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UPDATE

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FROM THE CHAIRMAN'S DESK

Risk management is a critical aspect of the fund industry. SEBI's circular of September 30, 2002 suggesting certain systems and procedures in this regard based on the recommendations of AMFI is an appropriate step in the direction of protecting the interest of the investors. AMFI committee on Risk Management will continue to provide its assistance to the members in this area.

The deadline of March 31, 2003 for obtaining AMFI certification for all those engaged in the sale and marketing of mutual funds is fast approaching. So far around 6500 agent distributors have obtained certification. Taking into account the written examination planned in about 50 centers and the number of candidates expected to pass out through NSE centers, it is estimated that we would reach around 10,000 agent distributors which would cover most of the active agency force. A quick review of the position by each member and initiating suitable steps to get the intermediaries certified would greatly help to adhere to the deadline.

Yours,

A. P. Kurian
November 22, 2002.

SEBI UPDATE

CIRCULARS ISSUED BY SEBI NEW SCHEME REPORT (MFD/CIR/09/247/02-JULY 23, 2002 &MFD/CIR/12/16588/02 AUGUST 28, 2002)

SEBI has advised all Mutual Funds to submit to SEBI, in accordance with 58(1) and 77 of SEBI (Mutual Funds) Regulations 1996, the New Scheme Report in the revised format complete in all respects, within 10 working days from the date of allotment.

AMENDMENT TO THIRD AND EIGHTH SCHEDULE (MFD/CIR/10/15895/2002-AUGUST 20, 2002)

SEBI has made certain amendments to Third and Eighth Schedule of the SEBI (Mutual Funds) Regulations 1996 through Gazette Notification No. 686 dated July 30, 2002 as under :

AMENDMENT TO THIRD SCHEDULE

The existing Clause 20 in Schedule Third has been substituted with the following Clause "20. The Trust deed shall state that a meeting of the trustees shall be held at least once in a every two calendar months and at least six such meetings shall be held in every year."

AMENDMENT TO EIGHTH SCHEDULE

In Clause 5 the percentage of variation allowed in the NAV due to non recording of the transactions has been reduced to 1% from 2%.

Further a new Clause 6 has been inserted stipulating that if the variation in the NAV of a scheme due to non recording of transactions is more than 1% , the investors or scheme/s as the case may be shall be paid difference in amount as follows :

(i) If the investors are allotted units at a price higher than Net Asset Value or are given a price lower than NAV at the time of sale of their units, they shall be paid difference in amount by the scheme.

(ii) If the investors are charged lower NAV at the time of purchase of their units or are given higher NAV at the time of sale of their units, Asset Management Company shall pay the difference in amount to the scheme. AMC may recover the difference from the investors.

ROUNDING OFF NAVs (MFD/CIR/11/16159/ 2002-AUGUST 22, 2002)

SEBI has advised all Mutual Funds that they shall round off NAVs up to four decimals in respect of Index Funds and all type of Debt-oriented Schemes like Liquid/Money market, Gilt, Income, Short Term plan, Fixed maturity plan, Monthly Income plan etc. and up to two decimals in case of Equity oriented and Balanced Fund schemes. SEBI has also allowed the Mutual Funds to round off NAVs in respect of equity oriented and balanced fund schemes up to more than two decimals, if they so desire.

QUARTERLY REPORT ON MOVEMENT IN NET ASSETS (MFD/CIR/12/16588/02-AUGUST 28, 2002)

SEBI has advised all Mutual Funds not to send quarterly report on movement in net assets, which was required to be submitted by them in terms of SEBI Circular No. IIMARP/MF/CIR/05/788/1997 dated April 28, 1997.

INDEPENDENT DIRECTORS ON BOARD OF AMCs AND TRUSTEE COMPANIES (MFD/CIR/13/16799/2002-AUGUST 29, 2002 & MFD/CIR/17/21105/2002-OCTOBER 28, 2002)

SEBI has clarified that persons providing any type of professional service to the Mutual Fund, AMC, Trustee Company and sponsors shall be considered as Associate Directors of AMCs or Trustee Companies, as the case may be. Also, the persons having any material pecuniary relationship with these entities which in the judgment of the trustees may affect independence of directors shall be treated as Associate Directors.

