



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/ BP/ 84/ 2019-20

February 14, 2020

To,

All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No.84/ 2019-20

Sub. : Treatment of Financial & Non-financial transactions in resp. of persons/ entities debarred by SEBI for accessing securities market.

Securities Exchange Board of India (SEBI) has from time to time issued orders debarring certain person/ entities from accessing the capital market or dealing in securities for a specific period, in accordance with provisions of SEBI (Procedure for Holding Inquiry by an Enquiry Officer and Imposing Penalty) Regulations, 2002.

Since mutual fund units are also securities as per Securities Contracts (Regulation) Act, 1956, the aforesaid orders issued by SEBI apply for dealing in mutual funds units as well and consequently, MFs/AMCs are obligated to keep track of all such SEBI orders and persons debarred by SEBI and ensure that the debarred persons / entities are not allowed to transact in mutual funds during the period of debarment by SEBI.

The matter was examined by AMFI's Operations & Compliance Committee, which after extensive deliberations and consultations with the RTAs, has recommended a standard procedure for treatment of financial and non-financial transactions in resp. of persons/entities debarred by SEBI from accessing capital market or dealing in securities, as tabulated in the Annexure A hereto, which has been endorsed by the Board of AMFI, to be followed uniformly by all AMFI members.

Members are also requested to confirm having noted the contents of this circular for due compliance and also to place this circular before their Trustees for information at the next meeting of the Trustees.

With regards,

Sincerely,

N.S. Venkatesh
Chief Executive

Encl. : As Above



Annexure A

Proposed Treatment of Financial transactions in resp. of SEBI debarred entity / individual

Type of Financial transactions	Proposed Treatment of the transaction
Purchase	Purchase transactions should be rejected
Redemption	Redemptions should be rejected
Switch In	Switch-ins should be rejected
Switch Out	Switch-outs should be rejected
SIP	New registrations and instalments (both) should be rejected
STP	New registrations and further triggers (both) should be rejected
SWP	New registrations and further triggers (both) should be rejected
Dividend pay-out	Dividend should be processed in the folio but pay-out should be put on hold.
Dividend re-investment	Dividend should be processed in the folio but restrictions placed for redemption
Any other Special facilities	All other financial transactions should be rejected
Maturity Pay-outs from close ended schemes	Pay-out in close ended schemes should be withheld
Unclaimed dividend / redemption	Unit allotment in unclaimed schemes should be allowed. However, subsequent redemption / pay-out should be put on hold.
Stock Exchanges:	
a. Transactions from stock exchanges	
Demat mode	All such transactions should be rejected
Non demat mode	All such transactions should be rejected
b. Off-market transactions	It is the DP's responsibility to process / not process the transaction as the AMC will not know the details of the transferee
PoA Holders If debarred investor/ unitholder is a POA holder	The folio is blocked (in case of existing folio) and for new folios the transaction should be rejected

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Proposed Treatment of Non-Financial transactions in resp. of SEBI debarred entity / individual

Non-Financial transactions	Proposed Treatment to be followed
Change in Dividend Option	Any request for change in dividend option should be rejected
Change of Address	<p>If change of address is initiated through the AMC/RTA (cases where the KYC is not performed by the KRA), then such request should not be processed.</p> <p>For cases where the unitholder has done the KYC through KRA, no action to be taken by AMC as such cases follows the KRA process.</p>
Dispatch of Account statement	CAS/ Account statement to be sent even if the investor is debarred from transacting.
Change of Bank Mandate	Request for change in bank mandate should be allowed and processed
Addition of Bank Mandate	Request for additional bank mandate to be allowed and processed
Transmission	
a) Tranferror unitholder (who has expired is debarred)	Should be processed only if debarment is released by SEBI or court order
b) Transferee unitholder (to whom units are to be transmitted) is debarred	If the transferee is debarred, the transaction should be rejected.
Lien / Pledge:	
a) Fresh marking of lien	Such transactions should be rejected
b) Lien invocation and payment to be made to the unitholder	Such transactions should be rejected
c) Lien invocation and payment to be made to the bank/FI	Such transactions should be rejected and communication should be sent to the FI / Bank.
d) Lien removal	Allowed and block further transactions
Nominee Addition / Updation of Nominee	Updation of Nominee details / addition to the nominee details should be allowed
Change / Update of Contact Details	Allowed

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