

Mutual Funds Karein Shuru

READY RECKONER

For Mutual Fund Distributors

SEBI/NISM/AMFI
Guidelines

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OVERVIEW:

This quick reference guide provides distributors with essential information and points them to detailed AMFI guidelines on crucial business processes, available on the AMFI website.

OBJECTIVE:

Help MFDs stay compliant with important processes such as certification renewal, empanelment, code of conduct, and more.





Certification and ARN/EUIN Renewal

NISM CERTIFICATION:

MFDs need to renew their NISM certificates before expiration by either:

- Passing the NISM Series V-A exam
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- Or attending a CPE program - NISM Series V-A - CPE program

Renew NISM certificate up to 12 months before expiry.



ARN/EUIN RENEWAL:

After renewing the NISM certificate, distributors should renew their ARN/EUIN online through AMFI's portal to avoid commission disruption.

- Non-individual distributors need to renew ARN online with at least one valid EUIN.
- Renewal of ARN/EUIN should be done before expiry for continuity in validation.
- ARN/EUIN renewal allowed up to 6 months prior to expiry.
- Renewing ARN/EUIN after expiry will result in a discontinuity in its validity period, and the holder will not be eligible to receive commissions for business canvassed during that period.
- Payment of commission is suspended on expiry of validity of ARN. If the ARN is renewed within a period of three (3) months post the date of expiry of ARN validity, the commission accrued but withheld (due to non-renewal of ARN) on the business canvassed prior to expiry of ARN validity till the date of ARN renewal, can be released once the ARN is renewed. However, if the ARN is renewed beyond 3 months after the date of expiry of ARN validity, the commission in respect of business procured prior to expiry of validity of ARN which was withheld due to non-renewal of ARN shall be forfeited. For avoidance of doubt, it is clarified that in such cases, where the ARN is renewed beyond 3 months from the date of expiry of ARN validity, the trail commission shall be payable only on the business canvassed from the date of renewal of ARN.

For more details, visit <https://www.amfiindia.com/distributor-corner>



Importance of AMC Empanelment



KEY REMINDER:

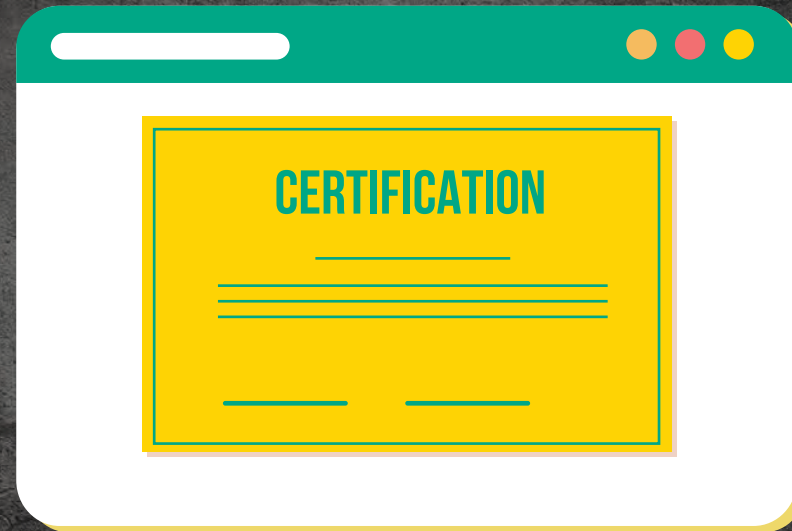
Distributors must empanel with the respective Asset Management Company (AMC) before conducting business. Failure to do so will result in transactions being processed under the Direct Plan.

Ensure AMC empanelment to secure commissions.

For more information, check the detailed guidelines on the AMFI website.

Available at

https://www.amfiindia.com/Themes/Theme1/downloads/circulars/AMFI_BP_Circular-107-dt.04-May-23.pdf



Submission of Annual Declaration of Self-Certification (DSC)



REQUIREMENT:

MFDs must submit their annual DSC by June 30th each year. Delays could result in withholding of commissions till Sept 30th.



PROCESS:

Submit DSC through the AMFI website.



NOTE:

Failure to submit by September 30th may lead to forfeiture of accrued commissions.

DSC can be submitted online through AMFI Website at
https://www.amfiindia.com/distributor-corner/annual_selfcertification



Handling MFD Succession



KEY CONSIDERATIONS:

In case of an MFD's death, the nominee or legal heir must cancel the ARN within 6 months of death of ARN holder and can either receive commissions or transfer the AUM.



GUIDELINES:

For a smooth transition, required documents and processes must be followed as per AMFI guidelines.

To receive payment of commission after a Mutual Fund Distributor (MFD) passes away, the nominee or legal heir should follow these steps:

- The deceased MFD's ARN must have been valid at the time of death, and not suspended by AMFI
- Inform AMFI/CAMS about the MFD's demise with a certified copy of the death certificate and the surrendered ARN card
- The nominee or legal heir doesn't need to be an ARN holder to claim and receive trail commission
- CAMS-AMFI Unit will notify all Asset Management Companies (AMCs) about the MFD's demise
- The nominee or legal heir can receive payment of commission until the Assets Under Management (AUM) under the deceased MFD's ARN becomes nil.

