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UPDATE

A Newsletter of The Association of Mutual Funds in India

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FROM THE CHAIRMAN'S DESK

The first quarter of the fiscal 2003-04 has displayed encouraging trends in terms of both gross and net mobilizations by mutual funds. Also, a sophisticated product - Money Market Exchange Traded Fund - the first of its kind has been launched. The new generation scheme - fund of funds will also be available soon to the investors. The list of items in the menu of the mutual funds thus keeps on increasing, offering a wide choice for the investors to suit their every conceivable need. In point of fact, this is the USP of the mutual fund industry - an industry that provides a solution to every investment objective of both household and non-household investors.

While the efforts to launch new schemes are indeed laudable, it is equally important for the fund houses to look at the composition of their clientele and adopt a conscious policy and strategy to widen and deepen their retail base. It is in this context that the role of intermediaries become critical. Without the hand-holding by trained intermediaries, it is not possible for mutual funds to reach out to the household investors. Thanks to our initiative and the support extended by SEBI and the involvement of all our members, we have today in place a cadre of certified intermediaries spread all over the country. It is now upto the members to get their remaining intermediaries certified and registered and develop a business plan and strategy to reach out to the households. The journey may appear challenging, but there is no escape from undertaking the same.

Yours,

A.P. Kurian

08.08.2003

SEBI UPDATE

SEBI CIRCULARS

INVESTMENT IN INTEREST RATE DERIVATIVES (SEBI/MFD/CIR No. 03/158/03 - June 10, 2003)

SEBI has clarified that mutual funds can participate in the trading of interest rate derivatives through stock exchanges subject to appropriate disclosures made in the offer document.

ROLE OF CHIEF EXECUTIVE OFFICERS AND FUND MANAGERS AND DISCLOSURES RELATING TO FUND OF FUNDS SCHEMES (MFD/CIR.No 04/11488/2003 - June 12, 2003)

The amended SEBI Mutual Fund Regulations have defined the **roles of Chief Executive Officers and Fund Managers** with a view to strengthening their position and specifying their accountability.

It has also issued clarification regarding disclosure in the offer document in respect of recurring expenses of **Fund of Funds schemes**.

CONSOLIDATION OF SCHEMES (SEBI/MFD/CIR No. 05/12031/03 June 23, 2003)

SEBI has clarified that merger or consolidations of schemes shall be viewed as changes in fundamental attributes of the related schemes and the mutual funds shall comply with the requirements laid down in the SEBI (Mutual Funds) Regulations, 1996, for the purpose.

The various steps to be taken and the procedure to be followed including communication to unit holders and filing of report with SEBI have been stipulated.

ADVERTISEMENTS BY MUTUAL FUNDS (SEBI/MFD/CIR No. 6/12357/03 June 26, 2003)

SEBI has issued following further guidelines on advertisements by mutual funds:

- **Advertisements Through Hoardings / Posters / Audio-Visual Media**

A statement "Mutual Fund investments are subject to market risks, read the offer document carefully before investing" has to be displayed appropriately in hoardings / posters and audio-visual media. SEBI has also prescribed the manner in which the statement is required to be displayed.

- **Promotional Activities, Sales Literature**

The standards prescribed in Section II of the SEBI Guidelines issued on June 5, 2000 for various forms of communications by the mutual funds are also required to be followed in case of activities organized to promote mutual funds/schemes/asset management companies and the same are also applicable to sales literature.

The definition of sales literature has also been broadened to include fund fact sheets, research reports, newsletters, performance reports or summaries, telemarketing scripts, seminar texts, press releases and reprints or excerpts of any other advertisements or published article, etc.

- **Performance Advertisements Disclosure Of Benchmark**

All performance advertisements disclosing data on returns should mention the returns on the benchmark indices, during the same time periods.

- **Money Market Schemes Disclosure Of Return**

Money Market Mutual funds can also advertise simple annualized returns of cash/liquid/money market schemes based on a period of 15 days.

- **Distribution Tax - Impact On Returns**

While advertising returns by assuming reinvestment of dividends, if distribution taxes are excluded while calculating the returns, this fact has to be disclosed.

- **Pay-Out Of Dividend**

While advertising pay-out of dividends, it should be disclosed that after the payment of the dividend, the NAV will fall to the extent of the payout and distribution taxes (if applicable), in the main body of advertisement.

- **Ranking Advertisements**

The new guidelines states: "any ranking set forth in an advertisement or sales literature must be current to the most recent quarter ended or such periodicity / frequency of ranking as may be applicable, in the case of advertising prior to the submission for publication or in the case of sales literature prior to use".

**INVESTMENT/TRADING IN SECURITIES BY EMPLOYEES OF ASSET MANAGEMENT COMPANIES AND MUTUAL FUND TRUSTEE COMPANIES
(SEBI/IMD/CIR No. 7/13391/03 July 11, 2003)**

Subsequent to the issue of circular no. MFD/CIR. No. 4/216/2001 dated May 8, 2001 giving certain guidelines on the above subject, SEBI has also notified SEBI (Insider Trading) Regulation. SEBI has therefore issued further clarifications as under with a view to bring about uniformity in the requirements and to remove difficulties in the implementation of guidelines issued earlier:

1. The approval from the compliance officer for carrying out a transaction of sale or purchase of a security by the access person shall be valid for one week instead of the existing requirement of 10 calendar days.
2. The requirement of employees to refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 60 calendar days from the date of personal transaction has been reduced to 30 days.

GENERAL MEMBERSHIP MEETING

A meeting of all the members of AMFI was held on July 11, 2003. The topics discussed were AMFI assuming the role of SRO, review of certification and registration of intermediaries and implementation of code of conduct - mystery shopping envisaged in SEBI's letter of May 26, 2003. 23 out of 31 members attended the meeting.

MEETING WITH CHAIRMAN SEBI

The AMFI Board met SEBI Chairman on June 25, 2003. SEBI Chairman discussed various issues pertaining to the industry.

MEETING OF MUTUAL FUNDS' CEOs WITH SEBI CHAIRMAN

A meeting of all CEOs of mutual funds was organized by SEBI on July 18, 2003 at Mumbai. SEBI Chairman addressed the meeting and shared his views and suggestions. Shri Batra Member SEBI, Shri Pratip Kar Executive Director, Shri C.S. Kahlon Executive Director, Shri S.C. Das Executive Director, Shri R.S. Loona Executive Director and Shri Suresh Gupta, General Manager, SEBI were present. There was exchange of ideas and a healthy discussion.

INVESTOR AWARENESS PROGRAMME

Investor Empowerment Programme was jointly organized by Ghatkopar Investors Welfare Association and Quantum Information Services Limited on July 7, 2003. Chairman SEBI gave the key note address and Chairman AMFI spoke on 'Mutual Fund as an Alternative to Direct Investing'.

MEETINGS AND SEMINARS

Chairman AMFI was the chief guest at the Award Ceremony organized by Prudential ICICI Asset Management Co. to felicitate the recipients of the 'Child Care Plan Scholarship Award' on June 26, 2003.

Chairman AMFI took a session on "Mutual Funds A perspective" on July 9, 2003 for the newly recruited SEBI officers, organised by the Indian Institute of Capital Markets at Mumbai

Chairman AMFI addressed the seminar on 'Professionalism in Financial Planning' organized by International College of Financial Planning on July 19, 2003.

AMFI ON OTHER COMMITTEES

Chairman AMFI is a member of the FICCI committee on Capital Markets.

MEETING WITH RBI GOVERNOR

Shri B.G. Deshmukh, Chairman SEBI Advisory Committee of Mutual Fund and Chairman AMFI met Dr. Bimal Jalan, Governor, RBI on July 8, 2003. Various issues pertaining to mutual fund industry were discussed.

AMFI CERTIFICATION AND REGISTRATION PROGRAMME

Indian Institute of Capital Markets (formerly UTI ICM) and IBPS continue to conduct written AMFI Certification test across the country. In the months of August and September 2003, IICM has planned written exams in 46 locations.

AMFI EXAMS IN REGIONAL LANGUAGES

In order to cater to the needs of agents in semi-urban and rural areas, AMFI will be offering written exams in Gujarathi, Marathi, Telugu, Tamil and Bengali

So far about 44,000 distributors have appeared for the AMFI Certification Test and 21,500 distributors have passed the Test.

As at the end of June 2003, 7380 individual distributors, 832 corporate distributors and 1535

employees of corporate distributors have registered with AMFI.

