

SECURITIES AND EXCHANGE BOARD OF INDIA
MUTUAL FUNDS DEPARTMENT
Mittal Court, A Wing, Gr. Floor,
224, Nariman Point, Mumbai 400 021

MFD/CIR No.010 /024/2000
January 17, 2000

To:

**All Mutual Funds registered with SEBI/
Unit Trust of India**

Dear Sir,

AMFI has made certain recommendations to SEBI for improving disclosure and compliance standards. After examining these recommendations, it has been decided that all mutual funds should take steps to implement the following:

1. Frequency of Disclosure of Portfolio:

At present, the mutual funds are required to disclose full portfolio of their schemes in the annual report. Henceforth, all mutual funds shall, before the expiry of one month from the close of each half year (that is 31st March and 30th September), send to the unitholders a complete statement of scheme portfolio.

However, such statement of portfolio may not be sent to the unitholders if it is published by way of an advertisement in one English daily circulating in the whole of India and in a newspaper published in the language of the region where the head office of the mutual fund is situated.

2. Formation of Audit committee by the Board of Trustees/Directors of Trustee Company:

Regulation 18(4) (f) makes it obligatory upon the trustees to ensure that before the launch of any scheme the asset management company has prepared a compliance manual and designed internal control mechanisms including internal audit systems.

The trustees shall now be required to constitute an audit committee of the trustees which will review the internal audit systems and the recommendations of the internal and statutory audit reports and ensure that the rectifications as suggested by internal and external auditors are acted upon. The committee shall be chaired by an independent trustee.

3. Formation of Valuation Committee by the AMC:

The AMC shall constitute an in-house valuation committee consisting of senior executives including personnel from accounts, fund management and compliance departments. This committee would on a regular basis review the system and practices of valuation of securities.

- Trustees shall review all transactions of the mutual fund with the associates on a regular basis and shall ensure that Regulations 18(6) and 18(17) are followed.

You are advised to implement these decisions and report compliance.

Yours Faithfully,

P.K.Nagpal
DIVISION CHIEF
MUTUAL FUNDS DEPARTMENT