



CIRCULAR

CIR/IMD/DF/17/2010

November 9, 2010

**All Mutual Funds/ Asset Management Companies (AMCs)/
Recognised Stock Exchanges/ Depositories /
Registrar to an Issue and Share Transfer Agents**

Sir / Madam,

Sub: Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure

1. SEBI vide circular SEBI /IMD / CIR No.11/183204/ 2009 dated November 13, 2009 has permitted units of mutual fund schemes to be transacted through registered stock brokers of recognized stock exchanges.
2. In order to provide more avenues for purchasing and redeeming Mutual Fund units, in addition to the existing facilities of purchasing and redeeming directly with the Mutual Funds and Stock Brokers, it has been decided :
 - 2.1 that units of mutual funds schemes may be permitted to be transacted through clearing members of the registered Stock Exchanges.
 - 2.2 to permit Depository participants of registered Depositories to process only redemption request of units held in demat form.
3. The following has been decided with respect to investors having demat account and purchasing and redeeming mutual funds units through stock brokers and clearing members:
 - 3.1 Investors shall receive redemption amount (if units are redeemed) and units (if units are purchased) through broker/clearing member's pool account. Mutual Funds(MF)/ Asset management Companies(AMC) would pay proceeds to the broker/clearing member (in case of redemption) and broker/clearing member in turn to the respective investor and similarly units shall be credited by MF/AMC into broker/clearing member's pool account (in case of purchase) and broker/clearing member in turn to the respective investor.
 - 3.2 Payment of redemption proceeds to the broker/clearing members by MF/AMC shall discharge MF/AMC of its obligation of payment to individual investor. Similarly, in case of purchase of units, crediting units into broker/clearing member pool account shall discharge MF/AMC of its obligation to allot units to individual investor.
4. The following may be noted in this regard:
 - 4.1 Clearing members and Depository participants will be eligible to be considered as official points of acceptance as per SEBI Circular No. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006 and conditions stipulated in SEBI Circular dated November 13, 2009 for stock brokers Viz. AMFI /NISM certification, code of conduct prescribed by SEBI for Intermediaries of Mutual Fund, shall be applicable for such Clearing members and Depository participants as well.
 - 4.2 Stock exchanges and Depositories shall provide investor grievance handling mechanism to the extent they relate to disputes between their respective regulated entity and their client and shall also monitor the compliance of code of conduct specified in the SEBI Circulars MFD/CIR/20/23230/02 dated November 28, 2002 and SEBI/IMD/08/174648/2009 dated August 27, 2009 regarding empanelment and code of conduct for intermediaries of Mutual Funds.



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5. The respective stock exchanges and Depositories would provide detailed operating guidelines to facilitate the above and ensure that timelines prescribed under SEBI (Mutual Fund) Regulations, 1996 shall be adhered to with regard to allotment of units and receipt of redemption proceeds at the investor's level.
6. This circular is 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, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

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