

**DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT**

SEBI /IMD / CIR No.11/183204/ 2009
November 13, 2009

All Mutual Funds/ Asset Management Companies (AMCs)/
Association of Mutual Funds in India (AMFI)
Recognised Stock Exchanges/ Depositories /Registrar to an Issue and Share Transfer Agents

Sir / Madam,

Sub: Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure

1. The need for enhancing the reach of mutual fund schemes to more towns and cities has been aired through various forums/ channels. To address this issue, various models have been debated and discussed.
2. The infrastructure that already exists for the secondary market transactions through the Stock exchanges with its reach to over 1500 towns and cities, through over 200,000 Stock Exchange terminals can be used for facilitating transactions in mutual fund schemes. The Stock Exchange mechanism would also extend the present convenience available to secondary market investors to mutual fund investors.
3. Units of mutual fund schemes may be permitted to be transacted through registered stock brokers of recognized stock exchanges and such stock brokers will be eligible to be considered as official points of acceptance as per SEBI Circular No. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006.
4. The respective stock exchange would provide detailed operating guidelines to facilitate the same.
5. In this regard, you are advised that :

5.1. Empanelment and monitoring of Code of Conduct for brokers acting as mutual fund intermediaries-

- 5.1.1. The stock brokers intending to extend the transaction in mutual funds through stock exchange mechanism shall be required to comply with the requirements specified in SEBI circular MFD/CIR/10/310/01 dated September 25, 2001 regarding passing the AMFI certification examination. All such stock brokers would then be considered as empanelled distributors with mutual fund/AMC.
- 5.1.2. These stock brokers shall also comply with the requirements in SEBI circulars dated MFD/CIR/06/210/2002 dated June 26, 2002, MFD/CIR/20/23230/02 dated November 28, 2002 and SEBI / IMD / CIR No. 8 /174648 / 2009 dated August 27, 2009, applicable to intermediaries engaged in selling and marketing of mutual fund units.

5.1.3. It is clarified that, stock exchanges shall monitor the compliance of the code of conduct specified in the SEBI circular MFD/CIR/20/23230/02 dated November 28, 2002 regarding empanelment of intermediaries by mutual funds.

5.2. Time stamping

Time stamping as evidenced by confirmation slip given by stock exchange mechanism to be considered sufficient compliance with clause 5, 6 and 8 of SEBI Circular SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006.

5.3. Statement of Account

Where investor desires to hold units in dematerialised form, demat statement given by depository participant would be deemed to be adequate compliance with requirements prescribed under regulation 36 of SEBI (Mutual Fund) Regulations, 1996, and SEBI Circulars MFD/CIR/9/120/2000 dated November 24, 2000 and IMD/CIR/12/80083/2006 dated November 20, 2006 regarding despatch of statements of account.

5.4. Investor grievance mechanism

Stock exchanges shall provide for investor grievance handling mechanism to the extent they relate to disputes between brokers and their client.

5.5. Dematerialization of existing units held by investors

In case investors desire to convert their existing physical units (represented by statement of account) into dematerialized form, mutual funds / AMCs shall take such steps in coordination with Registrar and Transfer Agents, Depositories and Depository participants (DPs) to facilitate the same.

5.6. Know your client (KYC).

Where investor desires to hold units in dematerialised form, the KYC performed by DP in terms of SEBI Circular MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004 and this would be considered compliance with applicable requirements specified in this regard in terms of SEBI Circular ISD/AML/CIR-1/2008 dated December 19, 2008 by mutual funds /AMCs.

6. Stock exchanges and mutual funds/AMCs, based on the experience gained may further improve the mechanism in the interest of investors. Necessary clarifications, if any, would be issued at appropriate time by SEBI in this regard.
7. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

RUCHI CHOJER