

**Unified AMFI Guidelines for AMFI REGISTERED MUTUAL
FUND ADVISOR (ARMFA)**

**GUIDELINES REGARDING REGISTRATION OF INTERMEDIARIES
AND EMPANELMENT OF ARMFA**

INTRODUCTION

SEBI circular No. MFD/CIR/20/23230/2002 dated November 28, 2002, on the subject of Registration of Intermediaries, has prescribed the parameters for ensuring compliance with their earlier circular No MFD/CIR/06/210/2002 dated June 26th 2002 and has stated that:

“all Mutual Funds and intermediaries are advised to follow it strictly and should not indulge in any practice contravening it directly or indirectly i.e. paying commissions in any form or by allotting intermediary codes to investors or their associates for paying them commission on their own investments, etc.”

SEBI had advised AMFI to formulate specific guidelines and modalities within these parameters. Accordingly AMFI had in consultation with SEBI issued the following Circulars to assist AMCs to ensure compliance with SEBI guidelines both by intermediaries distributing their products and through them, sub-brokers acting on behalf of such intermediaries in letter and spirit.

- 1) CIR/ARN-01/02-03 dated January 15, 2003
- 2) CIR/ARN-03/03-04 dated September 03, 2003
- 3) CIR/ARN-04/03-04 dated January 27, 2004
- 4) CIR/ARN-05/04-05 dated July 16, 2004
- 5) CIR/ARN-06/05-06 dated March 29, 2006
- 6) CIR/ARN-07/06-07 dated July 06,2006 and
- 7) CIR/ARN-08/06-07 dated November 23, 2006

At the AMFI ARN Committee meeting held recently all these circulars were reviewed and it was decided to issue a consolidated circular covering all the aspects on the subject with

suitable modification wherever necessary to ensure more clarity and to facilitate easy references by AMCs for due compliance.

DEFINITIONS & EXPLANATIONS:

The following definitions and explanations shall apply:

ARN: means AMFI Registration Number allotted by AMFI.

ARMFA: Stands for AMFI Registered Mutual Fund Advisors and means ARN holder registered with AMFI.

BROKERAGE: Shall include all amounts paid to an ARMFA for selling product of mutual funds and shall include commissions, incentives, consulting fees, contest awards that have monetary value, gifts and lump sum payments.

INTERMEDIARY: shall mean all persons or entities involved in selling and distribution of mutual fund products including inter alia brokers, sub-brokers, sole proprietor firms, consultants, financial advisors, channel partners partnership firms, companies or called by any other name but shall not include collection centers, where there is no element of advise, and it is only a counter for making forms available and collecting completed applications. While such collection centers need not obtain ARN, they would have to abide by the code of conduct, to the extent applicable and specifically with regard to the clause on rebating.

INVESTOR: Any person or entity holding units under any scheme(s) of a mutual fund.

PRINCIPAL INTERMEDIARY: any Intermediary (whether individual or non-individual), who pays such brokerage or consideration to a sub-broker as defined below, shall be called the principal intermediary for the purpose of these guidelines, and with reference to the sub-broker(s)

R & T: Registrar and Transfer agency appointed by AMC.

REBATE: Any amount paid including Gift and incentives in any form by a mutual fund or an Intermediary to an Investor for any investment made by the investor in a mutual fund.

SUB-BROKER: shall mean all persons or entities, selling mutual fund units, but obtaining brokerage or other consideration through a Principal Intermediary. All provisions of this Guidelines shall apply mutatis mutandis to such a sub-broker by whatever name he/she is called, except where otherwise stated.

It is clarified that the terms Holding Company and Subsidiary Company used in these Guidelines shall have meanings respectively assigned to them in Section 4 of the Companies Act, 1956.

1. Registration of Intermediaries with AMFI

The SEBI circular has made registration of Intermediaries with AMFI mandatory. This would mean that no person or any entity would be entitled to sell units of mutual funds unless the person is registered with AMFI. AMFI has made provision for issuing an AMFI Registration Number (ARN) and photo-identity card for Individual Intermediaries and Certification of Registration for Corporate/Non-Individual intermediaries. No mutual funds shall empanel Intermediaries who are not registered with AMFI.

