



**CIRCULAR**

**CIR/IMD/DF/05/2014**

**March 24, 2014**

**All Mutual Funds/Asset Management Companies (AMCs)/  
Trustee Companies/Boards of Trustees of Mutual Funds/  
Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

**Sub: Enhancing disclosures, investor education & awareness campaign,  
developing alternative distribution channels for Mutual Fund products, etc.**

- I. SEBI has framed a Long Term Policy for Mutual Funds in India which *inter alia* includes enhancing the reach of Mutual Fund products, promoting financial inclusion, tax treatment , obligation of various stakeholders, increasing transparency, etc. In this regard the following has been decided:

**A. Disclosure of Assets Under Management (AUM)**

1. In order to enhance transparency and increase the quality of the disclosures for the investors, Mutual Funds shall disclose the following on monthly basis on their website and also share the same with Association of Mutual Funds in India (AMFI):
  - a. AUM from different categories of schemes such as equity schemes, debt schemes, etc.
  - b. Contribution to AUM from B-15 cities (i.e. other than top 15 cities as identified by AMFI) and T-15 cities (Top 15 cities).
  - c. Contribution to AUM from sponsor and its associates.
  - d. Contribution to AUM from entities other than sponsor and its associates.
  - e. Contribution to AUM from investors type (retail, corporate, etc.) in different scheme type (equity, debt, ETF, etc.).

- f. AUM garnered through sponsor group/ non-sponsor group distributors.
  - g. State-wise/Union Territory-wise contribution to AUM.
2. In order to have a holistic picture, Mutual Fund wise and consolidated data on the above parameters shall also be disclosed on AMFI website. The above shall be disclosed as per the format placed at **annexure A1 and A2**.
  3. AMCs shall disclose the above on their website (in spreadsheet format) and forward to AMFI within 7 working days from the end of the month. AMFI in turn shall disclose the consolidated data in this regard on its website (in spreadsheet format) .

## **B. Disclosures of Votes Cast by Mutual Funds**

1. In order to improve transparency as well as encourage Mutual Funds/AMCs to diligently exercise their voting rights in best interest of the unitholders, in partial modification to Point 4 of SEBI Circular SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, it has been decided that:
  - a. AMCs shall be required to record and disclose specific rationale supporting their voting decision (for, against or abstain) with respect to each vote proposal stated in point 4 (iii) of aforementioned SEBI circular.
  - b. AMCs shall additionally be required to publish summary of the votes cast across all its investee company and its break-up in terms of total number of votes cast in favor, against or abstained from.
  - c. AMCs shall be required to make disclosure of votes cast on their website (in spreadsheet format) on a quarterly basis, within 10 working days from the end of the quarter. Further, AMCs shall continue disclosing voting details in their annual report. The revised format for disclosure of vote cast by Mutual Funds in respect of resolutions passed in general meetings of the investee companies and the format for presenting summary of votes cast by Mutual Funds is placed as **annexure B**.

- d. Further, on an annual basis, AMCs shall be required to obtain Auditor's certification on the voting reports being disclosed by them. Such auditor's certification shall be submitted to trustees and also disclosed in the relevant portion of the Mutual Funds' annual report & website.
- e. Board of AMCs and Trustees of Mutual Funds shall be required to review and ensure that AMCs have voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation to the same, along with any adverse comments made by auditors, shall have to be reported to SEBI in the half yearly trustee reports.

### **C. Financial Inclusion**

1. In context of Mutual Funds, financial inclusion implies that the concept of Mutual Fund products is understood by all and are accessible to anyone who wishes to make an investment in them. Also, investors should be capable of figuring out which Mutual Fund scheme is appropriate for their financial objectives. Towards this, it has been decided that:
  - a. Mutual Funds shall mandatorily also make available printed literature on mutual funds in regional languages for investor awareness and education.
  - b. Mutual Funds to introduce Investor awareness campaign in regional languages both in print and electronic media.

### **D. Developing alternative distribution channels**

1. In order to increase penetration of Mutual Fund products and to energise the distribution network while protecting the interest of investors, SEBI had permitted additional expense ratio of 30 bps for garnering funds from B-15 cities. This development would lead to setting up of distribution infrastructure by AMCs. However, in order to achieve participation from all parts of the country in Mutual

Funds there is greater need for developing additional distribution channels. Therefore, it has been decided that:

- a. **Distribution through PSU banks:** PSU banks which have wide bank branches network and have distribution reach in the nook and corner of the country, could play a key role in Mutual Funds distribution. In order to leverage the PSU banks infrastructure, Mutual Funds/ AMCs need to develop a system for active support to PSU banks to distribute Mutual Fund products through them. Such active support would also encourage PSU banks to distribute products of all Mutual Funds.
- b. **Online distribution:** Online distribution not only increases customer convenience, but also significantly improves distributor economics. The online phenomenon is increasing rapidly and it is observed that more and more people especially younger generation prefers online transactions. Therefore, it has been decided that all Mutual Funds should enhance the online investment facility and tap the internet savvy users to invest in Mutual Funds by providing an online investment facility on their websites. Mutual Funds also need to tap the burgeoning mobile-only internet users for direct distribution of Mutual Fund products.

## II. Prudential limits and disclosures on portfolio concentration risk in debt-oriented mutual funds scheme:

1. The guidelines issued on prudential limits for sectoral exposure in debt oriented mutual funds schemes vide SEBI circulars viz. CIR/IMD/DF/21/2012 dated September 13, 2012 and CIR/IMD/DF/24/2012 dated November 19, 2012 excludes investment in Bank CDs, CBLO, G-Secs, T-Bills and AAA rated securities issued by Public Financial Institutions and Public Sector Banks while calculating total exposure of debt schemes of mutual funds in a particular sector.



2. Since the investments in short term deposits of scheduled commercial banks is allowed pending deployment of funds of a scheme the same shall also be excluded while calculating sector exposure.

III. This circular shall be applicable with effect from April 1, 2014.

IV. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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[For Annexures - Refer the attachments](#)