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**Association of Mutual Funds in India
(AMFI) Model Compliance Manual**

**Financial Institutions Reform and
Expansion (FIRE) Project**

August 14, 1997

**Financial Institutions Reform and Expansion (FIRE) Project
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August 14, 1997

Mr. A. P. Kurian
Chairman, Association of Mutual Funds in India (AMFI)
Advisor, Apple Asset Management, Ltd.
38/39 Rajgir Chambers, 4th Floor, opp. Old Customs House
Shahid Bhagat Singh Road
Fort, Mumbai 400 023

Subject: AMFI Model Compliance Manual

Dear Mr. Kurian,

In furtherance of the Association of Mutual Funds in India's ("AMFI") goal of raising standards in the mutual fund industry, AMFI established a Working Group for Compliance under the Chairmanship of Mr. K.N. Vaidyanathan, Vice President, Morgan Stanley India. The first objective of the Working Group was to draft a Model Compliance Manual ("Manual") for the benefit of AMFI's members.

The USAID FIRE Project, which provides technical assistance to AMFI, assigned Mr. R.N.K. Prasad of the FIRE Project and Ms. Sandhya Bhate, a special consultant, to assist the Working Group in drafting a Model Compliance Manual. Ms. Bhate was formerly the Supervising Compliance Administrator for Franklin Resources, Inc. (holding company of the Franklin/Templeton Group of Funds), San Mateo, California, USA. She currently advises a brokerage and a merchant banking firm in Mumbai on issues related to compliance, operations and research-related activities.

I. PURPOSE OF ASSISTANCE

The purpose of Ms. Bhate's assistance was to draft an AMFI Model Compliance Manual for mutual funds operating in India.

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II. CONTENTS OF THE REPORT

The report contains the Manual and recommendations for further action to promote industry compliance. The Manual addresses the regulations outlined in the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations, 1996. It outlines procedures to be followed to independently verify that basic compliance standards are adhered to. Where appropriate the Manual suggests more stringent alternative standards and highlights issues requiring further clarification. The Manual also includes suggestions for assigning compliance responsibilities. Implementation of this Manual will help to sustain compliance practices for mutual funds that should, in the long run, help to build investor confidence and facilitate the flow of investment capital into the industry.

III. NEXT STEPS

PW/FIRE Project recommends that the Manual be submitted to the AMFI Board for its adoption and implementation by AMFI's members.

In addition, the FIRE Project recommends that AMFI:

- expand the Manual to include compliance with all pertinent laws and regulations relating to mutual funds including those of the Reserve Bank of India, the Companies Act of 1956, the Indian Trust Act of 1882, SEBI regulations related to Custodians, Transfer Agents, Fraudulent and Unfair Trade Practices relating to the Securities Markets and SEBI's Offer Document Guidelines, to the extent applicable to Mutual Funds;
- adopt a Code of Ethics, Advertising Guidelines, Investment Valuation and Accounting Guidelines;
- standardize operating procedures for the mutual fund industry;
- adopt service standards for the industry;
- conduct workshops to train AMCs, their Compliance Officers and other key personnel; and

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- conduct familiarization programs on compliance issues for trustees, Mutual Fund Auditors and other interested persons.

The PW/FIRE Project is prepared to assist AMFI in these activities in order to implement an effective compliance structure for the members of AMFI.

IV. DISTRIBUTION OF THE REPORT

Under the terms of the PW/FIRE Project, this report will be distributed to SEBI and USAID. We request your permission to distribute the report to selected entities and we will advise you of the same. We will not distribute the report in its entirety to the media directly, however, we will comment on its contents from time to time in response to media inquiries. We want to express our sincere appreciation for the cooperation provided by AMFI representatives to Ms. Bhate and our staff.

Upon reading this document and its recommendations, please feel free to contact me with any questions you may have on it. I can be reached at tel 496-3599 and by fax at 496-3555.

Thanking You,
Sincerely,

W. DENNIS GRUBB
PRINCIPAL CONSULTANT CAPITAL MARKETS

Enclosure.

cc: Mr. Pratip Kar, Executive Director, SEBI
Mr. K. N. Vaidyanathan, Vice President, Morgan Stanley India

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I. EXECUTIVE SUMMARY

The AMFI Model Compliance Manual ("Manual") attached to this document summarizes basic compliance controls that mutual funds need to implement to assure that they adhere to the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. The Manual was prepared by the FIRE Project in conjunction with the AMFI Working Group on Compliance headed by Mr. K.N. Vaidyanathan of Morgan Stanley India. Its purpose is to assist AMFI and its members in sustaining fundamental compliance standards for the mutual fund industry.

In its first meeting, the Working Group on Compliance decided to draft the Manual in phases to address the various compliance requirements that Asset Management Companies/ trustees need to comply with in the management of mutual funds. The scope of the first phase was limited to the SEBI (Mutual Funds) Regulations, 1996. This should be followed by compliance guidelines for other legislative/ regulatory issues, the Code of Ethics as well as standardized operating procedures for AMFI member firms. Accordingly, the Manual does not purport to encompass all regulations that apply to mutual funds. It does not, for example, cover requirements relating to the Indian Trust Act, the RBI, SEBI's Anti-Fraud Regulations, the requirements under the Companies Act or financial and accounting standards.

This Manual should be an evolving document. It should be modified as regulations are updated and in response to perceived weaknesses in compliance controls. It should be used in conjunction with the AMFI Code of Ethics, Advertising Guidelines, and Valuation and Accounting Policies that are now being developed and finalized.

II. BACKGROUND

In February 1997, AMFI established a Working Group to draft a Model AMFI Compliance Manual for the industry under the Chairmanship of Mr. K.N. Vaidyanathan, Vice President, Morgan Stanley India. This group held meetings in February and March, 1997 to establish the scope of the Manual. During these discussions, committee members shared their versions of the Manual. In accordance with the committee's views, the FIRE Project produced a discussion draft at the end of April, 1997. During May and June 1997, Sandhya Bhate of the FIRE Project met with the Compliance Officers of each of the committee members to discuss their specific concerns.

The preparation of this manual brought into focus certain areas where the existing regulatory framework could be strengthened. In addition, it identified issues that need further discussion between the mutual fund industry and regulatory authorities. These form the basis of the recommendations that follow.

The FIRE project would like to thank Mr. K.N. Vaidyanathan, Vice President and Mr. P.C. Singh, Compliance Officer, Morgan Stanley, Mr. D. S. R. Murthy, Chief General Manager and Ms. Roshni Chargeman, Compliance Manager, Unit Trust of India, Jimmy Patel, Deputy Manager - Finance/ Compliance Officer, Tata Asset Management Ltd., Mr. B. C. Nimkar, Deputy General Manager, SBI Mutual Fund, Mr. U.R. Rao, Divisional Manager, Canbank Investment Management Services, Ltd. and Mr. L. Vednarayanan, General Manager - Operations and Company Secretary, J.M. Capital Management Ltd. The FIRE project appreciates the time each individual devoted to this project and the valuable inputs provided.

III. FIRE RECOMMENDATIONS

During the process of drafting the Manual, certain anomalies and lacunae were identified. The issues, highlighted below, need to be given further consideration by AMFI because of possibilities for misinterpretation or abuse while they remain unresolved.

1. The due diligence of key employees should include police clearances.

Regulation 7(d) requires that "the sponsor or any of its directors or the principal officer to be employed by the mutual fund should not have been found guilty of fraud or has not been convicted of an offence involving moral turpitude or has not been found guilty of any economic offence."

Every institution should have adequate internal procedures for screening employees to comply with Regulation 7(d). These procedures should include obtaining police clearances for all key personnel as a matter of routine due diligence. This practice should become an industry standard for all key personnel of the AMC.

2. The responsibilities and liabilities of trustees and directors of trustee companies should be clearly defined.

Regulation 16(2) and (6) address restrictions related to the activities of trustees and directors of trustee companies respectively. The responsibilities and liabilities of trustees, whether organized as a company or as a board, need to be reviewed and discrepancies resulting from differences in structure need to be resolved. Under current regulations, there are industry professionals of the opinion that there is limited liability associated with being a director on the board of a trustee company since the trustee company structure is governed by the Companies Act, whereas being a trustee on the Board of Trustees of a Mutual Fund has potentially unlimited liability.

SEBI should clarify the circumstances under which trustees (including directors of a trustee company) are liable and the extent of such liability.

3. The term 'conflicting objectives' needs to be clarified.

Regulation 16(6) states that "in case a company is appointed as a trustee then its directors can act as trustees of any other trust provided that the object of the trust is not in conflict with the object of the mutual fund."

SEBI needs to provide further clarification as to what constitutes conflicting objectives.

4. "Undue concentration of business with any broker" should be defined as more than 5%.

Regulation 18(5) states that "the trustees shall ensure that an asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker."

In the public interest and for the protection of the investor, "undue concentration" shall be more than 5% of the gross brokerage business of a mutual fund computed on a monthly basis.

5. Private placement transactions involving associated companies should be disallowed.

Regulation 18(6) requires that "trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates in any manner detrimental to interest of the unitholders."

A fund scheme should not engage in any private placement transactions involving associated companies or companies controlling, controlled by or under common control with them to prevent any overreaching or any potential conflict of interest. If extenuating circumstances require such transactions to be permitted, such deals should be precleared by the trustees on the basis of a written independent analysis justifying their fairness to the scheme involved and its unitholders.

6. The logistics of shareholder approval need to be clarified.

Regulation 18 (15b) states that "the trustees shall obtain the consent of the unitholders whenever required to do so on the requisition made by three-fourths of the unitholders of any scheme."

The mechanics of obtaining shareholder approval need to be clearly laid out. The current language is subject to various interpretations. The system devised should be fair to unitholders and should also be practical for an AMC. Subjects to be considered include:

- proxy solicitation;
- vote of all unitholders or only those in attendance at a meeting;
- what constitutes a quorum; and

- the more lenient standards at subsequent meetings if attendance or participation criteria were not fulfilled.

7. The term 'a majority of trustees' should be clarified.

Regulation 18(15c) states that "trustees shall obtain the consent of the unitholders when the majority of the trustees decide to wind up or prematurely redeem the units."

The term "a majority of trustees" needs to be clearly defined. A majority could be a simple majority of trustees present at a meeting or it could be interpreted to be a majority of trustees whether or not present at a meeting. Until further clarification by SEBI, a majority of all trustees whether or not present at the meeting should be required.

8. The term 'fundamental attributes of a scheme' should be clarified.

Regulation 18(15d) states that "trustees shall obtain the consent of the unitholders when any change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme or affect the interest of the unitholders is proposed to be carried out unless the consent of not less than three-fourths of the unitholders is obtained."

The term 'fundamental attributes' should include, but not be limited to:

- objectives (growth, income or balanced);
- policies to achieve stated investment objectives;
- the scheme's policy on:
 - diversification (refer to Recommendation 13 for the definition of "diversification");
 - concentration limits in any given industry;
 - portfolio allocation, if applicable, between debt and equity;
 - limitations on fees and expenses;
 - intent to underwrite (refer to Recommendation 15);
 - sales and redemption policies; and
 - any other policies or strategic terms which may cause the unitholder to invest in a scheme.

Both fundamental as well as non-fundamental policies should be explicitly stated in the offer document.

9. The scheme portfolio should be disclosed at least semi-annually.

Regulation 18(22), Fifth Schedule, item 2, requires that "trustees and asset management companies must ensure the dissemination to all unitholders of adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme."

As a prudent business practice and as a show of good faith to keep investors informed of activities, the entire portfolio should be disclosed initially, at least semi-annually, and after two years, at least quarterly. This will allow investors to make an independent assessment of how their investments are being managed.

10. The interpretation of 'activities in conflictwith activities of the mutual fund' needs to be clarified.'

Regulation 24(2) states that "the asset management company shall not undertake any other business activities except activities in the nature of management and advisory services if any such activities are not in conflict with the activities of the mutual fund."

SEBI should clarify what constitutes a conflict in these circumstances.

11. Transactions with affiliated brokers should be discouraged.

Regulation 25(7) states that "no asset management company shall deal in securities through any broker associated with the sponsor or a firm which is an associate of a sponsor beyond 5% of the daily gross business of the mutual fund."

There is a potential for a conflict of interest in a transaction involving affiliates and the best practice would be to discourage such transactions. If an associated broker executes a fund transaction, care should be taken to ensure that best execution is obtained and that, in the aggregate, the transactions with all associated brokers do not exceed 5% of the daily gross business of the mutual fund.

12. Guarantees should be eliminated or alternatively meaningful "resources" backing a guarantee should be required.

Item 11 of the Sixth Schedule states that "if ... in any Advertisement a mutual fund guarantees or assures any minimum rate of return or yield to prospective investors, resources to back such a guarantee shall also be indicated."

Guarantees, including assured returns, appear to be used as marketing tools by a portion of the Indian mutual fund industry. Such guarantees tend to distort the investment process

and the need to recognize that all investments in securities involve some degree of risk. Illusory guarantees result in frustrated unitholders and loss of credibility for the entire mutual fund industry. To prevent sales and advertisements based upon illusory guarantees, the word "resources" should be defined as

"an account fully backed by a dedicated reserve with segregated assets. This collateral should be highly liquid, highly rated instruments that are marked to market daily to reflect changes in the guarantor's liability under with the guarantee. The AMC's or sponsor's net worth should be net of such dedicated reserves."

13. The terms "diversification" and "diversified" need to be defined.

All funds that advertise that they are diversified must abide by a uniform definition. The Sixth Schedule does not define the terms "diversification" or "diversified" and the terms are not defined in any other section of the SEBI (Mutual Funds) Regulations, 1996.

All funds that advertise that they are diversified must abide by a uniform definition of "diversification" and "diversified".

"Diversification" or "diversified" means that at least 75 per cent of the value of total assets of a scheme is represented by securities limited with respect to any one issuer to an amount not greater than 5 per cent of the total assets of the scheme. Securities with sovereign guarantees may be exempted.

Further, per Item 2 of the Seventh Schedule, SEBI requires that "no mutual fund under all its schemes should own more than 10 per cent of any company's paid up capital carrying voting rights."

These two requirements together define the term "diversification" or "diversified" for a fund.

14. Internal Ratings should be assigned to unrated debt securities.

The Seventh Schedule Item 1 states that "investment in (a) debt instrument (which) is not rated (by a credit rating agency authorised to carry such activity under the Act), the specific approval of the Board of the asset management company should be taken for investment."

As a prudent management practice, all unrated securities that are purchased should be assigned an internal rating by the AMC as part of the valuation exercise. These ratings should be for internal use only and should be reviewed by trustees, in addition to the board of the AMC, on a regular basis, since there may greater risk associated with these instruments.

15. The offer document should clearly disclose underwriting intentions.

Regulation 46 states that "mutual funds may enter into underwriting agreement after obtaining a certificate of registration in terms of the SEBI (Underwriting) Rules and the SEBI (Underwriting) Regulations, 1993 authorizing it to carry on activities as underwriters. For the purpose of these regulations, the underwriting obligation will be deemed as if investments are made in such securities. The capital adequacy norms for the purpose of underwriting shall be the net asset value of the scheme and provided that the underwriting obligation of a mutual fund shall not at any time exceed the total net asset value of the scheme."

The extent to which a fund intends to underwrite should be disclosed in the offering document and should be part of the fundamental policy of the scheme. There is tremendous exposure related to underwriting and current regulations allow an entire portfolio to be put at risk in such an exercise.

IV. NEXT STEPS

PW/FIRE Project recommends that this report be submitted to the Working Group for its review and comments and thereafter to the AMFI Board for adoption.

In addition, over the next year, AMFI needs to:

- expand the manual to include compliance with all pertinent laws and regulations relating to Mutual Funds including those of the Reserve Bank of India, the Companies Act of 1956, the Trust Act of 1882, SEBI regulations related to Custodians, Transfer Agents and Fraudulent and Unfair Trade Practices relating to the Securities Markets and SEBI's Offer Document Guidelines;
- adopt a Code of Ethics, Advertising Guidelines, Investment Valuation and Accounting Guidelines;
- standardize operating procedures for the mutual fund industry; and
- adopt service standards for the industry.

The PW/FIRE Project is prepared to assist AMFI in these activities with the ultimate objective of implementing an effective compliance structure for the AMFI membership.

ASSOCIATION OF MUTUAL FUNDS OF INDIA (AMFI)
MODEL COMPLIANCE MANUAL

A. Purpose:

The purpose of this manual is to establish minimum standard policies and guidelines for the business activities of mutual funds in India. It applies to all employees, key personnel, officers, directors and trustees associated with the operation of a mutual fund. This manual is based on the SEBI (Mutual Funds) Regulations, 1996. It is the responsibility of supervisory and management staff to ensure that employees are familiar with applicable sections of this manual. The manual is divided into two parts: the first part is generic compliance issues and the second part is in the form of a table addressing SEBI (Mutual Funds) Regulations, 1996. The manual should be updated and supplemented periodically by the Compliance Officer as SEBI Regulations are updated.