For Intermediaries already empanelled with AMCs, being registered with AMFI has become compulsory since March 31, 2003 vide clause 1.2 of AMFI circular No.CIR/ARN-01/02-03 dated January 15, 2003. Therefore no brokerage can be paid to Intermediaries who are not registered with AMFI.

AMFI certification is the sole criteria for allotting an ARN to an Individual Intermediary and employees of the corporate intermediaries, other than those specifically exempted in terms of SEBI circular No. MFD/CIR/20/23230/2002 dated November 28, 2002. Corporate Intermediaries can obtain an ARN by undertaking to ensure that all personnel engaged in sales and marketing pass the AMFI certification test and register with AMFI and obtain a photo-identity, with their corporate ARN.

Corporate Intermediaries (the term “corporate” shall have the same meaning as defined as “ Company” under Companies Act, 1956) shall ensure that all employees engaged in sales and marketing of mutual funds are registered with AMFI and have obtained a photo identity card.

For corporate Intermediary entering the business of mutual fund sales after the date of the SEBI circular dated November 28, 2002 and for persons hired by existing intermediaries, all such employees proposed to be engaged in the sales and marketing of mutual funds, shall have to be registered with AMFI. In the case of a fresh corporate entrant , this would mean that despite obtaining an ARN it would not be able to do business till the first employee recruited for sales/marketing holds AMFI certification and all subsequent employees recruited for engaging in sales/marketing are also registered with AMFI and have obtained photo identity cards.

2. Registration and Renewal of ARN

2.1 Procedure for Registration

AMFI has currently authorized M/s Computer Age Management Services Pvt. Ltd. ("CAMS") to act as processing agent on its behalf. AMFI may, from time to time, authorize other organizations to undertake the task currently assigned only to CAMS.

Intermediaries are requested to apply in the prescribed form which can be obtained from the website or office of AMFI and website or any office of CAMS and can also be kept at the branch offices of members for the convenience of their distributors. In addition distributors may write to AMFI or CAMS and obtain the application form by post.

Application forms can be submitted at the office of CAMS or sent by post to CAMS. A list of CAMS center is available on AMFI/CAMS website or may be obtain by post from AMFI/CAMS.

After registration with AMFI intermediaries shall be recognised as ARMFA.

2.2 Renewal of AMFI registration Number (ARN)

The AMFI Registered Mutual Fund Advisors - ARMFA (the agents / distributors and employees of corporate distributors) should apply for renewal of their ARN card on or within six months prior to the expiry of the 5-year validity period. The renewal of ARN card is subject to either by passing the AMFI Mutual Fund (Advisors) Module Test or by attending a refresher course conducted by Institute of Capital Market (IICM) or any other body authorized by AMFI within 6 months of the renewal of ARN card and furnishing a certificate to that effect to AMFI.

The Certificate of Registration issued to corporate distributors has also a validity period of 5 years from the date of issuance. They are also required to apply for renewal of Certification of Registration on or within six months prior to the expiry of validity date.

Detailed procedure for Registration and for Renewal of ARN can be obtained from AMFI website: www.amfiindia.com->Intermediaries->Registration or by post from AMFI.

3. Empanelment Criteria (ARMFA with AMCs as Principal Intermediaries and ARMFA with Principal Intermediaries as Sub-Brokers)

To ensure that only genuine intermediaries are eligible for brokerage, a set of common minimum criteria are evolved for the purpose of due diligence before empanelling (and thereafter for the payment of brokerage) an ARMFA by an AMC or by a Principal Intermediary as a sub-broker.

All ARMFA fulfilling the empanelment criteria as provided hereunder shall be entitled to receive brokerage for all business canvassed by them, except on their own investments as per the process for identification of 'own investments' of intermediary given under clause 4 of the circular. However it may be noted that as per SEBI's circular no. MFD/CIR No.5/153/2001, dated May 24th, 2001 no brokerage is payable on investments made by the sponsor of a mutual fund in the schemes of the mutual fund sponsored by them.

