

**To all AMFI members****Clarification regarding Payment of Brokerage to Intermediaries**

The standing committee on AMFI registration has examined issues pertaining to payment of commission to the Agents/Distributors under certain circumstances. Based on the recommendations of the committee, following clarifications are issued to enable members to adopt uniform practice in respect of the same.

**1) Payment of Commission to Nominee:**

AMFI has advised vide its Circular No. CIR/ARN-04/03-04 dated January 27, 2004 to offer nomination facility to the Agent/Distributors for receiving trail commissions by nominees in the event of demise of Agent/Distributor. The committee has now clarified that nominee will be entitled to receive commission on business procured by Agent/Distributor till the date of demise of the Agent/Distributor. The nominee will not be entitled for any commission on SIP investments post demise of Agent/Distributor. A nomination form designed by the committee, is enclosed for your use.

**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.

**3) Suspension of Payment of Commission;****a) On non-renewal of ARN:**

The payment of commission on business procured by Agent/Distributor 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.

ARN Holder has been given Six Months' time for renewal of ARN. In case, ARN is renewed after Six Months of 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. Information regarding invalid ARN and its subsequent renewal will be sent to the AMCs by AMFI.

AMFI is working on a methodology in consultation with CAMS, which is the Agency handling ARN work on behalf of AMFI in the matter of furnishing information as mentioned above and its periodicity etc. The members will be advised separately in this regard as soon as the same is finalized.

**b) On non-compliance of Annual Certification requirement:**

AMFI has already issued guidelines for obtaining self-certification from Agent/Distributors on Annual basis. It is recommended that in case ARN holder fails to comply with the requirements of the annual certification, the payment of commission be suspended till the time ARN holder complies with the requirements of the Annual Certification.

**4) Payment of Commission on own investments:**

In terms of AMFI Circular No. CIR/ARN-02/0203 dated March 31, 2003 guidelines have been issued on identification of own investment of the Agent/Distributor for the purpose of avoiding payment of commission on their own investments. The AMFI committee has now clarified that commission can be paid where Agent/Distributor is second/third applicant as joint holders.

**5) Empanelment of Agents/ Distributors:**

**a)** AMFI Committee has recommended that AMC should not empanel any person as Agent/Distributor without ARN. They should verify the proof by obtaining self-certified Xerox copies of ARN card in case of individual and copy of Certificate of Registration in case of Corporate Distributor to ensure compliance of this requirement.

**b)** AMFI has also prescribed common minimum criteria for empanelment of individual as well as Corporate Distributor vide its Circular No. CIR/ARN-01/0203 dated January 15, 2003. The Committee has now clarified that the term Corporate shall have the same meaning as defined under Companies Act 1956 for the purpose of applying the said norms to Corporate entities.

You are requested to take note of the above clarifications for due compliance.

With kind regards,

Yours sincerely,

A. P. Kurian

(Chairman)

