



CIRCULAR

SEBI/HO/IMD/DF2/CIR/P/2018/18

February 05, 2018

All Mutual Funds/Asset Management Companies (AMCs)/
Trustee Companies/Boards of Trustees of Mutual Funds

Sir/ Madam,

Subject: Total Expense Ratio – change and disclosure

1. It is observed that there are frequent changes carried out in Total Expense Ratio (TER) and such changes are not prominently disclosed to investors. In order to bring uniformity in disclosure of actual TER charged to mutual fund schemes and to enable the investor to take informed decision, the following has been decided:
 - a. AMCs shall prominently disclose on a daily basis, the TER of all schemes under a separate head – “Total Expense Ratio of Mutual Fund Schemes” on their website in downloadable spreadsheet format as per **Annexure A**.
 - b. Any change in the base TER (i.e. TER excluding additional expenses provided in Regulation 52(6A)(b) and 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996) in comparison to previous base TER charged to any scheme shall be communicated to investors of the scheme through notice via email or SMS at least three working days prior to effecting such change. (For example, if changed TER is to be effective from January 8, 2018, then notice shall be given latest by January 2, 2018, considering at least three working days prior to effective date). Further, the notice of change in base TER shall be updated in the aforesaid section of website at least three working days prior to effecting such change.

However, any decrease in TER due to decrease in applicable limits as prescribed in Regulation 52 (6) (i.e. due to increase in daily net assets of the scheme) would not require issuance of any prior notice to the investors. Further, such decrease



in TER shall be immediately communicated to investors of the scheme through email or SMS and uploaded on the website in terms of clause (a) above.

- c. The above change in the base TER in comparison to previous base TER charged to the scheme shall be intimated to the Board of Directors of AMC along with the rationale recorded in writing.
 - d. The changes in TER shall also be placed before the Trustees on quarterly basis along with rationale for such changes.
2. SEBI circular SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008, and SEBI Circular CIR/IMD/DF/7/2013 dated April 23, 2013, *inter-alia*, have prescribed the formats for Scheme Information Document and Placement Memorandum respectively, wherein, the following is mentioned under the head “ANNUAL SCHEME RECURRING EXPENSES”:

“The mutual fund would update the current expense ratios on the website within two working days mentioning the effective date of the change.”

In partial modification to the aforesaid circulars the above provision has been substituted by the following:

“The mutual fund would update the current expense ratios on the website at least three working days prior to the effective date of the change. Additionally, AMCs shall provide the exact weblink of the heads under which TER is disclosed in their website.”

3. This circular shall be applicable – (i) immediately for new schemes to be launched on or after the date of this circular and (ii) for all the existing schemes with effect from March 1, 2018.



4. This circular is issued in exercise of the power conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision 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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General Manager

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Annexure A

Format for disclosure of TER of mutual fund schemes.

Total Expense Ratio (TER) for Mutual Fund Schemes

Name of Scheme: XYZ										
Date (DD/MM/YY YY)	Regular Plan					Direct Plan				
	Base TER (%) ¹	Additional expense as per Regulation 52(6A)(b) (%) ²	Additional expense as per Regulation 52(6A)(c) (%) ³	GST (%) ⁴	Total TER (%)	Base TER (%) ¹	Additional expense as per Regulation 52(6A)(b) (%) ²	Additional expense as per Regulation 52(6A)(c) (%) ³	GST (%) ⁴	Total TER (%)
01/03/2018										
02/03/2018										
03/03/2018										
...										
...										

1. Base TER excludes additional expenses provided in Regulation 52(6A)(b) and 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996.
2. Additional Expenses not exceeding 0.30% in terms of Regulation 52(6A)(b) of SEBI (Mutual Funds) Regulations, 1996.
3. Additional Expenses not exceeding 0.20% in terms of Regulation 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996.
4. Present GST rate is XX %.
5. Percentages mentioned above are annualized.
6. Base TER of direct plan shall have a lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid from such plans.