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**Survey of the Implementation of the Model  
Compliance Manual by AMFI Members**

**Financial Institutions Reform and Expansion  
(FIRE) Project  
US Agency for International Development (USAID)  
Contract #386-0531-C-00-5010-00  
Project #386-531-3-30069**

**July 29, 1998**

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## *Price Waterhouse LLP*



July 29, 1998

Mr A P Kurian  
Chairman, Association of Mutual Funds in India ("AMFI")  
408 A Wing, Dalamal Tower  
Free Press Journal Marg  
Nariman Point  
Mumbai - 400 021

Dear Mr Kurian,

### **Sub Results of the Survey of the Implementation of the Model Compliance Manual**

At the request of the Association of Mutual Funds in India ("AMFI"), the USAID-sponsored Price Waterhouse Financial Institutions Reform and Expansion (FIRE) Project conducted a survey of Mutual Funds to assess the implementation of AMFI's Model Compliance Manual ("Manual"). The Manual was developed with assistance from the FIRE Project and adopted by the AMFI Membership in September 1997. The survey was designed to determine the effectiveness of the Manual in monitoring compliance and to assess perceived training needs. The FIRE Project invited Sandhya Bhate, Special Consultant, to assist on this project. Ms Bhate had worked on drafting the Manual and conducted Compliance Workshops for the FIRE Project.

The survey was conducted with the help of a questionnaire as well as through interviews. At the end of March, 1998 a questionnaire was sent to all 31 AMFI Members. The response rate to the questionnaire was unsatisfactory (below 30 percent) and the information obtained was inadequate. At the end of April, 1998 it was determined that the Ms Bhate would meet with the Compliance Officers of Mutual Funds located in Mumbai and elicit relevant information. During May and June 1998 Ms Bhate met with 23 Compliance Officers from different funds. During the meetings Ms Bhate sought to obtain information related to issues related to compliance monitoring as described in the manual, subsequent amendments and training needs. The Compliance Officers were also encouraged to complete questionnaires if they had not already done so. At the end of the process, 21 completed questionnaires had been received.

July 29, 1998

Mr A P Kurian

Chairman, Association of Mutual Funds in India ("AMFI")

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Overall, the feedback was positive. Compliance Officers have appreciated the efforts of AMFI and the Price Waterhouse FIRE Project in promoting a culture of compliance and have found the Manual a useful tool in their work. There is also a perceived need for periodic compliance training. The results of the survey and recommendations for future action are included in the enclosed report. If you have any questions, please do not hesitate to contact me at (022)496-3599.

Yours sincerely,

**W DENNIS GRUBB**

**PRINCIPAL CONSULTANT CAPITAL MARKETS**

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## EXECUTIVE SUMMARY

### 1 Background

The Price Waterhouse FIRE Project, in conjunction with AMFI, conducted a survey of Mutual Funds to assess the implementation of AMFI's Model Compliance Manual ("Manual") The Manual was developed with assistance from the FIRE Project and adopted by the AMFI Membership in September 1997 It addresses the regulations outlined in the Securities and Exchange Board of India (Mutual Funds) Regulations 1996 The survey was designed to determine the effectiveness of the Manual in monitoring compliance and to assess perceived training needs

The survey was conducted with the help of a questionnaire as well as through interviews At the end of March, 1998 a questionnaire was sent to all 31 AMFI Members The response rate to the questionnaire was unsatisfactory (below 30 percent) and the information obtained was inadequate At the end of April, 1998 it was determined that the Ms Bhate would meet with the Compliance Officers of Mutual Funds located in Mumbai and elicit relevant information During May and June 1998 Ms Bhate met with 23 Compliance Officers from different funds During the meetings Ms Bhate sought to obtain information related to issues related to compliance monitoring as described in the Manual, amendments to the SEBI (Mutual Funds) Regulations, 1996 and overall training needs The Compliance Officers were also encouraged to complete questionnaires if they had not already done so At the end of the process, 21 completed questionnaires had been received

Section B contains a table of the Mutual Funds that participated in the survey

### 2 Survey Results

#### *Highlights of the responses on the questionnaire*

- Of the 21 respondents to the questionnaire (out of a total of 31 mutual funds), 18 indicated that they were using the Model Compliance Manual This represents 85% of the respondents and 58% of all mutual funds Many respondents indicated that the Manual was used as a reference tool or as a basis for preparing a customized compliance manual Four respondents indicated they were not using the manual
- There were 17 respondents (81% of all respondents) that indicated they were also using other manuals These other manuals were tailored to their funds and some of them covered additional areas such as employee dealing, receipt/acceptance of gifts, specific brokers and agent appointment norms One respondent indicated that their

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manual was arranged by function/department rather than by regulation number sequence

- Nine out of 21 respondents (41%) indicated they would like to see certain areas in the Manual clarified Specifically, the area of valuation, brokerage allocation calculation, usage of sales load needed to be further expanded
- Training areas suggested included designing audit programs for compliance reviews, standard yield calculations and standardization of performance evaluation methods Respondents suggested workshops should be held periodically to address amendments to regulations
- Other suggestions included updating the Model Compliance Manual every six months/ whenever there is a significant amendment in regulations, having AMFI organize a meeting of all Compliance Officers every six months to discuss solutions to common compliance concerns, having standard formats for all reports required under the regulations

Section C contains a sample cover letter and questionnaire as well as a detailed summary of all questionnaire responses

#### *Highlights of the comments obtained during interviews*

- Some of the issues raised in the Model Compliance Manual were supposed to be clarified with SEBI Some of these issues have been addressed by subsequent amendments - however, other issues remain unresolved
- There should be much greater stress on an independent reporting structure for the Compliance Officer One suggestion was to have the Compliance Officer report to a committee of an Executive Trustee and either the Chief Executive Officer (CEO) or Managing Director (MD) of the Asset Management Company (AMC)
- The definition of “associate” does not extend to associates of associates
- When a fund exceeds the allowable selling and marketing expenses, there is some confusion as to which entity should absorb the excess amount AMCs have been questioned as to the appropriateness of their absorbing these expenses by Income-Tax authorities Typically these types of excesses occur at the initial launch of a scheme but it could occur on an on-going basis as well
- Regulations limiting business with individual brokers to 5% need to be clarified Business with associated brokers needs to be calculated on a three-month moving average basis However there is some confusion regarding whether business with non-associated brokers also needs to be monitored on a three-month moving average

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basis or whether it is on a quarterly basis in conjunction with reporting to trustees  
There should also be guidelines on how this percentage should be calculated and whether primary market deals, government securities, money market deals and debt securities should be included in this computation

- Currently, regulations require an equalization account and a premium account  
However, there should be a careful analysis of whether these accounting practices are necessary
- It is often difficult to get current information on the outstanding voting securities of an issue. At times prior financial reports do not present an accurate picture
- Dematerialized scrips are typically valued at physical delivery prices at mutual funds  
These scrips should be valued at their correct prices
- The computation of the 25% limit for exposure to group companies needs to be further clarified. Specifically, it needs to be mentioned if this figure applies only at the time of purchase or at all times
- For Public Sector (PSU) Mutual Funds, there need to be some AMFI guidelines on the extent of independent testing that a Compliance Officer should do. These funds and organizations are large and very hierarchical and typically compliance resources are limited
- For certain PSU Mutual Funds, the 10 day turnaround for processing redemptions is not practical nor feasible
- The mechanics of obtaining shareholder votes as well as the interpretation of three-quarters of the unitholders should be defined
- There should be training on the required orientation that should be provided to trustees as well as the on-going information that needs to be disseminated to trustees

Section D contains a detailed summary of the observations and comments made by Compliance Officers during the interview process

### 3 Recommendations

Some of the issues raised by Compliance Officers of Mutual Funds in the written responses received or during discussions are specific to a fund while others relate to several or all funds. The latter form the basis of the recommendations that follow.

- 1 AMFI should organize periodic (quarterly or semi-annually) workshops to address routine compliance inspection practices as well as specific compliance issues. These issues may be issues that affect all funds or could be issues that currently affect specific funds but could potentially impact other funds. Areas suggested for future training include the designing of compliance audit programs, standard yield calculation and performance evaluation.
- 2 Compliance Officers should meet on a regular basis to exchange information on compliance procedures, interpretation of regulations and concerns noted in the execution of responsibilities. These meetings could be organized as informal forums to encourage the establishment of a network of compliance professionals. In addition, working groups could be established to address specific compliance issues or accounting issues and assist AMFI in representing the industry's position to the regulators.
- 3 There should be training on the kind of orientation as well as the type of information that should be provided to trustees. Compliance Officers expressed concern that trustees may not be reviewing all relevant materials in appropriate detail.
- 4 The Compliance Officer should report directly to the trustees of the mutual fund even though he/she may be an employee of the AMC and may have indirect ("dotted-line") reporting to the senior management of the AMC. The position of Compliance Officer should be a senior level position and it is the responsibility of the senior management of the AMC to ensure that the Compliance Officer is provided access to all relevant information.
- 5 AMFI should seek further clarification from SEBI regarding brokerage allocation restrictions under regulation 25(7). Under this regulation, there is a 5% limitation on the purchase or sale of securities made through any broker by the mutual fund in all its schemes. Firstly, there should be clarification on whether equity and debt trades should be combined for this calculation. Trades in debt and money market instruments are large and, in general, it does not make business sense to split these trades. Combining all segments tends to distort the picture. Secondly, for associated brokers, this limit applies for "a block of any three months" whereas for non-associated brokers the language used is "a block of three months". There appear to be differences in how the latter term is being interpreted by different Compliance Officers. Some interpret it as a three month moving average (just as in the case of

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associated brokers) while other consider it to be quarter end AMFI should ascertain the appropriate interpretation with the regulator

- 6 AMFI should seek clarification from SEBI regarding the regulation described in item 9 c) of the Seventh Schedule relating to the 25% limit relating to investments in listed securities of group companies of the sponsor This is being interpreted by some funds as an absolute limitation so that if the fund is in danger of exceeding this limit, there is immediate sale of securities to adjust the overall percentage to under 25% Other funds have interpreted this as a condition that must be met at the time an investment is made Thus, if there is market appreciation that causes the percentage limit to be exceeded, then this is not a compliance violation and there is no need for partial liquidation of group securities The additional argument for this is that when these securities are doing well (and causing the percentage to increase), in the interests of the unitholders, the fund should not be liquidating these scrips
- 7 AMFI needs to confirm with SEBI and clarify to all its members that the "full scheme-wise portfolio disclosure of investments" as required under (vii) (c) in the Eleventh Schedule should include all types of investments including equities, debt, money market instruments as well as cash equivalents In addition, clarification needs to be sought on whether valuation of these investments should be only at market value or whether both market value as well as cost needs to be disclosed
- 8 AMFI should work in conjunction with SEBI and the Income Tax Department to resolve the handling of excess of selling and marketing expenses incurred during the launch of a new scheme According to certain Compliance Officers, mutual funds have been questioned by officials of the Income Tax Department as to the appropriateness of the AMC absorbing the excess of the initial issue expenses that are allowed to be charged to the scheme or fund (i.e. the excess over the allowable 6% of the initial corpus of the scheme) The officials state that the regulations allow these excess expenses to be borne by the trustee or sponsors besides the AMC However, the proviso provided to regulation 52 (5) in the January 12, 1998 amendment states that "any excess over the 6% initial issue expense shall be borne by the asset management company"

### SUMMARY OF PARTICIPANTS IN THE SURVEY

(✓ indicates a response ✗ indicates no response NC indicates not contacted note only Mumbai-based funds were contacted for interviews)

#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
1	20 <sup>th</sup> Century MF	V R Deshpande CEO	20 <sup>th</sup> Century Asset Management Corp Ltd SBS Centre, Jehangir Villa 107 Wodehouse Road Colaba, Mumbai 400005	(D) 2182397  (B) 2182328 2187449	Sudhakar 2182328/ 2187449	✗	✗
2	Alliance Capital MF	Ajay Kaul, President & Country Mgt	Alliance Capital Asset Mgt India Ltd, Indage House 82 Annie Besant Rd, Worli, Mumbai 400018	(D) 4975604  (B) 4960094	Suchet Padhye	✓	✓
3	Apple MF	A P Kurian Advisor	Apple Asset Mgt Rajgir Chambers Shahid Bhagat Singh Rd, Opp Old Customs House Fort Mumbai 400023	(D) 2665206  (B) 2660331 5665	Shailesh Parikh	✓	✓
4	Birla MF	S K Mitra Director	Birla Capital International AMC Ltd, Voltas International House 3 <sup>rd</sup> Floor, 28 N G N Vaidya Marg (Bank St) Fort Mumbai 400023	(D)2840031 2880660  2661690 2673380 2672032 2672632	Anshul Joshi	✗	✓
5	BOB MF	V H Bhatia Managing Director	BOB Asset Mgt Co Ltd, Maneckji Wadia Bldg, 2 <sup>nd</sup> Floor Nanik Motwane Marg opp Mumbai University Fort Mumbai 40023	(D)2670110  (B)2670112 2670153	A A Gandhi	✓	✓

