

Corrigendum

to

Work Book for Certifying Examination for Mutual Fund Distributors

(last updated: July 8, 2011)

1. Additional information on liquid funds on page 13:

Minimum duration of an interval period in an interval scheme/plan is 15 days. No redemption/repurchase of units are allowed except during the specified transaction period (the period during which both subscription and redemption may be made to and from the scheme). The specified transaction period will be of minimum 2 working days, as per revised SEBI Regulations.

2. Answer to practice question 4 at the end of chapter one is (a) True.

3. New guideline on transfer of schemes discussed in section 3.3.1 is as follows:

Units of all mutual fund schemes held in demat form are freely transferable. Only in the case of ELSS Schemes, free transferability of units (whether demat or physical) is curtailed for the statutory minimum holding period of 3 years.

4. Section 3.3.2 has been updated to include the following:

SEBI has prescribed a detailed format for annual reporting on redressal of complaints received against the mutual fund (including its authorised persons, distributors, employees etc.). The report categorises different kinds of complaints. For each complaint category, the mutual fund has to report on the number of complaints, the time period in which they were resolved, and if not resolved, for how long they remain unresolved.

The revised guideline on merger / consolidation of schemes is:

The merger or consolidation of two or more schemes has so far been considered as a change in the fundamental attributes of the schemes. It has now been provided that such merger or consolidation shall not be considered a change in the fundamental attribute of the surviving scheme if the following conditions are met:

- a) There is no other change in the Fundamental attributes of the surviving scheme i.e. the scheme which remains in existence after the merger.
- b) Mutual Funds are able to demonstrate that the circumstances merit merger or consolidation of schemes and the interest of the unit holders of surviving scheme is not adversely affected.

5. In section 5.1.3, KYD requirements are updated as follows:

- KYD Requirements

As part of Sebi's drive to streamline the distribution process of mutual fund products, AMFI has introduced the KYD process to verify the correctness of the information provided in the registration documents and to have verification of the ARN holders.

The process consists of document verification and bio-metric process

- Self-attested copy of the PAN card and specific documents as proof of address to be submitted along with application form at the CAMS- PoS
- Bio-metric process consists of taking the impression of the index finger of the right hand of the ARN holder. This will be done at the PoS at the time submission of documents
- In case of non-individual distributors, bio-metric process will be conducted on specified authorized persons
- An acknowledgement confirming the completion of KYD process is received from the CAMS-PoS
- A photocopy of the acknowledgement has to be sent to all the AMCs with whom the distributor is empanelled

The new rules is applicable to new registrations and renewals have come to effect from September 1, 2010. After passing the examination and completing KYD requirements, the next stage is to register with AMFI. On registration, AMFI allots an AMFI Registration Number (ARN). Individuals from the exempted category described above can obtain the ARN without passing the Certifying Examination, provided they have attended the prescribed refresher course.

6. In section 6.1.6, the revised requirement wrt limits on fees for Fund of Funds are
As regards Fund of Funds, the recurring expense limit (including management fees) was previously 0.75%. The limits for Fund of Funds have been revised. The scheme can choose between the following:
 - a) Management Fee limit of 0.75% of net assets; or
 - b) Management Fees plus Scheme Running Expenses plus Charges levied by underlying schemes (weighted average of total expense ratio of underlying schemes) – limit of 2.50% of net assets.
7. In section 6.1.5, the following have been updated:

All new folios/ accounts shall be opened only after ensuring that all investor-related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature are available with AMCs/RTAs and not just with the distributor.

For existing folios, AMCs are responsible for updation of the investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature by November 15, 2010.
8. Section 6.3.3 has been updated as follows:
Dividend distribution tax (DDT) on dividends distributed to corporate investors by all categories of debt funds have been increased to 30% wef June 1, 2011.
9. Section 7.1 has been updated to include:
 - Foreign investors can invest in equity schemes of MFs registered with SEBI after completing KYC process.
10. In section 7.2, Revised KYC requirements are updated as:

Previously it was compulsory for all investments of Rs 50,000 and above to be compliant with the regulatory requirements prescribed under the Anti-Money Laundering Act, 1992 and SEBI circulars in this regard.

The regulations have now been revised. The following investors have to be KYC compliant, irrespective of the investment value:

1. Non-individual investors i.e. companies, partnership firms, trusts, HUF etc.
2. Non-Resident Indians
3. Investors coming through channel distributors

11. Section 7.6.4, has been updated as:

Third-party cheques are not accepted except in special cases such as grandparents/parents making payments not exceeding Rs.50,000 on behalf of a minor, employer making payments on behalf of employee through payroll deductions and custodian on behalf of FIIs. AMCs are required to put checks and balances in place to verify such transactions.

12. Section 7.6.8 has been updated as:

The applicable NAV for switch-in transactions to liquid funds is the NAV of the day preceding the day of application provided

- The application is received before cut-off time
- Funds credited to the scheme's account before cut-off time
- Funds available for utilization without using any credit facilities