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Sent: Tuesday, March 5, 2024 1:22 PM

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Subject: AMFI Best Practices Guidelines Circular No.112 /2023-24 - Payment of Commission to new distributor where change of MFD is done at the request of investor



Association of Mutual Funds in India

C-701 Naman Corporate Link, Plot Nos. C-31 / C-32, G Block, Bandra Kurla Complex, Bandra – East, Mumbai – 400 051

135/BP/ 112 /2023-24

Date: March 05, 2024

To,

All AMFI Members

AMFI Best Practices Guidelines Circular No.112 /2023-24

Payment of Commission to new distributor where change of MFD is done at the request of investor

As per extant AMFI guidelines mentioned in AMFI Best Practices Guidelines circular no.15 dated May 07, 2010, upon change of distributor / ARN Code and transfer of AUM from one distributor to another distributor made on the request of the investor, no trail commission is paid in respect of transferred assets to the new transferee distributor.

AMFI has been receiving requests from mutual fund distributors to review the above rule and permit AMCs to make payment of trail commission to the transferee MFD in case of change of distributor code initiated by the investor, considering that the above rule was introduced over decade ago to curb certain market practices prevailing then, which may no longer be prevalent, and also since the transferee MFD provides the same level of support and service to the concerned investors on the transferred assets.

The matter was reviewed by AMFI's ARN Committee, which found merit in revising the existing guidelines and after detailed deliberations, the committee has recommended as follows:

1. In respect of change of distributor / ARN code initiated by the investor, the AMCs may consider making payment of trail commission to the transferee distributor **after a cooling off period of six months from the date of change of distributor code** in the Unitholder database. If the distributor code is changed back to the original ARN code within the cooling off period of 6 months, then the cooling off period of further 6 months shall restart from such date of change of distributor code – e.g., *If the distributor code is changed from Distributor A to Distributor B on 25-Mar-2024, the Distributor B will be paid trail commission after expiry of cooling off period of 6 months i.e. 24-Sep-2024. However, if the distributor code is changed back to distributor A on 25-Aug-2024 (i.e. within cooling off period of 6 months), the 6-month cooling off period will start afresh from 25-Aug-2024 i.e. up to 24-Feb-2025, before commission payment is started to distributor A.*
2. The payment of commission to the new (transferee) distributor shall be based on the lower of the commission rate (as applicable on the date of change of distributor code) of the transferor and 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 change of distributor code, on a prospective basis.

The above recommendations of the ARN committee have been approved by the Board of AMFI at the last board meeting, for being uniformly adopted by all AMCs.

Accordingly, all Members are requested to take note of the contents of this circular for uniform implementation and also place a copy of the same for information before their AMC Board and the Trustees at their next board meetings.

With best regards,

B M Kini
Dy Chief Executive