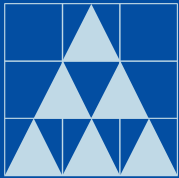


AMFI



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UPDATE

A Newsletter of The Association of Mutual Funds in India

July - September 2005 Vol : V Issue : II

FROM THE CHAIRMAN'S DESK

The Annual International Investment Funds Association (IIFA) Meet was held in Washington DC in the mid week of October, attended by 34 countries. Emphasizing the keyrole that investment fund plays in serving the interest of investors, the IIFA adopted the following four guiding principles:

- Investment funds should be operated at all times in the interest of their investors.
- Investors in investment funds should be provided with the information needed for informed investment decisions.
- The process by which investment funds are sold by intermediaries should be transparent and have as its goal the provision of suitable advice.
- Investment funds should be able to compete in the marketplace on a level playing field with other savings and investment products.

These principles underscore the view that in our business, the interest of and benefits to the investors are paramount. The Indian mutual fund industry fully endorses these principles.

Sitting through the various sessions and participating in the discussions on different topics, what I felt was a great sense of satisfaction and elation that the Indian mutual fund industry matches with the best in terms of regulatory framework, standards, systems and practices. In some areas, we are indeed ahead of others. While we could legitimately be happy about this, let us not forget that we do have areas of concern. It is our responsibility to identify these areas and formulate our responses constructively and cohesively. This is exactly what AMFI is endeavoring to do with the support and active involvement of all our members.

Yours truly,

A handwritten signature in black ink, appearing to read 'A.P. Kurian', with a horizontal line underneath.

A.P.Kurian

Chairman

November 21, 2005

SEBI UPDATE

Circulars issued by SEBI.

Unique Client Code (UCC) for Mutual Fund Schemes / Plans

Circular number SEBI/IMD/CIR No. 2/46603/05 dated August 10, 2005.

SEBI has vide the above referred circular, clarified that in order to facilitate unit holders to claim tax benefit associated with payment of Securities Transactions Tax (STT), it has been decided to allow mutual funds to share the Unique Client Code (UCC) of their schemes / plans with their unit holders.

Trading by Mutual Funds in Exchange Traded Derivatives Contracts

Circular number DNPD/Cir-29/2005 dated September 14, 2005.

SEBI has vide the above circular, permitted Mutual Funds to trade in Exchange Traded Derivatives Contracts. The circular lays down guidelines to be followed in this regard.

Investment in ADRs / GDRs / foreign securities by Mutual Funds.

Circular number SEBI/IMD/CIR No. 3/50241/05 dated September 26, 2005.

SEBI vide the above circular clarified that in mutual fund schemes, where disclosure pertaining to investment in ADRs / GDRs / foreign securities has not been made in the offer document, then in such cases prior to investment in ADRs / GDRs / foreign securities for the first time, the AMC shall ensure that a written communication about the proposed investment is sent to each unit holder and an advertisement is given in one English daily newspaper published in the language of the region where the Head Office of the Mutual fund is situated. The communication shall also disclose the risk factors associated with such investments. This provision, however, does not apply to existing mutual fund schemes where relevant disclosure regarding investing in these securities has already been made.

Members are requested to take note of the above circulars for due compliance.

ANNUAL GENERAL MEETING

The 10th Annual General Meeting of AMFI members was held on September 24, 2005 at

the Taj President, Mumbai. The meeting was attended by 27 out of 30 members.

Following the tradition set by AMFI, soon after the Annual General Meeting, Mr. M Damodaran, Chairman SEBI addressed the members. This was followed by an interactive session of the members, with Chairman SEBI. Mr. G Madhukar, wholetime member SEBI and Mr. S C Das, Executive Director, SEBI were also present.

GENERAL MEMBERSHIP MEETING

A General Membership meeting of AMFI Members was held on August 19, 2005 to discuss various issues including adoption of uniform settlement date for redemption and treating Saturday as a non-business day in the Industry.

