

To All Members

Dear All,

**Unified AMFI Guidelines for AMFI REGISTERED MUTUAL FUND ADVISOR  
(ARMFA)**

**GUIDELINES REGARDING REGISTRATION OF INTERMEDIARIES AND  
EMPANELMENT OF ARMFA**

**Clarification/ Modification in respect of Clause no. 5.6 on Declaration of Self Certification (DSC), Clause No. 6.3 a) and 6.3 b) on Suspension of Payment of Commission**

This has reference to our circular no. CIR/ ARN-09/ 08-09 dated July 18, 2008 on the captioned subject.

**We would like to issue clarification/ Modification as regards Clause no. 5.6 on Declaration of Self Certification (DSC) and Clause No. 6.3 a) and 6.3 b) on Suspension of Payment of Commission of the above mentioned circular, with a view to have clarity, as follows :**

**6.3 Suspension of Payment of Commission**

**a) On non-renewal of ARN:**

- 1) Upfront / trail commission accrued till the date of expiry of ARN will be released in the next payment cycle.
- 2) The payment of all upfront / trail commission accrued after the date of expiry of ARN, will be suspended from the date of expiry of the ARN.
- 3) Any business done after the expiry of ARN and before renewal of ARN will be treated as invalid business and no upfront / trail is payable on such business.
- 4) If the ARN is renewed within six months from the date of expiry of ARN, then the suspended upfront / trail commission will be released.
- 5) If the ARN is renewed after six months from the date of expiry of ARN, then suspended upfront / trail commission, as mentioned at point no. 2 above, will not be paid and the same will be forfeited/ written off. Upfront and trail commission on business done after the renewal of the ARN can be released.

**Note : Provisions regarding forfeiture/ writing off of commission in respect of ARN renewed after six months from the date of expiry of ARN, shall be applicable w.e.f. January 1, 2012. As such, the suspended commission shall be released on renewal of ARN as per the present practice, till December 31, 2011.**

The following example narrates the action required to be taken by the AMCs under various circumstances as mentioned above :

Circumstances	Action to be taken by AMCs		
	SIP Upfront	Upfront	Trail
ARN expired on 30 <sup>th</sup> June 2011 (Commission payable as on 30 <sup>th</sup> June 2011)	✓	✓	✓
	Commission may be paid in the next payment cycle.		
ARN not valid due to non renewal i.e. from July 1, 2011	All types of commission accrued from July 1, 2011 to be suspended. Any business done during the period ARN was not valid due to non renewal, will not be entitled to receive any commission. As such, no commission should be accrued in respect of the same.		
ARN Renewed within 6 months of expiry date (i.e. by 31 <sup>st</sup> Dec 2011)	Suspended Commission will be released. To clarify, this will not include any commission for the business done during the period when the ARN was invalid due to non renewal i.e. business done during the period July 1, 2011 till the date of renewal of ARN, in the instant case.		
ARN Renewed after 6 months of expiry date (post 31 <sup>st</sup> December 2011)	All commission including trail, in respect of business procured prior to expiry of ARN i.e. 30 <sup>th</sup> June, 2011 and suspended due to non renewal, is forfeited/ written off <b>(Please refer the above note)</b> . Upfront and Trail Commission payable only on the business canvassed subsequent to renewal of ARN.		

**b) On non-compliance of Annual Certification requirement:**

We have received queries from some Members as regards Clause no. 5.6 regarding Declaration of Self Certification and 6.3 b) regarding Suspension of payment of commission on non compliance of Annual Certification requirement, of Unified AMFI Circular dated July 18, 2008.

**The said clauses are amended to read as under :**

**Clause no. 5.6**

DSC should be furnished by ARMFA within three months of the end of the Financial Year i.e. by June 30. (DSC should be dated any day after the financial year end). R &TAs should arrange to provide suitably worded reminders on the front page of the brokerage statements or letter along with brokerage statements starting March every financial year and continue to do so till the time DSC is furnished. R &TAs if possible may print non-compliance status on the first page of brokerage statement from April onwards.

**Clause no. 6.3b)**

In case ARMFA fails to comply with the requirements of furnishing of DSC on annual basis in accordance with these guidelines by June 30, payment of all types of commission shall be suspended and provisioned in the books of the Fund/ AMC, till the time ARN holder complies with the requirement of furnishing DSC. The AMCs/ R & TAs should continue to send the brokerage statements/ details of brokerage withheld along with reminder letter with reasons for suspension of brokerage payment.

On submission of DSC by ARMFA, the AMCs may release all brokerage suspended on account of non-submission of DSC at the earliest but not later than the immediately succeeding quarter's brokerage payment. R & TAs should promptly update their records for having received valid DSCs and synchronize release of withheld brokerage payments, if any.

**You are requested to note the above clarifications/ modifications for due compliance. You are also requested to bring the contents of the circular to the notice of the ARN holders empanelled with your AMC.**

With kind regards,

Yours sincerely,

**C G Parekh**  
**Sr. Vice President**