



# UPDATE

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## *From the Chairman's Desk*

It is essential that intermediaries like banks, distribution companies and individual agent distributors engaged in marketing of mutual fund products have the requisite knowledge and understanding of the concept and working of mutual funds so that the investors are given correct and appropriate advice and guidance. In most of the countries the intermediaries and even people working in the mutual fund industry have to pass certain tests and possess requisite certification. The intermediaries also have to function within a regulatory framework.

In India there is no separate regulation for intermediaries selling mutual fund products nor there was a certification programme, until AMFI initiated certification in July 2000, thus fulfilling an urgent need for the industry. AMFI had taken the view that certification should be mandatory and it is a matter of great encouragement that SEBI has now notified that agent distributors appointed from November 1, 2001 should have AMFI certification. The existing agent distributors are expected to pass the certification programme by end of March 2003. Thus the AMFI certification programme has not only received the stamp of recognition from the Regulator but has also become mandatory.

This is only the beginning. We need to have a proper regulation for intermediaries and also a code of ethics. AMFI has already initiated work in framing proper guidelines as well as code of ethics which as in the case of AMFI certification programme would hopefully become a regulation as we go along. AMFI is committed to develop a cadre of trained professional intermediaries as they play a pivotal role in promoting the mutual fund industry on healthy lines.

Yours,

A. P. Kurian  
November 5, 2001

## SEBI UPDATE

### CIRCULARS ISSUED BY SEBI

#### 1. Clients codes for mutual funds

Mutual funds are required to provide clients codes to brokers while executing securities transactions by using SEBI registration numbers followed by a number to denote schemes/plans. List of such codes to be provided to the custodian and SEBI. (Cir. No. MFD/CIR NO 8/290/01 dated July 30, 2001).

#### 2. Investment by mutual funds in units of venture capital funds/shares of venture capital companies

Mutual fund schemes are allowed to invest in listed or unlisted securities or units of venture capital funds within the investment limits stipulated under clause 10 & 11 of the Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996 (Cir. No. MFD/CIR/9/230/01 dated August 14, 2001).

#### 3. Payment of volatility margin by mutual funds

All mutual funds have been advised to pay volatility margins on equity sales as directed by the stock exchanges since it has been made mandatory for all brokers to collect volatility margins from their clients including institutional clients. However, transactions for which early pay-in are effected do not attract the requirement of margin payment (Cir. No. MFD/CIR/9/230/01 dated August 14, 2001)

#### 4. AMFI Certification Programme made mandatory

AMFI has introduced certification programme for Agent distributors and employees of mutual funds since July 2000 on a voluntary basis.

The certification has been made mandatory by SEBI for new Agent distributors to be appointed with effect from November 1, 2001.

The existing Agent distributors are expected to pass AMFI certification test by March 31, 2003.

All the existing and new employees of mutual funds particularly those involved in sales and marketing are encouraged to pass the certification test by December 2002 (Cir. No. MFD/CIR/10/310/01 dated September 25, 2001)

#### 5. Disclosure of half yearly results and half yearly portfolio on websites

All mutual funds are required to post unaudited half yearly results in the prescribed format on their website and also to display the same on AMFI website ([www.amfiindia.com](http://www.amfiindia.com)) before the expiry of one month from the close of each half year.

All mutual funds are also required to disclose half yearly portfolio in the prescribed format on their website before expiry of one month from the close of each half year (Cir. No. MFD/CIR/10/310/01 dated September 25, 2001).

AMFI will be providing facility to display half yearly portfolio also alongwith half yearly results of all mutual funds on AMFI website

#### 6. Nomination facility for unit holders of mutual funds

SEBI has clarified that the standard offer document and memorandum prescribed by SEBI under Regulation 28(1), 29(4) and 77 contain the provision for nomination facility and mutual funds can thus provide such facility to unit holders. SEBI has also advised that application forms should contain provision for nomination.

## CHAIRMAN SEBI MEETS AMFI BOARD

Chairman SEBI alongwith with Executive Director in Charge of mutual funds and Chief General Manager incharge of Mutual Funds had a review meeting with members of AMFI Board on September 6, 2001 and several aspects concerning the industry were discussed.

## AMFI TRAINING PROGRAMME

Chairman AMFI conducted five half day training sessions on concept and working of mutual funds for the Executives of Stock Holding Corporation and one such session was conducted at Chennai for the Executives of Citibank.

## COMMITTEE/WORKING GROUPS

### 1) Valuation Committee

The AMFI Valuation Committee alongwith CRISIL undertook a review of the valuation of non-traded debt securities introduced in December 2000. Based on this review the Committee has suggested further modifications and refinements in the valuation methodology, which have been presented to SEBI for its consideration.

### 2) Committee for recommending proper Benchmarks

In order to identify proper benchmarks for different types of schemes a Committee has been constituted to study and make recommendations. Shri Shailendra Bhandari of Prudential ICICI is the Chairman of the Committee with Shri Nilesh Shah of Templeton, Shri Sanjay Bhattacharayya of HDFC Mutual Fund and Ms. Anjali Forbes of CRISIL as members.

