

AMFI

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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 third quarter ending December 2003 witnessed an impressive growth in the net sales as well as in the total assets under management. The industry is on robust growth path.

Our constant endeavor to upgrade the standards and put in place best practices continues. In most areas, the standards of the Indian mutual fund industry match with the best elsewhere and in some we have been able to set new world-class standards. In this context, SEBI plays a pro-active developmental role and with its support and guidance, AMFI has been able to provide inputs to SEBI for its formulation of various policy initiatives. This is an on-going exercise and with the involvement and co-operation of our members, we will continue to play our role in providing support to SEBI in promoting growth of mutual fund industry on healthy lines.

Currently, the industry is passing through a phase of consolidation and we are witnessing some encouraging trends, which would further contribute to the growth of the industry.

Yours

A P Kurian
25.2.2004

SEBI UPDATE

Investments by Mutual Funds in Short Term Deposits of Scheduled Commercial Banks

SEBI/IMD/CIR No. 9/20306/03 - November 12, 2003

With a view to further strengthening the investment norms and enhance transparency in investments by Mutual Funds, SEBI has advised that pending deployment of funds, investments in short term deposits should be reported to the trustees along with the reasons for the investment which, inter alia, would include comparison with the interest rates offered by other scheduled commercial banks.

Minimum Number of Investors in Schemes / Plans of Mutual Funds

SEBI/IMD/CIR No. 10/22701/03 December 12, 2003

SEBI has issued guidelines on minimum number of investors and maximum holding of single investor in existing as well as new schemes / plans of mutual funds.

Unique Client Code for Schemes / Plans of Mutual Funds

SEBI/IMD/CIR No. 01/1756/04 - January 27, 2004

SEBI has advised Mutual Funds to approach BSE or NSE to obtain Unique Client Code (UCC) for each of their existing schemes and plans (the later wherever the portfolio of the plans is different) and compliance of the same be reported to them by stipulated date. Mutual Funds have also been advised to maintain the secrecy of UCC and same should be furnished only to member broker through whom trading is done.

Certification of agents/distributors and employees.

SEBI/IMD/CIR No.2/254/04 - February 4, 2004

As per the above circular, the existing

employees of mutual funds/AMCs who are in sales and marketing, in investor relations, call centres etc are required to pass the AMFI Certification Test by September 30, 2004. SEBI has also granted exemption for existing employees of AMC/Mutual Funds and agent distributors above the age of 50 from the AMFI Certification Test. However they are required to attend a refresher course on mutual funds which would be offered by AMFI and submit a certificate to that effect to their employers by September 30, 2004. After September 30, 2004, mutual funds/AMCs shall engage / employ certified personnel only, for the above mentioned activities.

REVISED MONTHLY CUMULATIVE REPORT (MCR)

SEBI/IMD/CIR No.3/2564/2004 February 5, 2004

SEBI has revised the format of the Monthly Cumulative Report (MCR) to incorporate the disclosure of average assets under management, data on total number of investors in the schemes and data on Fund of Funds schemes. Members are required to submit the MCR in the new format effective from March 2004.

Guidelines for Participation by Mutual Funds in Derivatives Trading

SEBI/IMD/CIR No. 4/2627/ 2004 February 6, 2004

SEBI has issued further clarifications on derivatives trading for hedging and portfolio balancing.

MEETING OF THE COMPLIANCE OFFICERS WITH SEBI

SEBI had organized a meeting of the compliance officers of all the mutual funds on November 24, 2003 and several subjects were discussed.

SEBI ADVISORY COMMITTEE ON MUTUAL FUNDS

The twelfth meeting of the SEBI Advisory Committee on mutual funds, chaired by Shri B.G. Deshmukh was held on December 10, 2003.

MEETING OF THE AMFI BOARD WITH CHAIRMAN, SEBI

The members of the AMFI Board met Shri G.N Bajpai, Chairman, SEBI on January 13, 2004. Besides discussing the present status of the mutual fund industry, a report on standardization of common cut off timing for acceptance of applications by mutual funds was presented.