For more details in this regard, please refer AMFI circular dated 28-Mar-2013 on AMFI website at –

<https://www.amfiindia.com/Themes/Theme1/downloads/circulars/CIRARN151213.pdf>

OR



TO TRANSFER THE AUM TO NOMINEE/LEGAL HEIR'S ARN:

- Deceased distributor's ARN should be valid at the time of death and not suspended
- Nominee/Legal Heir should have a valid ARN, KYD compliant



TRANSFER PROCESS:

- Apply to cancel deceased distributor's ARN within 6 months
- Submit certified death certificate and ARN card

Follow the guidelines mentioned in AMFI's b/m circulars

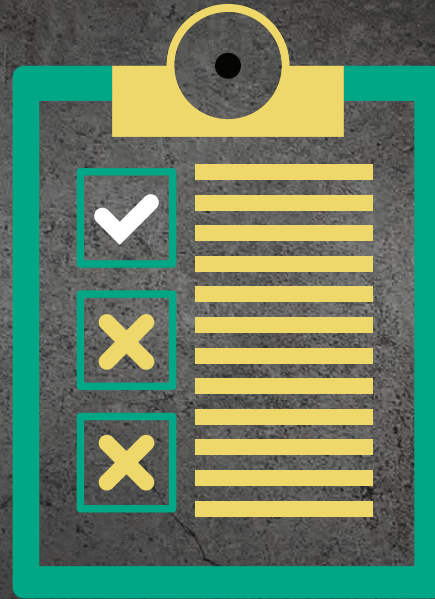
<https://www.amfiindia.com/Themes/Theme1/downloads/circulars/ARNCircular25-CentralisedProcessforAUMTransfer.pdf>



REFERENCE:

Check AMFI's guidelines for more details on AUM transfers
and commission collection

https://www.amfiindia.com/Themes/Theme1/downloads/circulars/AMFIBestPracticesGuidelinesCircularNo.106_21.03.2023.pdf



Code of Conduct for MFDs



RESPONSIBILITY:

MFDs are required to abide by the Code of Conduct as laid out by AMFI.



ACTIONS:

Ensure all business practices align with ethical standards and guidelines to maintain integrity in mutual fund distribution.



LINK:

Access the full Code of Conduct on AMFI's website.

<https://www.amfiindia.com/Themes/Theme1/downloads/RevisedCodeofConductforMutualFundDistributors-April2022.pdf>



Important AMFI Circulars



UPDATES:

Stay informed about important circulars and updates on regulatory changes, business practices, and compliance measures.



ACTION:

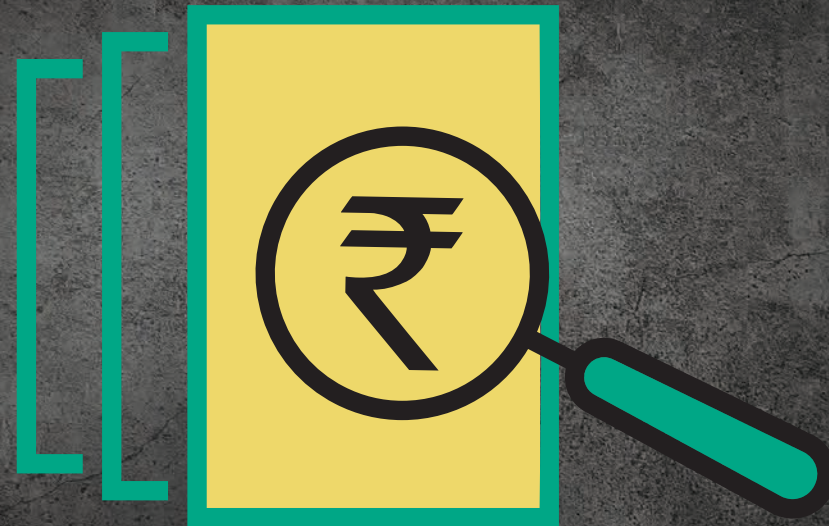
Regularly review AMFI circulars and announcements to stay compliant. Email addresses and contact details should be regularly updated. Junk mail folders should be checked frequently to avoid missing important communications.



RESOURCE:

Find them at the AMFI Circulars Page

<https://www.amfiindia.com/distributor-corner/circulars-and-announcements/circulars>



Distributors' Due Diligence



DEFINITION:

Due diligence involves the careful evaluation of activities and processes by MFDs to ensure responsible conduct in mutual fund distribution, considering the fiduciary role they play.



IMPORTANCE:

MFDs should maintain high standards of care and control in their business operations.



FURTHER READING:

Detailed guidelines are available at AMFI Due Diligence

https://www.amfiindia.com/distributor-corner/importantinformation_distributors



CRITERIA FOR DUE DILIGENCE:

MFDs satisfying one or more of the following four criteria at the time of their empanelment and during the review period will be subject to Due Diligence:

- AUM raised over ₹100 Crore across industry in the non-institutional category but including high net worth individuals (HNIs)
- Commission received of over ₹1 Crore p.a. across industry
- Commission received of over ₹50 Lakh from a single Mutual Fund
- Multiple point presence (more than 20 locations)