



CIRCULAR

SEBI/HO/IMD/DF2/CIR/P/2017/39

May 8, 2017

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

Sir/ Madam,

Subject: Instant Access Facility and Use of e-wallet for investment in Mutual Funds

A. Instant Access Facility (IAF)

1. IAF facilitates credit of redemption proceeds in the bank account of the investor on the same day of redemption request. In order to further enhance the reach of Mutual Funds (MFs) towards the retail investors, it has been decided to issue guidelines for extending IAF. MFs/ AMCs may offer IAF subject to the following conditions:

a. **Eligibility** - IAF shall be allowed through online mechanism and only for resident individual investors.

b. **Applicability**

i. **NAV:** While observing the extant cut-off timings with respect to repurchase (i.e. redemption), under IAF the following NAVs shall be applied:

- where the IAF application is received up to 3.00 pm – the lower of (i) NAV of previous calendar day and (ii) NAV of calendar day on which application is received;
- where the IAF application is received after 3.00 pm – the lower of (i) NAV of calendar day on which such application is received, and (ii) NAV of the next calendar day.



- ii. **Scheme** – MFs/ AMCs can offer IAF only in Liquid schemes of the MF.
- iii. **Monetary Limit** - The monetary limit under IAF shall be INR 50,000/- or 90% of latest value of investment in the scheme, whichever is lower. This limit shall be applicable per day per scheme per investor.

c. Liquidity

- i. Liquidity for IAF has to be provided out of the available funds with the scheme and MFs/ AMCs should put in place a mechanism so that adequate balance is available in the bank account of the scheme to meet liquidity/ redemption requirements under IAF. Such mechanism may be based on historical trends of instant access. For example, AMCs offering IAF may set aside in cash at least 3 times of – the higher of, last one month's or three month's daily average of redemptions under instant access on a rolling day basis. AMCs should also lay down robust processes for continuous monitoring and for funding the redemptions under the IAF.
- ii. MFs/ AMCs cannot borrow to meet the redemption requirements under IAF.

d. Disclosures

- i. AMCs shall make appropriate disclosures in the scheme related documents about IAF and ensure that no mis-selling is done on the pretext of instant availability of funds to the investors.
- ii. Appropriate disclosures shall be made to the investors mentioning the scenarios under which IAF may be suspended and that IAF request would be processed as a normal redemption request in such circumstances.

e. Approvals and Controls

- i. MFs/ AMCs shall offer IAF only after obtaining approvals from the AMC Board and the Trustees and keep in place adequate safeguards in the system to implement this facility.



- ii. IAF shall also be considered while carrying out stress testing of the schemes.

MFs/ AMCs offering this facility in any of their schemes shall reduce the limit to INR 50,000/- with immediate effect and schemes other than liquid schemes having this facility shall discontinue this facility within one month from the date of this circular.

B. Use of e-wallet for investment in MFs

2. With an objective to promote digitalization, MFs/ AMCs can accept investment by an investor through e-wallets (Prepaid Payment Instruments (PPIs)) subject to the following:
 - a. MFs/ AMCs shall ensure that extant regulations such as cut-off timings, time stamping, etc., are complied with for investment in MFs using e-wallets.
 - b. MFs/ AMCs shall enter into an agreement / arrangement with issuers of PPIs for facilitating payment from e-wallets to MF schemes.
 - c. Redemption proceeds should be made only to the bank account of the investor/ unit holder as required under SEBI Circular MFD/CIR/15/19133/2002 dated September 30, 2002.
 - d. MFs/ AMCs shall ensure that total subscription through e-wallets for an investor is restricted to INR 50,000/- per MF per financial year. Further, in partial modification to the Circular CIR/IMD/DF/10/2014 dated May 22, 2014, the limit of INR 50,000/- would be an umbrella limit for investments by an investor through both e-wallet and/or cash, per MF per financial year.
 - e. MFs/ AMCs shall ensure that e-wallet issuers shall not offer any incentives such as cashback, vouchers, etc., directly or indirectly for investing in MF schemes.



- f. MFs/ AMCs shall ensure that only amounts loaded into e-wallet through cash or debit card or net banking, can be used for subscription to MF schemes.
 - g. MFs/ AMCs shall ensure that amount loaded into e-wallet through credit card, cash back, promotional scheme etc. should not be allowed for subscription to MF schemes.
 - h. MFs/ AMCs shall also comply with the requirement of no third party payment norm for investment made using e-wallets.
3. This circular shall be applicable with immediate effect.
4. 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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