COMMITTEES / WORKING GROUPS

NEW COMMITTEES AND WORKING GROUPS

Committee on Tied Agency and related matters:

A committee has been constituted to look into the need and implications of having Tied Agency. Mr. Rajiv Shastri of Sahara is the Chairman of the committee. The other members are Mr. Akshay Gupta of Prudential ICICI, Mr. Balaji Vaidyanathan of Birla Sunlife, Mr. Manesh Thakur of Principal and Mr. Vijay Venkatram of Fidelity.

Committee on Infrastructure Support Function for Mutual Funds:

A committee has been constituted to look into the Infrastructure Support function for Mutual Funds under the Chairmanship of Mr. Sanjay Sachdev of Principal. The other members are Mr. A K Sridhar of UTI, Mr. Amitabh Chaturvedi of Reliance, Mr. Ashok Suvarna of Prudential ICICI, Ms. Ashu Suyash of Fidelity, Mr. Milind Barve of HDFC, Mr. Ravi Mehrotra of Franklin Templeton and Mr. Ved Prakash Chaturvedi of Tata.

Working group on Corporate Account Opening and Documentation and compliance issues relating to Prevention of Money Laundering Act 2005 :

A working group has been constituted with Mr. Venkatesh Iyer of HSBC as Convener and Mr. Ashok Suvarna of Prudential ICICI, Mr. Hemang Bakshi of Fidelity, Mr. John Mathews

of HDFC, Ms. Kashmira Mathew of HSBC, Ms. Pranita Gramopadhye and Mr. Sanjay Sapre of Templeton, Mr. Phanindranath Kakarla of ING and Mr. S C Dikshit of UTI as members. The group was constituted to study the compliance issues involved and formulate appropriate procedural formalities to conform to the notification issued under the Act. The report of the committee has since been submitted to SEBI.

Working group on Guidelines for Implementation of SEBI circular on the 20/25 rule :

A working group has been constituted to formulate the methodology for calculating the breach of the 25% limit under the 20/25 rule, with Mr. Vivek Pai of Templeton as the convener. The guidelines have since been issued as AMFI best practices guidelines.

Working group on Trading by Mutual Funds in Exchange Traded Derivatives Contracts :

A working group has been constituted to study the SEBI circular on Trading by Mutual Funds in Exchange Traded Derivatives Contracts and make appropriate recommendations to SEBI on the same. Mr. Pankaj Razdan of Prudential ICICI is the Convener, with Mr. Sandesh Kirkire of Kotak and Mr. Sanjiv Shah of Benchmark as members. Mr. Nilesh Shah of Prudential ICICI is the co-ordinator. AMFI's recommendations in this regard has since been submitted to SEBI.

Working group on Dividend Reinvestment and SIP Statement :

A working group has been constituted to suggest a uniform practice to allot units under the dividend reinvestment option. The group will also study the feasibility for reducing the frequency of issuance of statement of account under the SIP, considering the current regulatory requirements and international practices. Mr. Suresh Babu of HDFC is the convener of the group. The other members are Mr. B Kini of Reliance, Mr. Harish Kukreja of JM, Mr. R Ramchandran Krishnan of Kotak and Mr. Ramamurthy Rajagopal of DSP.

Working group to examine the PFRDA (Registration of Intermediaries Regulation):

A working group has been constituted to examine the PFRDA (Registration of Intermediaries Regulation) and present its recommendation to the Pension Fund Regulatory Development Authority (PFRDA). Mr. Hitungshu Debnath of HDFC is the convener, Mr. Raghvendra Nath of Birla and Mr. Ashokh Bhargav of Principal were

its members. The group has given its observations and suggestions which have since been presented to PFRDA.

AMFI ON OTHER COMMITTEES

Chairman AMFI attended the 23rd meeting of the RBI Technical Advisory Committee (TAC) on Money, Forex and Government Securities Markets on September 23, 2005.

Chairman AMFI attended the meeting of the Committee on Gold Exchange Traded Funds (GETFs) on September 6, 2005. The Committee has since submitted the report to SEBI.

INVESTOR AWARENESS PROGRAMME

Chairman AMFI delivered the keynote address at the Investor Awareness Programme at Calicut on September 12, 2005. This meet was conducted jointly by AMFI and the Investors Club of Calicut.

During the quarter the members have conducted around 450 investor awareness programmes at about 85 locations.

