



CIRCULAR

SEBI/HO/IMD/DF2/CIR/P/2016/37

February 25, 2016

**All Mutual Funds/Asset Management Companies (AMCs)/
Trustee Companies/Boards of Trustees of Mutual Funds/
Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

Subject: Circular on Mutual Funds

A. Treatment of unclaimed redemption and dividend amounts

Please refer to SEBI circular dated November 24, 2000 on treatment of unclaimed redemption and dividend amounts. In partial modification of the aforementioned circular, it has been decided that:

1. The unclaimed redemption and dividend amounts, that are currently allowed to be deployed only in call money market or money market instruments, shall also be allowed to be invested in a separate plan of Liquid scheme / Money Market Mutual Fund scheme floated by Mutual Funds specifically for deployment of the unclaimed amounts. AMCs shall not be permitted to charge any exit load in this plan and TER (Total Expense Ratio) of such plan shall be capped at 50 bps.
2. To ensure Mutual Funds play a pro-active role in tracing the rightful owner of the unclaimed amounts:
 - a. Mutual Funds shall be required to provide on their website, the list of names and addresses of investors in whose folios there are unclaimed amounts.
 - b. AMFI shall also provide on its website, the consolidated list of investors across Mutual Fund industry, in whose folios there are unclaimed amounts. The information provided herein shall contain name of investor, address of investor and name of Mutual Fund/s with whom unclaimed amount lies.
 - c. Information at point A2(a) & A2(b) above may be obtained by investor only upon providing his proper credentials (like PAN, date of birth, etc.) along-with adequate security control measures being put in place by Mutual Fund / AMFI.
 - d. The website of Mutual Funds and AMFI shall also provide information on the process of claiming the unclaimed amount and the necessary forms / documents required for the same.



- e. Further, the information on unclaimed amount along-with its prevailing value (based on income earned on deployment of such unclaimed amount), shall be separately disclosed to investors through the periodic statement of accounts / Consolidated Account Statement sent to the investors.
3. Investors who claim the unclaimed amounts during a period of three years from the due date shall be paid initial unclaimed amount along-with the income earned on its deployment. Investors, who claim these amounts after 3 years, shall be paid initial unclaimed amount along-with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education.

B. Distribution of Mutual Fund products

Please refer to clause E of SEBI circular dated September 13, 2012 wherein new cadre of distributors were allowed to sell simple and performing Mutual Fund products. In partial modification of the aforementioned circular, it has been decided that simple and performing Mutual Fund schemes shall also comprise of Retirement benefit schemes having tax benefits and Liquid schemes/ Money Market Mutual Fund schemes.

C. Applicability of the Circular

1. Para A of the circular shall be effective from April 1, 2016.
2. Para B of the circular shall be applicable with immediate effect.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision 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,

PARAG BASU
Chief General Manager
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