

Consultation paper on extending facility of standing instructions for Systemic Withdrawal Plan (SWP)/Systemic Transfer Plan (STP) for Mutual Fund units held in demat form

1. Objective

- 1.1. To solicit comments and inputs from stakeholders and public on extending standing instructions for Systemic Withdrawal Plan (SWP) /Systemic Transfer Plan (STP) facility for investors holding Mutual Funds (MF) units in demat form.

2. Background

- 2.1. By availing facility of SWP, client can place standing instruction with MF or its Registrar & Transfer Agent (RTA) for periodic redemption of specified number of MF units or amount. Whereas, by availing facility of STP, client can place standing instruction of transferring the exposure to one scheme of MF to another scheme of MF managed by the same AMC, by way of simultaneous redemption and subscription of MF units of such schemes. Such standing instructions for SWP/STP transactions can be placed directly with MF/RTA/AMC or through platforms like Mutual Fund Central.
- 2.2. The standing instructions for SWP/STP continue until such instructions are cancelled by the investor or till the expiry date of the instruction or the underlying holdings becomes zero.
- 2.3. SWP/STP instructions can also be in customized forms to enable investor to redeem or transfer only the appreciated amount, or redeem or transfer with gradual increase or decrease of amount, etc.

3. Need for review

- 3.1. As explained above, facility of standing instructions for SWP/STP benefits investors in planning their investments efficiently. However, the facility of standing instructions for SWP/STP is presently not available if the MF units

are held in demat form. Investors holding MF units in demat form are required to place separate instructions for redemption of units (through Delivery Instruction Slip (DIS)) for each withdrawal or transfer. Investors may also give such instructions by way of two factor authentication by the DP or through authorization given by the investor to the Stock Broker through Power of Attorney (PoA) or Demat Debit and Pledge Instructions (DDPI). However, in case of PoA, this reduces the direct control of investors on their investments.

- 3.2. To understand the same, presently the following process is followed in case of executing each STP transaction for Mutual Fund units held in demat form :
 - 3.2.1. Investor places request to DP with DIS for selling units of X scheme of a MF and buying units of Y scheme of a MF.
 - 3.2.2. DP passes on the instructions to Stock Broker for execution of sell and buy transaction on Stock Exchange platform for units of the schemes of MFs respectively.
 - 3.2.3. Stock Broker executes orders, submits instruction to DP to transfer selling units to CC for pay-in.
 - 3.2.4. Subsequently, after reconciliation and settlement of pay-in, the details are shared with MF-RTA. MF-RTA confirms the number of units to be credited to the CC and CC submits instruction to DP to credit the units in the demat account of the investor.
 - 3.2.5. RTA updates their folio records for both buy and sell transactions.
- 3.3. Similar process is followed in case of each SWP instruction for the Mutual Fund units held in demat form. In such a case the redemption proceeds are credited to the bank account of the investor as available in the depository system and CC transfer units to AMCs beneficiary account for extinguishing the redeemed MF units by way of corporate action through RTA.

- 3.4. Considering the above, it is viewed that the facility of standing instruction for SWP/STP may also be extended for the MF units held by investors in demat form, thereby facilitating EoDB to the various stakeholders of the MF industry.
- 3.5. Accordingly, SEBI constituted a Working Group with representation from various stakeholders like Stock Exchanges, Depositories and RTAs with the following Terms of Reference:
- 3.5.1. Registration process of SWP/ STP in Depository system/ RTA system/ Stock Exchange platform-online and /or offline.
 - 3.5.2. Standardization and identification of fields for SWP/STP transaction
 - 3.5.3. Variants of SWP/STP which can be allowed like fixed units, fixed amount, capital appreciation etc.
 - 3.5.4. Cancellation / termination process for SWP/STP instruction
 - 3.5.5. Information flow between Depositories, MF-RTAs and Stock Exchange platforms
 - 3.5.6. Any other operational aspect.
- 3.6. The Working Group recommended that the facility of standing instructions for SWP/STP may be extended to investors holding the MF units in demat form as is currently available for Mutual Fund units held in the Statement of Account (SOA) mode. The report of the working group is placed at [Annexure 1](#).
- 3.7. Based on the recommendation of the Working Group, an agenda was placed for discussion in the meeting of SEBI's Secondary Market Advisory Committee (SMAC) held in the month of November 2025. The agenda of the meeting proposed the implementation of extending facility of standing instructions for SWP/STP for the MF units held in demat form, in following two phases:
- 3.7.1. Phase 1:- One time registration of standing instructions for SWP/WTP request with Depositories/Stock Exchanges for execution of orders on order entry platform of Stock Exchanges, which shall facilitate **unit-based** SWP/STP transactions.