B. Regulatory Environment:

A mutual fund is governed by many laws, rules and regulations. These include the Securities and Exchange Board of India (SEBI) Act, 1992 (No. 15 of 1992), SEBI regulations including, but not limited to, regulations related to Mutual Funds, Custodians, Transfer Agents and the Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets; the Companies Act of 1956; anti-fraud regulations; the Reserve Bank of India rules, the Indian Trust Act etc. It is the responsibility of the Asset Management Company (AMC) to designate individuals (such as the Company Secretary, Compliance Officer and / or staff in the Legal Department) to keep abreast of developments in the regulatory environment and to apprise the affected operational groups of any relevant changes. This document limits itself to the SEBI Mutual Fund Regulations, 1996.

C. Standards of Conduct:

All employees, officers, and directors of the AMC as well as trustees of the mutual fund should observe high standards of integrity and fairness in dealing with investors, issuers, market intermediaries and the general public. The AMC has a responsibility to adopt a Code of Ethics that establishes standards of daily conduct and seeks to minimize conflicts of interest or the appearance of a conflict of interest. In addition, the Code should be designed to detect and prevent insider trading and front-running by officers, directors and

employees of the asset management company and trustees of the mutual fund. Finally, the Code should prohibit employees from being a party to any kind of unethical practice such as market manipulation, price rigging, front-running or engaging in any acts that may be construed as being fraudulent or deceptive.

D. Confidentiality of Information:

In the course of their daily activities, employees, officers and directors may have access to confidential information relating to client accounts and securities transactions. These individuals are required to maintain the confidentiality of this information strictly. Any breach may be grounds for termination.

E. Advertising and Sales Literature:

Advertising and sales literature are synonymous terms and include any notice, circular, letter, or other written communication addressed to more than one person (outside of the company), or any notice or other announcement in any publication or by radio, television or other electronic medium that offers any report, analysis, graph, chart or formula or other information regarding the offer, purchase or sale of mutual fund shares. All such material needs to be reviewed internally to ensure it complies with applicable SEBI Mutual Fund regulations. This quality control function may be performed by the Compliance Officer or by a separate department / group. If a separate group performs this function, then the Compliance Officer should conduct periodic audits of this process. In addition, all selling information designed for distribution to the public should be filed per SEBI regulations. The information provided should be accurate and fairly presented. See to AMFI Advertising Guidelines and the Sixth Schedule of the SEBI (Mutual Funds) Regulations, 1996 for additional details.

F. Diversification:

Currently there are no criteria in the regulations regarding diversification. Mutual funds that advertise themselves as diversified should establish clear guidelines regarding the percentage of assets that can be invested in an individual issuer and in a single industry. This interpretation of 'diversified' should be disclosed. In the United States, section 5(b)(1) of the Investment Company Act of 1940 describes 'diversified' as (paraphrased) limiting exposure to any single issuer to not more than 5% with respect to 75% of total assets. Prudent practices indicated that single industry exposure should not exceed 25% of total assets. Investments in securities with sovereign backing could be exempted from this requirement.

G. Customer Complaints:

A complaint is an expression of displeasure and dissatisfaction by or on behalf of a client with a service or product provided by the asset management company. A complaint could be either oral or written. If it is oral, then it needs to be documented and responded to like any other complaint. All complaints should be logged in and a record of the complaint and the disposition or resolution should be maintained. Every AMC should maintain a complaint log or complaint tracking system and should require that the transfer agent also do so. The complaint may be related to the management or performance of a fund or could be directed at services or products provided by associates or subcontractors such as registrars, brokers, underwriters or salesmen.

All client complaints should be directed to a designated centralized department, such as the Investor Relations or Correspondence Department. This department should be tasked with coordinating and ensuring responses to all Customer Complaints, including those involving subcontractors or associates. There should be a monitoring mechanism for identifying those complaints that are symptomatic of inherent risk or customer dissatisfaction and there should be a system for generating periodic reports for review. It should then be the responsibility of the Compliance Department to periodically audit the timeliness as well as the adequacy of the responses. This review should be done on a quarterly basis and the results reported to the trustees of the mutual fund.

Correspondence files should also be audited in conjunction with complaint files to ensure that complaints have not been incorrectly classified as correspondence. Correspondence refers to routine forms, letters, inquiries or requests that may be received from a unitholder whereas a complaint is an expression of dissatisfaction. Complaints can sometimes be indicative of weaknesses in internal controls or lapses in compliance and as such need to be reviewed carefully.

H. Accounting and Recordkeeping Procedures:

All processing departments of the AMC, including trading, back office and accounting, should maintain information as required by applicable regulations. The procedures followed should be documented in each department's operations manual. The operations manual should be sufficiently detailed to serve as a training tool for new and existing employees as well serve as a reference source for internal auditors. It needs to be kept updated. Each department should establish record retention procedures in compliance with applicable regulations and consistent with prudent business practices.

Trading procedures should include details of processing of order tickets, trade executions, daily blotters, allocation procedures, brokerage allocation procedures, affiliated transactions and correct procedures. Trade allocation procedures should be designed to give fair and equitable treatment to all accounts and whether the system used is random or pro-rata. Trading procedures should be approved by the direct of the mutual fund. Accounting and back office procedures, valuation of assets, daily balancing of the general ledger, and calculation of the NAV and the normal maintenance of books and records.

I. Regulator, Legal, Other Inquiries:

Any communication received by an employee from a governmental or regulatory body (such as SEBI) regarding the mutual fund or any other activity should be immediately directed to the Legal Department or Company Secretary prior to responding to any request for information.

J. Compliance Responsibility:

It should be incumbent on all individuals and entities associated with a mutual fund to comply with applicable rules and regulations. It is the responsibility of senior management to ensure that employees are informed of compliance requirements related to their functions. It is then the responsibility of each employee to abide by these rules and regulations. In addition, it is a requirement in the SEBI (Mutual Fund) Regulations, 1996 that trustees of a mutual fund ensure that the asset management company has appointed a Compliance Officer prior to the launch of any scheme. These regulations place the responsibility of monitoring compliance as well as responding to investor grievances with the Compliance Officer.

The Compliance Officer should report directly to the trustees of the mutual fund even though he or she may be an employee of the AMC and have indirect ("dotted-line") reporting to the senior management of the AMC. Alternatively, the Compliance Officer may report to the Legal Department of the AMC. As such, the position of Compliance Officer is a senior level position requiring experience in areas such as internal/external/compliance auditing or alternatively requiring a Company Secretary/ legal background. The AMC should also facilitate the Compliance Officer's access to all relevant information.

The Compliance Officer has overall responsibility for compliance. Typically each employee, supervisor and manager is responsible for compliance for his or her function. The Compliance Officer has to independently verify that adequate internal controls exist. As such, he or she should not have any operational or portfolio responsibilities. He or she may rely on independent review functions performed by an internal or external auditors, the Company Secretary or by the Legal Department/Legal Counsel. The Compliance Officer should design his or her own compliance testing procedures (as part of a compliance control program) and submit quarterly reports to the trustees. A compliance control program is merely an annual audit or independent testing schedule of all regulatory, legal and other requirements that need to be adhered to. It should detail the timings of these audits and the departments/ individuals responsible for carrying out these activities. In performing compliance tests, the Compliance Officer should, whenever possible, independently audit various functions instead of relying on certifications. Depending on the size of operations of the AMC, the Compliance Officer may require additional staff to carry out all required compliance functions.

Organization of the rest of the manual

The tables in the following pages correspond to Chapters II - VII of the SEBI Mutual Fund Regulations, 1996. These chapters correspond to Regulations 3 - 60. These regulations relate to registration (Regulation 3 - 13), constitution, management of mutual fund and operation of trustees (Regulation 14 - 18), constitution and management of the AMC and custodian (Regulation 19 - 27), schemes of the mutual fund (Regulation 28 - 42), investment objectives and valuation policies (Regulation 43 - 49) and general obligations (Regulation 50 - 60). The tables are organized in the numerical sequence of the regulation for each reference.

The following chapters of the SEBI Mutual Fund Regulations, 1996 are not discussed in the attached tables: Chapter I (Regulations 1 - 2) which relates to definitions of terms used in the regulations. These definitions are not reproduced in this manual. Chapter VIII (Regulations 61 - 67), Chapter IX (Regulations 68-76) and Chapter X (Regulations 77-78). Chapter VIII relates to Inspections and Audits that may be conducted by the Board. It established the right of the Board to conduct such examinations and the process by which such examinations will be conducted. Chapter IX relates to procedures for Action in Case of Default. It details the circumstances under which the Board may suspend or cancel a mutual fund's certificate of registration and related procedures. This chapter contains clauses establishing the Board's right to establish clarifications and guidelines in the form of circulars or notes that are binding on sponsors, mutual funds, trustees, AMCs and custodians.

The compliance procedures indicated in the attached tables represent suggestions on ways of assessing compliance with the regulations indicated as well as possibilities of who the responsibilities should be assigned to. It should be noted that these are only generic suggestions and there may be other ways achieving the same objectives. Each AMC needs to tailor these suggestions to meet the specific needs of its environment.

The following tables are not meant to be a teach-yourself manual for mutual fund compliance. The suggestions presented are high-level guidelines and do not purport to detail all the steps that need to be followed to assess compliance. As such, it is expected that the individuals using the following tables will already have the necessary experience and the required knowledge to conduct compliance reviews. The suggestions are merely positive reinforcements for the controls that an AMC should have already established/ or be in the process of establishing for assuring compliance with SEBI regulations.

In response to some of the regulations "Alternative Standards" have been described. These are, in general, more stringent standards than required by SEBI. These are provided where it is perceived that there is potential exposure if only the minimum requirements were adhered to. Finally, "Further Action Required" indicates issues requiring resolution. AMFI needs to seek further clarification from SEBI on these matters.

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AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
3, 4	Registration	<p>a. Registration application should be on Form A and made to the Board.</p> <p>b. Submission of a non-refundable application fee per Schedule 2.</p>	<p><i>This is a one-time activity that will typically be performed by the Company Secretary.</i></p> <p>a. <i>Form A should be accurate and complete.</i></p> <p>b. <i>Bank draft payable to "The Securities and Exchange Board of India" at Mumbai:</i> <i>Application fees: Rs. 25,000/-</i> <i>Registration fees: Rs. 25,00,000/-</i> <i>Service fees: Rs. 2,50,000/-</i> <i>Filing fees: Rs. 25,000/-</i></p>
7	Registration	<p>a. the sponsor should have a sound track record and general reputation of fairness and integrity in all business transactions.</p> <p>"Sound track record" is defined as (paraphrased):</p> <p>(i) in business in financial services for at least five years</p> <p>(ii) net worth is positive for each of the preceding five years</p> <p>(iii) net worth in the preceding year should be more than the capital contribution of the sponsor of the asset management company (AMC)</p> <p>(iv) the sponsor has profits after providing for depreciation, interest and tax in 3 out of 5 preceding years, including the fifth year.</p>	<p><i>This is a one-time activity and the information requested in Form A is used by the regulators to determine "sound track record" as defined in this regulation.</i></p> <p><i>The sponsors would typically make an evaluation of these factors and ensure qualification prior to the filing of an application.</i></p>
7	Registration	<p>b. in the case of an existing mutual fund, such fund is in the form of a trust and the trust deed has been approved by the Board.</p>	<p><i>Funds seeking approval would be required to have this structure. Managements of funds launched prior to these regulations need to address issues related to structure as well as requirements of the Third Schedule of the regulations with their Legal Counsels, trustees and, if necessary, with SEBI if specific exemptions are required.</i></p>
7	Registration	<p>c. the sponsor has contributed at least 40% to the networth of the AMC (and provided that the eligibility criteria are met).</p>	<p><i>This is a one-time check and would typically be done by the sponsor prior to filing an application.</i></p>

AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
7	Registration	d. The sponsor/ directors/ principal officer to be employed by the mutual fund should not have been found guilty of fraud or have been convicted of an offense involving moral turpitude or been convicted of any economic offense.	<p><i>as stated</i></p> <p><u>Alternative Standards:</u> <i>Certain institutions obtain police/CID/CBI clearance for all employees as part of their routine due diligence. It is a commendable practice if the AMC is able to obtain these clearances for all key employees. In the United States, the NASD requires all employees of member firms be fingerprinted (FBI check).</i></p>
7	Registration	e. There should be appointment of trustees to act as trustees for the mutual fund in accordance with the provisions of the regulations.	<i>as stated - note: these items are a prerequisite to the setting up of a mutual fund. The appointment should be documented.</i>
7	Registration	f. The appointment of the asset management company to manage the mutual fund and operate the scheme of such funds in accordance with the provisions of these regulations.	<i>as stated - note: these items are a prerequisite to the setting up of a mutual fund. The appointment should be documented.</i>
7	Registration	g. The appointment of a custodian in order to keep custody of the securities and carry out custodial activities as may be authorized by the trustees.	<i>as stated. - note: This is a prerequisite to the registration of a mutual fund. The appointment should be documented.</i>
10	Registration	Registration granted to a mutual fund is subject to: a. compliance with regulations b. the fund informing the Board immediately if any information previously furnished to the Board is materially false or misleading.	<i>Adherence to regulations and prompt communication to the Board of any material misrepresentations that might have been made previously.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
12	Registration	<p>Service fee due on the 15th April for every financial year following the year of registration. Service fees: RS. 2,50,000/-</p> <p>In special circumstances, after permission has been obtained from the Board, the fund may be allowed to submit the payment two months after of the start of the financial year.</p>	<p><i>Fees due on the 15th April for that financial year.</i></p> <p><i>In special circumstances, SEBI will permit an extension of up to two months after the start of the financial year for payment of service fees. For example, for a fund with year ending March 31st, this translates to May 31st. The Compliance Secretary or the Compliance Officer should verify that service fees have been sent by the due date.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
14	Constitution management of the mutual fund and trustees	A mutual fund should be constituted as a trust and the trust deed should be registered under section 16 the Indian Registration Act (1908). It should be executed by the sponsor in favor of the trustees named in the deed.	<i>As described.</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>The trust deed shall contain the following clauses, as described in the Third Schedule, and any other clauses necessary to safeguard the interests of the unit holders:</p> <p>i) A trustee in carrying out his responsibilities as a member of the Board of Trustees or of the trustee company, shall maintain an arms' length relationship with other companies or institutions or financial intermediaries or any body corporate with which he may be associated.</p> <p>ii) No trustee shall participate in the meetings of the Board of Trustees of trustee company when any decisions for investments in which he may be interested are taken.</p> <p>iii) All the trustees shall furnish to the board of trustees or trustee company particulars of interest which he may have in any other company, or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.</p>	<p><i>The ultimate responsibility for the funds' compliance with SEBI regulations and with the dictates of the trust deed lies with the trustees. The Legal Dept./Legal Counsel/Company Secretary should ensure that all these relevant clauses are part of the deed.</i></p> <p><i>The Compliance Officer should review the deed as part of the compliance control program and ensure that all items in the Third Schedule are included. In addition, any amendments that might subsequently have been passed should also be reviewed.</i></p> <p><i>The Company Secretary/Compliance Officer should document trustees' or trustee company's interests at the time of appointment. This documentation needs to be updated on a semi-annual basis.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(2) The minimum number of trustees should be mentioned in the trust deed.</p> <p>(3) The deed must provide that the trustees shall take into their custody, or under their control all the property of the schemes of the mutual fund and hold it in trust for the unitholders.</p>	<i>as stated</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(4) The Trust Deed must specifically provide that unitholders would have beneficial interest in the trust property to the extent of individual holding in respective schemes only.</p> <p>(5) The Trust Deed shall provide that it is the duty of the trustees to act in the interest of the unit holders.</p> <p>(6) The Trust Deed shall provide that it is the duty of the trustees to provide or cause to provide information to unitholders and the Board as may be specified by the Board.</p>	<p style="text-align: center;"><i>as stated</i></p> <p><i>The trustees are responsible for providing or causing to provide relevant information to the Board and the unitholders.</i></p> <p><i>The Legal Department/ Company Secretary/AMC should facilitate the dissemination of this information.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(7) The Trust Deed shall provide that the trustees shall appoint an asset management company approved by the Board, to float schemes for the mutual fund after approval by the trustees and the Board, and manage the funds mobilized under various schemes, in accordance with the provisions of the Trust Deed and Regulations. The trustees shall enter into an Investment Management Agreement with the asset management company for this purpose, and shall enclose the same with the Trust Deed.</p>	<p><i>as stated</i></p> <p><i>The terms and conditions of the appointment of the AMC should be outlined in the Investment Management Agreement.</i></p> <p><i>The Compliance Officer should review the agreement as part of his/her routine quarterly review. Any amendments should also be included in the review and should be traced to minutes of the trustees meetings.</i></p>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(8) The Trust Deed shall provide that the duty of the trustee include taking reasonable care to ensure that the funds under the schemes floated by and managed by the asset management company are in accordance with the Trust Deed and Regulations.</p>	<p><i>as stated</i></p>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(9) The Trust Deed must provide the trustees the power to dismiss the asset management company under specific events only with the approval of the Board in accordance with the Regulations.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(10) The Trust Deed shall provide that the trustees shall appoint a custodian and shall be responsible for the supervision of its activities in relation to the mutual fund and shall enter into a Custodian Agreement with the custodian for this purpose.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer should review this agreement as part of his/her routine quarterly review.</i></p>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(11) The Trust Deed shall provide that the auditor of the mutual fund shall be different that the auditor of the asset management company.</p>	<p><i>as stated</i></p> <p><i>The Company Secretary /Compliance Officer should ensure this on an annual basis.</i></p>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(12) The Trust Deed shall provide for the responsibility of the trustees to supervise the collection of any income due to be paid to the scheme and for claiming any repayment of tax and holding any income received in trust for holders in accordance with the Trust Deed, Regulations.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(13) Broad policies regarding allocation of payments to capital or income must be indicated in the Trust Deed.</p>	<i>as stated</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(14) The Trust Deed shall also explicitly forbid the acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited or shall not result in encumbrance of the trust property in any way.</p>	<i>as stated</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(15) The Trust Deed shall forbid the mutual fund and the asset management company, to make or guarantee loans or take up any activity in contravention of the Regulations.</p>	<i>as stated</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(16) Trusteeship fee, if any, payable to trustees shall be provided in the Trust Deed.</p>	<i>as stated</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(17) The Trust Deed shall provide that no amendment to the Trust Deed shall be carried out without the prior approval of the Board and unitholders. Provided however that in case a Board of trustees is converted into a trustee company subsequently such conversion shall not require the approval of unitholders.</p>	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(18) The removal of the trustee in all cases would require the prior approval of the Board.</p>	<i>as stated - note: Supporting documentation should be retained. The Compliance Officer should verify that approval was obtained prior to removal of a trustee by reviewing minutes of trustee meetings and relevant SEBI correspondence.</i>
15 (1)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>(19) The Trust Deed shall lay down the procedure for seeking approval of the unitholders under such circumstances as are specified in the Regulations.</p>	<i>as stated</i>
15 (2)	Constitution management of the mutual fund and trustees	<p>Third Schedule:</p> <p>No trust deed shall contain a clause which has the effect of :</p> <p>(i) limiting or extinguishing the obligations and liabilities of the trust in relation to any mutual fund or the unitholders; or</p> <p>(ii) indemnifying the trustees or the asset management company for loss or damage caused to the unitholders by their acts of negligence or acts of commissions or omissions.</p>	<i>as stated</i>
16 (1)	Constitution management of the mutual fund and trustees	Trustees shall be appointed in accordance with the regulations.	<i>as stated. Trustees have to be approved by SEBI. The Compliance Officer should review supporting documentation to ensure that SEBI approval/no objection notification has been obtained for each trustee.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
16 (2)	Constitution management of the mutual fund and trustees	<p>No person shall be eligible to be appointed as a trustee unless:</p> <p>(a) he is a person of ability, integrity and standing; and (b) has not been found guilty of moral turpitude; and (c) has not been convicted of any economic offense or violation of any securities laws; and (d) has furnished particulars as specified in Form C.</p>	<p><i>as stated</i></p> <p><i>As stated. In addition, refer to Reg. 7d.</i></p>
16 (3)	Constitution management of the mutual fund and trustees	<p>An asset management company or any of its officers or employees shall not be eligible to act as a trustee of any mutual fund.</p>	<p><i>Annual certifications should be obtained from the AMC and its officers and employees that it/they do not act as a trustee of any mutual fund. The certification should include a statement that the AMC/officer/employee understands that they shall not accept trusteeship of any mutual fund while still an employee of the AMC. The Compliance Officer should review this on an annual basis.</i></p>
16 (4)	Constitution management of the mutual fund and trustees	<p>No person who is appointed as a trustee of a mutual fund can be appointed as a trustee of any other mutual fund unless:</p> <p>(a) such a person is an independent trustee referred to in sub-regulation (5); and (b) prior approval of the mutual of which he is a trustee has been obtained for such an appointment.</p>	<p><i>(a) Certification indicating compliance with stated regulations should be obtained from each trustee at the time of appointment to the effect that he/she is independent per sub-regulation (5).</i></p> <p><i>(b) Certification should be obtained from the other mutual fund rather than just the trustee to satisfy this criterion.</i></p> <p><i>The Compliance Officer's should review these documents on an annual basis and at the time of appointment of new trustees.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
16 (5)	Constitution management of the mutual fund and trustees	At least 50% of the trustees shall be independent persons and no such trustees shall be an associate or a subsidiary or associated in any manner with the sponsor.	<i>Annual certifications should be obtained from the independent trustees and periodic due diligence should be done by the Compliance Officer/ Company Secretary.</i>
16 (6)	Constitution management of the mutual fund and trustees	In case a company is appointed as a trustee then its directors can act as trustees of any other trust provided that the object of the trust is not in conflict with the object of the mutual fund.	<i><u>Further Action Required:</u> Clarification needs to be sought as to who may staff a trust company and the liabilities of its directors/trustees vis-à-vis the mutual fund as well as the relationship between the trust company and the AMC and sponsor. In addition, clarification needs to be sought on what constitutes a conflict.</i>
17 (1)	Constitution management of the mutual fund and trustees	No trustee shall initially or any time thereafter be appointed without the prior approval of the Board. Provided further if any trustee resigns or retires, a new trustee shall be appointed within a period of three months with the prior approval of the Board.	<i>as stated The Compliance Officer should verify that documentation exists to support prior Board approval.</i>
17 (2)	Constitution management of the mutual fund and trustees	The existing trustees of any mutual fund may form a trustee company to act as a trustee with prior approval of the Board.	<i>as stated The Compliance Officer should verify that documentation exists to support prior Board approval.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
18 (1)	Constitution management of the mutual fund and trustees	The trustees and the asset management company shall with the prior approval of the Board enter into an investment management agreement.	<i>as stated</i> <i>The Compliance Officer should verify that documentation exists to support prior Board approval.</i>
18 (2)	Constitution management of the mutual fund and trustees	The investment management agreement shall contain such clauses as are mentioned in the Fourth Schedule and such other clauses as are necessary for the purpose of making investments.	<i>as stated</i> <i>Note: In general, the initial review of the management agreement should be done by the Legal Dept. to ensure that the required language is included.</i>
18 (2)	Constitution management of the mutual fund and trustees	Requirements in the agreement under the Fourth Schedule: I) the asset management company appointed by the trustees with the prior approval of the Board shall be responsible for floating schemes for the mutual fund after approval of the same by the trustees and managing the funds mobilized under various schemes, in accordance with the provisions of the Trust Deed and Regulations.	<i>Quarterly compliance reviews to ensure adherence to the agreement should be conducted by the Compliance Officer.</i> <i>Refer to Reg. 18(7).</i>
18 (2)	Constitution management of the mutual fund and trustees	Requirements in the agreement under the Fourth Schedule: ii) the asset management company shall not undertake any other business activity other than activities specified under Regulation 23 and management of mutual funds and such other activities as financial services consultancy, exchange of research and analysis on commercial basis as long as these are not in conflict with the fund management activity itself without the prior approval of the trustees and Board.	<i>Compliance reviews of all business activities should be conducted by the Compliance Officer to ensure adherence to this requirement.</i>
18 (2)	Constitution management of the mutual fund	Requirements in the agreement under the Fourth Schedule: iii) the asset management company shall invest the funds raised under various schemes in accordance with the provisions of the Trust	<i>refer to Reg. 18(7).</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
	and trustees	Deed and the Regulations.	
18 (2)	Constitution management of the mutual fund and trustees	Requirements in the agreement under the Fourth Schedule: iv) The asset management company shall not acquire any of the assets out of the scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the scheme property in any way.	<i>refer to Reg. 18(7). The Compliance Officer should review the AMC's financial records (including sources/uses of funds) as well as agreements entered into to ensure compliance with this requirement.</i>
18 (2)	Constitution management of the mutual fund and trustees	Requirements in the agreement under the Fourth Schedule: v) The asset management company shall not give or guarantee loans or take up any activity in contravention of the regulations. vi) No loss or damage or expenses incurred by the asset management company or Officers of the asset management company or any person delegated by the asset management company, shall be met out of the trust property.	v) <i>On a quarterly basis the Compliance Officer should review existing as well as new contracts and financial records to assess compliance with these regulations.</i> vi) <i>On a quarterly basis, the Compliance Officer should review expenses of the mutual fund/trust to ensure that they are legitimate, allowable expenses. Refer to the Ninth Schedule.</i>
18 (2)	Constitution management of the mutual fund and trustees	Requirements in the agreement under the Fourth Schedule: vii) The asset management company shall ensure that no application form, or sales literature or other printed matter issued to prospective buyers, or advertisement, or report and or announcement (other than an announcement of prices or yields) addressed to the general body of unitholders, or to the public, or to the press or other communications media, is issued or published without the trustees' prior approval in writing, and contains any statement or matter extraneous to the Trust Deed or Offer Document scheme particulars approved by the trustees and Board.	<i>On a quarterly basis, the Compliance Officer shall review minutes of trustee meetings to verify that relevant documents were approved prior to distribution. In addition, the material distributed should be reviewed for compliance with Schedule VI. Refer to Reg. 30(1). Sixth Schedule and the AMFI Advertising Guidelines.</i>
18 (2)	Constitution management of the	Requirements in the agreement under the Fourth Schedule: viii) the asset management company shall disclose the basis of	<i>as stated</i> <i>On a quarterly basis, the Compliance Officer verify that NAVs and</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
	mutual fund and trustees	calculating the repurchase price and NAV of the various schemes of the fund in the scheme particulars and disclose the same to the investors at such intervals as may be specified by the trustees and Board.	<i>repurchase prices of various schemes are disclosed as required. The Compliance Officer /Company Secretary /-internal audit should independently verify that the stated calculation basis is used. Refer to the Eighth Schedule.</i>
18 (2)	Constitution management of the mutual fund and trustees	<p>Requirements in the agreement under the Fourth Schedule:</p> <p>ix) the trustees shall have the right to obtain from the asset management company all information concerning the operations of the various schemes of the mutual fund managed by the asset management company at such intervals and in such a manner as required by the trustees to ensure that the asset management complying with the Trust Deed, and Regulations.</p> <p>x) The asset management company shall submit quarterly reports on the functioning of the schemes of the mutual fund to the trustees or at such intervals as may be required by the trustees or Board.</p> <p>xi) The trustee shall have the power to dismiss the asset management company under the specific events only with the approval of the Board and in accordance with the Regulations.</p>	<p><i>as stated</i></p> <p><i>Note: This information should be furnished to the trustees at least on a quarterly basis. Refer to the Appendix of this document for a sample listing of reports.</i></p> <p><i>The Compliance Officer should review minutes of trustees' meetings to determine desired frequency and verify that reports were submitted as required.</i></p> <p><i>as stated</i></p>
18 (3)	Constitution management of the mutual fund and trustees	The trustees shall have a right to obtain from the asset management company such information as is considered necessary by the trustees.	<i>as stated</i>
18 (4)	Constitution management of the mutual fund	<p>The trustees shall ensure before the launch of any scheme that the asset management company has:</p> <p>a. systems in place for its back office, dealing room and accounting.</p>	<i>a - g. The AMC's Chief of Operations should furnish a report to the trustees indicating that all relevant details are in place. The trustees should be encouraged to independently verify these systems/ staff are on board. The Compliance Officer needs to review minutes of the</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
	and trustees	<p>b. appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the trustees, within 15 days of their appointment.</p> <p>c. appointed auditors to audit its accounts.</p> <p>d. appointed a compliance officer to comply with regulatory requirements and to redress investor grievances.</p> <p>e. appointed registrars and laid down parameters for their supervision.</p> <p>f. prepared a compliance manual and designed internal control mechanisms including internal audit systems.</p> <p>g. specified norms for empanelment of brokers and marketing agents.</p>	<p><i>trustee meetings and supporting documentation to ensure that this has occurred.</i></p> <p><i>d. The Compliance Officer should ideally report to the Board of Trustees or to the Legal Dept.. There would normally be dotted-line reporting to the senior-most levels of the AMC. The reporting structure should be such that it allows the Compliance Officer to be independent in carrying out his or her responsibilities. As such, the Compliance Officer should not have any operational or portfolio responsibilities.</i></p> <p><i>The Compliance Officer should create and maintain a compliance control program that schedules out the compliance tasks to be performed during the year and the designated individuals (including himself or herself) responsible for performing these tasks. This program should be implemented in conjunction with the Company Secretary/internal audit. The Chief Financial Officer should ensure that adequate internal controls exist over financial and accounting systems. The Compliance Officer has overall compliance responsibility although certain tasks may be delegated to other independent individuals. Results of compliance reviews should be periodically (at least quarterly) reported directly to the trustees.</i></p> <p><i>e. The Compliance Officer should review the reports received from the registrars and conduct an independent audit of the information reported. If this is performed by another independent function such as internal/external auditors, then the Compliance Officer may rely on their work.</i></p> <p><i>f. The Compliance Officer should maintain and update the Compliance Manual as SEBI changes its regulations and</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
			<p><i>interpretations. Changes in regulations should be brought to the notice of the affected departments.</i></p> <p><i>g. The criteria for empanelment of brokers should be documented and current files maintained on each broker. The Compliance Officer should audit these files to ensure that empanelled brokers meet the stated criteria.</i></p>
18 (5)	Constitution management of the mutual fund and trustees	The trustees shall ensure that an asset management company has been diligent in empanelling brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.	<p><i>Documentation should be maintained indicating due diligence reviews performed prior to empanelling brokers. Quarterly brokerage allocation reports should be review to determine if there is undue concentration with any broker. The AMC should define "undue concentration" and obtain trustees' approval for their interpretation.</i></p> <p><u><i>Alternative Standards:</i></u> <i>As a rule of thumb, "undue concentration" could be defined as 5%. This is the guideline that has also been indicated by the RBI to public sector banks. Brokerage allocation needs to be monitored regularly and there needs to be a system in place to identify brokers that are approaching the limit so that further business could be curtailed temporarily. In general, it would be advisable to generate brokerage allocation reports on at least a monthly basis and report cumulatively on a quarterly basis.</i></p>
18 (6)	Constitution management of the mutual fund and trustees	The trustees shall ensure that the asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the asset management company in any manner detrimental to the interests of the unitholders.	<i>All transactions involving associates and their related companies should be identified and reviewed. The transactions should be in compliance with the regulations, the Compliance Manual and the Code of Ethics. The Code of Ethics should establish procedures for pre-clearance procedures for affiliated transactions, including the</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
			<p><i>in-house documentation of the fairness of the transaction or ,if necessary, the evaluation by an outside appraiser and the reporting of the transaction to the trustees.</i></p> <p><u>Alternative Standards:</u> <i>The AMC should avoid any private placement transactions involving affiliated companies to prevent any potential conflict of interest. If such transactions are permitted, they should be precleared by trustees.</i></p>
18 (7)	Constitution management of the mutual fund and trustees	The Trustees shall ensure that the transactions entered into by the asset management company are in accordance with regulations and the scheme.	<p><i>Quarterly compliance reviews should be conducted of each scheme by the Compliance Officer. The review should include a detailed checklist of all investment and other restrictions outlined in the offering document and stated in related regulations. It is advisable to have the portfolio manager review this list of restrictions periodically. The results of these reviews should be communicated to the trustees by the Compliance Officer.</i></p>
18 (8)	Constitution management of the mutual fund and trustees	The trustees shall ensure that the asset management company has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.	<p><i>This should be addressed in the compliance control program. Particular care should be taken to review interfund or interscheme transfers and their pricing. For this, the Compliance Officer would have to look at documentation such as daily blotters/transaction-brokerage reconciliation records to identify interfund transactions and supporting documentation justifying the pricing used. In addition, there should be no brokerage charged to the fund for this type of a transaction.</i></p> <p><i>As part of assessing compliance with this regulation, the Compliance Officer should ensure that assets of any given scheme are not used to guarantee the return of another scheme or other activity of the asset management company.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
18 (9)	Constitution management of the mutual fund and trustees	The trustees shall ensure that all the activities of the asset management company are in accordance with the provisions of these regulations.	<i>as stated.</i> <i>The compliance control program of a company should be designed to monitor compliance with the provisions of these regulations. The Compliance Officer should identify all activities that the AMC is engaged in and ensure that each is addressed in the compliance control program. In addition, the AMC's CEO should be reporting all activities to the trustees on a quarterly basis.</i>
18 (10)	Constitution management of the mutual fund and trustees	Where the trustees have reason to believe that the conduct of business of the mutual fund is not in accordance with these regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the Board of the violation and the action taken by them.	<i>as stated</i> <i>Note: The remedial steps taken should include those immediate steps that need to be taken to protect investments and restore the interests of the unitholders. The steps could range from arranging for a special audit or discharging the services of an AMC.</i>
18 (11)	Constitution management of the mutual fund and trustees	Each trustee shall file the details of his holdings in securities on a half yearly basis with the trust.	<i>as stated</i> <i>These filings should be retained, used to update the datafile on trustees' holdings and reviewed by the Compliance Officer in conjunction with the transactions of the funds. The purpose would be to identify any potential conflict of interest situations.</i> <i>Refer to Reg. 15(1)(ii)</i>
18 (12)	Constitution management of the mutual fund and trustees	The trustees shall be accountable for, and the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with these regulations and the provisions of the trust deed.	<i>as stated</i>
18 (13)	Constitution management of the mutual fund and trustees	The trustees shall take steps to ensure that the transactions of the mutual fund are in accordance with the provisions of the trust deed.	<i>Refer to Reg.18 (7) above</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
18 (14)	Constitution management of the mutual fund and trustees	The trustees shall be responsible for the calculation of any income due to be paid to the mutual fund and also any income received in the mutual fund for the holders of the units of any scheme in accordance with these regulations and the trust deed.	<p><i>as stated</i></p> <p><i>The trustees are responsible for reviewing quarterly income reports regarding the mutual fund schemes managed by the AMC and assuring themselves of the fairness and accuracy of the transactions. The Compliance Officer / Internal Audit should review the inflow and outflow of funds.</i></p>
18 (15)	Constitution management of the mutual fund and trustees	<p>The trustees shall obtain the consent of the unitholders:</p> <p>a. whenever required to do so by the Board in the interest of the unitholders; or</p> <p>b. whenever required to do so on the requisition made by three-fourths of the unit holders of any scheme; or</p> <p>c. when the majority of the trustees decide to wind up or prematurely redeem the units; or</p> <p>d. when any change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme or affect the interest of the unitholders is proposed to be carried out unless the consent of not less than three-fourths of the unitholders is obtained.</p> <p>Provided that no such change shall be carried out unless three fourths of the unit holders have given their consent and the unit holders who do not give their consent are allowed to redeem their holdings in the scheme. Note: For the purposes of this clause "fundamental attributes" means the investment objective and terms of a scheme.</p>	<p><i>as stated</i></p> <p><u><i>Further Action Required:</i></u></p> <p><i>This procedure requires further clarification. The clarification should define the relationship between unitholder/shares held/votes and the logistics of obtaining consent (meetings and/ postal ballot). The other issue that needs to be addressed is whether the majority indicated is that of the unitholders who voted or of all unitholders and if it is the former, whether a minimum percentage of unitholders is required.</i></p> <p><i>Note: The "majority of trustees" should also be defined. In lieu of any additional information, it could be interpreted as a simple majority of trustees whether or not present at a meeting.</i></p> <p><i>Another term that needs clarification is fundamental attributes. Both fundamental as well as non-fundamental policy should be explicitly stated in the offer document. Typically fundamental policy would include, but not be limited to, attributes to achieve stated investment objectives, whether or not the fund is diversified (and if so then the interpretation of "diversification"), allocation if any, fees and expenses, sales and redemption policies.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
18 (16)	Constitution management of the mutual fund and trustees	The trustees shall call for the details of transactions in securities by the key personnel of the asset management company in his own name or on behalf of the asset management company and shall report to the Board, as and when required.	<i>Refer to the AMFI Code of Ethics Collecting and collating this information should form part of the compliance control program. Compliance procedures should involve maintaining data on key personnel, comparing fund transactions with personal securities transactions of access persons or the AMC. The objective should be to identify instances/a pattern of front-running or insider trading.</i>
18 (17)	Constitution management of the mutual fund and trustees	The trustees shall quarterly review all transactions carried out between the mutual funds, asset management company and its associates.	<i>as stated Refer to Reg. 18(6), 25(7)</i>
18 (18)	Constitution management of the mutual fund and trustees	The trustees shall continuously review the networth of the asset management company and in case of any shortfall, ensure that the asset management company make up for the shortfall as per clause (f) of sub-regulation (1) of regulation 21.	<i>The AMC (Treasury or Accounting Departments) should be reviewing the networth on a weekly basis or even more frequently if necessary. Reports should be forwarded to the trustees on a monthly basis. The net worth includes paid up capital and free reserves. The latter should be marked to market. The networth should be net of any set asides for guarantees.</i>
18 (19)	Constitution management of the mutual fund and trustees	The trustees shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unitholders.	<i>The Legal Department should forward all stated contracts to the trustees for review at least on an annual basis. New contracts should be forwarded at the time of execution. The Compliance Officer should review the minutes of trustee meetings to ensure that contracts were reviewed. The criteria used may include competitive pricing, performance, complaints and effectiveness.</i>
18 (20)	Constitution	The trustees shall ensure that there is no conflict of interest between the manner of deployment of its networth by the asset management company and the interest of the unitholders.	<i>Quarterly financial reports should be forwarded to the trustees. Refer to Reg. 18(18)</i>

AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
18 (21)	Constitution management of the mutual fund and trustees	The trustees shall periodically review the investor complaints received and the redressal of the same by the asset management company.	<p><i>Quarterly summary of the resolution of the complaints received as well as those pending should be forwarded to the trustees by the Compliance Officer. The Compliance Officer should monitor the investor complaints handled by the AMC and registrar/transfer agent and ensure that an adequate response was sent in a timely manner. Aging reports should be generated for pending items. There should be periodic audits of the handling of customer complaints by the transfer agent. In addition, the correspondence files of both the AMC as well as the transfer agent should be reviewed to determine if complaints have been incorrectly classified as correspondence.</i></p> <p><i>The Compliance Officer should also ensure that there is a procedure in place to document verbal complaints (such as logs) that may be received at the AMC and/ or the registrar. The log should identify the person/ department responsible for handling the complaint.</i></p>
18 (22)	Constitution management of the mutual fund and trustees	<p>The trustees shall abide by the Code of Conduct as specified in the 5th Schedule.</p> <p>(Paraphrased below:)</p> <ol style="list-style-type: none"> 1. Mutual funds should be run in the interests of all classes of the unitholders rather than in the interests of sponsors, directors of the AMC, trustees, associated persons or any special class of unitholders. 2. Trustees and AMCs must ensure the timely dissemination of adequate and accurate information regarding investment objectives and policies, financial position and general affairs of the scheme presented in a fair and understandable manner to all unitholders. 	<p><i>Pending: Code of Conduct for Trustees Every trustee of a mutual fund should have certified that he/ she will abide a Code of Conduct which is at least as stringent as the Fifth Schedule or alternatively the trustees may choose to be covered by the AMFI Code of Ethics.</i></p> <p><i>Refer to the AMFI Code of Ethics (being developed)</i></p> <p><i>The purpose of the AMFI Code of Conduct is to set the standards for the conduct of daily business. It requires that employees have integrity and exercise due diligence in the conduct of business.</i></p> <p><i>2. There should be timely disclosure of relevant information..</i></p> <p><i>Alternative Standards:</i> <i>In addition to annual audited financials, unaudited half-yearly</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		<p>3. There should not be excessive concentration of business with broking firms, affiliates and also excessive holding of units of a scheme among a few investors.</p> <p>4. Conflict of interest situations must be avoided in managing schemes and the interests of the unitholders should be paramount in all matters.</p> <p>5. There should be schemewise segregation of cash and securities accounts.</p> <p>6. Investments should be made in accordance with investment objectives stated in the offer document and decisions should be made in the interests of the unitholders.</p> <p>7. Unethical means should not be used to sell, market or induce investors to buy the schemes.</p>	<p><i>information should also be made available to investors/potential investors (at a nominal cost if required). In addition, there should be complete annual and semi-annual disclosure of portfolios. This provides the unitholder with an accurate picture of the kinds of investments made on behalf of the investor and allows for an independent evaluation of the potential of the portfolio. The Compliance Officer in his reviews should verify the accuracy and completeness of these portfolio disclosures as well as the valuation of the portfolio.</i></p> <p><i>3. refer to Reg. 18 (5) and 25(11). In addition, the Compliance Officer should review the unitholding pattern for each scheme on a semi-annual basis. Unitholders owning more than 5% of the scheme should be identified and reported to the trustees. Note: There should ideally be an arrangement with the transfer agent to identify all shareholders owning 5% or more of the scheme on an on-going basis and these unitholder should be reported to the Compliance Officer. The Compliance Officer should compare this list with the securities owned by the schemes of the mutual fund.</i></p> <p><i>4. as stated. Also, refer to Reg. 18(8).</i></p> <p><i>5, 6. This must be reviewed as part of the compliance review of any scheme as described in Reg. 18(7,8).</i></p> <p><i>7. Refer to the AMFI Code of Ethics and the AMFI Advertising Guidelines. In addition, refer to Reg. 30(1)/Schedule 6.</i></p>
18 (23)	Constitution management of the mutual fund	<p>The trustees shall furnish to the Board on a half year basis:</p> <p>a. a report on the activities of the mutual fund.</p>	<p><i>as stated</i></p> <p><i>The half-yearly report to the Board shall be based on the quarterly Compliance Reports furnished to the trustees by Compliance Officer</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
	and trustees	<p>b. a certificate stating that the trustees have satisfied themselves that there have been no instances of self dealing or front running by any of the trustees, directors and key personnel of the asset management company.</p> <p>c. a certificate to the effect that the asset management company has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub-regulation (2) of regulation 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interest of the unitholders are protected.</p>	<p><i>and the certifications provided to the trustees by the AMC. The Compliance Reports should include, but not be limited to, a summary of the reviews of each scheme and its compliance with investment restrictions outlined in the offer document as well as in the SEBI Mutual Fund Regulations, 1996; a summary of the review of all AMC and personal securities transactions in conjunction with trades executed on behalf of schemes of the fund; trade allocation reports and brokerage allocation reports; and affiliated transactions.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
19 (1)	AMC	<p>The application:</p> <p>The application for the approval of the asset management company shall be made on Form D.</p>	<p><i>as stated</i></p> <p><i>This is a one-time function performed at the launch of the AMC.</i></p>
19 (2)	AMC	<p>The provisions of regulations 5, 6 and 8 shall, so far as may be, apply to the application made under sub-regulation (1) as they apply to the application for registration of a mutual fund.</p>	<p><i>as stated</i></p>
20 (1)	AMC	<p>The sponsor or, if so authorized by the trust deed, the trustee shall appoint an asset management company which has been approved by the Board under sub-regulation (2) of regulation 21.</p>	<p><i>as stated</i></p>
20 (2)	AMC	<p>The appointment of an asset management company can be terminated by majority of the trustees or by 75% of the unitholders of the scheme.</p>	<p><i>as stated.</i></p> <p><i>Refer to Reg. 18(15)</i></p>
20 (3)	AMC	<p>Any change in the appointment of the asset management company shall be subject to prior approval of the Board and the unitholders.</p>	<p><i>as stated. The logistics of obtaining shareholder consent as well as "approval" needs clarification. Issues similar to those indicated in Reg. 18(15) need to be addressed.</i></p>
21 (1)	AMC	<p>For grant of approval of the asset management company (AMC) the applicant has to fulfill the following:</p> <p>a. if the AMC is an existing AMC it has a sound track record, general reputation and fairness in transactions.</p> <p>Note: for the purpose of this clause sound track record shall mean the networth and the profitability of the AMC.</p> <p>b. the directors of the asset management company are persons having adequate professional experience in finance and financial services related field and not found guilty of moral turpitude or convicted of</p>	<p><i>These conditions are a pre-requisite to the appointment of the AMC.</i></p> <p><i>a, b. These conditions should be reviewed by the trustees prior to executing the investment management agreement.</i></p> <p><i>The directors of the AMC should be individuals of high moral and ethical standards. The Company Secretary/Compliance Officer should maintain documentation of the professional experience of all directors as well as obtain certifications from directors at the time of appointment indicating that the director has not been found guilty of moral turpitude or convicted of any economic offense or violations of securities laws.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		<p>any economic offense or violation of any securities laws.</p> <p>c. The key personnel of the asset management company or mutual fund have not been working for any asset management company or mutual fund or any intermediary whose registration has been suspended or canceled at any time by the Board.</p> <p>d. The Board of Directors of such asset management company has at least fifty percent directors, who are not associate of, or associated in any manner with, the sponsor or any of its subsidiaries or the trustees.</p> <p>e. The Chairman of the asset management company is not a trustee of any mutual fund.</p> <p>f. The asset management company has a networth of not less than Rupees ten crores.</p> <p>Provided that an asset management company already granted approval under the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1993 shall within a period of twelve months from the date of notification of these regulations increase its networth to Rupees ten crores. For the purposes of this clause, "networth" means the paid up capital and free reserves of the company.</p>	<p><i>c,d,e. The Company Secretary/Compliance Officer should ensure that appropriate certifications have been obtained.</i></p> <p><i>f. as stated Refer to Reg. 18(18). Note: The Rupees ten crores should be net of any set asides for guarantees.</i></p>
21 (2)	AMC	The Board may, after considering an application with reference to the matters specified in sub-regulation (1), grant approval to the asset management company.	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
22	AMC	<p>The approval granted under sub-regulation (2) of regulation 21 shall be subject to the following conditions:</p> <p>a. Any director of the asset management company shall not hold the office of the director in another asset management company unless such person is an independent referred to in clause (d) of sub-regulation (1) of regulation 21 and approval of the board of the asset management company of which such person is director, has been obtained.</p>	<p><i>Conditions of approval are as stated.</i></p> <p><i>as stated. Certifications should be obtained at the time of appointment and annually thereafter. Note: If the independent director holds office in another AMC, the other AMC's approval should be obtained.</i></p>
22	AMC	<p>b. The asset management company shall forthwith inform the Board of any material change in the information or particulars previously furnished, which have a bearing on the approval granted by it.</p>	<p><i>The AMC should promptly communicate material changes in information provided to the Board for granting the AMC approval.</i></p>
22	AMC	<p>c. No appointment of a director of an asset management company shall be made without prior approval of the trustees.</p>	<p><i>Trustee approval of appointment of directors of the AMC should be documented. The Compliance Officer should review this documentation and the dates of the appointment letters of directors to assess compliance with this regulation. Typically this compliance task would be performed just once for a director.</i></p>
22	AMC	<p>d. The asset management company undertakes to comply with the above regulations.</p>	<p><i>as stated</i></p>
22	AMC	<p>e. Any change in controlling interest of the asset management company shall be only with the prior approval of trustees, the Board and the unitholders.</p>	<p><i>as stated</i></p> <p><i>Note: The method of obtaining this approval from trustees and unitholders needs further clarification.</i></p>
22	AMC	<p>f. The asset management company shall furnish such information and documents to the trustees as and when required by the trustees.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
23	AMC	Where an application made under regulation 19 for grant of approval does not satisfy the eligibility criteria laid down in regulation 21, the Board may reject the application.	<i>as stated</i>
24 (1)	AMC	The AMC shall not act as trustee of any mutual fund.	<i>as stated</i> <u>Further Action Required:</u> <i>Although an AMC cannot be a trustee, nothing directly precludes employees of the AMC from serving on the Board of Directors of the trustee company. This regulatory anomaly needs to be addressed in order to maintain the credibility of the trustee mechanism and the mutual fund as an institution.</i>
24 (2)	AMC	<p>The AMC shall not undertake any other business activities except activities in the nature of management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the mutual fund.</p> <p>Provided that the asset management company may itself or through its subsidiaries undertake such activities if it satisfies the Board that the key personnel of the asset management company, the systems, back office, bank and securities accounts are segregated activity wise and there exist systems to prohibit access to inside information of various activities.</p> <p>Provided further that the AMC shall meet capital adequacy requirements, if any, separately for each such activity and obtain separate approval, if necessary under the relevant regulations.</p>	<i>as stated</i> <u>Further Action Required:</u> <i>"Activities ... in conflict with the mutual fund" need clarification.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
24 (3)	AMC	<p>The AMC shall not invest in any of its schemes unless full disclosure of its intention to invest has been made in the offer documents.-</p> <p>Provided that an AMC shall not be entitled to charge any fees on its investment in that scheme.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer should verify this as part of the quarterly compliance review of each scheme. Tests should include (1) determining if the AMC has invested in any of its schemes (done by reviewing transfer agent records) and AMC investments (2) reviewing offer document disclosures and (3) reviewing accounting records to determine fees charged for the transaction.</i></p>
25 (1)	AMC	<p>The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.</p>	<p><i>This should be part of the quarterly compliance review conducted by the Compliance Officer. Refer to 18(7).</i></p>
25 (2)	AMC	<p>The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.</p>	<p><i>as stated</i></p> <p><i>Refer Reg. 18(7,8,9)</i></p>
25 (3)	AMC	<p>The AMC shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the AMC.</p>	<p><i>The AMC should establish appropriate supervisory review and internal control procedures in all areas of mutual fund operations to ensure professional standards are met.</i></p>
25 (4)	AMC	<p>The AMC shall submit to the trustees quarterly reports of each year on its activities and the compliance of these regulations.</p>	<p><i>as stated</i></p>
25 (5)	AMC	<p>The trustees at the request of the AMC may terminate the assignment of the AMC at any time:</p> <p>Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the AMC.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
25 (6)	AMC	Notwithstanding anything contained in any contract or agreement or termination, the AMC or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omission, while holding such position or office.	<p><i>as stated</i></p> <p><i>Internal staff rules and policies should not absolve the directors or other officers from liability related to any acts of omission or commission.</i></p>
25 (7)	AMC	No AMC shall deal in securities through any broker associated with the sponsor or a firm which is an associate of a sponsor beyond 5% of the daily gross business of the mutual fund.	<p><i>Associated brokers should be flagged and total transactions executed by such brokers need to be tracked on a daily basis as a percentage of total daily transactions. If the AMC is dealing with associated brokers or associates, then the Compliance Officer should monitor this on a daily basis by review of the daily blotters/contracts to ensure that collectively no more than 5% of the daily business was directed to these brokers. For these transactions, the review should include a determination of whether best execution was obtained. This should be documented.</i></p> <p><u><i>Alternative Standards:</i></u> <i>All transactions with affiliated brokers should be discouraged to prevent any potential conflict of interest.</i></p>
25 (8)	AMC	<p>An AMC shall not utilize the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities.</p> <p>Provided that an AMC may utilize such services if disclosure to that effect is made to the unitholders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
25 (9)	AMC	The AMC shall file with the trustees the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to the Board, as and when required by the Board.	<i>refer to the AMFI Code of Ethics All personal or AMC securities transactions by key personnel should be reported to the Compliance Officer on a quarterly basis. These transactions need to be matched with transactions conducted on behalf of the schemes to ensure that there are no instances of front-running. Controls could include pre-clearance and/ or blackout periods.</i>
25 (10)	AMC	In case the AMC enters into any securities transactions with any of its associates a report to the effect shall immediately be sent to the trustees.	<i>as stated The Compliance Officer should forward affiliated transactions to the trustees on at least a monthly basis.</i>
25 (11)	AMC	In case any company has invested more than 5 percent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the AMC and be disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment.	<i>This should be included in the compliance review of the scheme. Refer to Reg. 18(22 (3)) If this review identified a specific company owning more than 5 percent of the NAV of the scheme, then the Compliance Officer should independently determine all subsidiaries of the company. The Compliance Officer would then need to review portfolio holdings of all schemes of the mutual fund in this company and its subsidiaries during the review period to determine if there was any reason for concern. The findings should be reported to the trustees and disclosed in the financial statements.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
25 (12)	AMC	<p>The AMC shall file with the trustees and the Board:</p> <p>a. Detailed bio-data of all its directors along with their interest in other companies within 15 days of their appointment.</p> <p>b. Any change in the interests of directors every six months.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer should review records (bio-data, appointment letters, dates of filings etc.) to verify that appropriate documents have been filed with the trustees as well as the Board.</i></p>
25 (13)	AMC	A statement of holdings in securities of the directors of the asset management company shall be filed with the trustees with the dates of acquisition of such securities at the end of each financial year.	<p><i>as stated</i></p> <p><i>The Compliance Officer should review minutes of trustee meetings verify that this has been done.</i></p>
25 (14)	AMC	The AMC shall not appoint any person as key personnel who has been found guilty of any economic offense or involved in violation of securities laws.	<p><i>as stated</i></p> <p><i>As a condition of appointment, a statement should be obtained from the key employee to this effect (using the SEBI-stipulated form) at the time of appointment..</i></p>
25 (15)	AMC	<p>The AMC shall appoint registrars and share transfer agents who are registered with the Board.</p> <p>Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.</p>	<p><i>as stated</i></p> <p><i>If this is applicable, the Compliance Officer should evaluate compliance with these requirements by auditing transfer records, market rates applied, and trustee approvals obtained.</i></p> <p><i>(Note: there would also have to be reviews of other transfer agent functions.)</i></p>
25 (16)	AMC	The AMC shall abide by the Code of Conduct as specified in the 5th Schedule.	<p><i>Refer to the AMFI Code of Conduct</i></p> <p><i>xref: Reg. 18(22)</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
26 (1)	AMC	The mutual fund shall appoint a custodian to carry out the custodial services for the schemes of the fund and send intimation of the same to the Board within 15 days of the appointment of the custodian.	<i>as stated</i> <i>The Compliance Officer should review the agreement and the date of the correspondence notifying the Board.</i>
26 (2)	AMC	No custodian in which the sponsor or its associates hold 50% or more of the voting rights of the share capital of the custodian or where 50% or more of the directors of the custodian represent the interest of the sponsor or its associates shall act as custodian for a mutual fund constituted by the same sponsor or any of its associate or subsidiary company.	<i>The custodian should be independent of the sponsor.</i> <i>Due diligence needs to be performed prior to the appointment of the custodian.</i>
27	AMC	The mutual fund shall enter into a custodian agreement with the custodian, which shall contain the clauses which are necessary for the efficient and orderly conduct of the affairs of the custodian. Provided that the agreement, the service contract, terms and appointment of the custodian shall be entered into with prior approval of the trustees.	<i>as stated</i> <i>The Compliance Officer should verify that formal contracts were approved by the trustees prior to execution.</i>