### 3) Committee on Registration of AMFI Certified Distributors

A Committee has been constituted with Shri Krishnamurthy Vijayan of J.M. Mutual Fund as Chairman and with Shri Pankaj Razdan of Prudential ICICI, Shri Shushil Rele of Birla Sunlife Distribution, Shri Hemant Rustagi of ING Savings Trust and Shri Suraj Kaeley of Templeton as members for studying the question of registration and assigning of a unique code number to certified distributors which could then be used by all mutual funds.

### 4) Working group to review Advertisement Guidelines

A working group with Shri B. Swaminathan of Templeton as co-ordinator and with Shri Prem Khatri of Pioneer ITI, Shri A. G. Joshi of Unit Trust of India, Ms. Mala Iyer of Zurich India and Shri R. K. Jain of LIC as members has been constituted to review guidelines relating to advertisement issued by SEBI and to make suggestions for smooth and effective implementation taking into consideration past operational experience.

### 5) Working group to review operational areas of SEBI (Mutual Funds) Regulations 1996

A working group has been formed with Shri H. Shriram of Prudential ICICI Mutual Fund as co-ordinator and with Shri Vivek Pai of Templeton, Shri Piyush Surana of Alliance Capital and Ms. Mala Iyer of Zurich India as its members to review operational areas of the SEBI (Mutual Funds) Regulations, 1996 and the various formats.

### 6) Working group on fixation of sale & repurchase price

In order to ensure uniformity in the formula used for determining sale and repurchase prices, AMFI has constituted a working group to examine the practice presently followed by the funds and make suitable recommendations. This working group is headed by Shri Suresh Babu of HDFC Mutual Fund and Shri K. Viswanarayan of DSP Merrill Lynch, Shri Dilip Bhatia of IL & FS Mutual Fund and Shri N. Jothimani of Canbank Mutual Fund are its members.

### 7) Working group on unclaimed redemption/repurchase and unclaimed dividend.

To review and recommend operational procedure for implementing the guidelines issued by SEBI on unclaimed redemption/repurchase value and unclaimed dividend, AMFI has formed a working group with Shri Santosh Kadam of SBI Mutual Fund as co-ordinator and Shri S. Ravikumar of Unit Trust of India and Shri Jimmy Patel of IDBI PRINCIPAL as its members.

### AMFI ON OTHER COMMITTEES

FICCI has formed a task force on pension with Shri Sanjay Sachdev, Chief Executive Officer of IDBI PRINCIPAL as the Chairman. This task force had several meetings and its recommendations were presented to IRDA. Chairman AMFI is a member of this task force.

The Department of Posts, Ministry of Communication has constituted an Expert Steering Committee to provide suitable guidance to the post office in the distribution of various financial products through post office savings bank. Chairman AMFI is a member of this Committee.

### NEWS UPDATE

#### AMFI ANNUAL GENERAL MEETING

Annual General Meeting of AMFI was held on September 20, 2001 at Hotel Ambassador, Mumbai. The meeting was attended by 30 out of 35 members. Besides the regular agenda, a paper on best practices in Marketing and Selling of mutual funds presented by Shri B. G. Daga of Unit Trust of India and Shri Vivek Reddy of Pioneer ITI was discussed. It was decided to request SEBI to make AMFI certification mandatory for newly appointed agents and AMFI to issue general guidelines and code of ethics for AMCs and Agent distributors.

SEBI has already issued a circular making AMFI certification programme mandatory from November 2001. The guidelines and code of ethics for AMCs and Agent distributors are being finalised by the committee on best practices in marketing and selling.

Keeping with the tradition, Shri D. R. Mehta, Chairman SEBI addressed the members who had a very useful interactive session with him. Shri R. M. Joshi, Executive Director SEBI and Shri P. K. Nagpal, Chief General Manager, SEBI also attended the session.

#### WELCOME TO SHRI D. S. R. MURTHY, EXECUTIVE DIRECTOR, UNIT TRUST OF INDIA ON AMFI BOARD

Shri D. S. R. Murthy, Executive Director, Unit Trust of India has joined the Board with effect from

September 3, 2001 in place of Late Shri M. M. Kapur.

### AMFI WEBSITE

AMFI has added two more user friendly facilities to its website during the quarter :

Multi user option for mutual funds and Uploading of NAVs on website.

During the quarter 7,08,554 people viewed the AMFI website.

AMFI records its profound grief on the sudden and untimely demise of Shri M. M. Kapur who has been an active member of the Board of AMFI.

AMFI recalls with gratitude the valuable contribution made by Late Shri M. M. Kapur not only for the development of AMFI but also for mutual fund industry.

### MUTUAL FUND INDUSTRY DATA

The second quarter - July-September, 2001 data is presented in tables 1,2,3 and 4.

