

CIRCULAR

HO/(83)2025-IMD-POD-1/I/152/2025

November 27, 2025

To

All Mutual Funds

All Asset Management Companies (AMCs)

All Trustee Companies of Mutual Funds

Registrar to an Issue and Share Transfer Agents ('RTAs')

Association of Mutual Funds in India (AMFI)

Madam/ Sir,

Subject: Additional incentives to distributors for onboarding new individual investors from B-30 cities and women investors

1. Regulation 52(6A)(b) of the SEBI (Mutual Funds) Regulations 1996 provided a framework for incentivizing distributors for new investment/ inflows from beyond top 30 cities (B-30 cities).
2. Due to concerns of misuse of this framework, based on the feedback received from the industry, it has been decided to revise the incentive structure for distributors for bringing in new investment/ inflows in the Mutual Funds. Therefore vide gazette notification dated October 31, 2025, the Regulation 52(6A)(b) of the SEBI (Mutual Funds) Regulations 1996 has been deleted.
3. However, in order to encourage mutual fund distributors to expand their outreach and create awareness among new investors, in terms of Regulation 52(4A) of SEBI (Mutual Funds) Regulations, 1996 the mutual fund distributors shall be eligible for additional commission in the following manner -

3.1. New investments / inflows eligible for the additional commission –

- 3.1.1. New individual investors (new PAN) from B-30 cities, at the mutual fund industry level;
- 3.1.2. New women individual investors (new PAN) from both Top 30 and B-30 cities.

3.2. Incentive Structure:

- 3.2.1. AMCs shall pay additional commission to distributors for onboarding eligible new investors, subject to the conditions specified in para 3.1 above.
- 3.2.2. The structure of such additional commission shall be as under:

Investment Mode	Commission Structure
Lump Sum Investment	1% of the amount of the first application subject to a maximum of ₹2,000, provided the investor remains invested for a minimum period of one year
Systematic Investment Plan (SIP)	1% of the total investment made during the first year, subject to a maximum of ₹2,000.

- 3.2.3. The additional distribution commission shall be paid from the 2 basis points on daily net assets, mandated to be set apart annually by AMCs for investor education, awareness and financial inclusion initiatives, subject to adequate claw back provisions.
- 3.2.4. The additional commission specified at para 3.2.2 shall be in addition to the existing trail commission paid to the distributor from the scheme.
- 3.2.5. Distributors shall be eligible to receive the additional commission for mobilizing investments from new women investors from Top-30 cities and in cases where the commission for new investment from B-30

cities has not been claimed for the same woman investor/investment. Dual incentives for the same investor/investment shall not be permitted.

3.3. Investment in scheme not eligible for additional commission:

Payment of additional distribution commission in the manner specified in para 3.2 above, shall be mandatory for all schemes of a mutual fund, except the following:

- 3.3.1. Exchange Traded Funds (ETFs);
- 3.3.2. Fund of Funds (domestic) with more than 80% of Assets Under Management (AUM) invested in domestic funds;
- 3.3.3. Schemes having duration requirement of less than one year:
 - a) Overnight Fund;
 - b) Liquid Fund;
 - c) Ultra Short Duration Fund; and
 - d) Low Duration Fund.

- 4. In order to ensure uniform implementation, AMFI in consultation with SEBI, shall issue the necessary implementation standards within 30 calendar days from the date of this circular.
- 5. Further, any change in the offer document, pursuant to the revised incentive structure shall not be considered as a Fundamental Attribute Change.
- 6. The provisions of this circular shall come into effect from February 01, 2026.
- 7. This circular is issued under the provisions of Regulation 52(4A) read with 77 of SEBI (Mutual Funds) Regulations, 1996, in the interest of investors and to promote the orderly development of the mutual fund industry.

8. This circular is available at www.sebi.gov.in under the link “Legal-> Circulars.”

Yours faithfully,

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