



भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

**Deputy General Manager
Investment Management Department**

**OW/27080/2014
September 16, 2014**

Mr. S. Naganath
Chief Executive Officer
DSP BlackRock Investment Management Pvt. Ltd.
Mafatlal Centre, 10th Floor,
Nariman Point
Mumbai - 400 021

Dear Sir,

Sub: Request for an Interpretive Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

1. Please refer to your letters dated July 3 & August 1, 2014 in the captioned matter.

2. Your Submissions:

DSP BlackRock Investment Managers Pvt. Ltd. Is registered under the Companies Act, 1956 and acts as an Investment Manager to the schemes of DSP BlackRock Mutual Fund (Fund). The Fund is registered with SEBI vide registration no. MF/036/97/7.

The Fund has an open ended income scheme (hereinafter referred as the "Scheme"), the key features whereof are as under:

2.1. Type of scheme: Open Ended Income Scheme

2.2. Investment objective: The Primary investment objective of the Scheme is to generate income through investment in a portfolio comprising of Treasury Bills and other Central Government Securities with a residual maturity less than or equal to 1 year. It is envisaged that the average maturity of this portfolio will not exceed 1 year. Investors with a short term investment horizon may select this scheme. The risk and return profile of this portfolio is expected to be commensurate with the investment pattern of the Scheme.



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

- 2.3. Asset Allocation: Treasury Bills issued by the Government of India, Repo, Reverse Repo, CBLO, and any other money market instruments permitted by the RBI for deploying surplus liquidity: 0% - 100%.

In accordance with the investment objective read with the asset allocation, one can conclude that the Scheme can invest only in money market instruments defined as per Regulation 2 (o) of MF Regulation.

- 2.4. Regulation 2(o) defines the term 'money market instrument' as: 'money market instrument' includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time."

- 2.5. Regulation 2(p) defines the term 'money market mutual fund' as: 'Money market mutual fund' means a scheme of a mutual fund which has been set up with the objective of investing exclusively in money market instruments."

- 2.6. SEBI circular vide ref. no. IIMARP/MF/CIR/01/294/98 dated February 4, 1998 states as under:

"(a) the words "fundamental attributes" as mentioned in clause (d) of sub-regulation (15) of regulation 18 are being elaborated as below:

- (i) Type of a scheme
- o Open ended /Close ended/Interval scheme
 - o Sectoral Fund/Equity Fund/Balance Fund/ Income Fund/ Debt Fund/ Index Fund/ Any other type of Fund.
- (ii) Investment Objective
- o Main Objective - Growth/Income/Both.
 - o Investment pattern - The tentative Equity/Debt/Money market portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations.
- (iii) Terms of Issue
- o Liquidity provision such as listing, repurchase, redemption.
 - o Aggregate fees and expenses charged to the scheme.
 - o Any safety net or guarantee provided.

The aforesaid provision are also included in the format of Scheme Information Document prescribed by SEBI vide its circular ref. no. SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008 and hence not repeated.



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

2.7. SEBI observation in one of its earlier orders dealing with the matter related to Change of Fundamental Attribute of a scheme

It is pertinent to note that SEBI had reviewed and interpreted the relevant applicable circular and regulation dealing with change in fundamental attribute of a scheme and had observed as follows:

2.7.1. The expression "fundamental attribute" had not been defined in MF regulations but are elaborated in the SEBI circular dated February 4, 1998.

2.7.2. The regulatory intention behind prescribing certain conditions before effecting changes in the fundamental attributes of any schemes, or any other change which would modify the scheme, is that the unit holders/investors of the scheme would be made aware of the proposed changes, may consider the same and exit from the scheme, if they found that the proposed changes were not in their interest. The objective behind the same is that the investors should not be disadvantaged by such adhoc or sudden changes made in the scheme.

2.7.3. Any fund house making any change so as to modify the scheme which affects the interest of the unit holders would be liable for the contravention of Regulation 18 (15A) of the MF Regulations, if they had effected such changes without complying with the procedure mentioned therein.

