



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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DNBR. (PD).CC.No. 033 /03.10.001/2014-15

April 30, 2015

To

All Non-Banking Financial Companies (NBFCs),

Dear Sirs,

**Distribution of Mutual Fund products by NBFCs**

Please refer to the [Circular No. DNBS \(PD\) CC. No. 84 / 03.10.27 / 2006-07 dated December 04, 2006](#) on the captioned subject.

2. On a review, since the distribution of Mutual Fund products by the NBFCs is on non-risk sharing basis and purely as a customer service, it has now been decided to dispense with the requirement of prior approval from the Reserve Bank for NBFCs to distribute Mutual Fund products. It has also been decided to dispense with the minimum eligibility criteria. Accordingly, the guidelines on distribution of mutual fund products by NBFCs have been suitably modified.

3. The revised guidelines are enclosed in the Annex. These are in supersession of the Circular No. DNBS (PD) CC. No. 84 / 03.10.27 / 2006-07 dated December 04, 2006.

Yours faithfully,

(C. D. Srinivasan)

Chief General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

## Guidelines on Distribution of Mutual Fund Products by NBFCs

1. NBFCs, which desire to distribute mutual funds, would be required to adhere to the following stipulations:

### **(i) Operational Aspects**

- (a) The NBFC should comply with the SEBI guidelines / regulations, including its code of conduct, for distribution of mutual fund products;
- (b) the NBFC should not adopt any restrictive practice of forcing its customers to go in for a particular mutual fund product sponsored by it. Its customers should be allowed to exercise their own choice;
- (c) the participation by the NBFC's customers in mutual fund products is purely on a voluntary basis and this information should be stated in all publicity material distributed by it in a prominent way. There should be no 'linkage' either direct or indirect between the provisions of financial services offered by the NBFC to its customers and distribution of the mutual fund products;
- (d) the NBFC should only act as an agent of its customers, forwarding their applications for purchase / sale of MF units together with the payment instruments, to the Mutual Fund / the Registrars / the transfer agents. The purchase of units should be at the customers' risk and without the NBFC guaranteeing any assured return;
- (e) the NBFC should neither acquire units of mutual funds from the secondary market for sale to its customers, nor should it buy back units of mutual funds from its customers;
- (f) in case the NBFC is holding custody of MF units on behalf of its customers, it should ensure that its own investments and the investments belonging to its customers are kept distinct from each other.

**(ii) Other Aspects**

(a) The NBFC should have put in place a comprehensive Board approved policy regarding undertaking mutual funds distribution. The services relating to the same should be offered to its customers in accordance with this policy. The policy will also encompass issues of customer appropriateness and suitability as well as grievance redressal mechanism. The code of conduct prescribed by SEBI, as amended from time to time and as applicable, should be complied with by NBFCs undertaking these activities;

(b) the NBFC should be adhering to Know Your Customer (KYC) Guidelines and provisions of prevention of Money Laundering Act.

2. NBFCs should comply with other terms and conditions as the Bank may specify in this regard from time to time.

Withdrawn