

To All Members of AMFI**Clarifications regarding Self-Certification And
Nomination Facilities to Agents / Distributors**

Circular No. CIR/ARN-01/02-03 dated January 15, 2003 has been issued by AMFI prescribing guidelines and modalities for registration and empanelment of the distributors by AMCs. In the said circular, certain guidelines have been prescribed with regard to obtaining self-certification from the distributors/intermediaries for the purpose of compliance. The AMFI Standing Committee on Registration has examined certain suggestions received from some of the members in this regard and has now recommended to modify the relevant clauses of the said circular as under:

(I) The existing clause no. 4.1 reads as:

"4.1 For the purpose of empanelment, a corporate ARMFA would have to provide a letter from the Chairman / Managing Director / CEO / Authorized persons confirming that the organization was authorized to undertake distribution of mutual funds."

Some of the members have suggested that since at the time of empanelment, the distributors furnish to AMCs the memorandum of association reflecting that the organization is authorized to engage in the distribution of mutual fund units or gives resolution passed by the Board authorizing the person to enter into an agreement with the AMC for undertaking the activities of distribution of units of mutual funds, it is suggested that the same should be treated at par for the purpose of compliance as mentioned in clause 4.1. Accordingly the existing clause number 4.1 stands substituted with the revised clause 4.1 as under:

"4.1 For the purpose of empanelment, a corporate ARMFA would have to provide Memorandum of Association or Board resolution authorizing to undertake the activities of distribution of mutual fund units or a letter from the Chairman/ Managing Director/ CEO/Authorized persons confirming that the Organization has been authorized to undertake distribution of mutual funds."

(II) The existing clause no. 4.2 reads as under:

"4.2 After the close of the current financial year (on March 31, 2004), AMCs would be required to obtain a one-time certificate from the corporate ARMFA and other non-individual ARMFA (structured sole proprietor firms, partnership firms, societies, trusts, co-operatives, etc.), empanelled with them, containing their ARN and certifying that as on September 30, 2003 all employees engaged in sales or marketing have obtained AMFI certification and have obtained or applied for AMFI registration

and obtaining their photo-identity card.”

Some of the members have brought to the notice of the committee that the application form prescribed for corporate bodies for applying for registration has a provision for obtaining undertaking as under:

“We further undertake that all our employees who are engaged in sale, distribution and advise regarding investment in mutual fund products shall pass AMFI Certification Test and obtain Registration with AMFI before canvassing business for mutual funds.”

In the light of this, it was suggested that the said undertaking may also be considered as sufficient compliance of the requirement of clause no. 4.2 as mentioned above. After examining this suggestion, the AMFI Standing Committee on Registration has also recommended to accept the same. Accordingly the undertaking given in the application form by corporate distributors at the time of seeking registration shall also be taken as due compliance of clause no. 4.2

(III) Nomination Facilities to Agents Distributors

The AMFI Standing Committee on Registration has examined the possibility of offering nomination facility to the agents / distributors for receiving trail commission by nominee in the event of death of agents / distributors. It may be observed that some of the mutual funds are already offering such a facility. The committee has therefore recommended that with a view to establishing a uniform practice across the industry in this regard, members may be advised to offer nomination facility to the agents / distributors to enable nominee to receive trail commission on business done before the demise of agents / distributors holding ARN card. You are therefore, requested to provide nomination facility to agents / distributors at the time of empanelling them.

These clarifications have been issued with a view to assisting AMCs in the implementation of code of conduct and guidelines.

A.P. Kurian

(Chairman)