used by the distributors as a measure to circumvent any legal/regulatory obligation and/or AMFI guideline / requirements.</p> <p>vii. In case any investors communicate their objection to the transfer of assets/ change of distributor / ARN to either of the distributors (new or old), that distributor must immediately inform the concerned AMC(s).</p> <p>viii. In case there are no objections from any clients, the AMCs will effect the change in the distributor/ARN code, after a cooling off period of 15 days from the date of receipt of distributor's request</p>
<p>C. For all cases mentioned in Serial Nos. 1 to 4, the transferee distributor shall be entitled for trail commission on a prospective basis on the valid transferred assets, basis the lower of the commission rate of the transferor and the transferee distributor. Other than the trail commission referred to above, no other payments of any nature whatsoever, including incentives or commissions shall be made on account of the transferred assets on a prospective basis. Commission payment to the Transferee Distributor shall continue to be subject to claw-back provisions as would have been applicable to the Transferor Distributor.</p>	<p>C. For all cases under Serial No.2.A.i and 2.A.ii above, the transferee distributor shall be entitled for trail commission on a prospective basis on the valid transferred assets at the same commission rate of the transferor distributor. For all cases under Serial Nos. 2.A.iii above, the transferee distributor shall be entitled for trail commission on a prospective basis on the valid transferred assets, basis the lower of the commission rate (as applicable on the date of transfer) of the transferor and the transferee distributor. Other than the trail commission referred to above, no other payments of any nature whatsoever, including incentives or commissions shall be made on account of the transferred assets on a prospective basis. Commission payment to the Transferee Distributor shall continue to be subject to claw-back provisions as would have been applicable to the Transferor Distributor.</p>

Existing Clause	Revised Clause
Para III - Change in Distributor / ARN code due to voluntary cessation of business of an existing MF distributor	
<p>There has been a number of instances where a distributor decides to voluntarily discontinue his/her mutual fund distribution business, but does not transfer his/her clientele to another distributor or does not inform the clients to approach some other distributor for their future service requirements. In such cases, the clients are often left un-serviced and un-assisted which is undesirable.</p> <p>In such cases,...</p>	Text deleted.
	<p>ii.If a distributor's ARN has expired and he/she does not renew the ARN within 3 months, the AMCs may write to clients to choose another distributor for servicing and inform the AMC to change the ARN code in the client's' folios or switch to Direct Plan. Further, if the distributor does not renew the ARN within 6 months after expiry of the validity, the said ARN may be deemed to be cancelled and no fresh business should be accepted / registered under such ARN.</p>
<p>3. AMCs shall, on receipt of letter from the investors communicating a new distributor's code, at any time in future, effect the change of distributor (ARN) code in their records and send a suitable confirmation to the investors</p>	<p>iv. AMCs shall, on receipt of letter from the investors communicating a new distributor's code, at any time in future, effect the change of distributor (ARN) code in their records and send a suitable confirmation to the investors. AMCs may pay the commission to the new distributor for such assets which are transferred due to expiration of ARN /cessation of business by a distributor.</p>
<p>4.Once the distributor / ARN code has been changed in the AMC records, the trail commission thereafter for all business done by the earlier distributor shall be payable to the new distributor prospectively, basis the lower of the commission rate applicable to the earlier (transferor) distributor and the new (transferee) distributor. Other than the trail commission referred to above, no other payments of any nature whatsoever, including incentives or commissions shall be made on account of the transferred assets on a prospective basis. Commission payment to the new /transferee distributor shall continue to be subject to claw back provisions, as would have been applicable to the previous (transferor) distributor, basis the lower of the commission rate of the transferor and the transferee distributor</p>	<p>v. Once the distributor / ARN code has been changed in the AMC records, the trail commission thereafter for all business done by the earlier distributor shall be payable to the new distributor prospectively, basis the lower of the commission rate (as applicable on the date of transfer) to the earlier (transferor) distributor and the new (transferee) distributor. Other than the trail commission referred to above, no other payments of any nature whatsoever, including incentives or commissions shall be made on account of the transferred assets on a prospective basis. Commission payment to the new /transferee distributor shall continue to be subject to claw back provisions, as would have been applicable to the previous (transferor) distributor.</p>