By September 30, 2003 all those engaged in marketing and sale of mutual fund schemes are to be certified and registered with AMFI as per SEBI guidelines. Members are again requested to ensure that all their agents/distributors are certified and registered with AMFI before the deadline.

AMFI WEBSITE

AMFI website has been revamped to make it more user friendly.

MUTUAL FUND INDUSTRY DATA

First quarter April June 2003

The first quarter data are presented in tables 1 to 5

- Sales during the first quarter at Rs.1,21,063 crores were more than double of the sales of Rs.56,624 crores in the corresponding period of last year.
- 8 new schemes were launched during the quarter which collected Rs. 1,654 crores.
- Redemptions were up by 76 percent to Rs.101,040 crores from Rs.57,456 crores a year ago.
- On a net basis thus there was an inflow of Rs.20,023 crores during the quarter as against an outflow of Rs.832 crores in the corresponding quarter last year.
- The Assets under management stood at Rs.1,04,762 crores as on June 30, 2003.
- Table-5 gives data on Assets under Management for each of the Asset Management Companies.

MUTUAL FUND DATA FOR THE FIRST QUARTER APRIL - JUNE 2003

TABLE - 1

(Rs. in crores)

Category	No. Of Schemes Launched	Sales - All Schemes			Redemptions All Schemes	Total Assets Under Mgmt. As on 30.06.2003
	During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the Quarter	
A BANK SPONSORED (5)^	1	1105	7455	8560 2020	7339 7622	21667 50308
B INSTITUTIONS (3)	1	176	4403	4579 2856	3160 2625	5504 4577
C PRIVATE SECTOR						
(i) INDIAN (7)	3	175	26511	26686 15559	23523 15042	13746 5923
(ii) FOREIGN (1)	-	-	3546	3546 -	3424 -	1896 -
(iii) JOINT VENTURES - PREDOMINANTLY INDIAN (6)	3	198	31335	31533 15149	25944 13794	24627 16740
(iv) JOINT VENTURES - PREDOMINANTLY FOREIGN(9)#	-	-	46159	46159 21040	37650 18373	37322 23155
TOTAL C (i+ii+iii+iv)	6	373	107551	107924 51748	90541 47209	77591 45818
GRAND TOTAL (A+B+C)	8	1654	119409	121063 56624	101040 57456	104762 100703

Notes:

- 1 Figures in brackets denote number of funds.
- 2 Data is provisional & hence subject to change.
- 3 * Figures in red denote figures for corresponding period last year which includes the figures of the erstwhile Unit Trust of India (undivided) and hence not strictly comparable.
- 4 # The number of funds have gone down from 10 to 9 on account of takeover of all the schemes of Zurich India Mutual Fund by HDFC Mutual Fund
- 5 PRINCIPAL Mutual Fund has been classified as Private Sector (Foreign) on account of change in shareholding pattern
- 6 ^The number of funds have gone up from 4 to 5 due to categorisation of UTI Mutual Fund as Bank Sponsored Mutual Fund.

SALES DURING THE QUARTER APRIL - JUNE 2003 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	408	1	80	-	-	6	488
Growth	-	-	-	-	-	-	-	-
Balanced	1	61	-	-	-	-	1	61
Liquid/Money Market	1	1105	-	-	-	-	1	1105
Gilt	-	-	-	-	-	-	-	-
ELSS	-	-	-	-	-	-	-	-
Total	7	1574	1	80	-	-	8	1654

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	96	41011	11	209	5	-	112	41220
Growth	114	1841	4	-	-	-	118	1841
Balanced	33	191	2	-	-	-	35	191
Liquid/Money Market	30	74174	-	-	-	-	30	74174
Gilt	30	1979	-	-	-	-	30	1979
ELSS	19	4	24	-	-	-	43	4
Total	322	119200	41	209	5	-	368	119409

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	101	41419	12	289	5	-	118	41708
Growth	114	1841	4	-	-	-	118	1841
Balanced	34	252	2	-	-	-	36	252
Liquid/Money Market	31	75279	-	-	-	-	31	75279
Gilt	30	1979	-	-	-	-	30	1979
ELSS	19	4	24	-	-	-	43	4
Total	329	120774	42	289	5	-	376	121063

Notes:

1. 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 : DSP Floating Rate Fund, Birla Bond Index Fund, LIC Short Term Plan, Birla Floating Rate Fund & JM Floater Fund

