

To All members

Dear Sir / Madam,

Sub : Clarification to AMFI Best Practices Circular no. 37 dated March 28, 2013 on EUIN validation and extension of date for implementation

1. As per AMFI Best Practice Guidelines Circular No.33/2012-13 dated December 12, 2012 as modified by Circular No. 135/ BP/ 37/ 2012-13 dated March 28, 2013 on best practices for EUIN validation, Asset Management Companies (AMC) were required to implement EUIN validation w.e.f. June 1, 2013.
2. It is observed that some AMCs have interpreted the requirements differently and, therefore, different practices have emerged in the Industry. It is hereby clarified that the purpose of EUIN is to capture the identification of the sales person/employee/relationship manager interacting with the investor, irrespective of whether the transaction is "Execution only" or "Advisory". It is further clarified that a mere quoting of EUIN will not give an "advisory" character to the transaction.
3. It is reiterated that EUIN is mandatory for non-advisory transactions (execution only) also, though the advice relating to the scheme or asset class is only incidental. However, in case of any exceptional cases where there is no interaction by the employee/sales person/relationship manager of the distributor/sub broker with respect to the transaction, AMCs shall take the following declaration separately signed by the investor.

"I/We hereby confirm that the EUIN box has been intentionally left blank by me/us as this transaction is executed without any interaction or advice by the employee/relationship manager/sales person of the above distributor/sub broker or notwithstanding the advice of inappropriateness, if any, provided by the employee/relationship manager/sales person of the distributor/sub broker."

4. Further, clause 6 (d) of the AMFI Best Practices Circular No. 135/BP/37/2012-13 dated March 28, 2013 relating to actions in case of non-compliance with these guidelines by distributors stands amended as below:

Clause 6 (d) – Proposed business Rules

6.d.1. Initially, the current process of providing 90 days for remediation from the date of transaction, failing which commissions on un-remediated transaction shall be forfeited, will continue till September 30, 2013.

6.d.2. Remediation period shall be reduced to 30 days from the date of transaction for transactions submitted post October 1, 2013.

6.d.3. W.e.f January 1, 2014, remediation period shall be brought to 7 days from the end of the month in which transaction is submitted i.e. All transactions prior to January 31, 2014 shall be remediated by February 7, 2014 and within 7 days following subsequent months.

5. In order to provide adequate time to all stakeholders to implement the above guidelines, it has been decided to make EUIN mandatory for all transactions including transactions routed through stock exchanges w.e.f. October 1, 2013.

6. AMCs shall periodically conduct review of transactions received with the declaration without EUIN and ensure that such transactions are indeed exceptional cases.

AMCs are advised to take immediate steps to implement the above guidelines, including distributor communication, investor communication and coordination with RTAs and stock exchanges.

With Regards,
C G Parekh
Sr. Vice President