GENERAL MEMBERSHIP MEETING

A meeting of all the members of AMFI was held on November 11, 2003. Various issues relating to constitution of committee/working groups, registration of intermediaries, hosting of ARN holders' data on AMFI website were considered.

Working groups on the following subjects have been constituted:

- Treatment of fund accounting fees
- Common cut-off time for acceptance of applications
- Transparency in brokerage and cap on the total expenses including advertisement and publicity to the distributors
- Conducting of workshop for compliance officers

The meeting was well attended

A general membership meeting was held on January 28, 2004. Various issues pertaining to the industry were discussed and the members reviewed the status of the industry and discussed general issues.

XVII Annual Assembly of International Investment Funds Associations

A delegation led by Chairman, AMFI comprising of Shri S.K. Mitra of Birla Sun Life Mutual Fund,

Shri Ved Prakash Chaturvedi of Tata Mutual and Shri Vijayan Krishnamurthy of J.M. Mutual attended the XVII Annual Assembly of International Investment Funds Associations at Kuala Lumpur in the second week of October 2003.

Study Tour in UK

In connection with the ADB study on reforms on mutual fund industry in India, Government of India had organized a study tour in U.K. A team consisting of representatives from Government, SEBI and on behalf of the industry, Chairman AMFI undertook the study tour in U.K in the first week of November 2003.

COMMITTEES / WORKING GROUPS

Working Group on Common cut-off time for acceptance of application.

To formulate guidelines on common cut-off time for accepting of applications, AMFI had formed a working group with Shri Alok Vajpeyi of DSP Merrill Lynch Mutual Fund and Shri Krishnamurthy Vijayan as joint convenor. The working group after extensive consultation with the members has given its report which after the approval of the AMFI Board has been presented to SEBI.

Working Group on Treatment of Fund Accounting Fees

The working group headed by Shri Sandeep Dasgupta of Deutsche Mutual Fund has been formed to examine the subject and suggest uniform methodology for treatment of fund accounting fees. The other members are Shri Sanjay Prakash of HSBC Mutual Fund and Shri Clifford D' Souza of Morgan Stanley Mutual Fund.

Working Group on conduct of workshop for Compliance Officers

The working group for organizing a workshop for Compliance Officers has been formed under leadership of Shri N.K. Sharma of IL & FS Mutual Fund.

Meetings & Seminars

Chairman, AMFI was the Guest Speaker at the educational interactive forum called "Mutual Fundas" at Mumbai on November 21, 2003 and at Bangalore on November 22, 2003 jointly conducted by The Times of India and SBI Mutual Fund.

Chairman, AMFI addressed the participants on the topic 'Indian Mutual Funds - An Overview' at Smt. Mithibai Motiram Kundnani College of Commerce & Economics, Mumbai on December 13, 2003.

The 10th Annual Financial Services Conference was organized by Bombay Management Association on January 16 & 17, 2004 at Mumbai. The session on the subject "Mutual Funds-How do you build Investor Confidence" was chaired by AMFI Chairman and papers were presented by Shri Sanjeev Roy, CEO of Birla Sunlife Distribution, Shri Ravi Mehrotra of Templeton and Shri R. Ravimohan of CRISIL.

An informal meeting of Board of AMFI with Ms. Mary Podesta, Counsel and Mr. Bob Grohowski, Associate Counsel of Investment Company Institute (ICI), Washington was held on January 29, 2004 at Mumbai to get an update on the activities of ICI and the current developments in the Mutual Fund Industry in US. Both Ms. Podesta and Mr. Grohowski were in India for meetings with SEBI and others.

Investor Awareness Meeting/Programme

Chairman, AMFI addressed the investors on 'Investing in Mutual Funds - Opportunities & Safeguards' on December 19, 2003 at an investor awareness meeting organized by Canbank Mutual Fund at Chennai.