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AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
28 (1)	Schemes of the Mutual Fund (MF)	<p>a. The scheme should be approved by the trustees.</p> <p>b. An offer document should be filed by the Board.</p>	<p>a. The Compliance Officer should review minutes/ resolution of the board of trustees' meeting to ensure that scheme has the consent and approval of the trustees.</p> <p>b. The Compliance Officer should review supporting documentation to verify that the offer document has been filed with the Board.</p>
28 (2)	MF	<p>Payment of filing fees along with the offer document as specified in Schedule 2.</p> <p>Fees: Rs. 25,000/-</p>	<p>The AMC should ensure that correct payment should be made to the Board along with the filing of the offering document for the scheme.</p> <p>xref: Registration and Schedule 2.</p>
29 (1) (3)	MF	<p>(1) There should be adequate disclosure to investors in the offer document.</p> <p>(2) If the Board has no suggestions for modifications in the offer document within 21 days of filing the offer document, the asset management company may issue the offer document.</p>	<p>(1) The Legal Department/Company Secretary/Legal Counsel/Compliance Officer should initially review offer document to ensure that investment policies and objectives are clearly stated. Subsequently the Compliance Officer should review investment activity to ensure that it complies with the offer document. There should be a quarterly compliance review of each scheme. Refer to 18(7). The offer document should be consistent with SEBI's standard offer document.</p> <p>(2) The Compliance Officer should verify that the offer document was not issued prior to 21 days of filing with the Board.</p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
30 (1)	Advertising	Advertisements shall be submitted to the Board within 7 days from the date of issue.	<i>as stated</i> <i>This should be part of the Compliance Officer's review.</i>
30 (1)	Advertising	<p>Advertisements shall conform to the Advertisement Code as specified in the Sixth Schedule:</p> <p>1. Advertisements shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading.</p> <p>2. (a) Misleading Statements include: I) presenting performance without adequate explanation that may lead to exaggerated picture of performance. ii) implying past performance will be repeated in the future. iii) presenting the advantages of investing in the scheme without presenting associated risks.</p> <p>3. Advertisements should not be designed in content/ format/ print to be misleading or to disguise the significance of any statement.</p>	<p><i>Refer to AMFI Advertising guidelines.</i></p> <p><i>There should be a quality control review process conducted by either the Compliance Officer or a dedicated group or department. Standards should be established for in-house reviews of all advertising materials regardless of the medium used. If this procedure is conducted by a group or department, it should be subject to periodic independent review by the Compliance Officer.</i></p> <p><u><i>Further Action Required:</i></u> <i>Uniformity and standardization of measurements, time frames, total return and yield calculation needs to be established.</i></p> <p><i>The purpose of this Code is to promote truth and fairness in advertising and in the selling practices used. In general, the text of the Code is clear although specific criteria and definitions would help. For example, "advertising" could be defined to mean any communication by any medium to more two or more individuals external to the company. Thus, standardized letters to unitholders would also have to undergo an initial quality control process. Performance data that is not meant for general circulation, should be clearly marked "For Internal Use Only".</i></p>
30 (1)	Advertising	<p>Sixth Schedule:</p> <p>4. Sales literature may only contain information, the substance of which is included in the funds' current advertisements in accordance</p>	<p><u><i>Further Action Required:</i></u> <i>Item 1 of the Code forbids a forecast from being untrue. In order to comply with this, a MF would have to exclude any forecast or promise because it would be difficult to ensure that it will be true</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		with the Advertisement Code.	<i>As another example, item 4 needs further clarification since a distinction appears to be made between sales literature and advertisements. In common parlance, these terms are interchangeable. If there is a difference in meaning for the purpose of this code, then the terms should be defined.</i>
30 (1)	Advertising	Sixth Schedule: 7. The advertisement shall not compare one fund with another, implicitly or explicitly unless the comparison is fair and all information relevant to the comparison is included in the advertisement.	<i>Refer to AMFI Advertising Guidelines. As in Reg. 30(1(1)) above. The Compliance Officer should review any comparison made or benchmarks used for appropriateness.</i>
30 (1)	Advertising	Sixth Schedule: 10. All advertisements shall make a clear statement to the effect that all mutual funds and securities investments are subject to market risks, and there can be no assurance that the fund's objective will be achieved.	<i>Refer to AMFI Advertising Guidelines.. Disclaimers should include statements of the market and investment risk associated with any scheme. Any disclaimers should be given sufficient emphasis (font size) in the advertisement.</i>
30 (1)	Advertising	Sixth Schedule: 11. If however, in any Advertisement a mutual fund guarantees or assures any minimum rate of return or yield to prospective investors, resources to back such a guarantee should also be indicated.	<i>The Compliance Officer should ensure that the nature of the guarantee (escrow account, duration, individual's guarantee, etc.) should be stated in the offer document. The Compliance Officer/internal auditors should monitor, on an on-going basis, the steps taken by the AMC/ sponsor to back the guarantee. It is insufficient to rely merely on certifications from AMCs, trustee companies or sponsors etc. Certifications should be backed by bank/custodian etc. records indicating that the assets backing the certification/guarantee are restricted / earmarked for the purpose of the fund's guarantee and that these assets will not be liquidated or</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
			<p><i>otherwise disposed without the prior consent of the trustees of the fund. Typically the collateral should be very liquid, highly rated instruments that are marked to market and should be increased/decreased in relation to the corresponding liability. The AMC's net worth should be net of these reserves.</i></p> <p><u>Alternative Standards:</u> <i>In general, guarantees of rates of return or redemption price in any MF scheme should be avoided..</i></p> <p><i>Selling on the basis of a guarantee of either returns or of a redemption price misrepresents the investment process because investors need to recognize that all investments in securities involve some degree of risk. In addition, unfulfilled guarantees results in frustrated unitholders and loss of credibility for the entire mutual fund industry as well as SEBI. From the sponsor's or AMC's perspective, guarantees that are honored may result in huge losses during unfavorable swings of the market.</i></p>
30 (2)	Advertising	<p>The advertisement for each scheme shall disclose the following:</p> <ol style="list-style-type: none"> a. investment objectives b. method of valuation of investments c. periodicity of valuation d. method of sales and repurchases e. periodicity of sales and repurchases 	<p><i>as stated</i></p> <p><i>The stated items should be routinely reviewed as part of the internal quality control process and reviewed on a quarterly basis by the Compliance Officer.</i></p>
31	Advertising	<p>The offer document and advertisement materials shall not be misleading or contain any statement or opinion which are incorrect or false.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
32	Listing	<p>Every closed ended scheme shall be listed on a recognized stock exchange within six months from the closure of the subscription. Provided that the listing of the close ended scheme shall not be mandatory:</p> <p>a. if the said scheme provides for periodic repurchase facility to all the unitholders with restriction, if any, on the extent of such repurchase; or</p> <p>b. if the said scheme provides for monthly income or caters to special classes of persons like senior citizens, women, children, widows or physically handicapped or any special class of persons providing for repurchase of units at regular intervals; or</p> <p>c. if the details of such repurchase facility are clearly disclosed in the offer document; or</p> <p>d. if the said scheme opens for repurchase within a period of six months from the closure of subscription.</p>	<p><i>This review should be performed by the Compliance Officer/ Company Secretary or any other designated individual.</i></p> <p><i>as stated</i></p> <p><i>These items should be part of the fundamental policy and should be in the offer document.</i></p>
33 (1)	Repurchase	The AMC may at its option repurchase or reissue the repurchased units of a close ended scheme.	<i>as stated</i>
33 (2)	Repurchase	The units of close ended schemes referred to in the proviso to regulation 32 may be open for sale or redemption at fixed pre-determined intervals without listing if the maximum and minimum amount of sale or redemption of the units and the periodicity of such sale or redemption have been disclosed in the offer document.	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
33 (3)	Repurchase	<p>The units of close ended scheme may be converted into open ended scheme:</p> <p>a. if the offer document of such scheme discloses the option and the period of such conversion; or</p> <p>b. the majority of unitholders gives a consent to that effect.</p>	<i>as stated</i>
33 (4)	Repurchase	<p>A close ended scheme shall be fully redeemed at the end of the maturity period unless a majority of unitholders otherwise decide for its rollover by passing a resolution:</p> <p>Provided that the unitholders not opting for the rollover shall be allowed to redeem their holdings in the scheme.</p>	<i>as stated</i>
34	Offering Period	<p>No scheme of a mutual fund other than the offering period of any equity linked savings scheme shall be open for subscription for more than 45 days.</p>	<i>as stated</i> <i>The Compliance Officer/Company Secretary should ensure compliance by closely monitoring this subscription process through the offering period.</i>
35 (1)	Allotments	<p>The AMC shall specify in the offer document:</p> <p>a. the minimum subscription amount it seeks to raise under the scheme; and</p> <p>b. in case of over subscription the extent of subscription it may retain.</p> <p>Provided that where the AMC retains the over subscription referred to in clause (b), all the applicants applying upto five thousand units shall be given full allotment subject to the over subscription mentioned in clause (b).</p>	<i>as stated</i> <i>The Compliance Officer should review the offer document for these disclosures as part of the compliance control program.</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
35 (2)	Allotment	<p>The mutual fund and AMC shall be liable to refund the application money to the applicants</p> <p>I. if the mutual fund fails to receive the minimum subscription amount referred to in clause (a) of sub-regulation (1);</p> <p>ii. if the moneys received from the applicants for units are in excess of subscription as referred to in clause (b) of sub-regulation (1).</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer shall monitor reports from the transfer agent to ensure compliance.</i></p>
35 (3)	Allotment	<p>Any amount refundable under sub-regulation (2) shall be refunded within a period of six weeks from the date of closure of subscription list, by registered A.D and by check or demand draft marked "A/C Payee" to the applicants.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer shall monitor reports from the transfer agent to ensure compliance.</i></p>
35 (4)	Allotment	<p>In the event of failure to refund amounts within the period specified in sub-regulation (3), the AMC shall be liable to pay interest to the applicants at a rate of fifteen percent per annum on the expiry of six weeks from the date of closure of the subscription list.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer shall monitor reports from the transfer agent to ensure compliance.</i></p>
36	Certificates	<p>The AMC shall issue to the applicant whose application had been accepted, unit certificates or a statement of accounts specifying the number of units allotted to the applicant as soon as possible but not later than six weeks from the date of closure of the subscription list.</p> <p>Provided that if an applicant so desires, the AMC shall issue the unit certificates to the applicant within six weeks of the receipt of request for the certificate.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer/internal auditors should audit these activities of the transfer agent to provide independent verification of timely processing. Note: Customer complaint logs should also be reviewed to identify instances of delayed processing.</i></p> <p><i>The Compliance Officer should ensure that service standards detailed in the offer document are also met.</i></p>
37 (1)	Transfer	<p>A unit certificate unless otherwise restricted or prohibited under the scheme, shall be freely transferable by act of parties or by operation of law.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
37 (2)	Transfer	<p>The AMC shall, on production of instrument of transfer together with relevant unit certificates, register the transfer and return the unit certificate to the transferee within thirty days from the date of such production.</p> <p>Provided that if the units are with the depository such units will be transferable in accordance with the provisions of the SEBI (Depositories and Participants) Regulations, 1996.</p>	<p><i>as stated</i></p> <p><i>There should be a thirty day turn around for transfer/ registration. Compliance with this function should be part of internal audit functions or part of an overall compliance control program. The Compliance Officer/ internal audit should review transfer agent records for this purpose.</i></p>
38	Guaranteed returns	<p>No guaranteed return shall be provided in a scheme:</p> <p>a. unless such returns are fully guaranteed by the sponsor or the AMC;</p> <p>b. unless a statement indicating the name of the person who will guarantee the return, is made in the offer document;</p> <p>c. the manner in which the guarantee to be met has been stated in the offer document.</p>	<p><i>as stated</i></p> <p><i>Refer to Reg. 30(1 (11))</i></p>
39 (1)	Winding Up	<p>A close-ended scheme shall be wound up on the expiry of duration fixed in the scheme on the redemption of the units unless it is rolled over for a further period under sub-regulation (4) of regulation 33.</p>	<p><i>as stated</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
39 (2)	Winding Up	<p>A scheme of a mutual fund may be wound up, after repaying the amount due to the unitholders,</p> <p>a. on the happening of any event which, in the opinion of the trustees, requires the scheme to be wound up; or</p> <p>b. if 75% of the unit holders of a scheme pass a resolution that the scheme be wound up; or</p> <p>c. if the Board so directs in the interest of the unit-holders.</p>	<p><i>as stated</i></p> <p><i>b. The logistics of this need to be clarified.</i></p>
39 (3)	Winding Up	<p>Where a scheme is to be wound up under sub-regulation (1) or sub-regulation (2), the trustees shall give notice disclosing the circumstances leading to the winding up of the scheme:</p> <p>a. to the Board; and</p> <p>b. in two daily newspapers having circulation all over India, a vernacular newspaper circulating at the place where the mutual fund is formed.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer/ Company Secretary should ensure that these procedures are carried out.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
40	Winding Up	<p>On and from the date of publication of notice under clause (b) of sub-regulation (3) of regulation 39, the trustee or the AMC as the case may be, shall</p> <p>a. cease to carry on any business activities in respect of the scheme so wound up;</p> <p>b. cease to create or cancel units in the scheme;</p> <p>c. cease to issue or redeem units in the scheme.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer/ Company Secretary should ensure that these procedures are carried out.</i></p>
41 (1)	Winding Up Formalities	<p>The trustee shall call a meeting of the unitholders to approve by simple majority of the unitholders present and voting at the meeting resolution for authorizing the trustees or any other person to take steps for winding up of the scheme.</p> <p>Provided that a meeting of the unitholders shall not be necessary if the scheme is wound up at the end of the maturity period of the scheme.</p>	<p><i>as stated</i></p>
41 (2)	Winding Up Formalities	<p>a. The trustee or the person authorized under sub-regulation (1) shall dispose of the assets of the scheme concerned in the best interests of the unitholders of that scheme.</p> <p>b. The proceeds of sale realized under clause (a), shall be first utilized towards discharge of such liabilities as are due and payable under the scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the unitholders in proportion to their respective interest in the assets of the scheme as on the date when the decision for winding up was taken.</p>	<p><i>as stated</i></p> <p><i>The AMC should ensure that these procedures are carried out. The Company Secretary/ Legal Department should ensure that records are preserved,</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
41 (3)	Winding Up Formalities	On completion of winding up, the trustee shall forward to the Board and the unitholders a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the fund before winding up, expenses of the fund for winding up, net assets available for distribution to the unitholders and a certificate from the auditors of the fund.	<i>as stated</i> <i>The AMC should ensure that these procedures are carried out</i>
41 (4)	Winding Up Formalities	Notwithstanding anything contained in this regulation, the provisions of these regulations in respect of disclosures of half yearly reports and annual reports shall continue to be applicable.	<i>as stated</i> <i>The AMC should ensure that these procedures are carried out</i>
42	Winding Up Formalities	After receipt of the report under sub-regulation (3) of Regulation 41, if the Board is satisfied that all measures for winding up of the scheme have been complied with, the scheme will cease to exist.	<i>as stated</i> <i>The AMC should ensure that these procedures are carried out</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
43	Investment Objectives	<p>The moneys collected under any scheme of a mutual fund shall be invested only in transferable securities in the money market or in the capital market or in privately placed debentures or securitised debts.</p> <p>Provided that moneys collected under any money market scheme of a mutual fund shall be invested only in money market instruments in accordance with directions issued by the RBI;</p> <p>Provided further that in case of securitised debts such fund may invest in asset backed securities excluding mortgage backed securities.</p>	<p><i>as stated</i></p> <p><i>Compliance with these restrictions should form part of the quarterly compliance review conducted by the Compliance Officer.</i></p> <p><i>In general, a portfolio compliance checklist should be developed for each scheme. Investment restriction stated in the offer document along with these SEBI restrictions and any additional restrictions/regulations that apply should be included on that checklist. It should also include diversification or investment policies of the AMC. Diversification policies, if applicable to the scheme, should typically relate to the holding at the time of investment. This checklist should form the basis of the quarterly compliance review.</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>1. Investments in debt instruments should be only in investment grade instruments rated by an approved credit rating agency. If its not rated, then specific approval should be taken from the Board of the AMC.</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to reg. 18(7).</i></p> <p><i>The AMC Board approval of the unrated debt instrument should be documented.</i></p> <p><u>Alternative Standards:</u> <i>Portfolio Managers should prepare an analysis and assign an internal rating to the instrument (unless it is a government security) while submitting it for AMC Board approval. This internal rating should be continuously updated and distinct on system reports from ratings of approved credit rating agencies. All internal ratings should be reviewed at each trustee meeting.</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to reg. 18(7).</i></p> <p><i>2. The back office/ portfolio management should maintain an accurate database of companies' paid-up capital carrying voting</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		<p>2. No mutual fund under all its schemes should own more than 10% of any company's paid up capital carrying voting rights.</p>	<p><i>rights and flag investments approaching this limit.</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>3. Transfers of investments from one scheme to another in the same mutual fund shall be allowed if:</p> <p>a. if its done at the prevailing market price for quoted instruments on a spot basis.</p> <p>b. the security so transferred is a suitable investment for the scheme to which it is transferred.</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to Reg. 18(7).</i></p> <p><i>a. The daily hi-low should be obtained to verify that the transfer was within acceptable limits.</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>4. A scheme may invest in another scheme under the same AMC or any other mutual fund without charging any fees, provided that aggregate investment does not exceed 5% of the NAV of the mutual fund.</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to Reg. 18(7).</i></p> <p><i>Records that need to be reviewed are unitholders reports and supporting documentation such as trade blotters. In addition, it should be determined if any advisory fees were charged.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>5. Initial issue expenses should not exceed 6% of funds raised under the scheme.</p>	<p><i>as stated</i></p> <p><i>This should be verified by the Company Secretary/internal audit as part of the routine accounting review.</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>6. Every mutual fund shall buy and sell securities on the basis of deliveries. Short sales, carry forward transactions and badla finance are not allowed.</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to Reg. 18(7).</i></p>
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>7. Every mutual fund shall get securities transferred in the name of the mutual fund on account of the concerned scheme, wherever investments are intended to be of a long term nature.</p>	<p><i>Each of these restrictions should be part of the scheme's portfolio compliance checklist. Refer to Reg. 18(7).</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
44 (1)	Investments	<p>Any investments to be made under regulation 43 shall be invested subject to the investment restriction specified in Schedule 7.</p> <p>(Paraphrased below:)</p> <p>8. Pending investment, funds of the scheme may be invested in short term deposits of scheduled commercial banks.</p>	<i>as stated</i>
44 (2)	Investments	<p>The mutual fund shall not borrow except to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unitholders.</p> <p>Provided that the mutual fund shall not borrow more than 20% of the net asset of the scheme and the duration of such a borrowing shall not exceed a period of six months.</p>	<p><i>as stated</i></p> <p><i>This can be reviewed either as part of internal audit review or as part of the portfolio compliance review during the review of general ledger/accounting records of the scheme.</i></p>
45	Investments	<p>The funds of a scheme shall not in any manner be used in option trading or in short selling or carry forward transactions.</p>	<p><i>as stated</i></p> <p><i>Note: Per this regulation, trading in options on an index (NSE) is not allowed.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
46	Investments	<p>Mutual funds may enter into underwriting agreement after obtaining a certificate of registration in terms of the SEBI (Underwriters) Rules and SEBI (Underwriters) Regulations, 1993 authorizing it to carry on activities as underwriters.</p> <p>Explanation:</p> <p>1. For the purpose of these regulations, the underwriting obligations will be deemed as if investments are made in such securities.</p> <p>2. The capital adequacy norms for the purpose of underwriting shall be the net asset of the scheme.</p> <p>Provided that the underwriting obligation of a mutual fund shall not at any time exceed the total net asset value of the scheme.</p>	<p>1, 2. as stated</p> <p><u>Alternative Standards:</u> <i>The AMC/mutual fund should consider not engaging in underwriting activities or alternatively defining very clearly the extent (in terms of the percentage of total assets) of such activities.</i></p> <p><i>There is substantial risk associated with underwriting activities. There is also the potential for a conflict of interest in the managing of portfolio assets and the underwriting of securities. The interest of the unitholders should be paramount.</i></p> <p><i>Currently there are no limits as to the extent of a portfolio that could be invested in any one scrip or issuer. Thus, it is possible that an entire portfolio could be put at risk in an underwriting situation. If a scheme intends to engage in such activities, the extent of such activities should be disclosed to the unitholders in the offer document.</i></p>
47	Investments Valuation	<p>Every Mutual fund shall compute and carry out valuation of its investments in its portfolio and publish the same in accordance with the valuation norms specified in Schedule 8.</p>	<p><i>Refer to AMFI Valuation Guidelines (being developed).</i></p>
48 (1)	NAV	<p>Every mutual fund shall compute the Net Asset Value (NAV) of each scheme by dividing the net asset of the scheme by the number of units outstanding on the valuation date.</p>	<p><i>as stated</i></p> <p><i>Typically this should be done on a daily basis, even if it is not required to be published.</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
48 (2)	NAV	<p>The NAV of the scheme shall be calculated and published at least in two daily newspapers at intervals of not exceeding one week: -</p> <p>Provided that the NAV of any scheme for special target segment or any monthly income scheme which are not mandatorily required to be listed in any stock exchange under Regulation 32 may publish the NAV at monthly or quarterly intervals as may be permitted by the Board.</p>	<p><i>as stated</i></p> <p><i>The Compliance Officer should independently review supporting documentation to ensure compliance.</i></p>
49 (1)	Pricing of Units	<p>The price at which the units may be subscribed or sold and the price at which such units may at any time be repurchased by the mutual fund shall be made available to investors.</p>	<i>as stated</i>
49 (2)	Pricing of Units	<p>The mutual fund, in case of open ended scheme, shall at least once a week publish in a daily newspaper of all India circulation, the sale and repurchase price of units.</p>	<i>as stated</i>
49 (3)	Pricing of Units	<p>While determining the prices of units, the mutual fund shall ensure that the repurchase price is not lower than 93% of the NAV and the sale price is not higher than 107% of the NAV.</p> <p>Provided that the repurchase price of the units of a close ended scheme shall not be lower than 95% of the NAV.</p> <p>Provided further that the difference between the repurchase price and the sale price of the unit shall not exceed 7% calculated on the sale price.</p>	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
49 (4)	Pricing of Units	<p>The price of units shall be determined with reference to the last determined NAV as mentioned in sub-regulation (3) unless.</p> <p>a. the scheme announces the NAV on a daily basis; and</p> <p>b. the sale price is determined by adding to the future NAV a fixed premium which is declared in advance.</p>	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
50 (1)	Record Keeping	Every AMC for each scheme shall keep and maintain proper books, records and documents so as to explain its transactions and disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Board the place where such books, records and documents are maintained.	<i>as stated</i> <i>Note: Books and records includes daily order tickets, trade blotters, confirms, daily general ledger updates, weekly custodian reports, documentation of fair valuation calls etc.</i>
50 (2)	Record Keeping	Every AMC shall maintain and preserve for a period of 10 years its books, records and documents.	<i>as stated</i> <i>The AMC should develop record retention procedures. The Compliance Officer should conduct periodic audits to verify that procedures are being followed.</i>
50 (3)	Record Keeping	The AMC shall follow the accounting policies and standards as specified in Schedule 9 so as to provide appropriate details of the schemewise disposition of the assets of the fund at the relevant accounting date and the performance during that period together with information regarding distribution or accumulation of income accruing to the unitholder in a fair and true manner.	<i>as stated</i>
51	Financial Year	The financial year for all schemes shall end as of March 31 of each year. Provided that, for a new scheme commenced during a financial year, the disclosure and reporting requirements would apply for the period beginning from the date of its commencement and ending on March 31st of the following year.	<i>as stated</i>
52 (1)	Fees and Expenses	All expenses should be clearly identified and appropriated by the individual schemes.	<i>as stated</i>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		-	<i>This should be part of the routine review by internal audit/ Company Secretary. The procedures for allocating common expenses of schemes should be reviewed by the trustees.</i>
52 (2)	Fees and expenses	<p>The AMC may charge the mutual fund with investment and advisory fees which are fully disclosed in the offer document subject to the following:</p> <p>I. 1.25% of the weekly average net assets outstanding in each accounting year for the scheme concerned, as long as the net assets do not exceed Rs. 100 crores, and</p> <p>ii. 1% of the excess amount over Rs. 100 crores, where net assets so calculated exceed Rs. 100 crores.</p>	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
52 (3)	Fees and expenses	For schemes launched on a no load basis, the AMC shall be entitled to collect an additional management fees not exceeding 1% of the weekly average net assets outstanding in each financial year.	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
52 (4)	Fees and Expenses	<p>In addition to the fees mentioned in sub-regulation (2), the AMC may charge the mutual fund with the following expenses:</p> <p>a. initial expenses of launching</p> <p>b. recurring expenses (marketing and selling expenses including agents' commission, brokerage and transaction costs, registrar services for transfer of units sold or redeemed, fees and expenses of trustees, audit fees, custodian fees and such other costs as may be approved by the Board.</p>	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
52 (5)	Fees and Expenses	Any expense other than those specified in sub-regulation (2) and (4) shall be borne by the AMC.	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company</i></p>

