



# Association of Mutual Funds in India

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135/BP/ 102 /2022-23

October 10, 2022

To,

**All AMFI Members**

Dear Members,

**AMFI Best Practice Guidelines Circular No.102 /2022-23**  
**Strengthening the Governance Framework for Polling –**  
**Basic requirements for automated polling process by Valuation Agencies**

**Background:**

Pursuant to SEBI circular no.102 dated 24-09-2019, AMFI had issued AMFI Best Practice circular no. 83 dated 18-Nov-2019 on polling by valuation agencies and responsibilities of Mutual Funds in polling process in consultation with SEBI.

Considering the importance of polling in the valuation process, SEBI has reviewed the existing process followed for polling by the valuation agencies and noted that there is a need for strengthening the governance framework for polling and for ensuring transparency of polling process.

SEBI observed that while the polls are at present sought through worksheet via emails, the polling process should ideally be fully automated without any manual intervention, and should have proper audit trail available for inspection, so as to ensure robust polling process from quality and governance standpoint.

SEBI had therefore advised AMFI to discuss the matter internally and with the valuation agencies and submit a proposal for introducing a fully automated polling process, which does not require any manual intervention at any stage, with audit trail on all the aspects of AMFI Best Practice Guidelines dated 18/11/2019, to ensure improvements in the existing best practice guidelines. SEBI had also advised AMFI to provide the details of the basic requirements, design of the automated polling system and possible reports that can be generated from the said system.



### **Automated polling process to be implemented**

Accordingly, AMFI Valuation Committee, after examining the matter in consultation with the valuation agencies has proposed that the valuation agencies would develop a 'Cloud based' platform which will allow the valuation agencies to publish list of securities with required details for the purpose of polling. The poll submitter would receive a link over registered email and/or can access it using a log in ID password to submit polls and add comments/rationale. The system would have an ability to generate reports/history of polls submitted at submitters level. Valuation agencies at their end would be able to perform calculations such as median etc. and generate the relevant MIS.

In this regard, as advised by SEBI, with the help of AMFI Valuation Committee, AMFI has in consultation with SEBI, has formulated a policy on "Basic requirements of automated systems for polling" to be followed/adhered to by the valuation agencies empanelled with AMFI and engaged by the AMCs as per **Annexure A** hereto, to be uniformly adopted by all AMCs and followed by the valuation agencies empaneled with AMFI / engaged by the AMCs.

The aforesaid policy has been endorsed by SEBI vide SEBI's letter no. SEBI/H0/IMD/IMD-I PoD 1/P/ON/2022/ 50239/1 dated September 27, 2022.

Considering the estimated timelines for developing systems in line with the requirements and putting the system to use, SEBI has advised AMFI to ensure that the automated systems for polling are developed and put to use latest by January 31, 2023.

While AMFI is advising the empaneled valuation agencies separately, all Members are requested to take note of the above for uniform implementation. Members are also requested to place the same before their Trustee & AMC Boards for information at their next meeting.

With best regards,

A handwritten signature in blue ink, appearing to read 'B. M. Kini', is written over the typed name.

**B. M. Kini**  
**Dy. Chief Executive**



**Basic requirements for automated polling process by Valuation Agencies**

This policy on “Basic requirements of automated systems for polling for the valuation agencies” empanelled with AMFI / engaged by the AMCs” has been prepared by AMFI in consultation with SEBI.

**1. Basic framework**

The proposed system for automation of polling process should enable polling should be fully automated and should not require any manual intervention at any stage, (i.e., excel file uploads shall be excluded from the system design) to ensure robust polling process from quality and governance standpoint. Polling by AMCs should be through the automated polling systems developed by valuation agencies and polling through email (as being done at present) should be done away with.

The system should have an ability to generate reports/history of polls submitted at submitters level. Valuation agency at its end should be able to perform calculations such as median etc. and generate relevant MIS.

The automated polling process shall be cloud based platform, which will allow valuation agency to publish list of securities with required details for the purpose of polling. The valuation agency shall ensure that the data on valuation as well as polling for mutual funds is maintained within India. Further, the valuation agencies shall preserve all the data for a period of eight years and the data should be produced to AMFI (including auditors engaged by AMFI) and/or SEBI as and when required.

**2. Secure Access**

The poll submitter should receive a link over registered email and/or should be able to access it using a log in ID password to submit polls i.e., employees of AMC should not be required to send any mails to the valuation agency. The access control can be OTP based for the registered users, i.e., when the client user clicks on the link for polling, an automated OTP shall be sent to his/her registered email ID. Further, the OTP shall be sent only to the persons who is mapped for the given link. Based on the OTP authentication, the user should be able to login into the system and add comments/rationale. Thus, unauthorised person should not be able to access.

There should be record of who has submitted the polls, i.e., the System shall capture the name of the submitter and the entity name based on the login link.



### **3. Poll Submission - facility to revise / re-submit**

There shall be an option for the client to edit the submission and option for re-submitting the poll. Client should be able to resubmit till the time Median Report is generated. The Median will be calculated by the system automatically and there will be no manual intervention for the same. The System should alert the client user while submitting the polls if any of the poll is missed out / not submitted.

### **4. Cut-Off time for Polling**

The valuation agencies shall have same cut-off time, subject to minimum number of polls required. Hence, in case other agency has to extend the cut-off time, then they shall be allowed to do so. Real time data transfer between the agency should be done through API. Resubmission time will be allowed till the cut-off time.

### **5. Reports**

The automated polling system should be able to generate reports to analyse pattern of polling. The system should be able to identify minimum, maximum, average and median of the polls submitted.

The Polling Process shall provide / generate the below reports:

- a. Polling templates with actual polls and remarks filled in
- b. Polling outliers report directly from the system (i.e., client's polls and median outside AMFI defined range) as per attached excel format - This can be a weekly consolidated report for Polling outliers. The Polling Outlier report format will be revised / suggested by SEBI from time to time.
- c. Monthly consolidated report on the missed polls.
- d. Daily median report and AMC wise monthly participation status report, which will have data like roster wise participants and % of ISIN for which polls were submitted.
- e. Analysis of polling count based on kind of polls like trade and spread review.
- f. In addition, the system should have an option at the users' end to generate reports regarding Poll Submissions (Polls Submitted/Not Submitted), Median Reports, Rationales etc. on daily basis and/or historical basis.

### **6. Audit Trail**

The automated polling process shall have proper end-to-end audit trail on all the aspects in accordance with AMFI Best Practice Guidelines dated 18/11/2019 available for inspection. Further, the automated system should also enable live feedback to participants, as well as shows extent of maker-checker at the polling participant's end. In this regard, it may be noted that the system enabling live feedback to participants shall be subject to the feedback *not influencing the polling*.



## 7. Responsibility

In terms of AMFI Best Practice Guidelines dated November 18, 2019, the officials of the AMC who are responsible for polling are personally liable for any misuse of the polling process. In view of the same, the AMCs may review the maker-checker at the polling participant's end to ensure proper controls in this regard, in consultation with their risk/audit committee.

SEBI has, vide its aforesaid letter dated September 27, 2022 stipulated that AMFI shall ensure that the valuation agencies *empanelled* by AMFI comply with the policy on "Basic requirements of systems for polling for the valuation agencies empanelled \with AMFI", prepared by AMFI in consultation with SEBI. Accordingly, AMCs shall ensure that the valuation agencies engaged by them fully comply with this policy.

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