**35P/MEM-COR/ 20/ 15-16**                                                                                          **December 30, 2015**

Dear Sir/ Madam,

**Re : Distributor Portfolio Turnover Ratio of Mutual Fund Distributors**

As you are aware, in terms of SEBI Circular No.CIR/ IMD/ DF/ 21/ 2012 dated September 13, 2012, Mutual Funds/ AMCs are required to make additional disclosures relating to distributor-wise gross inflows, net inflows, average assets under management and ratio of AUM to gross inflow, on their websites. Further, in case the aforesaid data suggests that a distributor has an excessive portfolio turnover ratio, i.e., more than two times the Industry Average, the AMCs are required to conduct additional due diligence in respect of such distributors.

AMFI’s Standing Committee on Registration of Certified Distributors (ARN Committee) had, after examining the matter, recommended the methodology for computation of “Average Distributor Portfolio Turnover Ratio” across the Industry, which was circulated amongst all AMFI Members, vide our e-mail no. 35P/MEM-COR/13/15-16 dated October 9, 2015, inviting feedback and suggestions from the members. Based on the suggestions received from the members, the matter was reviewed by ARN Committee and submitted their final recommendations for the methodology to be followed by AMFI for computing the Industry Average Distributor Portfolio Turnover Ratio i.e., ***Min (Gross Purchases, Redemptions)/ Average AUM for the Period***, which was approved by the Board of AMFI.

**Accordingly, the Industry Average Distributor Portfolio Turnover Ratio for the FY 2014-15, works out to 0.29.**

You may use this figure to identify the distributors having an excessive portfolio turnover ratio, i.e., more than two times the Industry Average and conduct additional due diligence in respect of such distributors, in accordance with the aforesaid SEBI circular.

Please note that, while calculating the Industry Average Distributor Portfolio Turnover Ratio, we have considered the data only in respect of open ended equity schemes, excluding ELSS and Arbitrage Funds, as recommended by the ARN Committee. In other words, the data in respect of close ended schemes, Liquid schemes, Debt schemes, etc. has not been considered, as the same was considered as not relevant for the above purpose.

Going forward, AMFI would compute the Industry Average of Distributor Portfolio Turnover Ratio using the Industry data collected from all RTAs after the end of each financial year and communicate the same to the members before the end of the first quarter of the succeeding financial year.

Regards,

**C G Parekh**

**Executive Vice President**

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