CONFERENCES AND SEMINARS

Chairman AMFI addressed the delegates at the Annual conference of the Birla Sun Life Distribution Co. Ltd. held at Goa on August 25, 2005.

Chairman AMFI participated in the interactive meeting under Investors Education and Protection Fund (IEPF) convened by Secretary, Ministry of Company Affairs on August 27, 2005 at the Indian Institute of Capital Markets, Navi Mumbai.

Chairman AMFI addressed the participants at a conference on 'India's Capital Market: Challenges and Prospects - New Benchmarks' organized by the Indian Chamber of Commerce, Calcutta at Hotel Taj Bengal on September 8, 2005 and spoke on 'Role of Mutual Funds: for widening the markets'. Mr. A K Sridhar of UTI MF and Mr. Ved Prakash Chaturvedi of Tata MF also addressed the participants.

Mr. Stefan Bichsel President of European Fund and Asset Management Association (EFAMA) along with Mr. Paul Vrancken and Mr. Robert Oskam of Robeco met with Mr. Milind Barve of HDFC Mutual Fund on September 2, 2005.

Chairman AMFI attended the 7th Annual Pensions Policy and Business Consultation organized jointly by Invest India Economic Foundation,

Department of Economic Affairs and PFRDA held at New Delhi on September 27-28, 2005. Mr. S V Prasad of Birla Sun Life MF, Mr. Sanjay Prakash of HSBC MF and Mr. Sanjay Sachdev of Principal PNB MF participated in the deliberations.

Chairman AMFI addressed a gathering organized by the Ladies' Wing of Indian Merchants' Chamber Mumbai, on September 28, 2005 on "Mutual Funds – Opportunities as Advisors".

Chairman AMFI addressed the Officers of the Postal Staff College India at Ghaziabad on October 4, 2005 during their workshop on Financial Services and Postal Life Insurance and spoke on the 'Distribution of Mutual Funds through Post Offices'.

XIX Annual Meeting of the International Investment Funds Association (IIFA) – Washington, DC:

Chairman AMFI attended the annual meeting of the IIFA at Washington, DC from October 19 to October 21, 2005. The topics covered were Effective Investment Fund Trade Associations, Understand and Influence IOSCO, Compliance and Ethics, Funds as Investors, Investment Funds vis-à-vis other products in the Global Retirement Market, International Accounting Standards for Funds, Fund Industry and Intermediaries.

The meeting was attended by more than 75 delegates from 34 fund industry associations across the world. Chairman AMFI was a panelist for the panel discussion on 'The Fund Industry and Intermediaries'.

Seminar on use of Electronic Clearing Service (ECS) for IPO Refund:

Reserve Bank of India organized a seminar on the use of Electronic Clearing Service (ECS) for IPO refund on September 2, 2005 at Mumbai. Mr. Suresh Babu of HDFC shared the experience of the Mutual Fund Industry at this seminar.

AMFI CERTIFICATION AND REGISTRATION PROGRAMME

During the quarter 2,266 candidates have passed the online test at the NSE centers and 3,381 were successful in the written test held across 53 cities (including Dubai). As at the end of September 2005, a total of 60,574 candidates have successfully cleared the test. Out of this 35,404 agent distributors have registered with AMFI. The details of the AMFI registered Mutual

Fund Agent Distributors are available on the AMFI website.

RENEWAL OF AMFI REGISTRATION

The AMFI Registration Number (ARN) allotted to AMFI registered distributors is valid for five years. Those distributors who had cleared the AMFI Test five years ago are accordingly required to get their ARN renewed. They will either have to take the test afresh or undergo the refresher course organized by the Indian Institute of Capital Markets. The details of the procedure are available on the AMFI website. Members are requested to advise those distributors who are registered with them to complete the renewal process.