The following are the common minimum criteria for empanelment:

- 3.1 ARMFA should only be empanelled by the AMCs. They should verify the proof by obtaining self-certified Xerox copies of ARN card in case of individual ARMFA and copy of Certificate of Registration in case of Corporate ARMFA to ensure compliance of this requirement.
- 3.2 All individual ARMFA obtaining empanelment with an AMC would be required to have at least 12 investors with the empanelling AMC, within one year of empanelment. Failing this, the ARMFA would have to provide an undertaking to the AMC that it services at least 25 investors across all mutual funds. Failing both the above, the ARMFA would not be entitled to receive brokerage from the AMC on the mobilization done by it during the subsequent year, until it complies with the above.
- 3.3 During a twelve-month period after empanelment, if 75% or more of the gross funds mobilized for the empanelling AMC by a corporate ARMFA, is from associates, the ARMFA would be required to provide a certificate signed by the authorized person, that it services at least 200 investors, other than associates and/or employees of associates, during the said period.

OR

Would have average assets under management of at least Rs.1 crore with the empanelling AMC, which are not from associates (being subsidiary and holding companies) within the period stipulated above.

4. The process for Identification of 'own investment' of ARMFA

The following process for Identification of ‘own investment’ of ARMFA is required to be followed by AMCs.

- 4.1 In case of joint holding, the first holder and the ARMFA being common would be identified as ‘own investment’.
- 4.2 Commission can be paid where ARMFA is second/third applicant as joint holders.
- 4.3 To identify “own investments” an automated case insensitive string match would be done. Following this a manual scrutiny would be used to identify cases where addresses do not match.
- 4.5 No trail brokerage on “own investments” would be accrued after November 28, 2002
- 4.6 Own investments would not be considered for the purpose of calculating slab-wise incentives & contest payments etc.
- 4.7 Brokerage reports would go with the following disclaimer:

“Vide SEBI circular dated November 28, 2002, and AMFI’s subsequent guidelines, intermediaries are not entitled to brokerage on their own investments. While we have identified your own investments to the best of our ability and eliminated payment, you are requested to let us know of any errors in either identifying third party investments as your own or in not identifying some of your own investments. Please note that receiving brokerage on own investments will be a violation of the SEBI Regulation.”

5. DECLARATION OF SELF-CERTIFICATION (DSC) FOR THE PURPOSE OF COMPLIANCE: (by ARMFA to AMCS and by Sub-brokers to Principal ARMFA)

The compliance with the SEBI circulars under reference and this guideline will be through a process of Declaration of Self-Certification. Unless otherwise stated, the guidelines would be applicable both to ARMFA empanelled with AMCs and ARMFA acting as sub-brokers of Principal ARMFA :

- 5.1 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 was authorized to undertake distribution of mutual funds.
- 5.2 AMCs are 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 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.
- 5.3 The application form prescribed for corporate bodies for applying for registration with AMFI has a provision for obtaining the following undertaking:

“ 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 is clarified that the undertaking as above given in the application form by corporate ARMFA at the time of seeking registration shall also be taken as due compliance of clause No. 5.2.

- 5.4 AMCs (or Registrars on behalf of AMCs) would obtain once a year, a Declaration of Self Certificate (DSC) from empanelled ARMFA as to their having complied with this guidelines and the code of conduct as per appropriate format attached.

Similarly Principal ARMFA would be required to obtain a DSC from ARMFA who is acting as their sub-brokers as per appropriate format attached.

- 5.5 DSC is required to be furnished by ARMFA for the period ended March 31 each financial year. In case of ARMFA who is empanelled in the first six months of a financial year, the DSC should be furnished for the period immediately ending on March 31. For example if ARMFA is empanelled in August 2007, DSC shall be for the period ended March 31, 2008. However if ARMFA is empanelled in second half of a financial year, the DSC should be furnished at end of next financial year. For example if ARMFA is empanelled in November 2007, DSC shall be furnished for the period ended March 31, 2009.

- 5.6 DSC should be furnished by ARMFA in the month of April every year (DSC should be dated any day after the financial year end). In the event of failure to do so, an additional two months (after April) shall be provided to furnish the same. R &TAs should arrange to provide suitably worded reminders on the front page of the brokerage statements or letter along with brokerage statements starting March every financial year and continue to do so till the time DSC is furnished. R &TAs if possible may print non-compliance status on the first page of brokerage statement from April onwards.

