

**DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT**

SEBI/IMD/CIR No.13/150975 / 09
January 19, 2009

**All Mutual Funds Registered with SEBI
Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

Sub: Portfolio of “Liquid Schemes” and nomenclature of “Liquid Plus” schemes

A. Guidelines on portfolio of Liquid Scheme

1. Please refer to SEBI circular dated October 11, 2006 on “Uniform cut-off for applicability of NAV of mutual fund schemes/plans”, wherein the characteristics of liquid scheme and plan portfolio have been defined in Schedule I.
2. The characteristics of liquid schemes were discussed in the Advisory Committee of Mutual Funds. It was felt that there is a need to reduce the tenure of the securities held in the portfolio of liquid schemes from the current requirement of one year.
3. Accordingly, the circular no 11/78450/06 dated October 11, 2006 shall stand modified as under:
 - i. The definition of ‘liquid fund schemes and plans’ as mentioned in clause 2(1) (e) of aforesaid circular, shall read as under:

‘liquid fund schemes and plans’ shall mean the schemes and plans of a mutual fund as specified in the guidelines issued by SEBI in this regard’
 - ii. Schedule I of aforesaid circular stands withdrawn.
4. The ‘liquid fund schemes and plans’ shall:
 - i. With effect from February 01, 2009 make investment in /purchase debt and money market securities with maturity of upto 182 days only.
 - ii. With effect from May 01, 2009, make investment in /purchase debt and money market securities with maturity of upto 91 days only.

Explanation:

- a. In case of securities where the principal is to be repaid in a single

payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.

- b. In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 182 days w.e.f February 01, 2009 and 91 days w.e.f May 01, 2009.
 - c. In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.
5. The above requirements shall be disclosed in the offer document and shall form part of the investment allocation pattern. Any deviation from these requirements shall be viewed as violation of investment restrictions.
6. Inter-scheme transfers of securities having maturity upto 365 days and held in other schemes as on February 01, 2009 shall be permitted till October 31, 2009. With effect from November 1, 2009 the requirements stated at paragraph 4 (ii) above shall apply to such inter-se scheme transfers also.

B. Liquid plus schemes

The Advisory Committee of Mutual Funds also recommended that the nomenclature of "Liquid Plus Scheme" should be discontinued since it gives a wrong impression of added liquidity. It has been decided to accept the aforesaid recommendation of the Advisory Committee and accordingly, mutual funds are advised to carry out the change in the nomenclature of "Liquid Plus Scheme" and confirm compliance to SEBI within 30 days from the date of this circular.

This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of Investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Ruchi Chojer