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Reg.	Function	SEBI Regulations	Compliance Procedures
		Provided that initial expenses of floating the scheme shall not exceed 6% of the initial resources raised under the scheme and such expenses shall be accounted in the books of accounts of the scheme as specified in Schedule 10.	<i>Secretary.</i>
52 (6)	Fees and Expenses	<p>The total expenses of the scheme excluding issue or redemption expenses, whether initially borne by the mutual fund or by the AMC, but including the investment management and advisory fee shall be subject to the following limits:</p> <p>I. on the first Rs 100 crores of the average net assets: 2.5% ii. On the next Rs. 300 crores of the avg. weekly net assets: 2.25% iii. On the next Rs. 300 crores of the avg. weekly net assets: 2.00% iv. On the balance of the assets: 1.75%</p> <p>Provided that such recurring expenses shall be lesser by at least 0.25% of the weekly avg. net assets outstanding in each financial year in respect of a scheme investing in bonds.</p>	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
52 (7)	Fees and Expenses	Any expenditure in excess of the limits specified in sub-regulation (6) shall be borne by the AMC.	<p><i>as stated</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
52 (8)	Fees and Expenses	The provisions of sub-regulations (3), (4), (5) and (6) will come into effect after 3 months* from the date of notification of these regulations for those schemes of mutual funds which have been launched prior to notification of these regulations.	<p><i>as stated</i></p> <p><i>*subsequently amended to April 1, 1997</i></p> <p><i>This should be part of the routine review by internal audit/ Company Secretary.</i></p>
53	Warrants	<p>Every mutual fund and AMC shall:</p> <p>a. dispatch to the unitholders the dividend warrants within 42 days of the declaration of the dividend.</p>	<p><i>as stated</i></p> <p><i>a, b. The Compliance Officer should independently validate the transfer agent's reports to determine compliance with this regulations. This should be done on a quarterly basis.</i></p>

AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
		b. dispatch the redemption or repurchase proceeds within 10 working days from the date of redemption or repurchase.	
54	Annual Report	Every mutual fund or the AMC shall prepare in respect of each financial year an annual report and annual statement of accounts of the schemes and the fund as specified in Schedule 11.	<i>as stated</i>
55 (1)	Auditor's Report	Every mutual fund shall have the annual statement of accounts audited by an independent auditor.	<i>as stated</i>
55 (2)	Auditor's Report	An auditor shall be appointed by the trustees.	<i>as stated The Compliance Officer should review the minutes of trustee meetings to verify this. Refer to Reg. 18(4c).</i>
55 (3)	Auditor's Report	The auditor shall forward his report to the trustees and such report shall form part of the Annual Report of the mutual fund.	<i>as stated</i>
56 (1)	Publication of Annual Report	The schemewise Annual report of a mutual fund or abridged summary thereof shall be published through an advertisement as soon as possible but no later than 6 months from the date of closure of relevant accounts year.	<i>as stated</i>
56 (2)	Publication of Annual Report	The Annual Report and abridged summary thereof shall contain details as specified in Schedule 11 and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund.	<i>as stated</i> <i>The Company Secretary/ internal auditors should review this as part of their regular functions.</i>

AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
56 (3)	Publication of Annual Report	The report if published in summary form shall carry a note that the full Annual Report shall be available for inspection at the Head Office of the mutual fund and a copy thereof shall be made available to the unitholder on payment of such nominal fees as may be specified by the mutual fund.	<i>as stated</i>
57	Annual Report	Every mutual fund and AMC shall within six months from the date of closure of each financial year forward to the Board a copy of the Annual Report and other information including details of investments and deposits held by the fund so that the entire schemewise portfolio of mutual funds is disclosed to the Board.	<i>as stated</i>
58 (1)	Disclosures	The fund, the AMC, the trustee, custodian, sponsor of the mutual fund shall make such disclosures or submit such documents as required by the Board.	<i>as stated</i>
58 (2)	Disclosures	<p>....The mutual fund and the AMC shall furnish the following periodic reports to the Board:</p> <p>a. Copies of duly audited annual statements of accounts including balance sheet and profit and loss account for the fund and in respect of each scheme, once a year;</p> <p>b. a copy of six monthly unaudited accounts;</p> <p>c. a quarterly statement of movements in net assets for each of the schemes of the fund;</p> <p>d. a quarterly portfolio statement, including changes from the previous periods, for each scheme.</p>	<i>as stated</i>

AMFI MODEL COMPLIANCE MANUAL

Reg.	Function	SEBI Regulations	Compliance Procedures
58 (3)	Disclosures	No sale of units of any scheme of a mutual fund shall be made by the trustees or an AMC unless accompanied by documents which contain information which is adequate for investors to take an informed decision.	<i>as stated</i>
59	Half Yearly Results	<p>A mutual fund and asset management company shall before the expiry of two months from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the mutual fund is situated.</p> <p>Provided that the half yearly unaudited report referred in this sub-regulation shall contain details as specified in Schedule 12 and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund.</p>	<i>as stated</i>
60	Disclosure	The trustees shall be bound to make such disclosures to the unitholders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.	<i>as stated</i>

These disclosures (including pending litigation related to the AMC or Mutual Fund that would adversely impact investments) should be made in a timely manner and made available at the AMC's office.

भारतीय प्रतिभूति
और विनियम बोर्ड

*Securities and Exchange
Board of India*

D. CHANDA
DIVISION CHIEF

All Mutual Funds registered with SEBI/
Asset Management Companies/
Unit Trust of India

IIMARP/CIR/08/S45/97
May 7, 1997

Dear Sirs,

Re : Submission of Statistical Information/Bio-data of Key-Personnel

This is further to our circular No.IIMARP/MF/CIR/05/788/97 dated April 28, 1997 and also to the discussions held in the meeting with all the members of AMFI on April 30, 1997. In the aforementioned meeting, it was agreed that for the purpose of compiling the database on mutual fund industry, all mutual funds will submit to SEBI historical as well as current data for all schemes launched. All mutual funds are required to submit the following reports within the time period indicated below :

a. M.STAT - PART A and M.STAT - PART B :

This report is to be submitted for the month of April 1997 onwards on a monthly basis. The report for the month of April 1997 should reach latest by May 15, 1997 and for subsequent months, the statements shall reach SEBI on or before the 7th day of the succeeding month.

b. A.S.R.- PART A & A.S.R. - PART B :

- (i) This report is to be submitted for each financial year and the reports shall reach SEBI latest by 30th April of succeeding year. The reports for the year 1996-97 shall reach SEBI by May 30, 1997.
- (ii) To create a complete data base of mutual fund industry all mutual funds are requested to submit comprehensive statistical information in A.S.R.- Part A & Part B formats for all previous years. Each mutual fund is therefore required to fill-in the formats for each financial year separately beginning from the financial year in which the first scheme of the Fund was launched. These reports should be submitted to SEBI before June 30, 1997.

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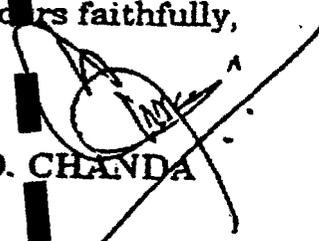
Continuation:

-2-

SEBI is also compiling a data-base of key-personnel working with intermediaries including mutual funds. Moreover, under Clause (b) of sub-regulation 4 of regulation 18 of the SEBI (Mutual Funds) Regulations, 1996, AMCs are required to submit bio-data of all key-personnel to the Trustees. A format for submission of key-personnel data was already circulated. It was agreed in the SEBI-AMFI meeting that "key-personnel" for this purpose would be the CEO, Fund Managers, Dealers and Heads of other departments of the AMC. All mutual funds are requested to complete the formats and submit to SEBI by May 31st, 1997.

The formats for the above reports have already been circulated along with the above mentioned circular. These are once again enclosed for ready reference.

Yours faithfully,


J. CHANDA

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BIO-DATA OF KEY PERSONNEL

I. Identification

1. Name :
2. Father's Name :
3. Date of Birth :
4. Sex : Male/Female
5. Present Residential Address :
6. Permanent Residential Address :

II. Educational Qualifications :

II. Employment Details :

Current Employer

1. Name of employer :
2. SEBI Regn. No. Of employer :
3. Regd. Office of employer :
4. Address of office where employed :

Ten year history of employment starting with current employment :

NAME OF THE EMPLOYERS	DESCRIBE FUNCTIONS	PRIMARY REPOSNSIBILITIES	OTHER RESPONSIBILITIES	REPORTING RELATIONSHIP

IV. Other Business

1. Brief Description of any other business, full time or part time in self name or in name of close relative (parent-spouse-child) :
2. Details of business of close relatives

contd. ..3/-

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V. Record of Regulatory Violations/Criminal Offence (if any) :

- (i) Have you ever been convicted by a court for any criminal offence ?
- (ii) Have you ever been convicted by any court or authorised body for any offence related to the securities industry?
- (iii) Have you or any organization over which you exercised management or policy control ever been convicted of any criminal offence ?
- (iv) Are there any proceedings against you or any organisation over which you exercise management or policy control ?
- (v) Have you been accused of or convicted for any offence by a regulator of the securities or financial industry, a self regulatory organisation, stock exchange in India or from any foreign country ?
- (vi) If the answer to any of the following questions is yes, please furnish details.

Oath over signature

I affirm that I have read and understood the items in this form and that my answers including attachments are true and complete to the best of my knowledge and belief. I understand that I may be subject to administrative, civil or criminal liabilities if I give false and misleading answers.

Date :

Signature of applicant

Name of the applicant
(in block print)

contd. ..4/-

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Certificate from the Employer :

The information provided by the applicant is currently true and complete to the best of our knowledge and belief. We have taken appropriate steps to verify the accuracy and completeness of the information contained in this application.

I agree to update this form by causing an amendment to be filed on a timely basis whenever changes occur to answers previously reported. Further, to the extent that information previously given is not amended, the information provided in this form is currently accurate and complete.

Date :

Signature of appropriate signatory

Name of appropriate signatory
(in block letters)

Name and regn. no. of Organisation

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भारतीय प्रतिभूति
और विनियम बोर्ड

Securities and Exchange
Board of India

D. CHANDA
DIVISION CHIEF

II/MARP/MF/CIR/10/10/97
June 5, 1997

The Managing Director / President / Chief Executive Officer
All Mutual Funds registered with SEBI
Unit Trust of India

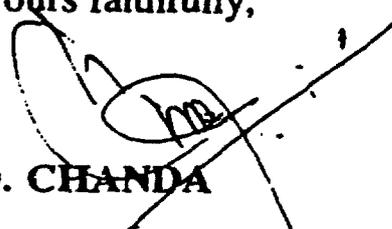
Dear Sir,

Sub.: Submission of Compliance Test Formats

We draw your attention to sub-regulation 4 of Regulation 18 of SEBI (Mutual Funds) Regulations, 1996 which inter alia calls for appointment of compliance officer and preparation of compliance manual at AMC before launching of schemes. Please let us know whether these have been complied with and the manual has been placed before the Board of the AMC/Board of Trustees or Trustee Company as the case may be. Please also indicate the name of the compliance officer.

Enclosed are reporting formats and compliance tests for the Mutual Funds which must be filed with SEBI on a quarterly basis. The first report must be submitted for the first quarter following the notifications of the new Regulations, i.e., for the quarter ended March 1997. The report should reach us before the end of June 1997. The report for the quarter ended June 30, 1997, should reach us by July 15, 1997. Please note that in case of Unit Trust of India, asset Management company shall mean Asset Management Committee. ✓

Yours faithfully,


D. CHANDA

Encl. : a/a

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**Compliance Tests for Mutual Funds regulated by SEBI
under the SEBI (Mutual Funds) Regulations, 1996**

-
- I. General Compliance Test**
 - II. Investment Compliance Test**
 - III. Investor Services Compliance Test**
-



SECURITIES AND EXCHANGE BOARD OF INDIA

Instructions:

1. The compliance tests are to be submitted quarterly.
 2. The replies to the various tests must cover all the schemes of the mutual fund. In case the answer to a particular test in respect of any scheme is different than that for other schemes, then the name of that scheme and other details must be indicated. For example, if X Mutual Fund manages A, B and C schemes, and if for example, the schemes A and B has complied with point number 1 of Test II while scheme C has not, then the answers should be "Yes" for schemes A and B and "No" for scheme C giving explanation and with supporting data/information.
 3. The reports must be signed by the Compliance Officer of the asset management company.
 4. The reports for the quarter must be sent to SEBI by 21st of the month following the quarter.
 5. The asset management company must place the Compliance Test Reports before the board of directors of the asset management company and trustee company/board of trustees for discussion and comments.
 6. In respect of item number 12 and 16 (ii) of Test I, the reporting shall be in the quarter succeeding the half-year ended period of the accounting year.
 7. In respect of item number 11 of Test II, for the time being indicate the maximum/minimum business done through any broker for the whole quarter and the number of brokers through whom the mutual fund has done business during the quarter. of the accounting year. ✓
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**Compliance Tests for Mutual Funds regulated by SEBI
under the SEBI (Mutual Funds) Regulations, 1996**

Compliance Test Report for the quarter ended:

Name of the Mutual Fund:

Name of the Asset Management Company:

Name of the Compliance Officer:

I. General Compliance Test

S.N.	Regulations	Particulars	Remarks
1	sub-regulation 1 of regulation 24	The asset management company is not acting as a trustee	Yes/No
2	sub-regulation.2 of regulation 24	The asset management company is not undertaking any other business activities except activities in the nature of management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the mutual fund.	Yes/No
3	first proviso to sub-regulation 2 of regulation 24	If the asset management company itself or through its subsidiaries undertake activities as mentioned in paragraph 2 above, it has satisfied SEBI that the key personnel of the asset management company, the systems, back office, bank and securities accounts are segregated activity wise and there exist systems to prohibit access to inside information of various activities. <i>(Furnish details regarding systems and back office installed by the AMC for ensuring the above.)</i>	Yes/No
4	second proviso to sub-regulation 2 of regulation 24	The asset management company has met the capital adequacy requirements, if any, separately for each such activity as mentioned in paragraph 2 above, and has obtained separate approval from SEBI if necessary under the relevant regulations of SEBI.	Yes/No
5	sub-regulation 3 of regulation 24	The asset management company has not invested in any of its schemes unless full disclosure of its intention to invest has been made in the offer documents. Indicate details of such investments giving the name of schemes and the nature and amount of investments.	Yes/No
6	proviso to sub-regulation 3 of regulation 24	If the asset management company has invested in any of its schemes, it has not charged any fees on its investment in that scheme.	Yes/No
7	sub-regulation 1 of regulation 25	The asset management company has taken all reasonable steps and has exercised due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.	Yes/No

8	sub-regulation 2 of regulation 25	The asset management company has exercised due diligence and care in all its investment decisions as is exercised by other persons engaged in the same business.	Yes/No
9	sub-regulation 3 of regulation 25	The asset management company has ensured that there are no acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.	Yes/No
10	sub-regulation 4 of regulation 25	The asset management company has submitted to the trustees quarterly reports of each year on its activities and the compliance with the SEBI (Mutual Funds) Regulations, 1996.	Yes/No
11	sub-regulation 8 of regulation 25	The asset management company has not utilised the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities.	Yes/No
(12)	proviso to sub-regulation 8 of regulation 25	If the asset management company has utilised the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities, the asset management company has ensured that disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly annual accounts of the mutual fund.	Yes/No
13	sub-regulation 9 of regulation 25	The asset management company has filed with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company and has reported to SEBI (in the prescribed format CR6), as and when required by SEBI.	Yes/No
14	sub-regulation 10 of regulation 25	In case the asset management company has entered into any securities transactions with any of its associates a report to that effect has been immediately sent to the trustees.	Yes/No
15	sub-regulation 11 of regulation 25	In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries has been brought to the notice of the trustees by the asset management company which indicate the names of companies/schemes in which such investments have been made.	Yes/No

16	sub-regulation 12 of regulation 25	The asset management company has filed with the trustees and SEBI the following: (i) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and (ii) any change in the interests of directors every 6 months	Yes/No
17	sub-regulation 13 of regulation 25	A statement of holdings in securities of the directors of the asset management company has been filed with the trustees with the dates of acquisition of such securities at the end of each financial year.	Yes/No
18	sub-regulation 14 of regulation 25	The asset management company has not appointed any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.	Yes/No
19	sub-regulation 15 of regulation 25	The asset management company has appointed registrars and share transfer agents who are registered with the Board.	Yes/No
20	proviso sub-regulation 15 of regulation 25	If the work relating to the transfer of units is processed in-house, the charges at competitive market rates has been debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees has been obtained and reasons for charging higher rates has been disclosed in the annual accounts.	Yes/No
21	sub-regulation 16 of regulation 25	The asset management company has abided by the Code of Conduct as specified in the Fifth Schedule of the SEBI (Mutual Funds) Regulations, 1996.	Yes/No

Place:

Date:

Signature of the Compliance Officer:

16	sub-regulation 12 of regulation 25	The asset management company has filed with the trustees and SEBI the following: (i) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and (ii) any change in the interests of directors every 6 months	Yes/No
17	sub-regulation 13 of regulation 25	A statement of holdings in securities of the directors of the asset management company has been filed with the trustees with the dates of acquisition of such securities at the end of each financial year.	Yes/No
18	sub-regulation 14 of regulation 25	The asset management company has not appointed any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.	Yes/No
19	sub-regulation 15 of regulation 25	The asset management company has appointed registrars and share transfer agents who are registered with the Board.	Yes/No
20	proviso sub-regulation 15 of regulation 25	If the work relating to the transfer of units is processed in-house, the charges at competitive market rates has been debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees has been obtained and reasons for charging higher rates has been disclosed in the annual accounts.	Yes/No
21	sub-regulation 16 of regulation 25	The asset management company has abided by the Code of Conduct as specified in the Fifth Schedule of the SEBI (Mutual Funds) Regulations, 1996.	Yes/No

Place:

Date:

Signature of the Compliance Officer:

II. Investment Compliance Test

S.N.	Regulations	Particulars	Remarks
1	clause 1 of seventh schedule to sub-regulation 1 of regulation 44	Investments in debt instruments have been made only in such instruments which have been rated not below investment grade by a credit rating agency authorised to carry such activity under the Act. In case the debt instrument is not rated, the specific approval of the board of the asset management company. AMC has been taken for investment.	Yes/No
2	clause 2 of seventh schedule to sub-regulation 1 of regulation 44	The Mutual Fund does not own more than 10% of any company's paid-up capital carrying voting rights under all its schemes. <i>(If yes, give details of the investments made in excess of 10% of the paid up capital of the company in the prescribed format CRI.)</i>	Yes/No
3	clause 3 of seventh schedule to sub-regulation 1 of regulation 44	Inter scheme transfers of investments have been done at the prevailing market price for quoted instruments on spot basis and is in conformity with the investment objective of the scheme to which such transfer has been made. <i>(Give details of all inter scheme transfers in the prescribed format CR 2.)</i>	Yes/No
4	clause 4 of seventh schedule to sub-regulation 1 of regulation 44	Aggregate inter scheme investments made by all schemes under the same management or in schemes under the management of any other AMC has not exceeded 5% of the net asset value of the mutual fund and no fees has been charged for the same. <i>(Give details of such investments in the prescribed format CR 3.)</i>	Yes/No
5	clause 6 of seventh schedule to sub-regulation 1 of regulation 44	The fund has bought and sold securities on the basis of deliveries and has in all cases of purchases, taken delivery of relative securities and in all cases of sale delivered the securities.	Yes/No
6	clause 6 of seventh schedule to sub-regulation 1 of regulation 44	The fund has not indulged in short sale or carry forward transactions or engaged in "badla" finance.	Yes/No

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|----|---|---|--------|
| 7 | clause 7 of seventh schedule to sub-regulation 1 of regulation 44 | The securities purchased have been transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long term nature. | Yes/No |
| 8 | proviso to sub-regulation 2 of regulation 44 | The borrowings by the Mutual Fund do not exceed more than 20% of net assets of the scheme and does not exceed a period of six months.