MUTUAL FUND INDUSTRY

Second quarter July – September 2005

- 26 New Schemes were launched in the quarter and a sum of Rs. 12,918 crore was mobilised - Rs. 8,316 crore under Equity Schemes, Rs. 3,928 crore under Income Schemes Rs. 670 crore under Equity Linked Savings Schemes (ELSS) and Rs. 4 crore under the Balanced Schemes. (Table 2.1)
- Total Funds mobilised for the quarter stood at Rs. 2,88,322 crore as against Rs. 2,18,388 crore for the corresponding quarter last year representing an increase of 32 %. (Table 2.3)
- Redemptions at Rs. 2,64,107 crore were 16% higher than the redemptions of Rs. 2,26,966 crore in the corresponding quarter last year. (Table 3)
- Thus on a net basis, there was an inflow of Rs. 24,215 crore as compared with a net outflow of Rs. 8,578 crore in the corresponding quarter last year. (Table 3)
- Data on Fund of Funds is given in Table 4.
- Category wise Assets Under Management is given in Table 5.
- The Assets Under Management as on September 30, 2005 stood at Rs.2,01,669 crore as against Rs.1,53,108 crore as at the end of the corresponding quarter last year, registering an increase of 31.71 %.
- The Assets Under Management of each Asset Management Company is given in Table 6.

MUTUAL FUND DATA FOR THE QUARTER JULY - SEPTEMBER 2005

TABLE - 1

(Rs. in Crore)

	CATEGORY	SALES-ALL SCHEMES				REDEMPTIONS ALL SCHEMES		Total Assets Under Management As on 30.09.2005	
		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
		No.	Amount	Amount					
A	BANK SPONSORED								
	(i) JOINT VENTURES- PREDOMINANTLY INDIAN (1)	2	3,070	11,810	14,880	23,137	11,816	19,577	10,704
	(ii) OTHERS (3)	-	-	22,848	22,848	38,540	21,684	36,938	27,043
	TOTAL A (i+ii)	2	3,070	34,658	37,728	61,677	33,500	56,515	37,747
		3	194	22,474	22,668	43,773	24,335	45,406	28,148
B	INSTITUTIONS (2)	-	-	8,425	8,425	12,401	7,760	11,684	4,238
		-	-	3,107	3,107	7,782	3,808	7,689	4,555
C	PRIVATE SECTOR								
	(i) INDIAN (10)	14	5,062	74,838	79,900	128,313	71,499	118,095	45,151
		6	1,125	61,959	63,084	123,513	65,940	119,557	28,514
	(ii) JOINT VENTURES - PREDOMINANTLY INDIAN (3)	4	1,229	43,727	44,956	84,139	43,368	80,617	37,311
		6	1,273	38,688	39,961	79,934	43,321	79,473	30,167
	(iii) JOINT VENTURES - PREDOMINANTLY FOREIGN (10) @	6	3,557	113,756	117,313	\$213,577	107,980	\$196,370	77,222
		11	3,790	85,778	89,568	168,817	89,562	159,156	61,724
	TOTAL C (i+ii+iii)	24	9,848	232,321	242,169	\$426,029	222,847	\$395,082	159,684
		23	6,188	186,425	192,613	372,264	198,823	358,186	120,405
	GRAND TOTAL (A+B+C)	26	12,918	275,404	288,322	\$500,107	264,107	\$463,281	201,669
		26	6,382	212,006	218,388	423,819	226,966	411,281	153,108

Notes:

- 1 Data is provisional & hence subject to revision.
- 2 # Only New Schemes where allotment is completed.
- 3 Figures in **RED** denote figures for the corresponding period of the previous year.
- 4 @ The number of funds have come down from 11 to 10 consequent to the take over of all schemes of Alliance Mutual Fund by Birla Sun Life Mutual Fund w.e.f. September 24, 2005.
- 5 \$ Includes adjustment of excess sales of Rs. 1,394 Crores & short redemptions of Rs. 54 Crores erroneously reported by one fund house in the Month of June, 2005.

