**DEPUTY GENERAL MANAGER**

**INVESTMENT MANAGEMENT DEPARTMENT**

SEBI/IMD/CIR No.12 /186868 /2009

December 11, 2009

All Mutual Funds/Asset Management Companies (AMCs)

Association of Mutual Funds (AMFI)

Dear Sir,

**Sub: Transactions through some mutual fund distributors and compliance with the SEBI circular on AML**

1. In terms of the SEBI master circular ISD/AML/CIR-1/2008 dated December 19, 2008 issued to all registered intermediaries on "*Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and Rules framed there-under",* it is prescribed that it is the responsibility of the intermediaries to ensure customer due diligence by obtaining sufficient information to identify persons, have a policy in place for acceptance of clients and client identification procedure, monitoring of transactions etc.

2. It has recently come to our attention that all documentation related to the investor including Know your Client, Power of Attorney (PoA) in respect of transactions/ requests made through some mutual fund distributors is not available with the AMC/ RTA of the AMC and that the same is stated to be maintained by the respective distributors.

3. In view of the above, we reiterate that the requirements as mentioned in the master circular ISD/AML/CIR-1/2008 dated December 19, 2008 issued by SEBI is applicable to the Mutual Funds/ AMCs and hence maintaining all the documentation pertaining to the unitholders/investor is the responsibility of the AMC.

4. You are, therefore, advised to confirm whether all the investor related documents are maintained/ available with you. If not, and to the extent of and relating to such investor accounts/folios where investor related documentation is incomplete/inadequate/not available, then the trustees of the mutual funds are advised to ensure the following:

    a. No further payment of any commissions, fees and / or payments in any other mode should be made to such distributors till full compliance/ completion of the steps enumerated herein.

    b. Take immediate steps to obtain all investor/ unit holders documents in terms of the AML/ CFT, including KYC documents / PoA as applicable

c. Take immediate steps to obtain all supporting documents in respect of the past transactions.

d. On a one time basis, send statement of holdings and all transactions since inception of that folio in duplicate to the investor and seek confirmation from the unit holders on the duplicate copy.

e. Set up a separate customer services mechanism to handle/ address queries and grievance of the above mentioned unitholders.

5. Pending completion of documentation, exercise great care and be satisfied of investor bonafides before authorizing any transaction, including redemption, on such accounts / folios.

6. The trustees shall forthwith confirm to SEBI that the steps have been taken to address the above and also send a status to SEBI as and when process is completed to satisfaction.

7. All mutual funds shall comply with the above requirements in letter and spirit.

8. These guidelines are 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.

Yours faithfully,

**ASHA SHETTY**