2.7.4. In case a particular change has not been specifically mentioned as a fundamental attributes in terms of the aforesaid circular, and such change is carried out by the fund house, it would not be appropriate to conclude that the fund house is guilty of violation of Regulation 18 (15A) of the MF Regulation.

2.7.5. A combined reading of the aforesaid regulations, circular and SEBI observations leads to an inference that the basic test to determine whether a proposed change would attract compliances under Regulation 18 (15A) of the MF Regulations would be that the change should not affect the interest of the unit holders of the concerned scheme.

2.7.6. Since the proposed categorisation of the Scheme shall (i) not harm/modify/change the general nature of the Scheme (being open ended income scheme) and (ii) affect the interest of the unit holders of the scheme, the AMC believes that compliances of Regulation 18 (15A) of the MF Regulations are not attracted.

2.7.7. The only change which would happen consequent to the proposed categorisation is that, post the change, the words describing the type of



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

the Scheme would be changes from 'Open ended income scheme' to 'Open ended Money Market Mutual Fund Scheme in Income Category'. However, the proposed categorisation would be intimated to the unit holders via public notice and an addendum to the scheme information document.

All other features of the Scheme, including the investment objectives, asset allocation pattern and investment strategies would remain unchanged.

3. Clarification sought by you:

In light of the above submissions, you have sought interpretative guidance as to:

Whether the proposed categorisation of the Scheme from "an open ended income scheme" to "an open Money Market Mutual Fund Scheme in the Income Category" would attract the compliances of Regulation 18 (15A) of MF Regulations.

4. Our Views:

In this respect, it is informed that we have considered the submissions made by you and without necessarily agreeing with your analysis; our views are given below:

4.1. Regulation 18 (15A) of SEBI (MF) Regulations, 1996 states that,

"The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless,—

(i) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the mutual fund is situated; and

(ii) the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load."

4.2. SEBI circular vide no. IIMARP/MF/CIR/01/294/98 dated February 4, 1998 , inter-alia, states,

"the words "fundamental attributes" as mentioned in clause (d) of sub-regulation (15) of regulation 18 are being elaborated as below:



अनुवर्ती:
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

- (i) *Type of a scheme*
- *Open ended /Close ended/Interval scheme*
 - *Sectoral Fund/Equity Fund/Balance Fund/ Income Fund/ Debt Fund/ Index Fund/ Any other type of Fund.*
- (ii) *Investment Objective*
- *Main Objective – Growth/Income/Both.*
 - *Investment pattern – The tentative Equity/Debt/Money market portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations.*
- (iii) *Terms of Issue*
- *Liquidity provision such as listing, repurchase, redemption.*
 - *Aggregate fees and expenses charged to the scheme.*
 - *Any safety net or guarantee provided."*
5. In the instant case, the scheme was originally an open ended income scheme and the Applicant proposed to change it to an open ended Money Market Mutual Fund Scheme in the Income Category. The existing scheme being a broader category (i.e. Income Fund) which also includes Money Market Schemes, it appears that the type of scheme continues to be the same. The change as proposed appears to be with a view to provide clarity to the type of instruments/funds in which the Scheme investments are being made.
- Further, the Investment Objective and Terms of Issue of the Scheme remain the same. The proposed change, as seen from the Applicant's representation does not appear to have any effect on the interest of the unitholders. Hence the proposed change would not attract the compliances of Regulation 18(15A) of SEBI (MF) Regulations.
6. The above position is based on the information furnished in your letters under reference. Different facts or conditions may lead to a different result. Further, this letter does not express a decision of the Board on the question(s) referred.
7. You may note that the above views are expressed only with respect to the SEBI MF Regulations, SEBI circular no. MFD/CIR/11/354/2001 dated December 20, 2001 and SEBI circular no. IIMARP/MF/CIR/01/294/98 dated February 4, 1998 and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully


Rajesh Gujjar