

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

It is never too late to begin anything new, anything useful and of value to others. It has been in our agenda to bring out a news bulletin periodically for the benefit of our members. We waited all these days just to compile some essential data on mutual funds which we thought will be of value to our members. This exercise of collecting data from our members has really been an arduous one; well, I am indeed happy that all our members have co-operated.

Many a time I have been asked by members and others about the size of our industry, its growth, the number of schemes launched, the amount mobilised etc. and all the time, I on behalf of AMFI had to be apologetic, saying we don't have the data and then refer them to other sources. I am sure this will be the experience of others too. As a trade body we should be able to convey to others the correct figures relating at least to certain minimum variables such as schemes launched, amount mobilised, redemptions, assets under management etc, and AMFI should be the primary source, to provide this data on a periodic basis. We believe this is a felt need and an urgent need. We are making a beginning in the direction of fulfilling this need.

AMFI presents the mutual fund data for the year 1997-98 and for the first quarter April-June 1998 of the current fiscal. We have not attempted any comparison with previous years, for the simple reason that the data culled out from other sources reveal several discrepancies. We shall endeavour to build the data in due course from say, 93-94 so that AMFI can provide a time series since the opening up of the mutual fund industry to the private sector. In the compilation of the data, I have received good support from Dr. Sadhak of LIC Mutual and Mr.Hemant Rastogi, now of ING.

This is our first issue and we have confined it to AMFI's news and developments, in addition to presenting mutual fund data. As we go along we shall endeavour to cover more information relating to the mutual fund industry.

I would make a request here that if any member would like any information/data to be shared with others, please do let us know, we shall put out the same in our update. Also you are most welcome to give your views and suggestions on the data, its presentation as well as on the content and layout of this news bulletin.

Only with the encouragement, support and involvement of our members we can go forward with success and credibility-Let's help each other.

Yours,

A.P. Kurian.

SEBI UPDATE — A GROWING PARTNERSHIP

Regular Meeting with SEBI

Our suggestion to have a formal meeting with SEBI on a regular basis has been welcomed by Mr.D.R. Mehta, Chairman, SEBI.

The first formal meeting between the AMFI board members and SEBI was held on August 12, 1998, and the members had detailed discussions with Mr.Ashok Kacker - Executive Director, and his team. We have provided AMFI policy notes on the following subjects :

- Definition of Associate
- Investment in the securities issued by way of

private placement by group companies of the sponsor.

- AMC investing in its Mutual Fund schemes.
- ### Refinement of abridged Standard Offer Document (SOD).

A three member group consisting of the AMFI Chairman, Mr.K.N. Atmaramani of Tata Mutual, and Mr. Niamatullah of SBI Mutual had a long sitting with the Division Chief of SEBI and made further editing and refinement of abridged SOD.

AMFI has also shared with the SEBI Chairman a paper giving its suggestion on Tax Matters.

COMMITTEES UPDATE — A JOINT EFFORT

Committee on Voting Policy and Procedure.

The report given by the committee headed by Mr.Niamatullah was circulated to the members for their views and comments. In the light of the comments received from them, the Committee finalised its report which was approved by the Board and forwarded to SEBI.

Committee on Trading in Derivative Instruments.

SEBI has formulated certain guidelines for trading in derivative instruments. Since the concepts involved were new to the Indian financial market, international practices and procedures were required to be considered. The Board, therefore, constituted a committee under the chairmanship of Mr.S. K.Mitra of Birla Mutual. The Committee's report was circulated to all members of AMFI for their views. The Report has since been presented to SEBI.

Committee on Advertising Norms

A Committee under the Chairmanship of Mr.V.R. Deshpande of 20th Century Mutual has been constituted to recommend suitable norms and performance measurements common across the Industry. This Committee will come out with its initial recommendations soon.

Committee on SEBI Guidelines on Stock Lending

The Guidelines framed by SEBI on the Stock Lending scheme were received by AMFI for its views and comments. To assist our members to appreciate the concept and to evolve appropriate procedures, operational features, accounting and disclosure it is proposed to hold a workshop on the subject. A committee for the same under the

Chairmanship of Dr. Thiripal Raju, UTI-ICM, is working out the details.

Investor Awareness Committee (IAC)

On the basis of the recommendations of the IAC, the following initiatives have been taken.

A video film on Mutual Fund is being produced; copies will be supplied to the members who may use the same when they hold Conferences, Agents meetings etc.

A Training programme for agents is being developed. An expert is working out a manual with charts, graphics and speaker notes and we have taken an experienced executive to organise and conduct the programme. We would need the involvement of our members in conducting the training sessions.

