

### New Cadre of Distributors

In terms of SEBI Circular no. CIR/IMD/DF/21/2012 dated September 13, 2012, a new cadre of distributors, such as postal agents, retired government and semi-government officials (class III and above or equivalent), retired teachers and retired bank officers with a service of at least 10 years, and other similar persons (such as Bank correspondents) as may be notified by AMFI/AMC from time to time, has been allowed to sell units of simple and performing mutual fund schemes. This has been done with a view to expand Distributor base for distribution of Mutual Fund products.

With a view of taking this initiative forward, AMFI Board, at its meeting held on January 11, 2013, has decided as under :

Include the following persons in this special cadre of distributors :

- i) Intermediaries / Agents engaged in distribution of financial products e.g. insurance agent, FD agent, National Savings Scheme products, PPF etc. registered with any other Financial Services Regulator.
- ii) Business correspondents appointed by banks.

AMFI Best Practices Guidelines on identification of Simple and performing Diversified Equity Mutual Fund Schemes to be sold by New Cadre of Distributors in terms of SEBI circular dated September 13, 2012 (AMFI communication No. 135/BP/36/2012-13, dated March 22, 2013) :

As stated in SEBI Circular dated September 13, 2012, the new cadre of distributors are allowed to sell units of simple and performing mutual fund schemes, which shall comprise of diversified equity schemes, fixed maturity plans (FMPs) and index schemes having returns equal to or better than their scheme benchmark returns during each of the last three years.

In this regard, AMFI Committee on Operations and Compliance, has formulated best practices guidelines to be followed by all AMCs with respect to identification of diversified equity schemes and disclosure of schemes that are eligible to be sold by the new cadre of distributors. The same are as under :

1. Diversified equity scheme category shall be Large Cap oriented and well diversified schemes and shall not include the following type of equity schemes:

- a. Thematic / Sector funds
- b. Small Cap, Mid Cap or Micro Cap funds
- c. Concentrated funds i.e. number of stocks < 30 as per offer document.

2. List of schemes shall be compiled annually based on the performance of the scheme during each of the last three financial years (April to March). The list shall be reviewed and modified every year in April. AMCs are requested to disclose the list of eligible schemes on their website.

3. The new cadre of distributors are eligible to sell only simple and performing mutual fund schemes as mentioned above, the AMCs are advised to put in place a proper validation process to ensure that new cadre of distributors sell only the schemes they are allowed to sell. This validation shall be performed even at sub broker level, if the transaction has been procured by a new cadre of distributor who is acting as a sub broker of the ARN holder. The same shall be implemented along with the implementation of validation of EUIN-ARN mapping.

4. Transactions through a new cadre of distributors in schemes other than eligible schemes shall be rejected with intimation to the investor. AMCs shall review and monitor such rejections in respect of transactions done by new cadre of distributors (including sub brokers) and if they observe that there is frequent rejection of transactions with respect to any new cadre distributor/sub broker, the same should be reported to AMFI promptly.

5. AMCs shall educate new cadre of distributors on good selling practices with special emphasis on selling only eligible schemes as disclosed by respective AMCs and advise them that selling of schemes other than eligible shall be viewed very seriously and appropriate penal action including termination of distribution arrangement by the AMC and cancellation of the ARN by AMFI, would be initiated.

Further, vide Circular no. SEBI/HO/IMD/DF2/CIR/P/2016/37 dated February 25, 2016, SEBI has specified that Retirement benefit schemes having tax benefits as well as Liquid schemes/Money Market Mutual fund schemes shall be considered as simple and performing Mutual fund schemes.

As per the aforesaid SEBI /AMFI guidelines, none of the schemes of IIFL Mutual Fund are eligible for distribution by the new cadre distributors as the schemes have not completed 3 years since inception.