SEBI has also advised all Mutual Funds to classify existing directors accordingly and to confirm compliance of Regulation by ensuring composition of directors as per Regulation. SEBI has further advised that the AMC/Trustee company must appoint independent director(s) in place of the resigning director(s) within a period of 3 months from the date of resignation. Where a mutual fund is unable to meet this time limit, it should be reported to SEBI explaining the reasons for non- compliance.

SEBI has also revised the format for submitting the bio-data of directors of AMCs or trustee companies by incorporating certain new clauses in the existing format.

PORTFOLIO DISCLOSURES
(MFD/CIR/14/18337/2002-SEPTEMBER 19, 2002)

SEBI has advised all Mutual Funds to include following additional disclosures while making half yearly disclosures in the format prescribed vide SEBI circular MFD/CIR/9/120 dated November 24, 2000

(I) Equity- Oriented Scheme

(i) Portfolio Turnover Ratio by way of footnote.

(ii) Industry name against each security in the portfolio as per industry classification recommended by AMFI. Same classification to be used while making disclosures to investors, distributors and others.

(II) Debt- Oriented Schemes

Average Maturity period by way of footnote

RISK MANAGEMENT SYSTEM
(MFD/CIR/15/19133/2002-SEPTEMBER 30, 2002)

AMFI, in association with Price Waterhouse Coopers has made certain recommendations to ensure minimum standards of risk management system for all the Mutual Funds in various areas of its operations such as fund management, operations, customer service, marketing & distribution, and disaster and business contingency etc. The risk management practices are covered in the Operating Manual under three categories: (i) Existing industry practices (ii) Practices to be followed on mandatory basis such as assignment of risk management function to compliance officer or internal risk management committee or to an external agency, taking of insurance cover by Mutual Funds against certain risks, disaster recovery plan etc., and (iii) Best practices to be followed by all Mutual Funds. SEBI has also spelt out step-by-step approach to implement the system. The board of AMCs and Trustee Companies are required to review and report to SEBI along with quarterly compliance report and half yearly report the progress made by the fund in this regard. After full implementation of the risk management system, it shall be made part of internal audit from April 1, 2003 onwards and internal auditors would check on a regular basis about the adequacy of system.

SERVICE FEES PAYBLE BY MUTUAL FUNDS
(MFD/CIR/16/20844/2002-OCTOBER 24, 2002)

SEBI has revised the service fee structure effective from the Financial year 2003-2004 through Gazette notification dated September 9, 2002. Accordingly all Mutual Funds are required to pay service fees to SEBI as under:

Net assets As on 31st March	Service fees payable to SEBI
Upto Rs.500 Crores	Rs.2.50 Lakhs
Above Rs.500 Crores and upto Rs.1,000 Crores	Rs.3.50 Lakhs
Above Rs.1,000 Crores and upto Rs.3,000 Crores	Rs.4.50 Lakhs
Above Rs.3,000 Crores and upto Rs.5,000 Crores	Rs.5.50 Lakhs
Above Rs.5,000 Crores and upto Rs.10,000 Crores	Rs.6.50 Lakhs
Above Rs.10,000 Crores	Rs.7.50 Lakhs

SEBI has also notified in the Gazette in September 2002, SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002. As a result certain provisions of SEBI (Mutual Funds) Regulations, 1996 pertaining to holding enquiries stand amended. Details are available on SEBI website under the heading "Legal framework- Regulations".

CLARIFICATION ON DISCLOSURE OF PENALTIES ETC. IN OFFER DOCUMENTS

SEBI, with a view to removing difficulties experienced while making disclosure of penalties etc. under Sub-clause 1 of clause XXIII of full standard offer document and clause XIX of abridged offer document, has issued certain clarifications with regard to the same vide E-mail dated October 18, 2002 to all Mutual Funds. These clarifications have been incorporated in the relevant sections of SEBI website.

SEBI ADVISORY COMMITTEE ON MUTUAL FUNDS

The seventh meeting of the committee was held on October 11, 2002. Besides several other issues concerning industry, AMFI report on Real Estate Mutual Fund was also discussed. The Eighth meeting was held on November 8, 2002 which made certain recommendations regarding Real Estate Mutual Funds.

MEETING WITH DEPUTY GOVERNOR RESERVE BANK OF INDIA

The AMFI committee on RBI related matters headed by Chairman AMFI had met Dr. Rakesh Mohan, the new Deputy Governor Reserve Bank of India on November 11, 2002 and discussed matters relating to the mutual fund industry. Smt. Usha Thorat, Chief General Manager RBI was also present.