- 5.7 ARMFA may submit single DSC as per the attached format as applicable to him to each Registrar and Transfer Agent (R & T) of AMC. In case there are more than one R & T engaged by AMC, ARMFA shall furnish DSC to all R & Ts. The practice of furnishing multiple DSC should be stopped with effect from Financial year 2007-2008.

- 5.8 In the case of Individual ARMFA, the concerned person should sign (full signature not initials) DSC with date quoting his/her ARN. In case of non- individual (corporate) ARMFA authorized signatory only should sign DSC on appropriate letterhead of the corporate body.

- 5.9 AMCs/R & Ts should host standardised format for DSC on their respective website in addition to the website of AMFI and provide downloading facility for the same.

6. GUIDELINES REGARDING PAYMENT OF BROKERAGE / COMMISSION TO INTERMEDIARIES/ ARMFA

6.1 Suspension of pay-out and payment of brokerage to Intermediaries whose ARN status was unknown post September 30, 2003:

SEBI vide its circular No. MFD/CIR/20/23230/2002 dated November 28, 2002 has also stated as under:

"Mutual funds shall monitor the compliance of these guidelines and code of conduct by their intermediaries in terms of business done across all mutual funds. In case of non-compliance, the empanelling mutual funds may suspend further business and pay-out of commissions etc., until full compliance by them."

The AMCs had sought clarification regarding Suspension of payment of brokerage to intermediaries whose ARN status was unknown post September 30, 2003. AMCs are advised to refer to Clause No. 3 of AMFI Circular No. CIR/ARN-03/03-04 dated September 3, 2003 for detail guidelines issued in this regard.

6.2 Payment of Commission on cancellation of ARN/Deregistration of ARN Holder

Trail commission can be paid on the business procured by Agent/Distributor prior to the cancellation / Deregistration of ARN provided cancellation of ARN/ Deregistration of ARN is not initiated as a penal action by AMFI or payment of commission has been suspended for non compliance of Annual certification requirements or on account of non renewal of ARN.

6.3 Suspension of Payment of Commission

a) On non-renewal of ARN:

ARMFA are required to renew ARN on or before six months prior to the expiry of validity period of five years. As such where ARN is not renewed on or before expiry date, ARN holder will not be entitled for commission/trail commission on business mobilised during the period when ARN is invalid i.e. from the date of expiry of ARN till the date of renewal of ARN.

The payment of commission/trail commission on business procured by ARMFA after expiry of validity period of ARN to be suspended and the same can be released only on receiving intimation/status about renewal of ARN from AMFI.

The details of ARN holders whose ARN are invalid due to non- renewal of ARN are available and can be downloaded from AMFI website (AMFI portal).

b) On non-compliance of Annual Certification requirement:

In case ARMFA fails to comply with the requirements of the furnishing of DSC on annual basis in accordance with these guidelines, all brokerage payment (trail/upfront etc) due from April 1 of that year should be suspended and provisioned in the books of the Fund/ AMC .If non-compliance continues beyond June of that year, all types of brokerage payment should be suspended and provisioned in the books of Fund/AMC till the time ARMFA complies with the requirements of the DSC. The AMCs/R & Ts should continue to send the brokerage statements /details of brokerage withheld along with reminder letter with reasons for suspension of brokerage payment.

The AMCs may release all brokerage suspended on account non-submission of DSC (including any payments pertaining to prior period) at the earliest but not later than the immediately succeeding quarter's brokerage payment. R & Ts

should promptly update their records for having received valid DSCs and synchronize release of withheld brokerage payments, if any.

7. Nomination facilities to Agents / Distributors and Payment of Commission to Nominee

7.1 Nomination facilities to Agents / Distributors

The AMFI ARN Committee has examined the possibility of offering nomination facility to the ARMFA and has recommended the members to offer nomination facility to the ARMFA, as a uniform practice across the industry to enable nominee to receive trail commission on business done before the demise of ARMFA holding ARN card. Members are therefore, requested to provide nomination facility to ARMFA at the time of empanelling them.

