CHIEF GENERAL MANAGER
MUTUAL FUNDS DEPARTMENT

MFD/CIR/11/ 354/ 2001
December 20, 2001

All Mutual Funds Registered with SEBI
Unit Trust of India
AMFI

Dear Sirs,

Sub: Independent Directors on Boards of AMCs and Trustee Companies.

As you are aware, the concept of independent directors on the Boards of asset management companies (AMCs) and trustee companies has been introduced in SEBI (Mutual Funds) Regulations, 1996 for better corporate governance, to bring about transparency in the operations of mutual funds and to protect the interests of investors. With a view to implement the regulations in this regard in letter and spirit, the following clarifications are being issued.

1. According to Regulation 16(5), an independent trustee should not be associated in any manner with the sponsor. It is clarified that relatives (as defined in the Companies Act) of sponsor or directors of the sponsor company or relatives of associate directors of the AMCs and trustee companies shall be considered as associate directors.
2. The nominees of the companies who are stakeholders in the sponsor company or AMC (even if they are not deemed sponsors by virtue of holding less than 40% of net worth of AMC), shall be considered as associate directors.
3. A person who is an "associate" in accordance with definition in the Regulations cannot be appointed as independent director even after he ceases to be an "associate" unless a cooling off period of three years has elapsed from the date of his disassociation.

    For the sake of clarity and to avoid any ambiguity, an example is given here. Supposing an employee of the sponsor or their associate companies or AMC or trustee company resigns on December 1, 2001, then he cannot be appointed as an independent director till December 1, 2004. During this intervening period, he can be appointed only as associate director. However, once he is taken as an associate director, say on December 2, 2001, he cannot be considered as "independent" from December 2, 2004. There must be a cooling off period of 3 years from the date he ceases to be an associate director.

    4. The clarifications in Clauses 1-3 above shall be followed in case of directors of trustee companies and AMCs.

Please classify your existing directors of AMC and trustee company as "associates" or "independent" in the light of the aforesaid clarifications and inform us if the composition of directors does not comply with the requirement of 50% or 2/3rd independent directors of AMC or trustee company. In future also, whenever the composition falls below the requirements due to resignation or any other reason please inform us immediately and also the steps proposed to be taken by you to ensure compliance with the Regulations.

Your attention is drawn to Regulation 18(25)(A)(i) of SEBI (Mutual Funds) Regulations, 1996 which requires the trustees to be discerning in the appointment of the directors on the Board of the asset management company. Further, under Regulations 18(27)(iii) and (v), the independent directors of the trustee or asset management company are required to pay specific attention to the selection and nomination of individuals to fill the vacancies of independent directors.

Considering the above clarifications and provisions in the Regulations, the format for sending the bio-data of directors of AMCs and trustees to SEBI has been revised and is enclosed herewith. You are advised to use this format in the future while sending the bio-data of the new directors of AMC or trustee company for our information or approval as the case may be. New directors should also be informed about their responsibilities and rights as specified in the Regulations.

This circular is being issued in accordance with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996.

Yours faithfully,

P. K. NAGPAL

BIO-DATA OF DIRECTOR OF AMC/TRUSTEE COMPANY

I. **Identification:**

1. Name :

2. Father’s name :

3. Date of birth :

5. Sex (Please tick) : Male/Female

4. Present residential address :

5. Permanent address :

6.Appointment as Director of (Please tick) : AMC / Trustee Co.

II. Educational Qualifications :

III. **Experience (During last 10 years) :**

Name & Place of Organisation	Position held	Nature of job responsibilities	Period From – To

If retired more than 10 years back, please indicate last position held.

IV. **For AMC directors, details of professional experience in finance and financial services field [Reg. 21(b)].**

V. **Particulars of Present Directorship and Trusteeship.**

Organisation Name	Any association with the sponsor	Position held	Nature of job responsibilities	Period From –To

VI. **Relationship with Sponsor or AMC:**

1. **Are you associated with the sponsors or with any of its associate companies in any manner during the last 3 years (Please see SEBI Circular dated December 20, 2001)?**
2. **Are you relative of sponsor or any of the directors of the sponsor company or relative of associate directors of the AMC or the Trustee company?**
3. **Do you have personal holding in AMC or are you a nominee of an entity having stake in AMC?**

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

1. **Have you ever been convicted by a court for any criminal offence or any other offence involving moral turpitude or fraud or have been found guilty of any economic offence at any time in the past?**
2. **Has any Organisation of which you were an employee or director or over which you exercise/exercised management or policy control ever been convicted of any criminal offence or any criminal suit filed during your association with them?**
3. **Have you ever been found guilty by any court / regulatory body / self-regulatory organisation / stock exchange for any offence related to securities market in India or abroad?**
4. **Have you ever been associated with any Organisation as a director or an employee against which SEBI had initiated action of suspension or cancellation of certificate of registration or initiated action under Section 11(B) of SEBI Act or any prosecution launched for acts committed during your association?**

   (If the answer to any of the above questions is in affirmative, please furnish details. Please disclose any such pending proceedings also).

VI. **Other Details : Achievements, Awards, Publications, etc.**

VII. **Declaration:**

I affirm that all the information given above is true and complete to the best of my knowledge and belief. I have been adequately briefed on my responsibilities and duties under SEBI (Mutual Funds) Regulations, 1996 and agree to abide by the same. Regarding the information contained within para VI and VII above, SEBI would be informed immediately on any changes.

Signature

Name

(New/Proposed Director)

Date:

Place:

For Use of Trustees:

1. **Mr. / Ms. ------------------------- who is appointed / proposed to be appointed as a director of AMC/Trustee Co. is a person of ability, integrity and standing (Reg.16(2)(a).**
2. **In case of Chairman of AMC, he is not a trustee of any mutual fund (Reg.21(1)(e)**
3. **If he is on board of any other AMC or trustee company as independent director (please mention name), whether approval has been obtained from that AMC/mutual fund.**
4. **After his induction, the board would consist of the following members**

   Member's name Status (associate / independent)

   1.

   2.

   3….

5. **(i) The trustees were discerning in the appointment of this director (Reg.18(25)(A)(I).**

   (ii) The independent directors of the trustees and AMC have paid specific attention in the selection and nomination of this director (Reg. 18(27)(iii) and (v)).
6. **SEBI would immediately be informed on any changes pertaining to Para VI and VII in the Bio-Data and other requirements as specified in Regulations would be complied with.**

Signature

Name

(Trustee Authorised by the Board of Trustees)

Date:

Place: