



CIRCULAR

CIR/IMD/DF/4/2011

March 9, 2011

All Registered Mutual Funds/Approved Asset Management Companies (AMCs)

Sir / Madam,

Sub: Usage of load account.

1. SEBI vide circular SEBI/IMD/Cir-4/168230/09 dated June 30, 2009 had, *interalia*, mandated the following :
 - 1.1. There shall be no entry load for all mutual fund schemes.
 - 1.2. The upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.
 - 1.3. Exit load or CDSC charged to the investor, a maximum of 1% of the redemption proceeds shall be maintained in a separate account which can be used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Any balance shall be credited to the scheme immediately.

The above circular came into effect from August 01, 2009 and ensured that the entire subscription amount is invested in the scheme without any charge of entry load.

2. Prior to August 2009, mutual funds charged both entry and exit loads on its investors. Since August 2009, mutual funds can charge only exit load. These load balances are maintained as 'liabilities' in the books of the scheme and are not included in the net asset value (NAV).
3. It is essential to bring about uniformity in usage of load balances. In this regard, the following have been decided:
 - 3.1. The load balance shall be segregated into two accounts in the books of accounts of the scheme - one to reflect the balance as on July 31, 2009 and the other to reflect accretions since August 01, 2009.



- 3.2. The load balances can be used for marketing and selling expenses including distributor's/agent's commissions.
- 3.3. However, not more than one- third of load balance as on July 31, 2009 shall be used in any financial year including the current financial year 2010-11. It is clarified though the unutilized balances can be carried forward, yet in no financial year the total spending can be more than one third of the load balances on July 31, 2009.
- 3.4. The accretions after July 31,2009 can be used by mutual funds for marketing and selling expenses including distributor's/agent's commissions without any restrictions mentioned in para 3.3 above.
4. This circular supersedes all instructions regarding use of load accounts issued subsequent to the circular dated June 30, 2009 mentioned above.
5. 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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