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| **Due Diligence Questionnaire (DDQ)** | | | |
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| **Section 1: Basic information** | | | |
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| **1.1** | | Name of the distributor  Registration Number and country of incorporation |  |
| **1.2** | | AMFI Registration number  ARN Validity |  |
| **1.3** | | Status: (Corporate/Bank/individual/Proprietorship/Partnership etc.) |  |
| **1.4** | | Current KYD status |  |
| **1.5** | | Please confirm whether the distributor satisfies one or more of the following criteria:   * Multiple point presence (More than 20 locations) * AUM raised over Rs. 100 Crore across industry in the non institutional category but including high networth individuals (HNIs) * Commission received of over Rs. 1 Crore p.a. across industry * Commission received of over Rs. 50 Lakh from a single Mutual Fund. | Yes No  Yes No  Yes No  Yes No |
| **1.6** | | Describe main Business Activities. |  |
| **1.7** | | List of Associates and Subsidiaries:  Are any associate / subsidiary engaged in distribution business?  If Yes,   * Please disclose business model, experience and proficiency in the business. | Yes No |
| **1.8** | | Geographic presence in and outside India  Are you registered with any regulator?   * India * Overseas   Please provide details of any approvals or licenses that may have been obtained to carry out your business. |  |
| **1.9** | | Please disclose the total commission earned from Mutual Fund distribution during financial year 2014-15. |  |
| **1.10**  Your current AUM and number of clients  As provided below: As on \_\_\_\_\_\_\_\_\_\_\_   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **AUM (Rs. Lacs)** | | | | **Number of Folios (including SIP)** | |  | Equity | Debt | Liquid | Others |  | | Non-Individuals |  |  |  |  |  | | Individuals |  |  |  |  |  | | Also provide number of SIP folios separately  How much % of business comes from top 5, 10 and 25 clients? | | | | | | | | | |
| **Section 2: Organisation Structure** (including any affiliates or subsidiaries involved in the business of Mutual Fund Distribution) | | | |
| **2.1** | What is the current ownership structure of your organization? Has the organizational or ownership structure changed during the past 3 years? (If ‘Yes’, please share details with explanations) | |  |
| **2.2** | Please provide the organization structure for your Mutual Fund Distribution Division with a brief background of the top management in the Division. | |  |
| **2.3** | Approximately how many employees/persons are involved in distributing mutual funds? Please include a split between Sales and others giving details of the same. | |  |
| **2.4** | Do you use sub-brokers to distribute Mutual Funds  If yes, how many Sub-brokers are involved in distributing mutual funds? | | Yes / No |
| **2.5** | What are the critical activities in your organization that are outsourced? How are these outsourced activities of service providers monitored and reported? | |  |
| **Section 3: Mutual Fund Business Activities** | | | |
| **3.1** | How long have you been distributing Mutual Funds? | |  |
| **3.2** | Please explain your Sales & distribution model? (e.g. corporate client/retail, branch/employee/sub-broker/online based). | |  |
| **3.3** | Do you offer Advisory Services (based on client risk profiling/suitability) or Execution Services? | |  |
| **3.4** | What is your process for selection, deselection and ongoing review of mutual fund products.  Please provide periodicity of such review. | |  |
| **3.5** | Please highlight the business initiatives taken in the past to increase the Assets/Number of clients of the firm? Also  what initiatives are being currently taken or expected over the next year to support the overall business growth? | |  |
| **Section 4: Customer Related Processes** | | | |
| **4.1** | | How does your organization acquire new customers? |  |
| **4.2** | | What is your process for customer profiling? Managed by individual/system?  What are your servicing standards? |  |
| **4.3** | | How is KYC (mutual fund KYC) carried out for your customers? What are the internal checks/documents maintained.  What is your process for completing In Person Verification of customers? |  |
| **4.4** | | How many of your clients are already mutual fund KYC compliant? |  |
| **4.5** | | Please state the process followed to evaluate the customer’s investment objective and risk appetite.  How often do you review such customer profiles? |  |
| **4.6** | | If your organization offers Advisory Services how do you assess the appropriateness of products sold for the customer? How are the customer logs maintained and at what frequency are they re-checked.  Please detail including any fees that is collected by you from the customer. |  |
| **4.7** | | If your organization offers Execution Services what is the process followed by you while distributing mutual funds?  If you have information to believe that the transaction is not appropriate for the customer, do you make a written communication regarding the unsuitability of the product and take acknowledgement of receipt from the investor? In such a case: - do you take confirmation from the customer to the effect that the transaction is ‘execution only’?   * do you collect fees other than flat transaction charges? |  |
| **4.8** | | How does your organization keep track of all the transactions undertaken for customers? |  |
| **4.9** | | Are there any disclosures (including commissions) that you make to your customers? Please provide details. |  |