Chairman, AMFI delivered a lecture to the Directors of the Department of Posts on the topic 'General overview of mutual fund industry - Role of the Department of Posts - Possibilities and Future' on December 17, 2003 at Ghaziabad. He also delivered a lecture on 'Mutual Fund Industry - An overview' for the Directors of the Department of Posts at a workshop on 'Financial Services' on January 7, 2004 at Ghaziabad.

Chairman, AMFI spoke on 'Mutual Funds - an Alternate Investment Avenue' at 'My Money My Life', a seminar organized by The Institute of Chartered Accountants of India and Indore Chartered Accountants' Society on January 9, 2004 at Indore.

As a part of Securities Market Awareness Campaign of SEBI, Saurashtra Kutch Stock Exchange Ltd. had organized a Workshop on "Empowering Investors through Education" at Rajkot on February 8, 2004. Chairman, AMFI spoke on the subject "Mutual Fund-an overview"

Mutual Fund Industry Data

Third quarter October - December 2003

The third quarter data are presented in tables 1 to 6

- Eleven new schemes launched in the quarter collected Rs.2,792 crores of which Rs.2,750 crores were from income schemes, Rs.10 crores from liquid schemes and Rs.32 crores were from gilt schemes.
- Sales were at Rs.1,61,033 crores, up by 169% over corresponding quarter last year.
- Redemptions also went up by 174% to Rs.1,48,064 crores from Rs. 78,982 crores a year ago.
- On a net basis, thus there was an inflow of Rs. 12,969 crores during the quarter as against Rs. 9,775 crores in the corresponding quarter last year.
- The Assets under management stood at Rs.1,40,093 crores as on December 31, 2003.
- Table - 5 gives data on sales, redemption and assets under management of Fund of Funds schemes.
- Table - 6 gives data on Assets under Management for each of the Asset Management Companies.

MUTUAL FUND DATA FOR THE THIRD QUARTER OCTOBER - DECEMBER 2003

TABLE - 1

(Rs. in crores)

| Category | No. Of Schemes Launched | Sales - All Schemes | | | | Redemptions All Schemes | | Total Assets Under Mgmt. As on 31.12.2003 |
|---|-------------------------|---------------------|-----------------------|------------------------|----------------------------|-------------------------|----------------------------|---|
| | 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 Bank Sponsored (5) | 2 | 341 | 10258 | 10599 6016 | 28603 12018 | 10587 6349 | 26881 18255 | 26425 51452 |
| B Institutions (3) | 1 | 107 | 5507 | 5614 5438 | 14998 11815 | 5060 3937 | 12559 9522 | 6979 6840 |
| C Private Sector | | | | | | | | |
| I Indian (8) | 3 | 1048 | 41429 | 42477 22315 | 104306 51102 | 39813 19440 | 94221 47036 | 20484 10058 |
| II Foreign (1) | - | - | 5832 | 5832 - | 14172 - | 5052 - | 12631 - | 3422 - |
| III Joint Ventures - Predominantly Indian (5) | 2 | 1164 | 36283 | 37447 21179 | 101783 52023 | 33674 18329 | 89417 45999 | 32746 18971 |
| IV Joint Ventures - Predominantly Foreign (9) | 3 | 132 | 58932 | 59064 33809 | 158508 86651 | 53878 30927 | 140346 77378 | 50037 35279 |
| Total(I+II+III+IV) | 8 | 2344 | 142476 | 144820 77303 | 378769 189776 | 132417 68696 | 336615 170413 | 106689 64308 |
| Grand Total (A+B+C) | 11 | 2792 | 158241 | 161033 88757 | 422370 213609 | 148064 78982 | 376055 198190 | 140093 122600 |

Notes:

- 1 Figures in brackets denote number of funds.
- 2 Data is provisional & hence subject to revision.
- 3 * Figures in **RED** denote figures for corresponding period of last year which includes the figures of the erstwhile Unit Trust of India (undivided) and hence not strictly comparable.

