Proposal for Fast Tracking the launch of Mutual Fund Products

1. SEBI has specified a standard offer document, giving elaborate instruction on the intended disclosures in the offer document, which according to SEBI should be brought to the notice of prospective investors to help them make an informed decision.

2. To examine whether the existing process can be compressed without compromising on the quality of disclosures to investors, experiences of other regulators were examined. As per the feedback received, the jurisdiction wise procedural framework is detailed at Annexure A.

3. Customizing the framework available in these countries to our requirement, SEBI has prepared a proposal to fast track the launch of products of Mutual Funds.

4. Main features of this process are:

   To begin with, it is proposed that we may adopt the fast track model for the FMPs (Fixed Maturity Plans), close ended income schemes. These products envisage to invest funds collected in debt and money market instruments (MMIs). The asset allocations are standard and most the fund houses have existing schemes. They also constitute the bulk of the new offer document filing with SEBI.

Present Process	**Proposed process**
a. A draft offer document (OD) [hard as well as soft copy], checklist of standard observations, due diligence certificate from AMC, undertaking from Trustees under regulation 18(4) alongwith the copy of the receipt of the filing fee is required to be filed by AMC with SEBI.	A <u>final</u> offer document (OD) [hard as well as soft copy], due diligence certificate from Trustees with <u>additional</u> due diligence certificate from the compliance committee, comprising of CEO of the AMC, compliance head and fund manager, alongwith the copy of the receipt of the filing fee is required to be filed by AMC with SEBI.
b. The soft copy of draft offer document is uploaded on the SEBI website;	No change, except that instead of draft Offer Documents, final offer document is uploaded on SEBI website.
c. The observations, if any, are issued to AMC to modify or include disclosure in the OD within 21 working days, the AMC may go ahead if it does not	Not applicable

	receive Observations.	
d.	AMC files the revised OD;	Not applicable
e.	Once SEBI is satisfied with the disclosures made in the draft offer document then a communication is issued to AMC.	Not applicable
f.	Subsequent to receiving this communication the AMC proceeds and launches the scheme within six months.	Following the procedure as detailed at point a and b, SEBI will confirm to AMC in writing that the offer document has been received by it. After this, the AMC would be free to launch the scheme. SEBI, however, will retain the power to advise amendments, if required in the interest of investors, to the Offer Document.

Comments/suggestions on the aforesaid proposal may be sent to Mr. Amit Tandon, Assistant General Manager, Division of Funds, 3rd Floor, SEBI Bhavan, Bandra Kurla Complex, Bandra East, Mumbai 400051 or emailed to amitt@sebi.gov.in on or before January 15, 2008.

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Annexure -A

Country	Framework
Australia	Under the 1980's style regime product providers found difficult to meet ASIC's (Australian Securities and Investments Commissions) requirements which were not effectively publicly available. At that point of time prospectus were required to be authorized and vetted by ASIC and could not be released to the market until such time as ASIC 'approved' the prospectus. The 1990's saw the abolition of this vetting/approving regime and from the time, prospectus is only needed to be lodged with ASIC passing the full responsibility on ensuring compliance with applicable legislation to the product provider. ASIC, however, does retain the power to require amendments to product disclosure statements (PDS) and has the power to place a 'stop order' on any PDS-meaning it is incapable of accepting new investments.
Malaysia	In **Malaysia**, w.e.f. March 01, 2007, the **post vetting requirement has been introduced** and the requirements regarding filing of draft Offer Documents and conduct of pre vettings by Securities Commission have been removed. However, Securities Commission has retained the right to refuse registration and return the registrable prospectus, if in the opinion of the Commission, the standards of disclosure are found to be wanting or the prospectus is not final / complete. Accordingly, Securities Commission does not look into merits of the fund but gives strong emphasis to ensuring full and adequate disclosures to assist investors in making informed decisions. The management company is to take full accountability for the accuracy of all information and responsibility to ensure that there is no omission of facts which would make any of the statements misleading. The Securities Commission adopts a declaratory approach in approving the funds i.e. the parties concerned would have to declare that the proposals submitted to Securities Commission is in full compliance with the guidelines of the law. Along with the registrable prospectus, there is a requirement to send a Director Responsibility statement signed by all directors and dated, among other undertakings and documents. The management companies are also required to ensure that due diligence review with respect to the contents of the prospectus has been carried out by an individual professional or Legal Advisor.
US	AMC files the draft offering document with the U.S. Securities and Exchange Commission (SEC), they vet the document, and they also do not "clear" it. The language that is used : "The SEC has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense."
UK	In **UK w**ith regard to approving the Prospectus document, Financial Services Authority (FSA) approves the Fund in concept and whilst they require the fund house to file the Prospectus document, and they will review it, they will not formally approve it. Instead the UK has a two stage oversight process before the Offer document is filed with the regulator. First the fund house need to get external counsel to certify in writing that

	they believe the document complies with the rules and secondly the fund house need to run the document by the Depositary / Trustee of the Fund – always independent of the Manager and has fiduciary responsibility to look after the interests of the underlying investors.
Korea	In **Korea** where there is a self regulatory organization (SRO) for mutual fund industry, the SRO goes through the proposed offer documents and after its approval the offer document is filed with the regulatory authority. Thereafter, the schemes are launched.

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