7.2. Payment of Commission to Nominee

The nominee will be entitled to receive up front commission as well as trail commission on business procured by ARMFA till the date of demise of the ARMFA. The nominee will not be entitled for any commission on SIP investments post demise of ARMFA. A nomination form designed by the committee, is enclosed for your use.

8. Disclaimer

All original and/or first application forms for mutual funds shall contain a disclaimer to be signed by the investor. This undertaking/ disclaimer by investor would read as under:

"I/we have understood the details of the scheme and I/we have not received nor been induced by any rebate or gifts, directly or indirectly, in making this investment."

9. GENERATING AWARENESS

AMFI /AMCs should communicate changes relating to procedure for submission of DSC and suspension of brokerage payment to ARMFA through their website. One time communication to ARMFA about these changes along with the next brokerage payment/letter may be considered with a view to keep them well informed.

AMFI and its members would undertake to advertise and generate awareness about the code of conduct so as to make ARMFA and investors aware of the implications of the same.

AMCs are required to inform all ARMFA empanelled with them, in writing, forwarding the SEBI Circular under reference and the requirements of these guidelines at the earliest.

10. This circular supersedes AMFI Circulars CIR/ARN-04/03-04 dated January 27, 2004, CIR/ARN-05/04-05 dated July 16, 2004, CIR/ARN-07/06-07 dated July 06, 2006 and CIR/ARN-08/06-07 dated November 23, 2006.

- 11.** We reiterate that these Guidelines have been issued in terms of SEBI Circular No. MFD/CIR/20/23230/2002 dated November 28, 2002 read with SEBI Circular No. MFD/CIR/06/210/2002 dated June 26th 2002 with the primary objective of ensuring compliance by the Mutual Funds so that ARMFA do not use any unethical means to sell, market or induce any Investor to buy units of their scheme(s) and shall mobilize funds on the strength of professional fund management and good practices. As such these guidelines are mandatory.

A.P.Kurian
Chairman

Annexures to circular:

- 1) Form No. A : Format for Declaration of Self Certification for Corporate ARMFA who does not have sub-brokers.**
- 2) Form No. A1: Format for Declaration of Self Certification for Corporate ARMFA who has sub-brokers**
- 3) Form No. B: Format for Declaration of Self Certification by the ARMFA who is sub-broker to be submitted to principal ARMFA**
- 4) Form No. C : Format for Declaration of Self Certification for the ARMFA who is an individual/karta of HUF**
- 5) Form No. D : For Nomination by ARMFA**

Form No. A

Format for Declaration of Self Certification for Corporate ARMFA who does not have sub-brokers

On appropriate letterhead of corporate body

Date: _____

From: _____

* Landline:

* Mobile:

* Email:

The Registrar and Transfer Agent of Mutual Funds
(Please tick as applicable)

CAMS

Karvy CPL

UTI TSL

Franklin Templeton

Deutsche ISPL

Sub: Declaration of Self-Certification (DSC): Period _____ / Financial Year _____

"This is to certify that, in the course of my/our business in the distribution of mutual fund products during the period / financial year ended March 31, _____ I/we have adhered to the Code of Conduct contained in SEBI circular no. MFD/CIR/06/210/2002 dated June 26, 2002 and to the requirements as prescribed in SEBI's subsequent circular no. MFD/CIR/20/23230/2002 dated November 28, 2002 and the AMFI circular no: CIR/ARN-09/08-09 dated July 18, 2008 in this regard."

Kindly update this DSC on your records and with all the Fund Houses where we are empanelled.

For _____ (firm name)

Authorised Signatory (ies)

** Information of principal contact desirable for all important communication to be disseminated efficiently*

Form No. A1

Format for Declaration of Self Certification for Corporate ARMFA who has sub-brokers

On appropriate letterhead of corporate body

Date: _____

From: _____

* Landline:

* Mobile:

* Email:

The Registrar and Transfer Agent of Mutual Funds
(Please tick as applicable)

CAMS

Karvy CPL

UTI TSL

Franklin Templeton

Deutsche ISPL

Sub: Declaration of Self-Certification (DSC): Period _____ / Financial Year _____

"This is to certify that, in the course of my/our business in the distribution of mutual fund products during the period / financial year ended March 31, _____. I/we have adhered to the Code of Conduct contained in SEBI circular no. MFD/CIR/06/210/2002 dated June 26, 2002 and to the requirements as prescribed in SEBI's subsequent circular no. MFD/CIR/20/23230/2002 dated November 28, 2002 and the AMFI circular no: CIR/ARN-09/08-09 dated July 18, 2008 in this regard.

