

28/07/2009

From Procyon Financial Planners, we extend very warm greetings to you!

As your financial planners and financial advisors we share a special relationship with you, a relationship that is built up on the foundation of mutual trust and openness. We express our deep gratitude for the support you extended to us when we set up our profession in the year 2006 and in the subsequent years too. Our standing in the financial planning industry is solely because of your encouragement and support. We are sure that this relationship will move to a higher level in the days to come.

**The purpose of this communication is to inform you of a major change that has happened in the mutual fund industry in India.**

Till now, for the advice and services rendered to you, we were earning commission from the mutual fund companies in form of:

- Upfront commission paid each time you invested
- Trail commission till the time you remained invested in the fund

The upfront commission was paid to us from the entry load charged by the mutual funds to you. As you are aware, entry load is a charge on the monies invested by you. Mutual funds used these entry loads to remunerate the distributor as upfront commission for the various services including advisory services rendered by the distributor to the investor. Entry loads, in general, used to be 2.25% for equity funds.

Securities Exchange Board of India (SEBI), the regulator for mutual fund industry, with effect from 1.08.2009, has abolished the entry load on mutual funds in India. After SEBI's mandate, now no entry load can be imposed by any mutual funds in India. SEBI has also mandated that with effect from 1.08.2009, the upfront commission to distributor shall be paid by the investor to the distributor directly. For full details, kindly refer the [attached SEBI's circular](#).

This is a path breaking policy change in so far investments in India are concerned. The rules of the game have changed all of a sudden. Naturally, there is lot of turmoil in the mutual fund industry and as of now we are not clear about the new rules of the game. The decision of SEBI is likely to have a bearing on the other types of financial products and services as well. Already, Insurance Regulatory & Development Authority (IRDA) has capped the charges on ULIPs. As and when the dust settles down, you will see a whole new paradigm emerging. As an investor you may find the new system highly transparent and more conducive for the process of long term wealth creation. We are a part of the budding financial planning profession in India and we heartily welcome these changes which are in your interest.

As your financial planners and advisors, we have always put your interests in forefront, and have, to the best of abilities, advised and sold only such products that are most suitable to your

particular situation and needs. We have been very transparent with you about the remuneration we received from the mutual funds for the advice and services rendered to you. Going forward also, we will have the same objective while conducting our transactions with you.

When it comes to the remuneration payable to a planner or advisor, It should be remembered that he performs an important economic activity, that is, bringing the lenders (savers/investors) and users of capital together in a most economical and transparent way. It is in the interest of all that the remuneration to the planner/advisor is just so that the interest of all stake holders is safeguarded. It is unthinkable that any investor would have a financially unviable person as his financial advisor. At the same time, there should be no room for an unscrupulous advisor to fatten himself at the cost of the investor by advising/selling costly and unsuitable products and services.

At Procyon Financial Planners, we can confidently say that we never misused your trust to push such products that are unsuitable for your needs or provided us undue advantages and hidden benefits. We never have vouched the efficacy of new fund offerings or indulged in any portfolio churning to earn a higher commission.

With this back ground, we accept that the concept of 'no entry load' is new to all of us and at this point in time we do not have much idea as to how the future will shape up across the industry. We have always cherished the relationship with each and every one of you and we thought it is ideal to look forward to have your feedback on this important aspect. We are sure in our mind that none of our investors would hesitate to give us a just remuneration for the advice and services they receive from us. We are also sure that there always will be a new ways of doing things much better. We request you to kindly provide your thoughts and suggestions that we can incorporate in the new system.

We look forward to a continued and mutually beneficial long term relationship with you.

With warm regards,

Yours sincerely

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