



भारतीय प्रतिभूति
और विनियम बोर्ड
*Securities and Exchange
Board of India*

Deputy General Manager
Market Intermediaries Regulation & Supervision Department-III

MIRSD-III/IGS/185683/09
December 1, 2009

Shri P S Raghavan, Director
Sundaram BNP Paribas Fund Services Ltd
RR Towers 2, Third Floor,
Thiru vi ka Industrial Estate, Guindy,
Chennai- 600 032

Dear Sir,

Sub: Registrar activities pertaining to Mutual Funds under Regulation 13A of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993- Request by Sundaram BNP Paribas Fund Services Ltd, RTI/ STA (INR000004066) for an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003

- 1) Please refer to your application dated October 05, 2009 and e-mail dated November 06, 2009 (addressed to IMD) and November 19, 2009 on the captioned matter.
- 2) It is inter-alia informed by you vide your letter and e-mails under reference that:
 - a. SBPFSL, promoted as a joint venture between Sundaram Finance Group (Sundaram Finance Ltd holds 50.5%) and BNP Paribas Securities Services (49%), holds SEBI registration as Category 1 Registrar & Transfer Agent vide Certificate no.INR000004066 dated July 24, 2009.
 - b. Sundaram BNP Paribas Mutual Fund is trust which is registered with SEBI as a Mutual Fund. Sundaram BNP Paribas Asset Management Company Ltd, the company appointed by the Trustees as AMC for the Mutual Fund, is owned by Sundaram Finance Ltd and BNP Paribas Asset Management in the proportion of 50.1% and 49.9% respectively.
 - c. SBPFSL proposes to act as Registrars and Transfer Agents to the Schemes of the aforesaid Mutual Fund (MF).
 - d. Regulation 13A of the R&T Regulations was inserted in order to obviate a situation of common interest between a securities-issuing company and its Registrars & Share Transfer Agent. This was also intended to cover possible manipulation by an R & STA in handling Equity Initial Public Offers (IPOs) of Associate Corporate Bodies. In the case of IPOs, obviously all applicants may not succeed in getting allotments and hence there may be scope for discrimination in favour of a chosen few. Further, the issue price, even if, within a predetermined range, is not the same for all applicants. New Fund Offers (NFOs) of Mutual Funds are entirely different for the following reasons:



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- i. All Applicants in an NFO receive allotment of units without being subjected to any discrimination.
 - ii. All applicants are allotted at pre-determined face value.
 - e. Proviso to Regulation 25 (15) of the SEBI (Mutual Funds) Regulations 1996 permits an AMC to undertake the R & T activities "in house". This leads to the conclusion that there is obviously no scope for any conflict of interests when an AMC carries out its own R&STA activities. This being the position, the case of a separate entity acting as R & T agents, should be on a better footing especially when the companies in question do not even have any common directors on their Boards.
 - f. The two entities, the MF and the R&STA Company are in any case, on a completely arms-length and contractual commercial relationship. In view of the fact that the R&STA Company proposes to offer its services to all the AMCs, it is physically segregated in every possible way including operations proposed from a remote location in another city.
 - g. Further, Sundaram BNP Paribas Mutual Fund, being a Trust registered under the Indian Trusts Act would not be covered by the Regulation 13A of R&T Regulations which ostensibly covers transactions with a "Body Corporate" which is an Associate.
 - h. SBPFS has further informed, vide its e-mail dated November 06, 2009, that it is not a subsidiary of the AMC or the trustee company
- 3) In view of the above submissions made, you have sought an interpretive letter on the issue:
 - a. Applicability of Regulation 13A of SEBI (Registrars to an issue and Share Transfer Agents) Regulations, 1993 and consequent restriction on SBPFS acting as Registrar and Share Transfer Agents to Sundaram BNP Paribas Mutual Fund.
- 4) We have considered the submissions made by you in your letter and e-mails under reference and without necessarily agreeing with your analysis our views on the issue are as under:
 - a. Regarding your submission made at point 2 e. above, it is observed that Regulation 25(15) of SEBI (Mutual Funds) Regulations, 1996 provides for an AMC processing work related to the transfer of units in-house.
 - b. Also, your contention as mentioned above at point 2 g may not be tenable.
 - c. However, Regulation 18 (27(ii)) of SEBI (Mutual Funds) Regulations, 1996 which inter-alia states that, "*the independent directors of the trustees or Asset Management Company shall pay specific attention to the service contracts with affiliates- whether the asset management company has charged higher fees than outside contractors for the same services*", become applicable to the case in question.



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- d. In view of the above and the submissions made by you at point 2 d. above, it is felt that the provisions of Regulation 13A of SEBI (R&T) Regulations, 1993 may not be made applicable to the registrar activities pertaining to Mutual Funds, subject to compliance with Regulation 18 (27(ii)) of SEBI (Mutual Funds), Regulations, 1996 as mentioned above.
- 5) This position is based on the representation made to the Division in your letter and e-mail under reference. Different facts or conditions might require a different result. This letter does not express the decision of the Board on the questions referred.
- 6) You may note that the above views are expressed only with respect to the clarification sought on applicability of Regulation 13A of SEBI (Registrar to an issue and Share Transfer Agents) Regulations, 1993 to your registrar activities pertaining to Mutual Funds and do not affect the applicability of any other law or requirement.

Yours faithfully,

 **K. Saravanan**