Open End Balanced : Reliance Banking Fund

Open End Liquid : UTI Liquid Fund

Close End Income : Reliance Fixed Term Scheme

TABLE - 3
REDEMPTION / REPURCHASE DURING THE QUARTER
APRIL - JUNE 2003

(Rs. in crores)

	Open End	Close End	Assured Return	Total
INCOME	28432	210	3	28645
GROWTH	1648	10	-	1658
BALANCED	337	5	-	342
LIQUID/MONEY MARKET	69119	-	-	69119
GILT	1185	-	-	1185
ELSS	37	54	-	91
TOTAL	100758	279	3	101040

TABLE - 4
ASSETS UNDER MANAGEMENT AS ON 30TH JUNE 2003
TYPE AND CATEGORY WISE

(Rs. in crores)

	Open End	Close End	Assured Return	Total
INCOME	61961 36912	757 3931	153 14362	62871 55205
GROWTH	10048 9006	2133 5387	- -	12181 14393
BALANCED	2697 15264	706 218	- -	3403 15482
LIQUID/MONEY MARKET	20139 10138	- -	- -	20139 10138
GILT	4793 3972	- -	- -	4793 3972
ELSS	412 418	963 1095	- -	1375 1513
TOTAL	100050 75710	4559 10631	153 14362	104762 100703

NOTE:

*Figures in **Red** denote amount for corresponding period, last year which include the figures of the erstwhile Unit Trust of India (undivided) and hence not strictly comparable.

ASSETS UNDER MANAGEMENT AS ON JUNE 30, 2003 - MEMBER WISE

TABLE - 5

(Rs. in crores)

Sr. No.	Name of the Asset Management Company	Assets under Management
A	BANK SPONSORED	
1	BOB Asset Management Co. Ltd.	220
2	Canbank Investment Management Services Ltd.	1346
3	PNB Asset Management Co. Ltd.	135
4	SBI Funds Management Ltd.	3951
5	UTI Asset Management Company Pvt. Ltd	16015
	TOTAL A	21667
B	INSTITUTIONS	
1	GIC Asset Management Co. Ltd.	257
2	IL & FS Asset Management Co. Ltd.	1893
3	Jeevan Bima Sahayog Asset Management Co. Ltd.	3354
	TOTAL B	5504
C	PRIVATE SECTOR	
(i)	INDIAN	
1	Benchmark Asset Management Co. Pvt. Ltd.	10
2	Cholamandalam Asset Management Co. Ltd.	1008
3	Escorts Asset Management Ltd.	97
4	J.M. Capital Management Pvt. Ltd.	3454
5	Kotak Mahindra Asset Management Co. Ltd.	3713
6	Reliance Capital Asset Management Ltd.	3866
7	Sundaram Asset Management Company Ltd.	1598
	TOTAL C(i)	13746
(ii)	FOREIGN	
1	Principal Asset Management Co. Ltd	1896
	TOTAL C(ii)	1896
(iii)	JOINT VENTURES - PREDOMINANTLY INDIAN	
1	Birla Sun Life Asset Management Co. Ltd.	7307
2	Credit Capital Asset Management Co. Ltd.	109
3	DSP Merrill Lynch Fund Managers Ltd.	3315
4	First India Asset Management Private Ltd.	149
5	HDFC Asset Management Co. Ltd.	11961
6	Tata TD Waterhouse Asset Management Private Ltd.	1786
	TOTAL C(iii)	24627
(iv)	JOINT VENTURES - PREDOMINANTLY FOREIGN	
1	Alliance Capital Asset Management (India) Pvt. Ltd.	2502
2	Deutsche Asset Management (India) Pvt. Ltd.	1213
3	HSBC Asset Management (India) Private Ltd.	1639
4	ING Investment Management (India) Pvt. Ltd.	867
5	Morgan Stanley Dean Witter Investment Management Pvt. Ltd.	845
6	Prudential ICICI Asset Management Co. Ltd.	12637
7	Standard Chartered Asset Mgmt Co. Pvt. Ltd.	5991
8	Sun F & C Asset Management (India) Pvt. Ltd.	476
9	Templeton Asset Management (India) Pvt. Ltd.	11152
	TOTAL C(iv)	37322
23	TOTAL C (i+ii+iii+iv)	77591
31	TOTAL (A+B+C)	104762

Association of Mutual Funds in India

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