We further certify that we have AMFI certified ARMFA empanelled with us acting as sub-brokers for distribution of mutual funds and that they have in turn met all certification requirements in terms of the above mentioned circulars from SEBI. We confirm that the necessary DSC for the financial year as above has been submitted by them to us"

Kindly update this DSC on your records and with all the Fund Houses where we are empanelled.

For _____ (firm name)

Authorised Signatory (ies)

** Information of principal contact desirable for all important communication to be disseminated efficiently*

Form No. B

Format for Declaration of Self Certification by the ARMFA who is sub-broker to be submitted to principal ARMFA

On appropriate letterhead (if available) by sub broker to be addressed to principal ARMFA

Date: _____

From: _____

* Landline:

* Mobile:

* Email:

_____ (Principal ARMFA name)

Address 1

Address 2

Address 3

Pin

Sub: Declaration of Self-Certification (DSC): Period _____ / Financial Year _____

“I/we as sub-brokers to yourselves for the purpose of distribution of mutual funds hereby declare that all provisions made under the prescribed code of conduct under SEBI circular no. MFD/CIR/06/210/2002 dated June 26, 2002 and those prescribed under SEBI’s subsequent circular no. MFD/CIR/20/23230/2002 dated November 28, 2002 and the AMFI circular no: CIR/ARN-09/08-09 dated July 18, 2008 have been adhered to.”

For _____ (firm name / individual name)

Authorised Signatory (ies) / Signature of sub-broker

* Information of principal contact / sub-broker desirable for all important communication to be disseminated efficiently

Note: This declaration has to be stored by the principal ARMFA for a period of atleast 8 years

Form No. C

Format for Declaration of Self Certification for the ARMFA who is an individual/karta of HUF

On appropriate letterhead (if available)

Date: _____

From: _____

* Landline:

* Mobile:

* Email:

The Registrar and Transfer Agent of Mutual Funds
(Please tick as applicable)

CAMS

Karvy CPL

UTI TSL

Franklin Templeton

Deutsche ISPL

Sub: Declaration of Self-Certification (DSC): Period / Financial Year _____

"This is to certify that, in the course of my/our business in the distribution of mutual fund products during the period / financial year ended March 31_____. I/we have adhered to the Code of Conduct contained in SEBI circular no. MFD/CIR/06/210/2002 dated June 26, 2002 and to the requirements as prescribed in SEBI's subsequent circular no. MFD/CIR/20/23230/2002 dated November 28, 2002 and the AMFI circular no. CIR/ARN-09/08-09 dated July 18, 2008 has been adhered to."

Kindly update this DSC on your records and with all the Fund Houses where we are empanelled.

For _____ (firm name)

Authorised Signatory (ies)

** Information is desirable for all important communication to be disseminated efficiently*

Form No. D

For Nomination by ARMFA

To

The AMC

ARMFA Details

Name : _____

ARN Code : _____

Address : _____

Dear Sir,

I/we _____
do hereby nominate the following person in whom on my/our death, the amount payable to me/us in respect of the commission pertaining to the units canvassed by me/us specified below shall vest and to whom such amount shall then be payable.

NOMINEE: Shri/Smt/Kumari _____

Signature : _____

Address: _____

*(Date of birth, if minor) _____

* The above nominee is a minor whose guardian's name, signature and address are as under.

Guardian : Shri/Smt _____

Signature _____

Address : _____

*This nomination is in substitution of the nomination dated _____ and registered in your books which nomination shall stand cancelled on registration of this nomination.

(Delete/strike off if not applicable)

Place:

Signature of Distributor

Date:

(For AMC use only)

Signature verified:

Signature of authorized person:

Objection if any:

Nomination verified _____