



# ASSOCIATION OF MUTUAL FUNDS IN INDIA

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**A. P. KURIAN**

CHAIRMAN

135/BP/02/02-03

October 8, 2003

To all members of AMFI

Dear «Title» «LastName»,



## Best Practices – Recommended Guidelines

### Adherence to the cut off timings for the acceptance of application

Both the AMFI ARN committee and AMFI Best Practices Committee having examined the systems and practices followed by mutual funds on the above have recommended the following in order to set certain common standards.

- A. The industry does have very similar cut-off timings and concomitant applicable NAV for various categories of schemes. The most notable difference is the practice of giving previous day NAV for High Value Cheques in the Income and Gilt Schemes by a couple of AMCs, while the industry by and large does follow the practice of giving same day NAV for these category of schemes.
- B. While many members feel that a uniform practice is more desirable, a number of other members feel that the prerogative of deciding cut-off timings and applicable NAV must be left to each individual AMC, as long as this is adequately disclosed in the offer document of the relevant scheme. These kinds of differentiations are a sign of healthy competition and ultimately benefit the investor by making these practices more competitive, efficient and transparent.
- C. At the same time, it is not at all desirable to follow practices which are not disclosed in the offer document and specially those practices, which violate the spirit of mutuality and places one investor at an advantage over the other investors in the fund. In this connection we recommend the following:

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**1. Acceptance of post dated cheques**

The applicable date of the application should be construed as the date of application or the date of cheque/draft, whichever is later.

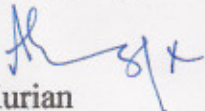
**2. Not depositing cheques into clearing at the first available opportunity :**

This is specially true of high value cheques received in the previous day and which are deliberately not deposited in the high value clearing in the morning and is deposited in the MICR clearing, later in the day. By this process, large investors effectively get the NAV of 2-4 days prior to the date of their cheque clearing. This is specially being done by using the provision of 'Missed Transactions' and it is recommended that all AMC's should get their internal auditor to audit all missed transactions above Rs. 1 crore and place the reasons and NAV impact thereof before their Trustees.

We shall appreciate if the above recommendations are followed as Best Practice with immediate effect.

With kind regards,

Yours sincerely,



A.P. Kurian  
Chairman

«Title» «FirstName» «LastName»  
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«Company»  
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