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#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
6	BOI MF	K H Vora Managing Director	BOI Asset Mgt Co Ltd 24 <sup>th</sup> Floor, Jeejeebhoy Towers Dalal St , Mumbai 400023	(D)  (B)2654546/ 2654549 2654202	M N Srinivasan Babu  2654511	✓	✓
7	Canbank MF	K V Hedge Managing Director	Canbank Investment Mgt Services Ltd 2 <sup>nd</sup> Floor Orient House, Adl Marban Path, Ballard Estate, Mumbai 400038	(D) 2620465  (B)2620466/ 2620166 68	U R Rao	✓	✓
8	Cholamandalam Cazenove MF	D Ravishankar Chief Executive	CC Asset Mgt Co Ltd Tiam House (Annexe) Fifth Floor 28 Rajaji Salai Chennai 600001	(D) 044- 5240046, R4917489  (B)044- 5242560/ 5242561-62	P Sujatha	✓	NC
9	CRB MF	-	CRB Asset Mgt Co Ltd , CRB Mansion, 3 <sup>rd</sup> Floor 90 Chandanwadi Cross Lane, near New Marine Lines Church Mumbai 400002	(D) 2073097  (B)2096435/ 36	-	NC	NC

### SUMMARY OF PARTICIPANTS IN THE SURVEY

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#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
10	DSP ML MF	S Ramanathan Chief Admin Officer	DSP Merrill Lynch Asset Mgt (I) Ltd 914 Raheja Chambers Nariman Pt Mumbai 400021	(D)2884831  (B)	Seema Thakore 2884830/ 2884822	✓	✓
11	Escorts MF	S Kannan VP & Head	Escorts Asset Mgt Ltd N-6 Pratap Bldg 1 <sup>st</sup> Floor Connaught Circus New Delhi 110001	(D) 011- 3313027 (R) 6894230  (B)011- 3313027 3351336, 3321654	-	✗	NC
12	GIC MF	A R Prabhu Chief Executive	GIC Asset Mgt Co Ltd Universal Insurance Bldg 2 <sup>nd</sup> Floor Sir P M Rd Fort, Mumbai 400001	(D) 2851916  (B)2851920- 24	T Rajagopalan	✗	✓
13	H B MF	R K Gupta CEO	H B Asset Mgt Co Ltd 10E DCM Bldg Barakhamba Rd New Delhi 110001	(D) 011- 3321769  (B)011- 3321631/33 21756	-	✗	✗

**SUMMARY OF PARTICIPANTS IN THE SURVEY**

*(✓ indicates a response ✗ indicates no response NC indicates not contacted note only Mumbai-based funds were contacted for interviews)*

#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
14	ICICI MF	Ajay Srinivasan M D	ICICI Asset Mgt Co Ltd Shanti, 1 <sup>st</sup> Floor 13 Walchand Hirachand Marg Ballard Estate Mumbai 400038	(D) 2651301  (B)2618251, 2679665-8	M Lakshman Kumar Shrikant Dev	✓	✓
15	IDBI MF	Sivaprakasam CEO	IDBI Investment Mgt Co Ltd 227 Vinay K Shah Marg, 9 <sup>th</sup> Floor Narimar Bhavan Nariman Point Mumbai 400021	(D) 2846440  (B)2846436 38	Upesh Shah/ Mama Iyer	✓	✓
16	Indian Bank MF	K M Gopinath Managing Director	Ind Fund Mgt Ltd 1 <sup>st</sup> Floor D G Chambers 100/104, Nanak Motwani Marg, Fort, Mumbai 400023	(D) 2670312  (B)2671362 2672604	YGV Sivaram/ Balasubramaniam 2642267	✗	✗
17	ITC Threadneedle MF	Richard Overton Managing Director	ITC Classic Threadneedle AMC Ltd , World Trade Center-1 18 <sup>th</sup> Floor, Cuffe Parade, Mumbai 400005	(D)  (B)2153045	Iqbal Jugari	✓	✓
18	J M MF	S V Prasad President & CEO	JM Capital Mgt Ltd 112 Jolly Chamber II, Nariman Point Mumbai 400021	(D) 2820824  (B)2826474	Neil D Souza	✓	✓

## SUMMARY OF PARTICIPANTS IN THE SURVEY

(✓ indicates a response ✗ indicates no response NC indicates not contacted note only Mumbai-based funds were contacted for interviews)

#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
19	Jardine Fleming MF	U R Bhat Director & Chief Investment Officer	Jardine Fleming India Asset Mgt Pvt Ltd, Amarchand Mansion D Block 16 Madam Cama Rd Mumbai 400001	(D) 2885880  (B)2846942- 44	Irwin D Souza	✓	✓
20	Kothari Pioneer MF	Vivek Reddy Chief Executive	KP Asset Mgt Co Ltd Kothari Bldg 117 Uthamar Gandhi Salai, Chennai 600034	(D) 044- 8233073 (B)8232404/ 8232405	-	✗	NC
21	LIC MF	R G Sharma CEO	Jeevan Bima Sahayog Asset mgt Co Ltd, 4 <sup>th</sup> Floor Industrial Assurance Bldg , opp Churchgate Station Mumbai 400020	(D) 2042450  (B)2830191 2851661 63	Shubhangi Naik 2044248	✓	✓
22	Morgan Stanley MF	K N Vaidyanathan, VP	MS Asset mgt India Pvt Ltd Forbes Bldg 5 <sup>th</sup> Floor, Charanjit Rai Marg Mumbai 400001	(D) 2096600 ext 4500  (B)2096600	Chetan Jain/ P C Singh	✓	✓
23	PNB MF	Arun Kaul MD	PNB Asset Mgt Co Ltd Jeevan Bharti, Tower II, Level III Connaught Circus, New Delhi 110001	(D)011- 3724084-89  (B)3315666	-	✗	NC

### SUMMARY OF PARTICIPANTS IN THE SURVEY

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#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
24	Reliance Capital MF	Amit Prahladka CEO	RC Asset Mgt Ltd Arcadia, 12 <sup>th</sup> Floor, NCPA Rd Nariman Pt Mumbai 400021	(D) 2875821  (B)2845656-60	Nita Mehta	✓	✓
25	SBI MF	Niamatullah MD	SBI Funds Mgt Ltd 191 Maker Tower E Cuffe Parade Mumbai 400005	(D) 2185696  (B)2180221-27	Nimkar	✓	✓
26	Shriram MF	D A Gadgil MD	Shriram Asset Mgt Co Ltd Dalamal Tower B Wing Nariman Point, Mumbai 400021	(D) 2835042  (B)2842845 2843111	K Prakash/	✗	✓
27	Sun F&C MF	Nikhil Khattau MD	Sun F&C Asset Mgt (I) Ltd , World Trade Center 1 19 <sup>th</sup> Floor Cuffe Parade, Mumbai 400005	(D)  (B)2181641	Yezdi Kharwalla	✓	✓
28	Tata MF	K N Atmaramani MD	Tata Asset Mgt Ltd Jehangir Wadia Bldg 4 <sup>th</sup> Floor (above Davar s College) 51 MG Road Mumbai 400001	(D) 2881190  (B)	Jimmy Patel	✓	✓

### SUMMARY OF PARTICIPANTS IN THE SURVEY

(✓ indicates a response ✗ indicates no response NC indicates not contacted note only Mumbai-based funds were contacted for interviews)

#	NAME	CEO	ADDRESS	TEL	Compliance	Q Response	Interview
29	Taurus MF	P S Mathur MD	Credit Capital Asset Mgt Co Ltd, Biady House 3 <sup>rd</sup> Floor, Veer Nariman Road Mumbai 400001	(D) 2835741  (B)2855926- 28	U C Lakhwani	✓	✓
30	Templeton MF	Vijay Advani President and CEO	Templeton Asset Mgt (India) Pvt Ltd 125 Free Press House, Nariman Point Mumbai 400021	(D)  (B)2886123	Rajesh Radhakrishnan	✓	✓
31	UTI	Dr P J Nayak Executive Trustee	UTI 13 New Marine Lines Mumbai 400020	(D) 2015429  (B)2068468	B S Pandit/ S k Munda	✓	✓
	Total					21	23



# ASSOCIATION OF MUTUAL FUNDS IN INDIA

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Nariman Point Mumbai 400 021 INDIA

Tel (022) 282 586  
(022) 288 455  
Fax (022) 288 454

A P Kurian  
CHAIRMAN

CHAIRMAN'S OFFICE NO 264520  
FAX NO 264566

REF NO AMFI/SEMI/01/97-98

March 23 1998

Dear Shri GADGIL

I would like to thank AMFI members for their participation in the Mutual Fund Compliance Workshop that AMFI and the Price Waterhouse FIRE Project organised on December 4-5 1997 in Mumbai. The Workshop was designed to provide a broad compliance framework and, more specifically facilitate the implementation of the AMFI Model Compliance Manual.

As a follow-up to the Workshop, we would like feedback from participants on whether the manual has been useful in monitoring compliance and any problems experienced in the actual implementation of the manual. We have designed a brief questionnaire (attached) and would appreciate your taking the time to get it filled up by the participant or the Compliance Officer and forwarded to us with your comments and observations. We are considering updating the AMFI Manual to incorporate amendments to the regulations subsequent to SEBI (Mutual Funds) Regulations 1996 and your response would be most helpful in this regard. If your fund has not participated in the December '97 Workshop still we would greatly value your views and comments. Kindly, therefore forward the questionnaire duly filled in.

We look forward to hearing from you. Ms Sandhya Bhate Consultant to the Price Waterhouse FIRE Project, may contact you directly in this regard. Please send your completed questionnaire to AMFI at the above address by March 31<sup>st</sup> 1998.

With kind regards

Yours sincerely

A P KURIAN

SHRID A GADGIL  
MANAGING DIRECTOR  
SHRIRAM ASSET MANAGEMENT CO LTD  
101 DALAMAI TOWER, B WING  
NARIMAN POINT  
MUMBAI - 400 021

AMFI SURVEY ON THE MODEL COMPLIANCE MANUAL FOR MUTUAL FUNDS IN INDIA

Name of Fund \_\_\_\_\_

Name and Title of Individual Completing the Questionnaire \_\_\_\_\_

Tel \_\_\_\_\_

CEO review of completed questionnaire \_\_\_\_\_

1 Are you using the AMFI Model Compliance Manual? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes how do you use it? (as a reference tool? for training? other?) If no, please explain why

\_\_\_\_\_  
\_\_\_\_\_

2 Are you using any other manual? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes please describe the document you are using and how it differs from the Model Compliance Manual

\_\_\_\_\_  
\_\_\_\_\_

3 Are there any areas of the AMFI Manual you would like to see clarified? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes please list the specific sections and what you would like to see clarified (Examples of sections include advertising of returns evaluation of guarantees portfolio compliance etc )

\_\_\_\_\_  
\_\_\_\_\_

4 If AMFI were to organize another Training Workshop, which specific area(s) would you like to see addressed? (Examples of areas could include compliance with Code of Ethics, valuation, designing audit programs for mutual fund reviews etc )

\_\_\_\_\_  
\_\_\_\_\_

5 Any other suggestions?

\_\_\_\_\_  
\_\_\_\_\_

Please mail this response to Association of Mutual Funds in India (AMFI) 40X 4 Wing Dalamal Tower Free Press Journal Marg Mariman Point Mumbai 400021 by March 31<sup>st</sup> 1998

## SUMMARY OF RESPONSES TO THE QUESTIONNAIRE

### 1 Are you using the AMFI Compliance Manual?

Yes	No
17	4

#### Comments

- As a reference tool
- I refer to it sometimes
- It is being used as a basis for preparing our own Compliance Manual
- By referring to it in day to day work or specific purpose like launching new scheme

### 2 Are you using any other Manual?

Yes	No
15	6

#### Comments

- We also use our internal Compliance Manual, which is more or less in line with the AMFI Manual, except that it covers other laws like Companies act, Income Tax etc and is used for AMC and Trustee Company The SEBI (MF) Regulations are a part of the manual
- The Manual used is on lines similar to Model Compliance Manual, the only difference being that it is more specific to the fund
- I use the Jardine Fleming Manual for the MF It is more detailed with procedures
- Alliance Capital's compliance procedure is modified for local issues & SEBI Compliance Manual
- We are in the process of preparing our manual which interalia contains our internal guidelines for investment and other activities
- In house manual - which has as its source the AMFI Manual but has laid down certain stringent / additional compliance norms
- In addition to the AMFI Model Compliance Manual, primarily we use the UTI Act, UTI General Regulations and SEBI (MF) Regulations We also use the AMFI Code of Ethics as a reference

- We have our own Compliance Manual in place Apart from covering provisions under SEBI (MF) Regulations 1996, ( which appears under AMFI Model Compliance Manual) we have included chapters on
  - a) Employee Dealing
  - b) Receipt/Acceptance of gifts
  - c) Communication with the Media
  - d) Redressal for complaints
  - e) Monitoring of Compliance
  - f) Appointment of Brokers
  - g) Appointment of Agents
- The office Compliance Manual is the basic document for compliance purposes The basic compliance issues have been addressed in both ( Model Compliance Manual and the office Compliance Manual)
- We have a separate compliance manual for the AMC and Trustee Company We have designed a monthly compliance check list
- The Compliance Manual followed by LIC Mutual Fund is segregated by department compliance e g Marketing, Finance,etc making it easier to follow

**3 Are there any areas of the AMFI Manual you would like to see clarified?**

Yes	No
8	11

Comments

- Valuation in fixed deposits and reverse repo transactions
- Clarify calculation of brokerage allocation- vis- a -vis including government securities, trade bills, debt transactions
- As per Reg 56 and 59, each MF should publish annual reports & half yearly accounts in newspapers However there is no standard format for such publication
- Some of the solutions need to be firmed up and be more forthcoming on recommended practices
- Investing
- Accounting norms, meeting procedure, income tax , RBI, pro-rata allotment, use of load, load accounting
- State what constitutes front-running and self-dealing
- Manual is quite comprehensive
- My suggestion is that AMFI should enlarge the scope of this manual so as to cover audit functions since both these functions are complementary to each other This suggestion is being made with a view that in carrying out the functions of Compliance and internal audit, the job is not duplicated
- Evaluation of guarantees
- Portfolio Compliance

**4 If AMFI were to organize another training workshop, which specific area would you like to see addressed?**

Comments

- Designing audit programs for audit reviews
- Investment opportunities in overseas markets
- Advertising Code
- Offer Document
- Valuation particularly debt instruments which are not traded
- Employee Dealing
- Designing audit programs for reviewing, Standard Yield Computations
- Another workshop should cover all areas & not any specific areas
- Standardization of mutual funds performance evaluation methods for e.g inception to date, weekly, monthly, quarterly, annually, etc
- Compliance as a whole also on standard offer documents and interaction with other mutual funds to understand practices followed by others
- AMFI may conduct such training workshops at regular intervals to provide updates to developments in the industry, amendments to the SEBI(MF) Regulations, 1996 and additional roles and responsibilities of Compliance Officer in the changed environment
- The course contents in the last workshop was basically to get the insight into the various compliance areas. However all the areas be covered into more depth and emphasis should be on participant discussion

**5 Any Other Suggestions?**

Comments

- An updated copy of the AMFI Model Compliance Manual should be circulated every six months/ whenever there is a significant amendment in regulations
- Continuous updation of present manual
- AMFI should call for a meeting of all Compliance officers (bi-annually) to discuss solutions or issues on a common platform
- Should organize training overseas to gain first hand information in practices followed abroad
- AMFI Model Compliance Manual may give as annexures, formats for various certifications that need to be obtained from directors, key personnel, the Board of AMCs and Trustee Companies, referred under various regulations of SEBI(MF) regulations
- Amendments to SEBI Regulations should be circulated as supplement
- AMFI Model Compliance manual is tailored in such a way that practically all the aspects/actions covered under the regulations are to be reviewed by the Compliance

Officer But to carry out the functions strictly in accordance with the suggestions in this model manual becomes a difficult task given the limited resources the Compliance Officer has at his disposal Considering the time and resources the constraints with the Compliance Officer and with an ultimate aim to achieve the desired goal prioritizing the areas for compliance checks in stages may be worth considering

- We would discuss in detail with Ms Sandhya Bhate when she calls on us as indicated by you
- The Compliance Officer found the seminar & the draft Compliance Manual extremely useful The report to our directors include compliance with regard to SEBI regulations as well all other statutory laws We are submitting the reports on a regular basis in all our Board meetings

**COMMENTS AND OBSERVATIONS MADE BY COMPLIANCE OFFICERS**  
**DURING THE INTERVIEW PROCESS**

*(MF Mutual Fund References to the MF are related to an individual Compliance Officer's specific fund)*

- 1 What's happened to the items in the manual (AMFI Model Compliance Manual) that needed further clarification from SEBI?
- 2 The SEBI MF regulations are written without any cross-references or annotations between different chapters and sections
- 3 The danger with the alternative standards in the manual is that if the trustees see them, they will want to adopt them
- 4 Is it possible to include a section in the manual that will list the responsibilities of trustees, how they should monitor, what they should look at - a sort of how-to for trustees?
- 5 The manual is being used but it has not yet been adopted or approved by the Trustees
- 6 The MF has its own manual that is tailored to its own systems and procedures. The model compliance manual is more of a reference tool.
- 7 There are inherent problems in the trustee structure since salaries of directors of trustee companies are limited by the Companies Act.
- 8 The trustee's role is very far removed from the day-to-day AMC operations.
- 9 The MF has a trustee cell that prepares the required materials for trustee meetings, the agenda papers, filing of trustee requirements to SEBI.
- 10 There should be trustee control at a more micro level.
- 11 Today there are various regulations that apply - the Securities Contracts Regulation Act, the SEBI regulations, the Company Act, RBI rules etc. There should be comprehensive legislation to address mutual funds.
- 12 The MF has completely adopted the manual and the Compliance Officer relies on it completely. The only thing the Compliance Officer would suggest is that there be some training so that some of the compliance procedures be tailored to be more practical to the Indian scenario.
- 13 The manual is mainly a reproduction of the regulations. One has to abide by the regulations so there is no option.
- 14 The format for the holding statements of trustees should be defined. Directors of the AMC are required to provide date of acquisition etc - are trustees required to do that too?