3.7.2. Phase 2:- Standing instructions for SWP/STP transactions in MF Units held in demat form to be processed through RTA, which shall facilitate **amount based and other variants** of SWP/STP

3.8. SMAC, after deliberation, recommended the aforesaid proposals and suggested that SEBI may issue consultation paper on both the proposed phases, and consider implementing Phase 1 first and subsequently Phase 2, based on the comments received on the consultation paper.

3.9. The details of proposals, both for Phase 1 and Phase 2, have been elaborated in subsequent section.

4. **Proposals:**

4.1. The facility of standing instruction for SWP/STP may be extended for the MF units held in dematerialized form by investors to facilitate EoDB to the various stakeholders of the MF industry.

Question-1: Do you agree with the proposal to extend the facility of standing instruction for SWP/STP for the MF units held in dematerialized form by investors?

4.2. **Phase I**

4.2.1. Phase I is from the perspective of Depositories and Stock Exchanges maintaining the registrations of SWP/STP mandates and having the triggers raised on the respective dates from their end. This approach will not call for major changes to the existing processes at RTAs and Stock Exchanges as they already have the provision of reporting these registrations / transactions to RTAs. However, this approach limits the applicability to unit based specific date registrations, which is only a subset of overall STP/SWP registrations prevalent in the industry.

4.2.2. Accordingly, during the Phase I, registration of standing instructions for SWP/STP mandates can be done through:

- a) Depositories (through online mode or based on physical instructions)
- b) Members of Stock Exchanges

The process to be followed for the registration of standing instructions for mandates has been elaborated at pages 4-10 of the report of the Working Group.

*Question-2: Do you agree with the process suggested by the Working Group for **registration of standing instructions for SWP/STP mandates** for the MF units held in demat form?*

4.2.3. After successful registration of the standing instructions for SWP/STP mandates, the processing of execution of such mandates shall be carried out through platforms of Stock Exchanges. The said processing of execution of the standing instructions for SWP/STP mandates have been elaborated in the report of Working Group at pages 7, 10 and 11.

4.2.4. Pros of proposals under Phase I

Sr. No.	Particulars
1.	No changes required at the end of RTA. Minimal changes in the existing process of Order Entry on Stock Exchange platforms. Depositories will have to carry out system developments at their end for implementation of this Phase.
2.	The existing standing instructions for SWP/STP process followed in case of units in SOA form will get extended to standing instructions for SWP/STP for units in demat form.
3.	Registrations and triggers of execution of standing instructions mandate will be carried out by Stock Exchanges and Depositories.
4.	There are no additional Corporate Action (CA) charges payable by AMCs.

Question-3: Do you agree with the process suggested by the Working Group for **execution of standing instructions for SWP/STP mandates** for the MF units held in demat form?

4.3. **Phase-II**

4.3.1. Under the Phase II, since the final processing of standing instructions for SWP/STP mandates takes place at the MF/RTA and Stock Exchanges will also register the demat account holders for the SWP/STP facility in demat form, the triggers for executing the mandates can be controlled by RTA/Stock Exchanges for standing instructions for STP/SWP transactions.

4.3.2. This will also provide the flexibility of extending other variants of standing instructions for STP/SWP such as:

- (a) Amount based SWP/STP
- (b) Appreciation based switches
- (c) Swing STP, etc.

4.3.3. The procedure to be followed for implementation of the Phase II has been elaborated at pages 12-13 of the report of Working Group.

4.3.4. Pros of proposals under Phase II

Sr. No.	Particulars
1.	The approach can handle standing instructions for amount based SWP/STP transactions in addition to unit based SWP/STP transactions
2.	Other variants of standing instructions for STP/SWP can also be made available.
3.	No major difference in investor experience as the investor continues to deal with member / depository as is being done today.

Question-4: Do you agree with the procedure suggested by the Working Group for implementation of Phase II?

- 4.4. Further, as recommended by the Working Group and SEBI's SMAC, the proposed framework may be implemented in two phases, i.e. implementing Phase I first and subsequently implementing Phase II, based on the comments received on this consultation paper.

Question-5: Do you agree with the proposal to implement the regulatory framework for standing instructions for SWP/STP mandates for MF units held in demat form in two Phases?

Question-6: Do you have any other comment/suggestion on the proposed framework

5. Submission of Public comments:

- 5.1. Considering the implications of the said matter on market participants, public comments are invited on the proposal in the Consultation Paper.

- 5.2. You may submit your comments/suggestions by February 26, 2026, by using the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

- 5.3. In case of any technical issue in submitting your comments through the web based public comments form, you may contact the following through email with subject: "Draft Circular on extending facility of Systemic Withdrawal Plan (SWP)/Systemic Transfer Plan(STP) for Mutual Fund units held in demat form":



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