



# ASSOCIATION OF MUTUAL FUNDS IN INDIA

135 / BP/ 69 / 2017-18

April 18, 2017

Dear Members,

## AMFI Best Practices Guidelines Circular No. 69/ 2017-18

### Guidelines on treatment of inter-scheme investments and disclosure of AUM/ AAUM

In terms of SEBI (MF) Regulations 1996, Seventh schedule clause (4) –

*“A scheme may invest in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that aggregate inter scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the mutual fund. Provided that this clause shall not apply to any fund of funds scheme.”*

As per AMFI Best Practice circular No. 135/BP/03.02-03 dated October 08, 2003, Inter-scheme Investment should be adjusted while computing assets under management. For e.g. If “A” scheme of the mutual fund invests ‘X’ amount in ‘B’ scheme of the same mutual fund, the amount so invested should be adjusted from the net asset of scheme ‘A’ for the month.

It has been brought to the notice of AMFI that there is no uniformity across the Industry in respect of disclosure of assets under management (AUM) in case of investments made by one scheme of a Mutual Fund in another scheme of the same Mutual Fund.

The matter was recently examined by AMFI’s Operations and Compliance Committee, and the committee has recommended the following procedure for treatment of inter-scheme investments for AuM/AuM disclosure of all schemes, excluding fund-of-funds, which has been approved by the Board of Directors of AMFI at the Board Meeting held on April 12, 2017, as a best practice to be uniformly implemented by all members, in order to have uniformity in disclosure of AUM/AuM in the interest of the unit holders, with the underlying principle being that there should not be any double counting in respect of inter-scheme investments within a mutual fund :

1. Inter-scheme investments should be adjusted in the investee scheme while disclosing AuM or Average AuM at a scheme level or at the AMC level for statistical purpose, marketing, or any form of investor/distributor communication.
2. If scheme ‘A’ invests in scheme ‘B’ of the same mutual fund, then value of such units should be excluded while disclosing the AuM/AAuM of scheme ‘B’.

3. Average AUM of Scheme 'B' shall be calculated by taking an average of daily AuM after excluding inter-scheme investments as explained above.

Illustration:

	Scheme A						Scheme B						AMC Total	
	Units			NAV	Actual AuM	Disclosed AuM	Units			NAV	Actual AuM	Disclosed AuM	Actual AuM	Disclosed AuM
	Total	Inv by "B"	Net				Total	Inv by "A"	Net					
				Rs.	Rs. Crs	Rs. Crs				Rs.	Rs. Crs	Rs. Crs	Rs. Crs	Rs. Crs
Day 1	1200	0	1200	14.50	17,400	17,400	1200	24	1176	10.00	12,000	11,760	29,400	29,160
Day 2	1500	0	1500	14.40	21,600	21,600	1500	22	1478	10.10	15,150	14,928	36,750	36,528
Day 3	1400	0	1400	14.60	20,440	20,440	1400	26	1374	10.05	14,070	13,809	34,510	34,249
Day 4	1200	0	1200	14.80	17,760	17,760	1200	25	1175	10.40	12,480	12,220	30,240	29,980
Day 5	1800	0	1800	14.70	26,460	26,460	1800	18	1782	10.20	18,360	18,176	44,820	44,636
Average											14,412	14,179	35,144	34,911

4. In the portfolio disclosure of applicable / investee scheme a foot note shall be added to indicate aggregate investments by other schemes of the same mutual fund in that scheme.

These guidelines are issued in supersession of the existing guidelines contained in para I (2) of AMFI Best Practices Guidelines circular no. 135/ BP/ 03/ 02-03 dated October 8, 2003.

Members are requested to adopt the above Best Practice Guidelines for AuM/AAuM disclosures to be made for period beginning with the current financial year.

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,

  
B. M. Kini  
Dy. Chief Executive