We still have some quantity of our Investor's Guide. Members are requested to make use of them.

Committee on Non-Performing Assets (NPA)

In order to evolve suitable guidelines to recognise the NPAs in Mutual Funds, provisioning the same and their disclosures, a Committee has been formed with Mr.Niamatullah as the Chairman.

Committee on Self-Regulatory Organisation (SRO)

From many platforms, we hear the suggestion that AMFI should be an SRO for Mutual Funds. It is not that simple a proposition; there are different dimensions to this. We should know the experiences in other countries also. We need to understand the implications before we take a view. In keeping with AMFI's style of working, a Committee headed by Mr.K.N. Vaidyanathan, of Morgan Stanley, is studying the matter.

Review of the SEBI (Substantial Acquisition of Shares and Take-overs) Regulations.

SEBI (Substantial Acquisition of Shares and Take-overs) Regulations were circulated to the members and on the basis of the comments received, a paper was presented to SEBI.

P.K. Kaul Committee

The comments received from members on the P.K. Kaul Committee were examined by a Review Committee headed by Mr. U.R. Bhat, of Jardine Fleming. The comments as approved by the Board were presented to SEBI. AMFI's Chairman attended the meeting of the Trustees organised by SEBI Chairman.

VALUATION OF SECURITIES UPDATE — ON THE LAUNCHING PAD.

Valuation of Non-Traded Debt Securities

The Valuation Committee, headed by Mr.S.V. Prasad, now with 20th Century has presented its final report on Valuation Policy for Non-Traded Debt Securities. This report incorporates the suggestions that emanated from the workshop on the earlier report conducted by AMFI and attended by almost all Mutual Fund representatives. The Committee was mandated to select a benchmark and evolve methodology for valuation of Non-Traded Debt Securities on Yield To Maturity (YTM) basis as required by SEBI Regulations. The Valuation Process will identify a suitable and comparable base of securities to compute a benchmark YTM and a methodology to build a matrix of spread over the benchmark rate.

Implementation and operationalisation of the policy requires building up the benchmark ratings and spread matrices as suggested by the

Committee. This will require an extensive database and a suitable software solution. Instead of each mutual fund developing or sourcing it, AMFI Board has commissioned CRISIL to develop a Bond Valuation Software package. The expenditure for developing this package will be met by AMFI. This package will be supplied to each mutual fund who will be requested to run it parallel with its existing system for a period of one month. Thereafter, the Valuation Committee will review and iron out any differences and firm up the date for introducing the new policy by all mutual funds. We expect the package from CRISIL by middle of October.

Valuation of Thinly Traded and Non-Traded Equities.

This is another area of concern. The Valuation Committee will now take up this work through a working group.

INITIATIVES UPDATE

Notifying mutual funds as eligible institutions under Recovery of Debts Due to Banks and Financial Institutions Act 1993.

On the suggestion of some of the members, AMFI had taken up with the SEBI and Government, the question of notifying mutual funds as approved institutions like banks under the Act. We understand that the Review Committee set up by the Reserve Bank of India has endorsed our recommendation to include Mutual Funds also.

Admission of Members

The following Asset management companies were admitted as members of AMFI during the period.

- i) Sundaram Newton Asset Management Co. Ltd.
- ii) Kotak Mahindra Asset Management Co. Ltd.

With this our membership is now thirty three.

AMFI Web-site

AMFI's website was inaugurated by Mr.D.R. Mehta-Chairman SEBI on 10th July, 1998. The web-site address is <http://www.amfiindia.com>. We are receiving good number of queries. During

August, 1998 around 500 people accessed our web-site, 58% from India, 38% from US and the rest from other countries. The web-site gives details of members who have supplied the same to AMFI. Those who have not yet furnished the details are requested to provide the same on a floppy.

AMFI Chat Show

Between 11th and 25th September, 1998, AMFI had launched a Chat Show on Indian Mutual Funds. All queries on Indian Mutual Funds received during this period were replied by the Chairman. The responses were very encouraging. We have received 65 queries, a good number from NRIs on a variety of subjects. All the queries have been replied to almost on a daily basis.

AMFI E-mail

We have obtained an internet connection and are now corresponding with members using this facility. The E-mail address is amfi@bom5.vsnl.net.in. Members are requested to send the daily NAV through E-mail in the prescribed format.

Publication of Quarterly Results of Listed Mutual Funds-Amended Clause 41 of Listing Agreement.