TABLE -2

SALES DURING THE QUARTER JULY - SEPTEMBER 2005 - TYPE AND CATEGORY WISE

2.1 * New Schemes Launched (Allotment Completed)

(Rs. in Crore)

	Open End		Close End		TOTAL	
	No. of Schemes	Amount	No. of Schemes	Amount	No. of Schemes	Amount
INCOME	5	1,504	8	2,424	13	3,928
GROWTH	11	8,316	-	-	11	8,316
BALANCED	-	-	1	4	1	4
LIQUID / MONEY MARKET	-	-	-	-	-	-
GILT	-	-	-	-	-	-
ELSS	1	670	-	-	1	670
TOTAL	17	10,490	9	2,428	26	12,918

2.2 Existing Schemes

(Rs. in Crore)

	Open End		Close End		TOTAL	
	No. of Schemes	Amount	No. of Schemes	Amount	No. of Schemes	Amount
INCOME	128	42,478	26	^ 1,079	154	43,557
GROWTH	157	11,556	1	-	158	11,556
BALANCED	34	1,119	1	-	35	1,119
LIQUID / MONEY MARKET	41	218,273	-	-	41	218,273
GILT	29	616	-	-	29	616
ELSS	21	283	11	-	32	283
TOTAL	410	274,325	39	1,079	449	275,404

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

^ Amount mobilised by new plan launched under existing scheme

2.3 Total of All Schemes

(Rs. in Crore)

	Open End		Close End		TOTAL	
	No. of Schemes	Amount	No. of Schemes	Amount	No. of Schemes	Amount
INCOME	133	43,982	34	3,503	167	47,485
GROWTH	168	19,872	1	-	169	19,872
BALANCED	34	1,119	2	4	36	1,123
LIQUID / MONEY MARKET	41	218,273	-	-	41	218,273
GILT	29	616	-	-	29	616
ELSS	22	953	11	-	33	953
TOTAL	427	284,815	48	3,507	475	288,322

NEW SCHEMES*OPEN END INCOME** : CHOLA SHORT TERM FLOATING RATE FUND, HDFC MULTIPLE YIELD FUND PLAN 2005, J M MF FMP F6, KOTAK CASH PLUS FUND AND TATA FLOATER FUND**OPEN END GROWTH** : ABN AMRO DIVIDEND YIELD FUND, BIRLA INDIA GENNEXT FUND, JM EMERGING LEADER FUND, KOTAK CONTRA SCHEME, MAGNUM COMMA FUND, MAGNUM MULTICAP FUND, PRUDENTIAL ICICI INFRASTRUCTURE FUND, SAHARA WEALTH PLUS FUND, STANDARD CHARTERED CLASSIC EQUITY FUND, STANDARD CHARTERED PREMIER EQUITY FUND AND SUNDARAM CAPEX OPPORTUNITY FUND.**OPEN END ELSS** : RELIANCE TAX SAVER (ELSS) FUND**CLOSE END INCOME** : BIRLA FIXED TERM DEBT FUND SERIES 3 PLAN 18 MONTHS, BIRLA FIXED TERM DEBT FUND SERIES 3 PLAN 36 MONTHS, DEUTSCHE FIXED TERM FUND SERIES 3, FRANKLIN TEMPLETON FIXED TENURE FUND - SERIES II - 60 MONTHS PLAN, RELIANCE FIXED MATURITY FUND SERIES II QUARTERLY PLAN 1, RELIANCE FIXED MATURITY FUND SERIES II MONTHLY PLAN 4, RELIANCE FIXED MATURITY FUND SERIES II ANNUAL PLAN 3 AND RELIANCE FIXED MATURITY FUND SERIES II MONTHLY PLAN 5.**CLOSE END BALANCED** : BENCHMARK SPLIT CAPITAL FUND

TABLE - 3
REDEMPTION / REPURCHASE DURING THE QUARTER JULY - SEPTEMBER 2005

(Rs. in Crore)

	Open End	Close End	Total	Net Inflow/ (Outflow)
INCOME	41,010	3,386	44,396	3,089
GROWTH	12,489	2	12,491	7,381
BALANCED	793	-	793	330
LIQUID/MONEY MARKET	205,296	-	205,296	12,977
GILT	1,058	-	1,058	(442)
ELSS	33	40	73	880
TOTAL	260,679	3,428	264,107	24,215

TABLE - 4
DATA ON FUND OF FUNDS FOR THE QUARTER JULY - SEPTEMBER 2005

(Rs. in Crore)

	No. of Schemes	Sales	Redemptions	Assets under Management as on 30.09.2005
Fund of Funds	11	102	267	755

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 3 and tables 5 and 6. Data on fund of funds is given for information only.