| **4.10** | | How do you assess customer satisfaction, Please share the feedback for the most recent assessment? |  |
| **Section 5: Human Resources Management** | | | |
| **5.1** | | Briefly explain your hiring policy/process for sales team? |  |
| **5.2** | | How do you ensure/keep track of certifications of Employees and Sub-brokers, required by local regulator, if applicable. |  |
| **5.3** | | Give details of your compensation policy with reference to your employee and Sub-brokers engaged in the selling mutual funds. |  |
| **5.4** | | How is Performance Review carried out for your employees and Sub-brokers, if applicable? Broadly list some of the parameters used for Performance Review. |  |
| **5.5** | | What kind of training is provided for your employees/Sub-brokers? What is the frequency of these training programs? |  |
| **5.6** | | How does your organization ensure that your employees meet with all the compliance norms required to be complied by local regulator? |  |
| **Section 6: Compliance and Risk Management** | | | |
| **6.1** | How can a customer make a complaint and how does your organization address and solve customer complaints including escalation? | |  |
| **6.2** | What are the ways in which your organization disseminates information pertaining to mutual funds and investments to your customers in terms of – (a) Sales literature (b) Performance of funds (c) Customer meetings and interactions   * Do you produce your own marketing materials? Please describe the process to ensure accuracy and completeness of such materials. | |  |
| **6.3** | Describe the organizational controls to ensure that the following processes are delinked from sales and relationship management processes and personnel:   * Customer risk / investment objective evaluation (profiling) * MF scheme evaluation and defining its appropriateness to various customer risk categories (scheme selection). | |  |
| **6.4** | How and where are customer records maintained? | |  |
| **6.5** | What is the internal/external audit process including review of transactions, exceptions identification, escalation and resolution?  Please mention their comments/observations relating to mutual fund distribution in past 3 years. | |  |
| **6.6** | Are you affiliated to any asset management company,  If Yes,   * How do you ensure that no conflict of interest arises while selling mutual funds to customers? * Are customers informed of this possible conflict of interest that may exist? | | Yes No |
| **6.7** | Do you have a separate compliance and risk management function. If yes, please describe any controls / checks performed by this function. | |  |
| **6.8** | Please provide the details of all the insurance taken along with their validity? | |  |
| **Section 7: General Operations** | | | |
| **7.1** | What kind of infrastructure do you have in place to distribute Mutual Funds in terms of   * Premises - No. of Branches * Technology Support including hardware and software. | |  |
| **7.2** | What is your Business Continuity / Disaster Recovery Plan?  (Crisis Management, Succession planning, risk management). | |  |
| **Section 8: Legal (including that of associates & subsidiaries as covered under point 1.10)** | | | |
| **8.1** | Please provide a record of any regulatory / statutory levies, fines and penalties including causes and corrective actions taken by any regulator. Please include any breaches / violations. | |  |
| **8.2** | Please provide a record of any legal suits and any customer compensations made including causes for these and resulting corrective actions. | |  |
| **8.3** | Have there been any instances of fraud noted? If yes, please provide details and how the same has been addressed. | |  |
| **Section 9: Transactions monitoring mechanism** | | | |
| **9.1** | Please provide the details of internal monitoring mechanism for reviewing of portfolio turnover of the clients. | |  |
| **9.2** | Please provide the controls in place against the following:   1. Recommending inappropriate products solely 2. Encouraging over transacting and churning of Mutual Fund investments to earn higher commissions. 3. Splitting of applications to earn higher transaction charges / commissions. | |  |
| **9.3** | Whether there is a mechanism in place to monitor and intimate the investors in case his/her proposed redemption/ switch transaction can attract exit load or short term capital gain taxes? | |  |

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| **Sign-off Details & Declaration:** | |
| Name of the distributor: |  |
| Name & contact details of the contact person in your organization with regard to this Due Diligence process: |  |
| Date of sign off: |  |
| Declaration | I/we declare that the above information is true and correct to the best of my / our knowledge at the time of submission. Any change (s) to the above information will be informed in writing to the AMC / AMFI.  I/ We hereby authorize the AMC to release this information to SEBI/AMFI or any other authority in compliance with any regulatory requirement. |
| Name of Authorised Signatory |  |
| Signature |  |

Notes:

* Please use a separate sheet where required. Such supplementary sheets, used if any, must be initialed on all pages. Please state “Not Applicable” where required.
* Please initial on all pages of this questionnaire and do not leave any portion unanswered.
* The AMC may conduct additional due diligence and seek extra information, as it deems fit and appropriate, in addition to seeking information as required in this questionnaire, including but not limited to personal visits / site visits from time to time i.e. on an ongoing basis. Due diligence as an exercise is **not** a one-time activity.