AMFI TRAINING PROGRAMME

Chairman AMFI conducted two half day sessions on concept and working of mutual funds for the Executives of Stock Holding Corporation.

UTIICM had organized on September 5, 2002 a workshop for the officers of SEBI on mutual funds which was addressed by Chairman AMFI.

AMFI CERTIFICATION PROGRAMME

Release Of The Hindi Version Of AMFI Work Book

Shri G. N. Bajpai, Chairman SEBI, released on September 25, 2002, the Hindi version of AMFI work book. This will help the Hindi speaking agents to take AMFI Certification Test. The work book is available at AMFI office.

Written Examination in Hindi

In order to facilitate the Hindi-speaking distributors to take the AMFI Certification Test and obtain certificate before the deadline of March 31, 2003, AMFI has introduced written test in Hindi with effect from October 16, 2002. The test will be in bilingual allowing candidates an option to answer in Hindi or in English. The details of test centers where the written test is scheduled are available on AMFI website. Members are

requested to advise their Agents/ Distributors and others about the facility of test in Hindi.

Launch Of E-Learning Portal For AMFI Certification Course

Shri G. N. Bajpai, Chairman SEBI, launched on September 25, 2002, the AMFI certification course on the E-learning portal finvarcity of NSE. IT, a subsidiary of NSE. This is another initiative taken by AMFI in association with NSE.IT for providing E-learning facility to the prospective candidates to get equipped for taking the AMFI Certification Test.

COMMITTEE / WORKING GROUPs

Committee on registration of AMFI Certified Distributors

Committee headed by Shri Krishnamurthy Vijayan of J.M. Mutual Fund has formulated a common implementation process for the code of conduct for distributors. The same was finalized after taking into consideration feedback received from members and since been presented to SEBI for its consideration and for issuance of necessary guidelines to mutual funds.

The working group is currently working out modalities for speeding up registration of AMFI certified intermediaries. The working group has been reconstituted with Shri Krishnamurthy Vijayan of J. M. Mutual Fund as the Chairman and Shri Suraj Kaeley of Templeton, Shri Hemant Rustagi of ING, Shri Ranjan Dhawan of PNB, Shri Sanjay Santhanam of Sundaram, Shri Saurabh Sonthalia of DSP Merrill Lynch and Shri T. K. Maji of UTI as its members

Sub-Committee On Real Estate Mutual Fund

The final report approved by the AMFI Board has been presented to SEBI.

Working Group on guidelines for trading in securities by employees of AMCs and mutual funds

AMFI had received certain suggestions from some of the members in respect of guidelines issued by SEBI on May 8, 2001 on trading in securities by employees of AMCs and mutual funds. AMFI has constituted a working group to

examine these suggestions and make suitable recommendations to SEBI. Shri Hormuz Bulsara of Tata Mutual Fund is the co-ordinator of this working group with Shri Vivek Pai of Templeton Mutual fund and Shri Iqbal Jugari of HDFC Mutual Fund as members.

Working group on Regulating Private Placement Market

In order to formulate some guidelines in respect of private placements of securities, AMFI has constituted a working group with Shri Nilesh Shah of Templeton Mutual as the co-ordinator.

AMFI ON OTHER COMMITTEES

Investor Protection Reserve Committee of NSDL

Chairman AMFI has been nominated as a member of the Investor Protection Reserve Committee set up by National Securities Depository Ltd.

SEBI Committee on Certification of Capital Market Intermediaries

SEBI has constituted a Committee On Certification Of Capital Market Intermediaries with Shri A. P. Kurian, Chairman AMFI as the Chairman. This committee would be suggesting certification programmes for various entities in the capital markets. The committee had two meetings so far.

ANNUAL GENERAL BODY MEETING

The seventh annual general body meeting of AMFI was held on September 25, 2002 at Hotel Ambassador, Mumbai. The meeting was attended by 26 members out of 33 members. After regular agenda, Shri G.N. Bajpai, Chairman SEBI addressed the members. He appreciated the various initiatives taken by AMFI and applauded the constructive role being played by AMFI in developing the industry in a healthy manner. Shri R.M. Joshi, Executive Director SEBI also attended the meeting.