- 15 There is sometimes a problem in the receipt of transaction statements from Board of Trustees / Directors of the AMC. These have to be reported as of end of quarter but the final CTRs also need to be approved/ reviewed by the Board of Trustees before sending to SEBI. This whole process is a little tight.
- 16 Trustees should not be required to furnish holding statements - there is always resistance to disclosure of assets - instead they should be required to disclose purchases and sales during the reporting period and certain limits - such as Rupees 10 lakhs (Rupees 1 million) should be set.
- 17 Can a director of an AMC be a director of another trustee company [page 11 (3) of the regulations]?
- 18 Per regulation 18(11) trustees holdings and transactions have to be reported. Is this to assess if there have been any instances of front running and self dealing?
- 19 For the 2/3 independent trustees requirement, if one resigns and prior to another being appointed - is that considered to be out of compliance?
- 20 The Jan 12, 1998 amendment regarding regulation 16(5) requires 2/3 independent trustees. There should be some phase in period allowed because it is difficult to reconstitute or add trustees immediately.
- 21 It is not that difficult to obtain a listing of holdings from trustees - however, how can the Compliance Officer certify that trustees or anyone else has not been guilty of moral turpitude etc? What independent basis does the Compliance Officer have for these statements? The Compliance Officer only has the certifications obtained from the concerned individuals.
- 22 Issues that need to be addressed are how the trustees are expected to fulfill their responsibilities when they don't have the staffing, the infrastructure and the time to do day-to-day monitoring.
- 23 The Chairman of the Board of Trustees signs off on all the advertising for the MF.
- 24 There should be a separation of operational and compliance functions.
- 25 There should be two levels of compliance monitoring - the operational detail level and the supervisory mechanism/management control level.
- 26 The dealers of the MF are clerical staff and are more like order takers. Investment decisions are made by the Managing Director (MD). There are no voice recorders and the computer system has no security system. Some of the initial investments in the schemes of the MF were not good investments. A lot of these investments were not in the interests of the unit holders. These investment decisions were made by the MD or the MD was directed by one or more of the trustees.

- 27 There needs to be a more direct reporting structure for the Compliance Officer. He should not be reporting to the AMC. This creates a conflict of interest. Perhaps the best structure would be to have a committee of an Executive Trustee and the CEO/MD of the AMC and the Compliance Officer could report to this committee. This Executive Trustee would have to have a different compensation structure and would be directly involved in the day-to-day running of the fund.
- 28 It is often difficult for a Compliance Officer to confront the Managing Director about certain irregularities.
- 29 The independence of the Compliance Officer should be built in to the structure of the organization. The CO should report to the Director of the AMC or the trustees. The problem is that the trustees are non-executive. Trusteeship is not a profession.
- 30 AMFI should prioritize areas for the Compliance Officer to review.
- 31 How can a Compliance Officer look at everything? In general, there is only one person or at the most two.
- 32 The MF has adopted the Compliance Manual. Key areas that are checked by the Compliance Officer on a daily basis are inter-scheme transfers, liquidations for redemption and investor complaints. Portfolios are reviewed quarterly. Brokerage limits are reviewed on a weekly basis. All associate transactions are reviewed immediately. For affiliate transactions even the contract note is reviewed. Off-market deals are discouraged. Call money transactions are checked vs the Reuters screen. All supporting documentation for broker empanellment is checked by the Compliance Officer. The NAV calculation is also reviewed.
- 33 The MF's Compliance Officer also reports to the Group Compliance Officer who reports to the U.S. Head of Compliance /International Counsel.
- 34 All advertisements should be signed off by the Compliance Officer and by Marketing.
- 35 Who should have custody of compliance-related documents that are filed with SEBI? At certain funds, the Compliance Dept retains custody.
- 36 There is a conflict of interest with some of the SEBI Inspectors for mutual funds. Certain SEBI Inspectors (who are private chartered accounting firms) have associated relationships with competing mutual funds. This had been brought to the regulators attention but there has been no corrective action taken by the regulator in this regard.
- 37 SEBI inspections should only be every alternate year. The fees are about 1.5 lakhs but there should be different slabs for debt or equity schemes.

- 38 The SEBI auditors do not appear to have a good grasp of the MF Industry They just provided the Compliance Officer with a long list of questions which appear to be the regulations reproduced
- 39 Under the new regulations the auditors are required to comment on compliance with regulations including investor grievances What should be the scope of a statutory auditor?
- 40 What exactly should be the contents of the Activity Report that SEBI has requested?
- 41 The definition of associates is not clear enough For example, are associates of associates also considered associates? For a PSU Mutual Fund, since the PSU is the sponsor and an associate, are other subsidiaries of the PSU also associates?
- 42 Certain terms need to be defined more clearly For example, although SEBI has a definition for associate it is not detailed enough so the MF obtained a lawyer's note/interpretation for their needs In addition, the term "group" is not defined adequately In general, the MRTTP definition is used If SEBI doesn't define these terms, then AMFI should provide some guidance
- 43 Associates does not include trustees If the director of an AMC is a director of another company - then is the other company an associate company?
- 44 The MD of the MF is deputed from a PSU Also most corporates are directly or indirectly clients of this PSU The PSU may either have a loan to the corporate or could even have an equity stake in a venture with the company How does one define associates in this context?
- 45 According to recent amendments to the regulations, conversion of schemes from close to open end do not require shareholder consent Refer to section 33 (3) in the January 12 1998 amendment relating to conversion from close to open end Note closed to open-end fund is the only fundamental attribute change that was singled out as not requiring shareholder consent per section 18 (15(d)) of the same memo Why was this singled out?
- 46 Section(15)(d) indicates that aggregate charged fees and expenses payable are fundamental attributes under the terms of issue Does that mean any changes within that umbrella are allowed and a fund does not need to go to shareholders for approval?
- 47 Regarding market selling and advertising expenses, the Income Tax (IT) Department says that the excess initial launch expenses should not be borne by the AMC It may be borne by the sponsor, the trustees or some other party When the AMC bears the expenses, the IT Department claims it loses tax revenue from the AMC