SALES DURING THE QUARTER OCT - DEC 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 | 9 | 2750 | - | - | - | - | 9 | 2750 |
| Growth | - | - | - | - | - | - | - | - |
| Balanced | - | - | - | - | - | - | - | - |
| Liquid/Money Market | 1 | 10 | - | - | - | - | 1 | 10 |
| Gilt | 1 | 32 | - | - | - | - | 1 | 32 |
| ELSS | - | - | - | - | - | - | - | - |
| Total | 11 | 2792 | - | - | - | - | 11 | 2792 |

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 | 105 | 47344 | 11 | [^] 155 | 3 | - | 119 | 47499 |
| Growth | 118 | 8687 | 3 | - | - | - | 121 | 8687 |
| Balanced | 35 | 920 | 2 | - | - | - | 37 | 920 |
| Liquid/Money Market | 32 | 97266 | - | - | - | - | 32 | 97266 |
| Gilt | 30 | 3861 | - | - | - | - | 30 | 3861 |
| ELSS | 19 | 8 | 24 | - | - | - | 43 | 8 |
| Total | 339 | 158086 | 40 | 155 | 3 | - | 382 | 158241 |

[^] Amount mobilised by new plans launched under existing schemes.

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 | 114 | 50094 | 11 | 155 | 3 | - | 128 | 50249 |
| Growth | 118 | 8687 | 3 | - | - | - | 121 | 8687 |
| Balanced | 35 | 920 | 2 | - | - | - | 37 | 920 |
| Liquid/Money Market | 33 | 97276 | - | - | - | - | 33 | 97276 |
| Gilt | 31 | 3893 | - | - | - | - | 31 | 3893 |
| ELSS | 19 | 8 | 24 | - | - | - | 43 | 8 |
| Total | 350 | 160878 | 40 | 155 | 3 | - | 393 | 161033 |

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 : SBI Magnum Income Plus Fund, Deutsche Dynamic Bond Fund, SBI Magnum Institutional Income Fund, IL&FS Monthly Income Plan, Kotak Mahindra Dynamic Income Scheme, Kotak Mahindra Income Plus Scheme, Reliance Monthly Income Fund, HDFC Monthly Income Plan & Tata Floating Rate Fund

Open End Liquid : Deutsche Floating Rate Fund

Open End Gilt : HSBC Gilt Fund

TABLE - 3
REDEMPTION / REPURCHASE DURING THE QUARTER
OCTOBER - DECEMBER 2003

(Rs. in crores)

| | Open End | Close End | Assured Return | Total |
|---------------------|---------------|------------|----------------|---------------|
| INCOME | 46928 | 110 | 1 | 47039 |
| GROWTH | 6486 | 22 | - | 6508 |
| BALANCED | 741 | 3 | - | 744 |
| LIQUID/MONEY MARKET | 89275 | - | - | 89275 |
| GILT | 4281 | - | - | 4281 |
| ELSS | 74 | 143 | - | 217 |
| TOTAL | 147785 | 278 | 1 | 148064 |

TABLE - 4
ASSETS UNDER MANAGEMENT AS ON 31ST DECEMBER 2003
TYPE AND CATEGORY WISE

(Rs. in crores)

| | Open End | Close End | Assured Return | Total |
|---------------------|-------------------------------|-----------------------------|----------------------------|--------------------------------|
| INCOME | 70781 59708 | 369 4313 | 108 13448 | 71258 77469 |
| GROWTH | 21402 8729 | 1536 5642 | - - | 22938 14371 |
| BALANCED | 3858 13718 | 805 446 | - - | 4663 14164 |
| LIQUID/MONEY MARKET | 32424 10801 | - - | - - | 32424 10801 |
| GILT | 6917 4316 | - - | - - | 6917 4316 |
| ELSS | 582 423 | 1311 1056 | - - | 1893 1479 |
| TOTAL | 135964 97695 | 4021 11457 | 108 13448 | 140093 122600 |

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

TABLE - 5
DATA ON FUND OF FUNDS - DECEMBER 2003

(Rs. in crores)

| | No. Of Schemes | Sales | Redemption | Assets under Management as on 31.12.2003 |
|---------------|----------------|-------|------------|--|
| Fund of Funds | 3 | 676 | 75 | 645 |

*Note: Fund of Funds is a scheme wherein the assets are invested in the existing schemes of mutual funds and hence, the figures indicated herein are included in tables 1 to 4 and 6.