<i>(Give details of all borrowings by the scheme as per the prescribed format CR 4.)</i> | Yes/No |
| 9 | sub-regulation 2 of regulation 44 | The Mutual fund has borrowed only for the purposes mentioned in sub-regulation 2 of regulation 44. | Yes/No |
| 10 | sub-regulation 3 of regulation 44 | No loans have been advanced by the Mutual Fund. | Yes/No |
| 11 | sub-regulation 7 of regulation 25 | The business done through any broker associated with the sponsor or through a firm which is an associate of the sponsor has not exceeded 5% of the daily gross business of the mutual fund.

<i>(Give details of transactions done through the top 20 brokers, by amount, as per the prescribed format in CR 5, please mark * against the names of associates.)</i> | Yes/No |

Place:

Date:

Signature of the Compliance Officer:

III. Investors Services Compliance Test

S.N.	Regulations	Particulars	Remarks
1	sub-regulation 2 of regulation 37	The unit certificates are transferred and returned to the transferee within 30 days from the date of production of instrument of transfer together with relevant unit certificates.	Yes/No
2	sub-clause a of regulation 53	The dividend warrants have been despatched to the unit holders within 42 days of the declaration of the dividend.	Yes/No
3	sub-clause b of regulation 53	The redemption proceeds have been despatched within 10 working days from the date of redemption	Yes/No

Give details regarding the status of investor complaints received, redressed and pending at the beginning of the quarter and at the end of the quarter, as per the following format:

Date	Number of complaints received	Redressed*	Pending	Aging schedule of pending complaints**	Reasons
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* All complaints which have been fully resolved and a communication thereof has been sent to the complainant shall be deemed to have been redressed.

** Starting with complaints pending for a period not exceeding 30 days from the date of receipt at the registrars and share transfer agents/asset management company's office. It should include complaints pending for less than 30 days, 30 to 60 days, 60 to 90 days, 90 days and beyond.

Place: _____

Date: _____

Signature of the Compliance Officer: _____

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CR 1

REPORT OF INVESTMENT IN COMPANIES IN EXCESS OF 10% OF THEIR PAID-UP CAPITAL CARRYING VOTING RIGHTS

Date	Name of the company	Purchase Price	Value (Rs. lacs)	Holding as % of company's paid-up capital carrying voting rights
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Signature of the Compliance Officer

CR 2

INTER SCHEME TRANSFERS

Date	Name of the transferor scheme	Name of the transferee scheme	Name of the company and type of security	Details of transfer			Market rate (if unquoted/unlisted and basis of rate)	Reasons of transfer
				Quantity	Rate	Value (Rs. lacs)		

Signature of the Compliance Officer

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CR 4

REPORT ON BORROWINGS OF MUTUAL FUNDS

Name of the scheme and category	Nature of instruments/ mode of borrowings	Source (Institutions/ banks/others)	Purpose	Date of borrowing	Date of repayment of borrowing (specify the period of borrowing)	Rate of borrowing	Amount borrowed as % of net assets	Collateral used (if any)

Signature of the Compliance Officer

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CR 5

REPORT ON TRANSACTIONS THROUGH BROKERS

Name of the broker	Value of business (Rs. lacs)	Brokerage paid (Rs. lacs)	Broker wise contracts outstanding for more than 60 days	% of gross business done
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Signature of the Compliance Officer

CR 6

TRANSACTION STATEMENT OF DIRECTORS AND KEY PERSONNEL OF AMC

Name of the director/key personnel:

Transaction details						Account type		
Name of the scrip	Purchase/ sale	Name of the broker	Quantity	Rate	Value	Personal	immediate family	Fiduciary/other

Signature of the Compliance Officer

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COMPLAINT LOG

Date	Name of Unitholder	Account Number	Scheme	Type of Complaint	Processed By	Status	Date of Resolution	Days Elapsed

AGING REPORT

Date	No. Received	Resolved	Pending	< 30 days	30 - 59 days	60 - 89 days	90 + days
(Beginning of Quarter)							
(End of Quarter)							

Reasons for pending items:

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COMPLAINT LOG

Date	Name of Unitholder	Account Number	Scheme	Type of Complaint	Processed By	Status	Date of Resolution	Days Elapsed

AGING REPORT

Date	No. Received	No. Resolved	Pending	<30 days	30 - 59 days	60 - 89 days	90+ days
(Beginning of Quarter)							
(End of Quarter)							

Reasons for pending items:

Suggested Responsibilities Chart

SEBI (MUTUAL FUNDS) REGULATIONS, 1996

Representative assignment of Compliance Review Responsibilities (Compliance Officer: C/O; Company Secretary: C/S)

Regulation	Requirement	Responsibility	Freq.
3, 78	Registration of Fund - application to SEBI	C/S	Once
7(b), 14, 15	Fund to be constituted as a trust; trust deed to be approved by SEBI; registered under Registration Act	C/S	Once
7(c)	Sponsor to contribute 40% to net worth of AMC	Sponsor	Once
7(e)	Trustees to be appointed per reg. 16 and 17 (persons of ability/ integrity) (50% independent trustees; form C to be sent to SEBI)	Sponsor	Once
7(f)	AMC to be appointed per reg. 19-21	C/O	Once
7(g)	Custodian to be appointed per reg. 26-27	C/S	Once
10(b),(c)	SEBI to be informed of any misleading/false particulars	C/S	As needed
10(d)	Fees to be paid per second schedule - (application and registration fees)	C/S	Once
12	Service fees to be paid per second schedule - before 15th April every year	C/S	Annually
15(1), (2)	Contents of trust deed	C/O	Quarterly
18(1), (2)	Trustees to sign Investment Management Agreement with AMC; contents of agreement per fourth schedule	C/O	Once
18(4)	RESPONSIBILITIES OF TRUSTEES Trustees to ensure controls in place before launch of any scheme.	C/O	Once
18(5)	Trustees to ensure AMC diligent in empanelling of brokers, monitoring securities transactions with brokers, avoiding undue concentration of business	C/O	Quarterly
18(6)	Trustees to ensure AMC does not give unfair/ undue advantage to associates or deal with associates in a manner detrimental to interest of unit holders	C/O	Quarterly
18(7), (8), (9)	Trustees to ensure AMC complies with regulations, manages fund independent of other activities	C/O	Quarterly
18(10)	Trustees to take remedial action, where necessary, and inform SEBI	C/O	Quarterly
18(11)	Trustees to file details of holdings in securities with Trust - half yearly	C/O	Half-yearly
18(12)	Trustees to ensure compliance with Trust Deed/ Regulations	C/O	Quarterly
18(14)	Trustees responsible for calculation of any income due to be paid to Fund, etc.	Fund Accountant/ C/S	Quarterly
18(15)	Trustees to obtain consent of unit holders under certain circumstances	C/S, C/O	As needed

Regulation	Requirement	Responsibility	Freq.
18(16)	Trustees to call for details of transactions in securities by key personnel of AMC in his own name or on behalf of AMC; and report to SEBI when required	C/O	Quarterly
18(17)	Trustees to review quarterly all transactions between Fund, AMC and associates	C/O	Quarterly
18(18)	Trustees to continuously review net worth of AMC and shortfall to be made up per reg. 21(1)(f)	C/O, C/S	Quarterly
18(19)	Trustees to periodically review all service contracts - custodian, transfer agents, etc.	C/O	As needed
18(20)	Trustees to ensure no conflict between deployment of net worth by AMC and interest of unit holders	C/O	Quarterly
18(21)	Trustees to periodically review investor complaints and redressal by AMC	C/O	Quarterly
18(22)	Trustees to follow Code of Conduct - fifth schedule	Trustees/ C/O	
18(23)	Trustees to furnish half yearly report to SEBI on activities of Fund, certificates re. self dealing/front running and AMC managing scheme independent of other activities, etc.	C/O	Half-yearly
21, 22, 23	AMC Eligibility criteria for AMC Conditions to be complied with by AMC Restrictions	C/O	Quarterly
25(1)(2)(3)	AMC to exercise due diligence while investing funds	C/O	Quarterly
25(4)	AMC to send quarterly report to Trustees	C/O	Quarterly
25(7)	AMC shall not deal with an associated broker beyond 5% of daily gross business of the Fund	C/O	Daily/ Quarterly
25(8)	AMC shall not deal with sponsor/associates for any securities transactions/ distribution and sale of securities unless disclosed to unit holders and commission disclosed in half yearly and annual accounts	C/O	Quarterly
25(9)	AMC shall file with Trustees, details of transactions in securities by key personnel of AMC in their own name or on behalf of AMC	C/O	Quarterly
25(10)	AMC shall report securities transactions with associates to Trustees	C/O	Quarterly
25(11)	AMC shall report investment in excess of 5% of the NAV of a scheme to the Trustees; disclose in half yearly and annual accounts	C/O	Quarterly
25(12)	AMC shall file with Trustees and SEBI detailed biodata of all directors with interest in other companies within 15 days of appointment any change in interests of directors every six months	C/O	As needed

Regulation	Requirement	Responsibility	Freq.
25(13)	AMC shall file a statement of holdings in securities of directors of AMC with the Trustees at the end of each financial year	C/O	Annual
25(14)	AMC shall not appoint any person as key personnel if he is guilty of any economic offence or violation of securities laws	C/O	
25(15)	AMC shall appoint Registrars/ Transfer Agents registered with SEBI; if transfer of units done in house charges at competitive rates may be debited to the scheme	C/O	Once
25(16)	AMC shall abide by the Code of Conduct - fifth schedule	C/O	Quarterly
26	Custodian to be non-affiliated	C/O	
27	Fund to enter into an agreement with Custodian, with prior approval of Trustees	C/O	Quarterly
28 to 31, 34 to 36, 38	SCHEMES Procedure for launching schemes, fees, disclosures, offering period, allotment, refunds, certificates, guaranteed returns, etc.	C/S	Once
32	Close ended schemes to be listed within 6 months	C/S	Once
33	AMC shall follow the procedure for repurchase	C/S	Quarterly
37	AMC shall transfer units within 30 days	R&T/ C/O	Quarterly
39 to 42	Procedure for winding up of a close ended scheme	C/S	As needed
43 to 45	INVESTMENTS AMC shall follow investment restrictions given in Seventh schedule.	C/O	Quarterly
46	Fund may underwrite if approved by SEBI, with obligations not exceeding net asset value of scheme	C/O	Quarterly
47 to 49	Fund shall value investments and publish in accordance with Eighth schedule on a weekly basis.	Fund accountants/ C/O	Quarterly
50(1)(2)	AMC shall preserve books of accounts, etc. for 10 years	C/O	Quarterly
50(3)	AMC shall follow the accounting policies and standards given in Ninth schedule	AMC/ Fund accountants/ C/S	On-going
51	AMC shall have financial year ending 31st March for all schemes	C/S	Quarterly
52	AMC shall charge fees and expenses as specified	C/S	Quarterly
53	AMC shall dispatch dividend warrants within 42 days of declaration and redemption repurchase proceeds within 10 working days	C/O	Quarterly

Regulation	Requirement	Responsibility	Freq.
54	AMC shall prepare Annual Report per Eleventh schedule	Fund accountants/ C/S	Annually
55	Fund accounts shall be audited by an auditor, appointed by Trustees; the auditor shall not be associated with auditor of AMC	Fund accountants/ C/S	Annually
56	Scheme wise annual report shall be published within 6 months from closure of relevant accounts year	C/S / Fund accountants	Annually
57	Copy of annual report shall be sent to SEBI within 6 months from closure of each financial year	C/O, C/S	Annually
58	AMC shall send the annual statement of accounts to SEBI once a year; six monthly unaudited accounts; quarterly statement of movement in net assets for each scheme; and quarterly portfolio statement	C/O, C/S	As stated
59	Fund shall publish unaudited half yearly financial results within two months of the close of each half year	C/S	As stated
60	Trustees shall make such disclosures to unit holders as are essential to keep them informed about an adverse bearing on their investments	C/S	As required

Compliance checks - report for the quarter :

A.	Daily checks	Remarks
1.	Affiliated trades	
2.	Trades with affiliated brokers	
3.	Trades with restricted brokers	
B.	Monthly checks	
1.	Fair valuation calls	
2.	Commission variances	
3.	Execution price variances	
4.	Trades without order tickets, Cancel/Corrects	
5.	Brokerage exposure report	
6.	Fair trade allocation	
7.	Private placements	
8.	Outstanding R&T issues	
9.	Outstanding registrations	
C.	Quarterly checks	
1.	Portfolio Compliance	
2.	Employee trades	
3.	Record retention	
4.	Registration/ Licensing	
5.	New accounts	
6.	Filing of reports with SEBI, RBI	

REPORTING REQUIREMENTS

Title/Nature of report	Recipient of report	Frequency
1. Activities of fund confirming that the activities are in compliance with Trust Deed and the Regulations	Trustees	Quarterly
2. Empanelment of brokers	Trustees	Quarterly
3. Distribution of business among brokers	Trustees	Quarterly
4. Transactions in securities with affiliated brokers (percentage of daily gross business)	Trustees	Quarterly
5. Transactions in securities by key personnel of AMC	Trustees	Quarterly
6. Transactions in securities by or on behalf of AMC	Trustees	Quarterly
7. Other transactions with associates	Trustees	Quarterly
8. Net worth and its deployment	Trustees	Quarterly
9. Execution of service contracts in the previous quarter	Trustees	Quarterly
10. Redressal of investor complaints	Trustees	Quarterly
11. Investment in excess of 5%/75% of the NAV of diversified fund	Trustees	Quarterly
12. Detailed bio-data of directors with interests in other companies	Trustees	15 days of appointment
13. Change in interest of directors of AMC	Trustees	Half-yearly
14. Holdings in securities of directors of AMC	Trustees	Annually
15. Appointment of AMC directors (for approval)	Trustees	Prior to appointment
16. Change in controlling interest (for approval)	Trustees	Prior to change
17. Annual report (publication in newspapers)	Unitholders	Six months of close of the financial year
18. Unaudited half-yearly results (publication in newspapers)	Unitholders	Two months of close of each half year
19. Annual report	SEBI	Six months of close of the financial year
20. Unaudited half-yearly accounts	SEBI	Half-yearly
21. Movement in net assets of scheme	SEBI	Quarterly
22. Portfolio statement	SEBI	Quarterly
23. Change in material particulars	SEBI	As needed
24. Change in controlling interest of AMC (for approval)	SEBI	Prior to change
25. Appointment of new directors	SEBI	As needed

Title/Nature of report	Frequency
Activities of fund	Half-yearly
Certificate re. self-dealing/ front running	Half-yearly
Certificate re. AMC managing fund independent of other activities	Half-yearly