



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/BP/52/2014-15

January 09, 2015

To All AMFI Members

Dear Sir / Madam,

AMFI Best Practices Guidelines Circular No. 52 /2014-15

Discontinuation of Dividend Reinvestment Option under ELSS

Mutual Funds have been providing Growth Option and Dividend Option under Equity Linked Saving Scheme (ELSS) products, including "*Dividend Reinvestment Sub-Option*" wherein the dividend amount reinvested, is also subject to lock-in period of three years from the date of re-investment.

Although this fact is explained in the Scheme Information Documents (SID), often the investors forget to tick the '*Dividend Pay-Out Sub-option*' resulting in Reinvestment of the dividend by default. Also, since the original amount invested qualifies for deduction under section 80C, even though the dividend reinvested does not qualify for any such deduction, the lock-in period rule is often misconstrued by investors, who expect to withdraw the entire balance of units (including dividend reinvested) at the time of redemption after three year lock-in period of the original investment. Thus, in the above scenarios, investors who wish to withdraw the entire balance of units (including dividend reinvested) after three year lock-in period of the original investment cannot do so, due to lock-in of each transaction of dividend re-investment, leading to investor grievances.

The matter was discussed by SEBI with AMFI and was also examined by AMFI Committee on Operations and Compliance, which has recommended that the Dividend Reinvestment Sub-Option under Equity Linked Saving Scheme (ELSS) products be withdrawn to avoid any confusion among investors.

Accordingly, Members are requested to discontinue the Dividend Reinvestment Sub-Option under Equity Linked Saving Scheme (ELSS) products offered by them. Further, outstanding units with Dividend Reinvestment Sub-option under ELSS may be converted into Dividend Pay-out Sub-option, with appropriate intimation to the investors.

Investors who do not wish to receive dividend pay-out may be suggested to opt for Dividend Transfer Plan (DTP), whereby the dividend amount could be reinvested in any other open ended scheme of the Mutual Fund.

It is understood that some of the AMCs have already implemented the above. Members who have ELSS product(s) and are yet to do so, are requested to implement the above recommendation by issuing an addendum to their existing SID at the earliest. A draft of the suggested addendum in this regard is attached herewith.

You are requested to confirm having noted the contents of this circular for due compliance and also place the same for information in the next meeting of their Trustees.

With regards,


Balkrishna Kini
Executive Vice President

Notice – Cum – Addendum to the Scheme Information Document (SID) and
Key Information Memorandum (KIM) of <Name of ELSS>

Discontinuation of fresh subscriptions under Dividend Reinvestment Sub-option (the Reinvestment option) under the Direct and Regular Plans of <name of ELSS>.

NOTICE is hereby given that the Trustee of _____ Mutual Fund (the Fund) has approved discontinuation **the Dividend Reinvestment Sub-Option (hereinafter referred to as “Reinvestment option”) under <name of ELSS> (“the Scheme”) w.e.f.**
_____.

Consequently, no fresh subscriptions would be accepted under the Reinvestment option of the Scheme. For existing unit holders under the Reinvestment Option, dividend declared in future will be compulsorily paid out / credited to the bank account of the 1st unitholder, instead of being reinvested.

Accordingly, the revised options under the Scheme will be Dividend and Growth option with <Growth> option as the default option. Dividend option will have only Dividend Payout as the sub-option.

Consequently, the Systematic Investment Plans (SIP) that were registered under the reinvestment Option of the Scheme will be processed under the Dividend Payout Option.

The aforesaid changes will be applicable with effect from _____, 2015.

All the other provisions of the SID/KIM except as specifically modified herein above remain unchanged.

This Notice-cum-Addendum forms an integral part of the SID/KIM of the Scheme, as amended from time to time.

For <name of the AMC >

Sd/-

Authorised Signatory

Place: _____
Date: _____, 2015

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS. READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