ASSETS UNDER MANAGEMENT AS ON DECEMBER 31, 2003 - MEMBER WISE

TABLE - 6

(Rs. in crores)

| Sr. No. | Name of the Asset Management Company | Assets under Management |
|----------------|---|--------------------------------|
| A | BANK SPONSORED | |
| 1 | BOB Asset Management Co. Ltd. | 330 |
| 2 | Canbank Investment Management Services Ltd. | 1742 |
| 3 | PNB Asset Management Co. Ltd. | 152 |
| 4 | SBI Funds Management Ltd. | 5142 |
| 5 | UTI Asset Management Company Pvt. Ltd | 19059 |
| | TOTAL A | 26425 |
| B | INSTITUTIONS | |
| 1 | GIC Asset Management Co. Ltd. | 302 |
| 2 | IL & FS Asset Management Co. Ltd. | 2429 |
| 3 | Jeevan Bima Sahayog Asset Management Co. Ltd. | 4248 |
| | TOTAL B | 6979 |
| C | PRIVATE SECTOR | |
| (i) | INDIAN | |
| 1 | Benchmark Asset Management Co. Pvt. Ltd. | 50 |
| 2 | Cholamandalam Asset Management Co. Ltd. | 1141 |
| 3 | Escorts Asset Management Ltd. | 123 |
| 4 | First India Asset Management Private Ltd. | 348 |
| 5 | J.M. Capital Management Pvt. Ltd. | 4273 |
| 6 | Kotak Mahindra Asset Management Co. Ltd. | 5186 |
| 7 | Reliance Capital Asset Management Ltd. | 6808 |
| 8 | Sundaram Asset Management Company Ltd. | 2555 |
| | TOTAL C(i) | 20484 |
| (ii) | FOREIGN | |
| 1 | Principal Asset Management Co.Pvt. Ltd | 3422 |
| | TOTAL C(ii) | 3422 |
| (iii) | JOINT VENTURES - PREDOMINANTLY INDIAN | |
| 1 | Birla Sun Life Asset Management Co. Ltd. | 9115 |
| 2 | Credit Capital Asset Management Co. Ltd. | 170 |
| 3 | DSP Merrill Lynch Fund Managers Ltd. | 4817 |
| 4 | HDFC Asset Management Co. Ltd. | 14758 |
| 5 | Tata TD Asset Management Private Ltd. | 3886 |
| | TOTAL C(iii) | 32746 |
| (iv) | JOINT VENTURES - PREDOMINANTLY FOREIGN | |
| 1 | Alliance Capital Asset Management (India) Pvt. Ltd. | 2287 |
| 2 | Deutsche Asset Management (India) Pvt. Ltd. | 2326 |
| 3 | HSBC Asset Management (India) Private Ltd. | 3576 |
| 4 | ING Investment Management (India) Pvt. Ltd. | 1343 |
| 5 | Morgan Stanley Investment Management Pvt. Ltd. | 1386 |
| 6 | Prudential ICICI Asset Management Co. Ltd. | 15829 |
| 7 | Standard Chartered Asset Mgmt Co. Pvt. Ltd. | 7984 |
| 8 | Sun F & C Asset Management (India) Pvt. Ltd. | 241 |
| 9 | Templeton Asset Management (India) Pvt. Ltd. | 15065 |
| | TOTAL C(iv) | 50037 |
| 23 | TOTAL C (i+ii+iii+iv) | 106689 |
| 31 | TOTAL (A+B+C) | 140093 |

Association of Mutual Funds in India

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