



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/ BP/ 59/ 2015-16

June 26, 2015

AMFI Best Practice Guidelines Circular No. 59/2015-16

Relaxations in AMFI Best Practice Guidelines Circular No. 54 on Commission Pay-outs

Dear Members,

After reviewing the feedback received from the Members, AMFI Board, at their meeting held on June 17, 2015, have decided to make following relaxations in our Best Practice Guidelines Circular No 54 dated March 26, 2015 regarding Distributors Commission Pay-outs essentially to promote greater retail participation:

1. SIPs & STPs:

To encourage retail investment in equity oriented schemes (including Balance Funds & Monthly Income Plans) through SIPs & STPs upto ₹10,000 per month, committed for a minimum period of 3 years, Members are allowed upfronting of commissions with a cap of 1% on the committed amount for a maximum period of 3 years. The claw-back provision will, however, continue to apply in case of premature discontinuance of SIPs & STPs. Trail brokerage payable will be subject to cap of distributable TER less annual upfront commission already paid. For SIPs of more than 3 years, normal upfront and trail brokerage may be paid after 36th month.

For example, for a SIP of ₹3000 per month for a committed period of 5 years, maximum upfront commission payable will be ₹1080, assuming upfront commission rate of 1% (i.e., ₹3000*12*3*1%). On each instalment, the normal trail commission, i.e. distributable TER less upfront commission rate (in this case 1%) will be paid. From the 37th monthly instalment onwards, upfront brokerage will be subject to cap of 1% and trail brokerage will be subject to cap of distributable TER less upfront commission.

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2. Tax-Exempt Products:

For Tax-Exempt Products under Section 80C of Income Tax Act like ELSS and Retirement Plans upto ₹1,50,000 and for Close-ended RGESS under Section 80CCG upto Rs.50,000, Upfront Commission can be paid upto 3% without any Trail Commission for initial period of 3 years. From, the fourth year onwards, trail commission may be paid subject to cap of distributable TER less 1% annual upfront commission paid.

Alternatively, the existing practice of paying brokerage subject to maximum upfront/advance trail of 1% plus trail within distributable TER payable on yearly basis shall continue. Members may offer any one of the options to the distributors for these products.

The above changes are effective July 01, 2015.

We are sure, these relaxations will help our Members to reach out to the larger number of retail investors.

Sincerely,

A handwritten signature in blue ink, which appears to read 'H. N. Sinor', is written over a horizontal line.

H. N. Sinor
Chief Executive