- 48 There should be a definition of the term "load" with reference to the Tenth Schedule item (b) In addition, the purposes for which the load can be utilized should be clearly laid out
- 49 Funds, at their discretion, should be allowed to reduce the sales load for certain investors - for example, for employees or large investors
- 50 Item (e) in the Tenth Schedule (page 94) of the regulations, describes contingent deferred sales charge such as the 4% charge Who gets to keep it (AMC, fund)?
- 51 Do on-going marketing and distribution expenses (for example, corresponding to 12b-1 fees) include marketing team expenses?
- 52 In the January 12<sup>th</sup>, 1998 amendment to the Ninth Schedule in item (j) the debit/credit changes are mixed up for repurchases
- 53 Is there a need for an equalization account and a premium account? Isn't this obsolete?
- 54 Is an equalization fund needed?
- 55 The amended regulations as in the Eleventh Schedule item 3 (vii) (c) require full scheme-wise disclosure of investments Does this constitute only equity investments or is it full disclosure (including debt as well as cash/money market instruments)?
- 56 Regulations require that the Annual Report be filed with SEBI the portfolio has to be reported but should it be at Market Value or Cost?
- 57 Does the required publication of half yearly results as described in regulation 59 cover a period of 6 months or does it cover the prior 12 months?
- 58 At a certain mutual fund, the Compliance Officer stated that in addition to the requirements under the SEBI MF Regulations, 1996, the trustees as well as AMC Directors are provided with various special reports - the culture is to provide full disclosure
- 59 Note the 5% limits (regulation 25(7)) per broker is to be monitored as a three-monthly moving average
- 60 The MF generates quarterly brokerage allocation reports to monitor the 5% limit The problem arises more on the debt trading since transactions are large and it does not make sense to split a trade
- 61 5% associate broker limit The MF follows this very strictly and in general would avoid doing business with the associated brokers because senior management takes a very conservative approach

- 62 Broker limits should primary dealers, debt deals be included in the calculation? The MF has a relatively large money market fund and smaller equity and debt schemes Primary market deals involving GOI securities, call money transactions, repo deals are huge and skew the percentage Also, for business reasons these deals cannot be split up
- 63 Regarding the regulation relating to the 5% broker limit, there should be a clarification vis-a-vis government securities dealers, debt dealers since these trades are large and it is not possible to keep to this limit
- 64 The 5% limitation per broker does not make sense Trades in debt securities cannot be split up Besides, there are some brokers who provide better information/research than others - why should business with these brokers be frozen at 5%?
- 65 5% debt brokerage allocation is difficult The MF typically varies between 5-20% for the debt allocations because debt transactions are large The fund makes sure these trades are not done through associated brokers - the associated broker is used to a very limited extent
- 66 Are merchant bankers included in the 5% limit? For example, if you have a private placement or you are buying in the primary market through a merchant banker - should that also be monitored?
- 67 The 5% brokerage tracking should be segregated for growth and debt funds Debt transactions are necessarily larger All brokerage is tracked on a 3-month moving average basis since the new regulations refer to a block of three months for determining percentages
- 68 The brokerage allocation issue is important For the 5% limit based on a 3-month moving average, should GOI securities, debt and equities all be lumped together? How is the 5% calculated? The numerator and denominator need to be defined Also, there is a difference in the "block of three months" language in the January 12, 1998 amendment with respect to associate brokers and non-associate brokers The former is worded "any block of three months" and the latter is just "a block of three months" The Compliance Officer had talked to SEBI and the regulator stated that "a block of three months" was really referring to quarter end This was not obtained in writing
- 69 Regarding the 25% limit in group exposure, the problem is redemptions If that happens, then the percent can change This then needs to be monitored weekly It should be made clear that whether these percentages apply at the time of purchase or at all times
- 70 It is difficult to get accurate information of the outstanding voting shares of companies Annual reports are sometimes dated and the voting share information is necessary to monitor compliance with 10% limitation Also, it is difficult to capture data on which corporates/entities may own 5% or more of the corpus This information is necessary, however, to comply with the

restrictions on the extent (5%) to which the fund may invest in these entities  
The share transfer work is sourced out so information is delayed and outdated  
One goes with the best information one has

- 71 Tracking 10% of voting capital of companies requires one to ensure that there are operating systems to monitor these things
- 72 Monitoring the 10% outstanding voting securities of issuers is difficult and not always precise - the data on outstanding voting securities is sometimes outdated
- 73 There is a concern about the valuation of not traded or de-listed securities How frequently should these be valued - daily/ weekly/ monthly/ quarterly?
- 74 The formats for some of the SEBI-mandated reports should be defined better For example, the formats for the financials required under regulation 56 and 59 seem to be different formats - the sort of items that should be clarified include disclosure and layout of per unit expenses/ notes etc SEBI should prescribe the minimum requirement under these regulation
- 75 The half-yearly results required under the Twelfth Schedule require three sets of current year-previous year data It is not clear what exactly needs to be reported in these three sets of columns Each fund seems to be doing its own thing
- 76 The MF has developed schedules for all the compliance testing / reporting it has to do It has its own compliance manual which was developed to address SEBI regulations as well as the MF(I II) s own global compliance requirements
- 77 The MF's regular reporting requirements include the fortnightly reporting requirement to the RBI on call placements/holding statements that is required of all FIIs
- 78 There needs to be a clarification for ASR and MSAT forms regarding exactly what data SEBI wants (money market instruments/calls/purchases/maturities)
- 79 There are specific problems associated with money market funds For example, a corporate may put in Rupees 2 crores (Rupees 20 million) when the corpus is say Rupees 8 crores (Rupees 80 million) but if suddenly the corpus changes to Rupees 4 crores (Rupees 40 million), then the percentage just goes haywire In general, the money market funds are used by corporates to temporarily park cash so there is a lot of money in and out
- 80 'Front-running' needs to be defined and the interpretation should be standardized The black-out period is not defined in the SEBI regulations For example, if a personal trade is done 7 days before a fund trade is that OK or is it front-running? Or would 3 days before be OK?
- 81 There should be uniform employee dealing rules throughout the AMC and for all AMCs
- 82 "Self-dealing" needs to be defined