AMFI initiated a dialogue with SEBI followed by a memorandum to exempt listed mutual funds from

the amended clause 41 of the Listing Agreement. We are indeed grateful to SEBI to have appreciated our point of view in this regard and issued a circular on September 17, 1998 making the amended clause not applicable to Mutual Funds.

AMFIS ORGANISATIONAL SET UP UPDATE

Appointment of Executive Chairman

In view of the increasing activities of AMFI, it was felt by the Board that there is a need for appointing a senior, well experienced person as the Chief Executive of the Association so that he can devote full time to AMFI's work. The Board decided to appoint Mr. A.P. Kurian as the Executive Chairman in view of his background and vast experience in the mutual fund industry, effective from July 1, 1998.

Organisational support for AMFI's work

The need for professional support to carry on with AMFI's work is well recognised. Mr.R.N.K. Prasad, an experienced professional has been taken as a consultant on retainer basis for a period of 6 months. He is the member-secretary of NPA committee and valuation committee.

In order to organise and conduct training programmes for intermediaries, we have taken on

a retainer basis, initially for a period of 6 months Mr.V.S. Sreenivasan, who has several years of field experience in agency training and development in the mutual fund industry.

Co-option of additional Director

The Board considered the question of expanding its composition, to have wider representation. Accordingly, Mr. K.V. Hegde, Managing Director-Canbank Investment Mgmt. Services Ltd. was co-opted as a Director.

Honorary Consultant

AMFI has invited Mr.Ajay K. Kakar, Vice President and Division Head, Ogilvy & Mather, Financial & Business Communications, as Consultant to AMFI, on Marketing & Communications. His rich understanding of the mutual fund industry, coupled with his passion, will help AMFI's future initiatives on Investor education and Communication programmes

NEWS UPDATE

AMFI co-sponsored with UTI-ICM, the Annual Conference of Mutual Funds held on July 20, 21, 1998.

AMFI Chairman met all the Madras based mutual funds, and followed it up with a press conference.

AMFI representatives participate regularly in the meeting of following SEBI Committees:

- G.P. Gupta Committee on Market Making Represented by Chairman and Mr.K.N. Atmaramani.
- Working Group on Dematerialisation Represented by Chairman
- Committee on Collective Investment Schemes Represented by Chairman.

MUTUAL FUND INDUSTRY DATA

Based on Annual Statistical Report (ASR) and Monthly Statistical Report (MSTAT) called for from individual mutual funds, AMFI has attempted to present a brief analysis of the mutual fund industry data. We have taken two time periods - fiscal 97-98 and the first quarter of the current 98-99. Mutual Funds have been classified into 6 categories :

Unit Trust of India, Bank Sponsored, Institutions Sponsored, Private Sector - Indian, Joint Ventures

- Predominantly Indian, Joint Ventures - Predominantly Foreign.

The variables chosen for presentation are sales, redemption and total net asset under management. Data in respect of sales as well as redemption are also presented type and category wise. The net asset under management however is a consolidated figure as its classification was not available.

The data may be treated as provisional as we are in the process of reconciling some inconsistencies.

MUTUAL FUND INDUSTRY DATA FOR 1997-98

TABLE 1 - SALES, REDEMPTIONS AND NET ASSETS. ALL MUTUAL FUNDS.

Rs. in crores

	Name of Mutual Fund	New Schemes Launched During the Year		Existing Schemes		Total During the Year 1997-98		Redemption / Repurchase During the year	Total Net Assets Under Mgmt as on 31.3.98
		No. of Schemes	Sales	No. of schemes	Sales	No. of Schemes	Sales		
A	Unit Trust of India	12	8,261	57	5,487	69	13,748	10,080	57,554
B	Bank Sponsered (6)	2	114	54	16	56	130	1,120	4,872
C	Institutions (3)	5	81	32	67	37	148	383	2,472
D	Private Sector								
I	Indian (6)	6	2,917	16	115	22	3,032	2,640	1,031
II	Joint Ventures - Predominantly Indian (7)	13	778	20	534	33	1,312	822	1,583
III	Joint ventures - Predominantly Foreign (8)	5	128	13	203	18	331	182	1,472
	Total(I+II+III)	24	3,823	49	852	73	4,675	3,644	4,086
	Grand total (A+B+C+D)	43	12,279	192	6,422	235	18,701	15,227	68,984

Note: 1. Net Assets of Unit Trust of India at Book Value. For others at Market Value. 2. Figures in brackets denote number of Mutual Funds

TABLE 2 - SALES DURING 1997-98 : TYPE AND CATEGORY WISE ANALYSIS - ALL MUTUAL FUNDS.

