

# ASSOCIATION OF MUTUAL FUNDS IN INDIA

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**A. P. KURIAN**  
CHAIRMAN

**135/BP/07/04-05**

**January 28, 2005**

**To all Members,**

Dear All,



**AMFI Best Practices Guidelines Circular no. 07/2004-05**

To enable members to adopt a uniform approach, the following operating procedures are suggested as best practice guidelines.

**A. Unique Identification Number (UIN) - SEBI Notification dated July 30, 2004 and SEBI Circular No. MRD/DOP/MAPIN/ Cir.- 26/204 dated August 16, 2004**

In terms of the above mentioned notification and circular. SEBI has interalia specified that all investors being Bodies Corporate as "specified investors" who along with their promoters and directors are required to obtain a UIN before December 31, 2004 to enable them to transact in any securities listed on any recognized stock exchange or in units of mutual funds etc. after that date.

AMFI proposes the following uniform best practices guidelines in this regard:

1. For the purposes of this Notification / circular the definition of "Bodies Corporate" as in the Companies Act, 1956 i.e. only entities incorporated under the Act, be adopted.
2. Mutual Funds shall accept the UIN number provided by a corporate as accurate and assume that all requirements for the internal compliance have been followed by the corporate and need not ask for the UIN numbers of officials, directors etc. of the body corporate.
3. In case UIN is not mentioned in the application, Mutual Funds may accept intimation of UIN by email/fax from investors to facilitate processing of the application, provided it is immediately followed by delivery of letter duly signed by the authorized signatories.



4. In terms of legal opinion obtained by AMFI, the "*buying, selling or dealing*" in units shall not include dividend re-investment where the instructions have been received prior to December 31, 2004, as this is an automatic process triggered by an earlier (pre-effective date) decision. Dividend re-investment instructions received on or after that date would however require compliance with the said notification / circular.
5. In case UIN has already been provided in an existing folio the same can be incorporated for the fresh folio created for the specified investor.
6. The Account Statement furnished to the investor should bear the UIN number.
7. In case of Initial Public Offers, whenever a large number of applications are received, scrutiny of the same on the spot may not be possible to ensure that the application bears the UIN. It is hence suggested that detailed scrutiny of the application should be done at the Registrar level. In case the monies have been realized prior to such scrutiny, the investors may be allowed a reasonable time to provide the UIN. However, until such time the UIN is provided, statement of account and brokerage should not be released on the said investment.

**B. Verification of Permanent Account Number (PAN) - CBDT Notification no.288 of 2004 dated December 1, 2004**

In terms of the above notification mutual funds are required to ensure that PAN of the investor is mentioned on every specified transaction of value of Rupees fifty thousand or more.

AMFI proposes the following uniform best practices guidelines in this regard :

1. All IPO Subscriptions, Fresh Subscriptions and Additional Subscriptions that have a value of Rupees 50,000/- and above shall be "specified transactions" and accordingly the procedure for mentioning and verification of PAN Number will have to be followed for these transactions. There is some debate as to whether transactions like Dividend Re-investment, Systematic Transfer Plans and Shifts which do not involve 'payment of amount ' to the Mutual Fund are covered under the Notification or not. It is advisable that in such cases, the individual mutual fund take appropriate legal advice and act accordingly.
2. The verification of PAN Number quoted by the Investor may be done by obtaining a suitable documents such as Photocopy of PAN Card, PAN Allotment Letter or any communication received from



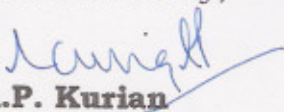
the Income tax Department to the investor quoting the PAN therein.

3. Unitholders who do not have a PAN shall be required to submit a declaration in Form No. 60/61 as applicable along with the proof of address.
4. Applications without a valid PAN Number or declaration in Form 60/61 (along with supporting) may be rejected by the Mutual Funds.
5. In case of minors, a valid PAN of his/her father/mother/guardian, as the case may, should be quoted.
6. Channel Distributors, should be asked to comply with the requirement and submit the PAN Number or prescribed Form no.60/61, received from their investors, to the Mutual Fund.
7. In case of NRI investors, declaration in Form 60/61 may not be required till March 31, 2005. However, the Mutual Funds may take appropriate legal advice on this matter.

These guidelines have been issued to enable members to adopt a uniform approach while complying with the provisions of the above mentioned notifications / SEBI circular and may be followed with immediate effect. In case of any difficulty experienced by the members in interpretation of any of provisions of the said notifications / SEBI circular, they are advised to seek opinion from their legal experts or clarification from appropriate authority and act accordingly.

Thank you and with regards,

Yours sincerely,

  
**A.P. Kurian**