PROMOTING BEST PRACTICES

The best practices committee had reviewed the system and practices followed by the industry in various areas and have made appropriate

recommendations. A general membership meeting of all the members was held on November 12, 2002 and discussed the following:

- a. Changing intermediaries during the currency of the investment
- b. Periodical changes in the auditors of mutual funds
- c. Implementation of code of conduct for Intermediaries
- d. Speeding of AMFI Certification process and promoting registration of intermediaries.
- e. The meeting also discussed the implications of AMFI assuming the role of a Self Regulatory Organisation (SRO)

AMFI WEBSITE

During the quarter 13,24,535 persons visited AMFI website.

MUTUAL FUND INDUSTRY

Second quarter July-September 2002
The second quarter data are presented in tables 1 to 5

- Sales during the second quarter at Rs.68,228 Crores were 88 percent higher than sales of Rs.36,203 crores in the corresponding period of last year.
- 11 new schemes were launched during the quarter.
- Redemptions were up by 72 percent to Rs.61,752 crores from Rs.35,877 crores in the corresponding quarter last year.
- On a net basis thus there was an inflow of Rs.6,476 Crores during the quarter as against an inflow of Rs.326 crores in the corresponding quarter last year.
- The Assets under management of Rs.1,06,929 crores were 16% higher than Rs.91,811 crores in corresponding quarter last year.
- Table-5 gives data on Assets under Management for each of the Asset Management Companies.

MUTUAL FUND DATA FOR THE SECOND QUARTER JULY-SEPTEMBER 2002

TABLE - 1

(Rs. in crores)

Category	No. Of Schemes Launched	Sales - All Schemes				Redemptions All Schemes		Total Assets Under Mgmt. As on 30.9.2002
	During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the Year to Date	Total for the Quarter	Total for the Year to Date	
A Unit Trust Of India	-	-	1533	1533 670	2183 3319	2464 1932	#8819 7246	44255 49213
B Bank Sponsored (4)	1	54	2395	2449 1187	3819 1815	1820 1031	3087 1328	4529 3469
C Institutions (4)	2	15	3506	3521 1654	6377 2825	2960 1441	5585 2073	5196 4095
D Private Sector								
I Indian (6)\$	-	-	13228	13228 5071	28787 9681	12554 5371	27596 9081	6733 2761
II Joint Ventures - Predominantly Indian (7)@	5	520	18623	19143 12721	30844 20520	17020 11893	27670 16489	15335 13785
III Joint Ventures - Predominantly Foreign (9)^	3	116	28238	28354 14900	52842 25886	24934 14209	46451 21244	30881 18488
Total(I+II+III)	8	636	60089	60725 32692	112473 56087	54508 31473	101717 46814	52949 35034
Grand Total (A+B+C+D)	11	705	67523	68228 36203	124852 64046	61752 35877	119208 57461	106929 91811

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.
- 4 #includes Rs.5967 crores redemption due to maturity of schemes
- 5 \$ The number of funds have come down from 7 to 6 on account of the termination of the scheme by Shriram Mutual Fund
- 6 @ The number of funds have come down from 8 to 7 on account of the takeover of the schemes of Pioneer ITI Mutual Fund by Templeton Mutual Fund.
- 7 ^ The number of funds have come down from 10 to 9 on account of the takeover of the schemes of JF Mutual Fund by Sun F&C Mutual Fund.

SALES DURING THE QUARTER JULY-SEPTEMBER 2002 - TYPE AND CATEGORY WISE

TABLE - 2

(Rs. in crores)

2.1 New Schemes Launched

	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	557	2	8	-	-	7	565
Growth	4	140	-	-	-	-	4	140
Balanced	-	-	-	-	-	-	-	-
Liquid/Money Market	-	-	-	-	-	-	-	-
Gilt	-	-	-	-	-	-	-	-
ELSS	-	-	-	-	-	-	-	-
Total	9	697	2	8	-	-	11	705

2.2 Existing 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	77	24093	17	55	23	-	117	24148
Growth	99	616	8	-	-	-	107	616
Balanced	32	97	3	-	-	-	35	97
Liquid/Money Market	30	41499	-	-	-	-	30	41499
Gilt	31	1158	-	-	-	-	31	1158
ELSS	19	5	34	-	-	-	53	5
Total	288	67468	62	55	23	-	373	67523

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	82	24650	19	63	23	-	124	24713
Growth	103	756	8	-	-	-	111	756
Balanced	32	97	3	-	-	-	35	97
Liquid/Money Market	30	41499	-	-	-	-	30	41499
Gilt	31	1158	-	-	-	-	31	1158
ELSS	19	5	34	-	-	-	53	5
Total	297	68165	64	63	23	-	384	68228

