ASSOCIATION OF MUTUAL FUNDS IN INDIA

135 / BP/ 70 / 2017-18 **January 24, 2018**

Dear Members,

AMFI Best Practice Guidelines Circular No. 70 /2017-18

1. **Simplification of Procedure - Change of Status from Minor to Major**
2. **Clarification w.r.t. Transmission of Units in close ended schemes and ELSS**

Please refer to AMFI Best Practice Circular No. 20/2010-11 dated Jan. 28, 2011 on recommended procedure for various operational areas, specifically w.r.t. Change of Status from Minor to Major and Transmission of Units upon death of a unitholder.

1. Simplification of Procedure - Change of Status from Minor to Major

Currently, as the procedure outlined under para 3.5.3 of the aforesaid circular for change of status from minor to major, the signature of the minor who has become a major, needs to be attested by a manager of a scheduled bank. It has been brought to the attention of AMFI that this has been causing difficulty to the investors.

To simplify the procedure for investors, as per recommendation of AMFI's Operations and Compliance Committee, it is advised that, instead of insisting on signature attestation by bankers, the attestation of signature of the unitholder **by the parent/guardian whose signature is registered** in the records of the mutual fund/RTA (against the folio of the minor unitholder) may be accepted. Only if the parent/guardian is unavailable or unable to attest the unitholder's signature, the banker's attestation will be required.

Accordingly, the para 3.5.3 of the aforesaid circular stands revised as follows:

3.5.3. Signature of the minor who has turned major, duly attested by –

(i) the parent/guardian whose signature is registered in the records of the mutual fund/RTA against the folio of the minor unitholder;

OR

(ii) the manager of a scheduled bank
(In the case of latter, the signature attestation by way of Banker's Certificate or letter may be accepted).

2. Clarification w.r.t. Transmission of Units in close ended schemes and ELSS

It has been reported to AMFI that there is lack of uniformity in the practices followed by different mutual funds in respect of transmission of Units under close ended schemes (CES) and Equity Linked Savings Schemes (ELSS), possibly due to differing interpretation of the applicable rules.

For avoidance of doubt and to ensure uniformity of practices across the mutual funds, in consultation with AMFI's Operations and Compliance Committee, the following clarifications are issued:

One Indiabulls Centre, Tower 2, Wing B, 701, 7th Floor, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400 013, INDIA.
Tel.: +91 (022) 4334 6700, 2421 0093, 2421 0383, Fax : +91 (022) 4334 6712/22, Website : http://www.amfiindia.com, CIN : U65991MH1995NPL09206

(i) **Repurchase of Units under ELSS upon death of the Unitholder**

As per Rule 3 (*e*) of Equity Linked Savings Scheme, 2005 notified by the Government of India, vide Notification No. 226/2005, dated 3-11-2005 –

> *"In the event of the death of the assessee, the nominee or legal heir, as the case may be, shall be able to withdraw the investment only after the completion of one year from the date of allotment of the units to the assessee or any time thereafter."*

(ref: http://incometaxindia.gov.in/Communications/Notification/9201100000000001519.htm)

Thus, in the event of the death of the unitholder under ELSS, the nominee or legal heir, shall be able to withdraw the investment under ELSS only after the completion of one year from the date of allotment of the units to the investor, but before completion of three years' lock-in. In other words, the three years' lock-in period is relaxed / reduced to one year from the date of allotment of the units in such cases.

(ii) **Repurchase of Units under Close Ended Scheme upon death of the Unitholder(s)**:

As per Regulation 33(1) of SEBI (Mutual Funds) Regulations, 1996, *Units of a close ended scheme, other than those of an Equity Linked Savings Scheme, launched on or after the commencement of the* Securities *and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 shall not be repurchased before the end of maturity period of such scheme.*

Thus, in case of death of the sole unitholder or all unitholders (in case of joint holding) in a close ended scheme, the claimant (i.e., the *nominee or the legal heir)* shall be able to withdraw the investment only after maturity period of the scheme.

However, the transmission of units in favour of the claimant may be completed before the maturity date of the scheme, provided the claimant is otherwise eligible to hold the Units under the respective scheme and has completed the KYC process etc. If the claimant desires to redeem the investment held by the deceased unitholder in the scheme before the maturity date, he/she may be advised to –

(i) Complete the transmission procedure first;
(ii) Apply for dematerialisation of the Units (after the Units are transmitted in favour of the claimant); and
(iii) Subsequently, sell the dematerialised units in the secondary market.

Members are requested to adopt the above best practice guidelines with immediate effect. Members are also requested 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