



Association of Mutual Funds in India

701 - Tower 2B, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai - 400 013
Tel. +91 22 43346700 Fax: +91 2 43346712 www.amfiindia.com

135/BP/ 90 /2020-21

March 03, 2021

To,

All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No. 90/ 2020 -21 **Mutual Fund Transactions received through Stock Brokers**

Background

As per clause 5.1. of SEBI circular no. SEBI /IMD / CIR No.11/183204/ 2009 dated 13-Nov-2009 on “Facilitating transactions in Mutual Fund schemes through the Stock Exchange Infrastructure”, the stock brokers who extend the transactions in mutual funds through stock exchange mechanism are required to (i) pass the certification examination and (ii) get registered with AMFI & obtain ARN and abide by the Code of Conduct. Further, as per clause 5.1.3 of the above circular, SEBI has clarified that, stock exchanges shall monitor the compliance of the code of conduct specified in the SEBI circular MFD/CIR/20/23230/02 dated November 28, 2002 by the stock brokers.

As per the SEBI (Investment Advisers) Regulations 2013, stock brokers are exempt from registration with SEBI as Investment Advisors, since they are already registered / regulated as stock brokers.

There have been requests from the stock brokers that they do not intend to use the Stock Exchange platform while submitting MF applications under “Direct Plan”. Since the RIAs do not come under the purview of AMFI (unlike the ARN holders), it was felt that this would pose a serious problem as such transactions would not be under any supervision / guidelines, since they do not fall under any regulatory body.

Some of our members have sought AMFI guidance in this regard as well as w.r.t. sharing data feed with stockbrokers who neither have ARN nor RIA registration.

The matter had been discussed informally with SEBI by AMFI Office bearers some time ago and was also discussed by the AMFI Board recently, and the Board agreed that all Direct Plan transactions of registered stock brokers should be routed only through the SE platforms. Accordingly, members are advised as follows –

1. Stockbrokers may advise on in Direct Plans of MF using their stock-broking registration and need not have SEBI IA registration. While they can advise on Direct Plans using their stock-broker registration, they cannot sell Regular Plans or even execute Regular Plan transactions, unless registered with AMFI and have a valid ARN. All Direct Plan trades using stockbroker code must be placed via the Stock Exchange infrastructure. They may receive Direct Plan data feeds for the same.



2. Optionally, stockbrokers are not prevented from getting registered with SEBI as RIA. If they have an IA registration, they can still only advise on Direct Plans. However, the restriction on the trade only being placed via Stock Exchange infrastructure would not apply and they could transact directly with MF or through any other platform, if they are using RIA code.
3. Stockbrokers who wish to sell Regular Plan of mutual funds, must be registered with AMFI and have a valid ARN. They may use Stock Exchange platform or other infrastructure for sending the trades to MF / RTA in such a case.
4. As regards stockbrokers having both the registrations, the same distinction as above must be followed, i.e.,
 - a. If the stockbrokers are advising on Direct Plan with Stock-broker code, they must place the MF trades only via Stock Exchange infrastructure.
 - b. If the stockbrokers are advising on Direct Plan with RIA code, they may place the trades through any channel.
 - c. The stockbrokers can sell Regular plan only if they have an ARN, and can place Regular plan transactions via any channel.

Members are requested to take note of the above guidelines for uniform implementation.

Members are also requested to confirm having noted the contents of this circular for compliance and to place the circular before their Trustees for information at their next meeting.

With regards,

A handwritten signature in blue ink, appearing to read 'N. S. Venkatesh', is written over the typed name.

N. S. Venkatesh
Chief Executive