2.1 New Schemes Launched

Rs. in Crores

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	13	3,415	2	81	10	8,222	25	11,718
Growth Schemes	9	84	4	453	0	0	13	537
Balanced Schemes	1	0	0	0	0	0	1	—
ELSS	0	0	4	24	0	0	4	24
Total	23	3,499	10	558	10	8,222	43	12,279

2.2 Existing Schemes

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	12	1,050	12	0	35	11	59	1,061
Growth Schemes	19	456	40	194	2	0	61	650
Balanced Schemes	9	4,711	9	0	0	0	18	4,711
ELSS	0	0	54	0	0	0	54	0
Total	40	6,217	115	194	37	11	192	6,422

2.3 Total of all Schemes

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	25	4,465	14	81	45	8233	84	12,779
Growth Schemes	28	540	44	647	2	0	74	1,187
Balanced Schemes	10	4711	9	0	0	0	19	4,711
ELSS	0	0	58	24	0	0	58	24
Total	63	9,716	125	752	47	8233	235	18,701

TABLE 3 - REDEMPTIONS/REPURCHASES DURING THE YEAR.

Rs. in Crores

	Open-end	Closed end	Assured Returns	Total
Income Schemes	3,615	5,232	493	9,340
Growth Schemes	1,006	1,022	—	2,028
Balanced Schemes	3,008	140	—	3,148
ELSS	—	711	—	711
Total	7,629	7,105	493	15,227

MUTUAL FUND DATA FOR THE QUARTER APRIL - JUNE, 1998

TABLE 4 - SALES, REDEMPTIONS AND NET ASSETS.

Rs. in Crores

	Name of Mutual Fund	No. of Schemes Launched During the Qtr.	Sales of the New Schemes	Sales During the Qtr. from Existing Schemes	Total No. of Schemes as on 30.6.98	Total Sales for the Qtr.	Redemption / Repurchase During the Qtr.	Total Net Assets Under Mgmt. as on 30.6.98
A	Unit trust of india	7	1,255	906	76	2,161	977	58,749
B	Bank sponsored (6)	1	114	0	57	114	238	4,547
C	Institutions (3)	1	179	13	38	192	66	2,070
D	Private sector							
I	Indian (6)	1	2	925	23	927	1039	832
II	Joint ventures - Predominantly Indian (7)	2	110	413	26	523	361	1,758
III	Joint ventures - Predominantly Foreign (8)	5	75	83	32	158	68	1,643
	Total(I+II+III)	8	187	1421	81	1608	1,468	4,233
	Grand total (A+B+C+D)	17	1,735	2,340	252	4,075	2,749	69,599

TABLE 5 - SALES DURING FIRST QUARTER - APRIL - JUNE 1998 : TYPE AND CATEGORY WISE ANALYSIS - ALL MUTUAL FUNDS.

Rs. in crores

5.1 New Schemes Launched

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	6	77	3	350	1	763	10	1,190
Growth Schemes	3	0	3	435	0	0	6	435
Balanced Schemes	1	110	0	0	0	0	1	110
ELSS	0	0	0	0	0	0	0	0
Total	10	187	6	785	1	763	17	1,735

5.2 Existing Schemes

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	25	2,251	14	0	45	0	84	2,251
Growth Schemes	28	75	44	0	2	0	74	75
Balanced Schemes	10	14	9	0	0	0	19	14
ELSS	0	0	58	0	0	0	58	0
Total	63	2,340	125	0	47	0	235	2,340

5.3 Total of all Schemes

	Open Ended		Closed End		Assured Returns		Total	
	No. of schemes	Sales	No. of Schemes	Sales	No. of schemes	Sales	No. of schemes	Sales
Income Schemes	31	2,328	17	350	46	763	94	3,441
Growth Schemes	31	75	47	435	2	0	80	510
Balanced Schemes	11	124	9	0	0	0	20	124
ELSS	0	0	58	0	0	0	58	0
Total	73	2,527	131	785	48	763	252	4,075

TABLE 6 - REDEMPTIONS/REPURCHASES FOR QUARTER APRIL - JUNE 1998.

Rs. in crores

	Open-end	Closed end	Assured Returns	Total
Income Schemes	1,883	53	22	1,958
Growth Schemes	294	296	0	590
Balanced Schemes	22	9	0	31
ELSS	0	170	0	170
Total	2,199	528	22	2,749

Number of Schemes redeemed not available.