- 83 The MF has its own policies re accepting/giving gifts etc Redressal of complaints is handled at two levels investor complaints related to non-receipt of account statement/dividend etc are handled by the Investor Grievance Officer, complaints related to AMC are handled by the Compliance Officer
- 84 Each MF should have clear personal trading policies that address insider trading, the AMC's role in pre-clearance and policies such as requiring trading through the firm
- 85 Trustees are required to certify on a 6-monthly basis that there have been no instances of front-running They have no means of verifying this
- 86 The MF has defined criteria for the selection of brokers the due diligence involves verifying BSE/NSE registration, any pending litigation, assessing financial strength, etc The Chief Investment Officer has a lot of input once these criteria are met Each empanellment is reviewed by a committee There are 22-23 brokers empanelled There are no associated brokers
- 87 There is a requirement to report security deliveries outstanding more than 60 days as of the end of the quarter The problem is if a security purchased on 1-1-98 is delivered by 31-3-98, it would not be outstanding at the end of the quarter But in reality it would have been an over 60 day item during March
- 88 If there was a private placement by an associate which was later listed (a privately placed debenture [PPD] of a company that was later listed) and if the fund bought it subsequent to listing from a non-associated broker - would it be considered a violation? The January 12, 1998 changes in the Seventh Schedule item 9b) state that no MF shall make any investment in any security issued by way of private placement by an associate or group company of the sponsor
- 89 AMFI has made negative remarks about PSU Mutual Funds - and praised the private sector mutual funds There are a lot of things wrong with private sector mutual funds as well (For example an FII MF has charged management fees even when the NAV is below par and another private sector MF has had problems with associated transactions )
- 90 At AMFI conferences, PSU funds are not invited to be the speakers
- 91 Investors need to be educated on market fluctuations
- 92 The Compliance Test Report (CTR) formats are required quarterly There have been changes in the regulations re reporting requirements - the CTRs need to be updated
- 93 Regarding the valuation of dematerialized securities, there is a difference between prices of dematerialized scrips and the BSE closing prices for scrips in physical form Which rates should be taken? Funds have been informally told to take the BSE closing prices

- 94 Clause 41 of the exchange listing requirements requires quarterly unaudited results to be provided to the exchange. This means listed funds will also have to provide this information. Current quarterly results are not produced by funds. Funds should be exempted from this requirement.
- 95 For equity valuation the BSE/NSE quotes are available. For debt the YTM Model can be used and different funds have their own guidelines. In some funds the back office does the valuation. Some funds are linked to Crisil.
- 96 Redemptions have to be processed in 10 days. The PSU has a one week encashment period at certain fixed intervals. They sometimes receive redemption requests from outlying areas such as Assam that arrive late (after the stipulated date). The transfer agent typically forwards them to the AMC for processing since they were received after the stated cut-off date. The MF has been honoring these requests as a special accommodation to clients but since these items are manually processed and approved at the AMC, it is difficult to complete the processing within the required time.
- 97 10 days is very tight for redemption checks at the end of the quarter. Once the price is declared, the Board of Trustees has to approve the accounts and only then will redemption checks be processed.
- 98 What should be done about unclaimed checks of companies - is there any process to direct them to any particular body after 3 years?
- 99 Where does one get a hold of "Amendment Regulations, 1997 s o no 327(E) of India dated 15 4 97"?
- 100 In Schedule 11 (Page 100 of the regulations) the requirement under the annual report /balance sheet #3 (viii) for the treatment of doubtful debt appears to be contradictory to page 106 item V which describes provisions for loss/doubtful debt. Also, for a mutual fund, why are there provisions for gratuity/staff welfare fund under the latter?
- 101 Should the profit on redemption (relative to par value of Rupees 10) be added to normal profit or the unit premium reserve account?
- 102 In the January 12, 1998 amendment, p17 #29 - Eighth Schedule (I)(c) call money investments should be valued at cost plus accrual. Typically in the accounts these investments are carried at cost and the accrued interest is tracked in a separate account.
- 103 The AMFI half yearly report format (for regulation 18(23)) has unnecessary details.
- 104 Units are defined as undivided share (page 5 (z) of the regulations). However, units are issued in fractions for open ended schemes.

- 105 Sponsors should contribute at least 40% of net worth - should this be 40% of paid up capital? Net worth is paid up capital and free reserves How would preference shares be treated, if such a thing were done?
- 106 Voting needs to be defined How is  $\frac{3}{4}$  of unit holders defined and what are the modalities? Unit value? Postal ballot?
- 107 Allotment has to be within 42 days but now it has to be advertised Is the last day of the IPO considered the deemed date of allotment? For foreign exchange drafts it takes 21 days to clear and the RBI approval process takes about a month Until RBI approves, the allotment cannot be made This delays the allotment process
- 108 There should be some guidelines for valuation Should the depository rates be used? Also, if different funds are all using the same I-Sec formula, how come the same type funds (for example money funds) under different MFs using the same model move to different extents and sometimes move in different directions on the same day?
- 109 The guidelines ask you to use other stock exchange prices if BSE/NSE prices are not available This is really not practical for open end funds They have to be priced the same day and an NAV cut If there is one central source for information from different exchanges, that would be OK but it is not easily available AMFI should standardize valuation procedures
- 110 Is the commencement date (page 14 of the regulations) the IPO date or the allotment date?
- 111 For fees, 2.5% is the maximum allowable with 1 % for management fees If there is no load at the IPO level, can one charge fees later on?
- 112 Accounts have to be published (page 47 of the regulations) in the whole of India - there is no national daily that circulates in the whole of India
- 113 Can unrealized appreciation be distributed as dividends? (page 100 of the regulations)
- 114 Accounting Issues If new accounts are opened on 31<sup>st</sup> March - when in general there will be a closing of books of accounts should these units be created as of 1<sup>st</sup> April or 31<sup>st</sup> March?
- 115 Securities Contracts Act - SEBI has allowed MFs to invest in reverse repos - there is no accounting policy on how to value these
- 116 Can a fund invest in fixed deposits pending investing in securities? (note this is after the allotment of units has been done )
- 117 For valuation, the I-Sec model is used as a base

- 118 There should be some practical, entry-level training for MF staff on how to design schemes and draft offer documents. Basic training should include the differences between schemes such as balanced/growth as well as the structure of mutual funds.
- 119 The key areas requiring additional training are performance evaluation and designing audit programs.
- 120 There should be more training in the operational areas. Compliance training and valuation training would be very useful.
- 121 There should be basic training on what to look at, in what detail and to what extent to rely on statements of different departments. It would be useful to have training on the design of audit programs.
- 122 There should be training twice a year for all departments. AMFI should also initiate the standardization of accounting practices.