TABLE - 5
ASSETS UNDER MANAGEMENT AS ON SEPTEMBER 30, 2005
TYPE AND CATEGORY WISE

(Rs. in Crore)

	Open End	Close End	Total	% to Total
INCOME	46,402	7,731	54,133	27
	50,657	2,817	53,474	35
GROWTH	57,736	2,083	59,819	30
	24,229	1,381	25,610	17
BALANCED	5,432	753	6,185	3
	3,782	643	4,425	3
LIQUID/MONEY MARKET	74,058	-	74,058	37
	62,982	-	62,982	41
GILT	3,893	-	3,893	2
	5,009	-	5,009	3
ELSS	2,068	1,513	3,581	2
	524	1,084	1,608	1
TOTAL	189,589	12,080	201,669	100
	147,183	5,925	153,108	100

Figures in Red denote figures for the corresponding period of the previous year.

TABLE - 6
ASSETS UNDER MANAGEMENT AS ON SEPTEMBER 30,2005

(Rs. in Crore)

Sr. No.	Name of the Asset Management Company	Assets Under Management
A	BANK SPONSORED	
(i)	JOINT VENTURES - PREDOMINANTLY INDIAN	
1	SBI Funds Management Pvt. Ltd.	10,704
	TOTAL A (i)	10,704
(ii)	OTHERS	
1	BOB Asset Management Co. Ltd.	196
2	Canbank Investment Management Services Ltd.	1,878
3	UTI Asset Management Company Pvt. Ltd	24,969
	TOTAL A (ii)	27,043
	TOTAL A (i+ii)	37,747
B	INSTITUTIONS	
1	GIC Asset Management Co. Ltd.	140
2	Jeevan Bima Sahayog Asset Management Co. Ltd.	4,098
	TOTAL B	4,238
C	PRIVATE SECTOR	
(i)	INDIAN	
1	Benchmark Asset Management Co. Pvt. Ltd.	3,309
2	Cholamandalam Asset Management Co. Ltd.	1,705
3	Credit Capital Asset Management Co. Ltd.	197
4	Escorts Asset Management Ltd.	137
5	J.M. Financial Asset Management Pvt. Ltd.	4,388
6	Kotak Mahindra Asset Management Co. Ltd.	8,052
7	Reliance Capital Asset Management Ltd.	14,421
8	Sahara Asset Management Co. Pvt. Ltd.	464
9	Sundaram Asset Management Co. Ltd.	2,779
10	Tata Asset Management Pvt. Ltd.	9,699
	TOTAL C(i)	45,151
(ii)	JOINT VENTURES - PREDOMINANTLY INDIAN	
1	Birla Sun Life Asset Management Co. Ltd.	12,131
2	DSP Merrill Lynch Fund Managers Ltd.	6,315
3	HDFC Asset Management Co. Ltd.	18,865
	TOTAL C(ii)	37,311
(iii)	JOINT VENTURES - PREDOMINANTLY FOREIGN	
1	ABN AMRO Asset Management (India) Ltd.	2,640
2	Deutsche Asset Management (India) Pvt. Ltd.	3,645
3	Fidelity Fund Management Pvt. Ltd.	2,544
4	Franklin Templeton Asset Management (India) Pvt. Ltd.	17,435
5	HSBC Asset Management (India) Pvt. Ltd.	7,450
6	ING Investment Management (India) Pvt. Ltd.	2,858
7	Morgan Stanley Investment Management Pvt. Ltd.	2,083
8	Principal Pnb Asset Management Co.Pvt. Ltd	7,378
9	Prudential ICICI Asset Management Co. Ltd.	21,477
10	Standard Chartered Asset Management Co. Pvt. Ltd.	9,712
	TOTAL C(iii)	77,222
	TOTAL C (i+ii+iii)	159,684
	TOTAL (A+B+C)	201,669

Association of Mutual Funds in India

106, Free Press House, Free Press Journal Marg, Nariman Point, Mumbai 400 021

Tel.: 5637 3907 / 5637 3908 / 2283 6738 / 2283 6739. Fax: 2283 6795

E-mail : amfi@bom5.vsnl.net.in Website : <http://www.amfiindia.com>