



Association of Mutual Funds in India

135/BP/ 107 /2023-24

May 04, 2023

To,
All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No. 107 / 2023-24
AMCs to accept business only from empaneled Distributors

During the course of SEBI inspection of one of the mutual funds recently, it was observed by SEBI that the AMC had accepted transactions from mutual fund distributors (MFDs) who were not empaneled with the AMC (or before the MFDs were empaneled). SEBI has advised the AMC to ensure that the MFDs are empaneled before accepting any business from them.

In the above context, the concerned AMC had requested for AMFI's guidance w.r.t. treatment of MF transactions received from non-empaneled MFDs, i.e., whether to accept or reject transactions received from non-empaneled MFDs.

The matter was examined by AMFI Operations & Compliance Committee as well as AMFI ARN Committee, and based on views and recommendations of both the Committees which have been duly endorsed by the Board of AMFI, it has been decided that if any purchase or switch transactions are received from / under the ARN of a non-empaneled MFD, such transaction shall be processed under Direct Plan for the following reasons –

- A tie-up between an AMC and the MFD is a contractual matter, and the terms of empanelment need to be agreed upon between the parties and formalized (which inter-alia, involves accepting the terms & conditions of empanelment and the commercial terms, including claw-back provisions and submitting an undertaking to abide by the Code of Conduct, etc.) before the MFD starts doing any business for the concerned mutual fund.
- Getting registered with AMFI and obtaining ARN does not automatically confer any right to the MFD to start selling mutual fund schemes of any mutual fund, unless and until the MFD is duly empaneled with the concerned AMC.
- As per clause B (1) (ii) of SEBI circular no. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, AMCs are required to undertake a due diligence process to satisfy the '*fit and proper*' criteria, at the time of empaneling the MFDs.



- As SEBI has advised that before accepting any business from any MFD, the AMC must ensure that the MFD is empaneled with the AMC, accepting any application/transaction (under Regular Plan) received under the ARN of an un-empaneled MFD, and allowing some leeway / grace period to the MFD to complete the empanelment process would be in breach of the above SEBI directive. At the same time, rejecting the investor's transaction would be incorrect and against the interest of the investor.

Accordingly, Members are advised to ensure that before accepting any business from any MFD, such a MFD is duly empaneled with the AMC. Transactions received, if any, from / under the ARN of a non-empaneled MFD may be processed under Direct Plan, with prompt intimation to the non-empaneled MFD, and the investor.

Members are requested to note the contents of this circular for uniform implementation with immediate effect and place a copy of this circular before the Board of Directors of the AMC and the Trustees for their information.

With best regards,

A handwritten signature in blue ink, appearing to read 'B. M. Kini', written over a light blue rectangular background.

B. M. Kini
Dy. Chief Executive