- ❖ Nineteen new schemes launched collected Rs. 586 crores of which Rs. 475 crores were from Income Schemes, Rs. 3 crores from growth schemes, Rs. 5 crores from balanced schemes while liquid / moneymarket and gilt schemes mobilised Rs.52 crores and 51 crores respectively.
- ❖ Total funds mobilised during the quarter were Rs. 36,203 crores - up by 82% over last year.
- ❖ Redemptions at Rs. 35,877 crores registered a rise of 82% over last year.
- ❖ Assets under Management at the end of the quarter at Rs. 91,811 crores were lower by 5.8% when compared with the corresponding figure last year.

## MUTUAL FUND DATA FOR THE SECOND QUARTER JULY - SEPTEMBER 2001

### TABLE - 1

(Rs. In crores)

Category	No of Schemes Launched	Sales - All Schemes				Redemptions All Schemes		Total Assets Under Mgmt. As on 30.9.2001
		During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the Year to Date	Total for the Quarter	
A Unit Trust of India	-	-	670	670 4022	3319 7793	1932 3865	7246 6035	49213 64521
B Bank Sponsored (6)	-	-	1187	1187 566	1815 937	1031 2926	1328 3234	3469 3819
C Institutions (4)	2	58	1596	1654 193	2825 731	1441 310	2073 949	4095 2912
D Private Sector								
I Indian (5)	-	-	5071	5071 4177	9681 6438	5371 3440	9081 5457	2761 3468
II Joint Ventures - Predominantly Indian (9)	13	224	12497	12721 4427	20520 8467	11893 4199	16489 7219	13785 8861
III Joint Ventures - Predominantly Foreign (10)	4	304	14596	14900 6493	25886 14066	14209 4940	21244 10785	18488 13881
Total(I+II+III)	17	528	32164	32692 15097	56087 28971	31473 12579	46814 23461	35034 26210
Grand Total (A+B+C+D)	19	586	35617	36203 19878	64046 38432	35877 19680	57461 33679	91811 97462

Notes: (1) Figures in brackets denote number of funds. (2) Data is provisional & hence subject to change. (3) Figures in RED denote amount for corresponding period, last year which have been revised in some cases.

### SALES DURING THE QUARTER JULY - SEPTEMBER 2001 - TYPE AND CATEGORY WISE

#### TABLE 2

#### 2.1 New schemes launched

(Rs. in crores)

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	5	249	5	226	-	-	10	475
Growth	4	3	-	-	-	-	4	3
Balanced	1	5	-	-	-	-	1	5
Liquid/Money Market	1	52	-	-	-	-	1	52
Gilt	3	51	-	-	-	-	3	51
ELSS	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14</b>	<b>360</b>	<b>5</b>	<b>226</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>586</b>

#### 2.2 Existing Schemes

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	80	9573	23	82	29	-	132	9655
Growth	92	299	15	-	-	-	107	299
Balanced	30	32	4	1	-	-	34	33
Liquid/Money Market	27	24035	-	-	-	-	27	24035
Gilt	21	1590	-	-	-	-	21	1590
ELSS	19	5	52	-	-	-	71	5
<b>Total</b>	<b>269</b>	<b>35534</b>	<b>94</b>	<b>83</b>	<b>29</b>	<b>-</b>	<b>392</b>	<b>35617</b>

**2.3 Total of All Schemes****(Rs. in crores)**

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	85	9822	28	308	29	-	142	10130
Growth	96	302	15	-	-	-	111	302
Balanced	31	37	4	1	-	-	35	38
Liquid/Money Market	28	24087	-	-	-	-	28	24087
Gilt	24	1641	-	-	-	-	24	1641
ELSS	19	5	52	-	-	-	71	5
<b>Total</b>	<b>283</b>	<b>35894</b>	<b>99</b>	<b>309</b>	<b>29</b>	<b>-</b>	<b>411</b>	<b>36203</b>

Note: The change in number of existing schemes is because of the maturity and reclassification of existing schemes by some of the funds.

**REDEMPTION / REPURCHASE DURING THE QUARTER JULY - SEPTEMBER 2001****TABLE 3****(Rs. in crores)**

	Open End	Close End	Assured Return	Total
Income	11211	464	36	11711
Growth	312	31	-	343
Balanced	416	5	-	421
Liquid/Money Market	21853	-	-	21853
Gilt	1504	-	-	1504
ELSS	1	44	-	45
<b>Total</b>	<b>35297</b>	<b>544</b>	<b>36</b>	<b>35877</b>

**ASSETS UNDER MANAGEMENT AS ON 30TH SEPTEMBER 2001****TABLE 4****(Rs. in crores)**

	Open End	Close End	Assured Return	Total
Income	28090 18513	5533 6623	17736 21132	51359 46268
Growth	6708 12062	3675 6630	- -	10383 18692
Balanced	15674 22416	224 265	- -	15898 22681
Liquid/Money Market	9113 3820	- -	- -	9113 3820
Gilt	3415 2399	- 56	- -	3415 2455
ELSS	297 392	1346 3154	- -	1643 3546
<b>Total</b>	<b>63297</b> <b>59602</b>	<b>10778</b> <b>16728</b>	<b>17736</b> <b>21132</b>	<b>91811</b> <b>97462</b>

Note:

\*Figures in RED denote amount for corresponding period, last year which have been revised in some cases to make it comparable.

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