Notes:

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

New Schemes :

Open End Income : Sundaram Select Debt & Prudential ICICI FMP Series 7, CanIncome, IDBI PRINCIPAL Trust Benefit Fund & DSP Merrill Lynch Short Term Fund

Open End Growth : HDFC Index Fund, First India Growth Fund, Birla Sunlife Index Fund & Alliance Frontline Equity Fund

Close End Income : IL & FS Fixed Maturity Plan-Quarterly Series II & ING Fixed Term Portfolio

REDEMPTION / REPURCHASE DURING THE QUARTER JULY-SEPTEMBER 2002

TABLE - 3 (Rs. in crores)

	Open End	Close End	Assured Return	Total
INCOME	17434	113	755	18302
GROWTH	536	10	-	546
BALANCED	596	37	-	633
LIQUID/MONEY MARKET	40786	-	-	40786
GILT	1449	-	-	1449
ELSS	3	33	-	36
TOTAL	60804	193	755	61752

ASSETS UNDER MANAGEMENT AS ON 30TH SEPTEMBER 2002

TABLE - 4 (Rs. in crores)

	Open End	Close End	Assured Return	Total
INCOME	45667 28090	4265 5533	14476 17736	64408 51359
GROWTH	8499 6708	4663 3675	- -	13162 10383
BALANCED	12932 15674	173 224	- -	13105 15898
LIQUID/MONEY MARKET	11087 9113	- -	- -	11087 9113
GILT	3787 3415	- -	- -	3787 3415
ELSS	380 297	1000 1346	- -	1380 1643
TOTAL	82352 63297	10101 10778	14476 17736	106929 91811

Note :

*Figures in RED denote amount for corresponding period, last year.

ASSETS UNDER MANAGEMENT AS ON SEPTEMBER 30, 2002

TABLE - 5

(Rs. in crores)

Sr. No.	Name of the Asset Management Company	Assets under Management
A	Unit Trust of India	44255
B	BANK SPONSORED	
	BOB Asset Management Co. Ltd.	121
	Canbank Investment Management Services Ltd.	874
	PNB Asset Management Co. Ltd.	108
	SBI Funds Management Ltd.	3426
	TOTAL B	4529
C	INSTITUTIONS	
	GIC Asset Management Co. Ltd.	270
	IDBI Principal Asset Management Co. Ltd	1543
	IL & FS Asset Management Co. Ltd.	748
	Jeevan Bima Sahayog Asset Management Co. Ltd.	2635
	TOTAL C	5196
D1	PRIVATE SECTOR	
	Benchmark Asset Management Co. Pvt. Ltd.	6
	Cholamandalam Asset Management Co. Ltd.	706
	Escorts Asset Management Ltd.	90
	J.M. Capital Management Pvt. Ltd.	1704
	Kotak Mahindra Asset Management Co. Ltd.	2525
	Reliance Capital Asset Management Ltd.	1702
	TOTAL D1	6733
D2	JOINT VENTURES-PREDOMINANTLY INDIAN	
	Birla Sun Life Asset Management Co. Ltd.	4885
	Credit Capital Asset Management Co. Ltd.	91
	DSP Merrill Lynch Investment Managers Ltd.	2235
	First India Asset Management Private Ltd.	81
	HDFC Asset Management Co. Ltd.	6245
	Sundaram Asset Management Company Ltd.	909
	Tata TD Waterhouse Asset Management Private Ltd.	889
	TOTAL D2	15335
D3	JOINT VENTURES - PREDOMINANTLY FOREIGN	
	Alliance Capital Asset Management (India) Pvt. Ltd.	3646
	Dundee Investment Management & Research (Pvt.) Ltd.	27
	ING Investment Management (India) Pvt. Ltd.	565
	Morgan Stanley Dean Witter Investment Management Pvt. Ltd.	702
	Prudential ICICI Asset Management Co. Ltd.	8926
	Standard Chartered Asset Mgmt Co. Pvt. Ltd.	4177
	Sun F & C Asset Management (India) Pvt. Ltd.	452
	Templeton Asset Management (India) Pvt. Ltd.	8193
	Zurich Asset Management Co. (India) Pvt. Ltd.	4193
	TOTAL D3	30881
	TOTAL (D1+D2+D3)	52949
	TOTAL (A+B+C+D)	106929

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