



ASSOCIATION OF MUTUAL FUNDS IN INDIA

88/ARN/70/2011-12

September 22, 2011

Dear ARN Holder,

Sub: Important communication regarding transaction charges and related information

As you are probably aware, SEBI has vide its circular dated August 22, 2011 introduced a new regulation regarding Mutual Funds. Some of them relating to Mutual Fund distributors are reproduced here for your information and compliance.

A. Transaction Charges (TC) in respect of investments sourced by Distributors:

1. In respect of **new investors** i.e. first time ever investor in any Mutual Fund (for subscription / SIP only), a Fund House is allowed to pay Rs. 150/- as TC only where the transaction / SIP commitment value is Rs. 10000/- and above.
2. Where such a transaction is from an **existing investor**, the corresponding TC will be Rs. 100/-.
3. In respect of systematic investments (SIP only), a TC of Rs. 100/- is payable in 4 equal installments, starting from the 2nd to the 5th installment, provided the total commitment towards SIP is for Rs.10000/- or above
4. Unit holder's statement of account will reflect subscription amount, transaction charges and net investment

Asset Management Companies (AMCs) will deduct the TC from the subscription amount and pay to the concerned ARN holder, subject to deduction of service tax. This could be in addition to existing upfront / trailer fees by the AMCs, if any.

B. Categorization of Distributors as "Opt In" and "Opt Out"

SEBI has also introduced a concept of a distributor "Opting In" or "Opting Out" for the purpose of transaction charges.

1. **Opt in** – An Opt In distributor is someone whose clients will be levied with transaction charges as described above, irrespective of the Fund where an application is submitted.
2. **Opt Out** – An Opt Out distributor is someone whose clients will not be levied any transaction charge by any Fund.
3. **Please note that "Opt out" will be the DEFAULT OPTION for all distributors, unless opted otherwise.**
4. A distributor should adopt a uniform practice i.e. he cannot be an Opt In distributor for one investor and an Opt Out distributor for another investor, at any point in time.
5. Transactions routed through the stock exchange route will not be covered for transaction charges.

Data relating to the preferred status (i.e. opt in or opt out) chosen by distributors will be stored centrally and shared with all Fund Houses. Distributors must, therefore, submit an Option Letter for being an "Opt In" distributor (**Opt Out being default**) in the attached specified format **latest by October 21, 2011, to the CAMS – Point of Service (POS), the list of which is available on AMFI Website, www.amfiindia.com** Please allow us a few days to register your request. This will be at an ARN holder level and valid across all Mutual Funds. You are however free to change your status twice in a year i.e. between March 1st to March 25th or September 1st to September 25th. The new status change will be applicable from the immediately succeeding month.

All distributors are, hereby, informed that they should not resort to any kind of malpractice / mis-selling, including unwarranted splitting of investments and wrong declarations of a "new investor" for receiving transaction charges. You are requested to make a note of the above and ensure its appropriate implementation besides early submission of the Option Letter. Detailed information is available on the website of AMFI www.amfiindia.com and with all Mutual Funds.

With regards,

Yours Sincerely

V Ramesh

Dy Chief Executive

Encl.: As above

On the letterhead of the ARN holder (in case of corporate ARN holders)

Date:

Association of Mutual Funds in India
One Indiabulls Centre
Tower 2, Wing B, 701, 7th floor,
841 Senapati Bapat Marg
Elphinstone Road
Mumbai - 400013

Sub: Option Letter for levy of Transaction Charges

Ref: ARN - _____

This is further to AMFI letter dated September 22, 2011 and SEBI circular dated August 22, 2011 vide reference Cir/ IMD/DF/13/2011.

I/We _____
(name of ARN holder)

holding ARN - _____ wish to exercise the option of being an "Opt In" distributor, i.e. I / We wish to be paid a transaction charge for investments routed under my / our ARN code. I / We will notify AMFI on specified dates, if there is a change in the above stated option.

I / We request AMFI to intimate all AMCs and RTAs concerned.

In addition, I/we agree to abide by the following key terms and conditions :

- I/We agree to keep all my / our investors informed of the applicable transaction charges.
- I/We agree not to indulge in any kind of malpractice/mis-selling, including unwarranted splitting of investments and wrong declarations of a "new investor" for the purpose of receiving transaction charges.
- I/We understand that no transaction charge will be levied for any transaction routed through the stock exchange route.
- I/We understand agree that the transaction charges will be levied only from the date of updation of "Option Letter" as above and not from the date of its submission
- The above Option Letter will be considered to be in force, till such time a written application to the contrary, is submitted in advance of the specified dates

Sincerely

ARN holder's Signature / Authorized Signatory (ies)