<u>**Policy related Letters/Emails issued by SEBI**</u>

As an ongoing correspondence with Mutual Fund Industry, through the representation by Association of Mutual Funds in India (AMFI), several interpretations of circular/guidelines, clarifications have been issued by SEBI. In order to have all important policies at one place, content of relevant letters/emails issued by SEBI are re-produced below with minor modifications for the sake of clarity.

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1. **<u>Filing Fee of the Draft Offer Document</u>**
   Reference – Letter No. IMD/SG/8668/06 dated October 13, 2006

   1.1. It has come to the notice of SEBI that the AMCs are charging/proposing to charge the filing fee of a draft offer document to the scheme, as a part of the initial issue expenses.

   1.2. Please note that 'filing fee' to the regulator is a kind of administrative cost that should be borne by the AMC and not recovered from the investor by charging it to the scheme.

   1.3. You are therefore, advised to immediately ensure that mutual funds are not charging such fees to the scheme.

2. **<u>Mandatory requirement of PAN for all transactions in the securities market.</u>**
   Reference – Letter No. MRD/Policy/PAN/AT/97151/2007 dated June 25, 2007

   2.1. In order to address the difficulty of a large number of persons in getting PAN before July 02, 2007, you are advised to bring to the notice of existing and potential investors that they should apply for PAN immediately and applications for investment should be accompanied with the evidence of having applied for PAN until December 31, 2007.

   2.2. It is however clarified that if an investor is participating only in micro-pension, he may not be required to obtain PAN.

3. **<u>Disclosures in SID pursuant to SEBI Circular dated December 11, 2008</u>**
   Reference – Email dated January 07, 2009

   For Close Ended Schemes, the SID need to be modified to incorporate the new requirements and following shall be incorporated.

   3.1. **<u>Exit opportunity</u>**
   No redemption/repurchase of units shall be allowed prior to the maturity of the scheme. Investors wishing to exit may do so through stock exchange mode.

   3.2. **<u>Issue of units in demat mode to enable trading</u>**
   a. The unit holders would have an option to hold the units in demat form in addition to the account statement as per the current practice.
   b. It may be highlighted that unit holders who wish to trade in units would be required to have a demat account.
   c. Application form shall be modified to provide for demat account details and other details to enable exercise of the option as detailed above.

   3.3. Necessary changes in the SID and KIM shall be carried out to reflect the said options.

3.4. In addition to the aforesaid changes, other necessary disclosures as required shall also be made in the SID.

4. <u>Reporting and Settlement of trades in Corporate Bonds</u>
Reference – Email dated December 30, 2009

4.1. With reference to SEBI Circular No. SEBI/IMD/DOF-1/BOND/Cir-3/2009 dated July 31, 2009 read with SEBI Circular No. SEBI/IMD/DOF-1/BOND/Cir-4/2009 dated October 16, 2009 regarding reporting and settlement of trades in corporate bonds, Mutual Funds are required to:

a. Report their trades in corporate bonds including inter scheme transfers on the reporting platform set up by BSE, NSE and FIMMDA.

b. Clear and settle all trades in corporate bonds between specified entities, including inter scheme transfers, through the National Securities Clearing Corporation Limited (NSCCL) or the Indian Clearing Corporation Limited (ICCL).

5. <u>KIM and Sales / Promotional Literature</u>
Reference – Email dated March 29, 2010

5.1. AMCs shall ensure that the KIM of the schemes are prepared as per the prescribed format and inter alia includes-
   a. Comparison with the existing schemes, number of folios and Assets under Management (AUM).
   b. Risk mitigation factors.
   c. Investment strategy.

5.2. Any sales, promotional or any other literature made for investors/distributors /any other agent (including fact sheets) should be filed with SEBI within 10 days of its launch/first circulation.

5.3. AMCs shall ensure that any sales, promotional or any other literature, prepared by distributors/agents/third parties about the fund house products, adhere and comply with SEBI guidelines. AMCs are advised to take suitable steps to put in place a mechanism for proactive oversight in this regard.

6. <u>AMFI recommendations on KYC compliance pertaining to circular dated December 11, 2009</u>
Reference – Letter No. IMD/AT/2868/10 dated April 27, 2010

6.1. As per SEBI Circular No. SEBI/IMD/CIR No.12/186868/2009 dated December 11, 2009 (Clause 16.1.1 of the Master Circular) all the documentation pertaining to the unitholders/investors including KYC/PoA is the responsibility of the AMC and the same shall be available with the AMC/RTA of the AMC. In this regard,

a. Power of Attorney (PoA) must be available in original or in notarized copy
b. Irrevocable PoA shall not be taken
c. Both the PoA Investor and the PoA holder must be KYC compliant.
d. Liability of distributors shall not be limited and it should depend upon his failure to discharge his obligations.
e. SMS/email alerts must be mandatorily sent to the investor for all transactions.

6.2. Upon satisfactory receipt of confirmation on the aforesaid points and trustee review of the progress made by the distributors in implementation of the above mentioned circular, we will relook into the issue of release of commissions withheld.

7. <u>Provisions in your agreements with distributors that restrict /constrain unit holders' rights</u>
Reference – Letter No IMD/SM/ /2010 dated June 2, 2010

7.1. It has been observed that many of the AMCs have entered into distribution agreements with selected distributors and the agreement contains clauses which restrict the rights of the unit holders to approach the AMCs directly and also provides for mandatory power of attorney to be given in favour of the distributor by unit holders.

7.2. These types of provisions in the distribution agreement are against the interest of the unit holders and also are *void ab intio.* Therefore, you are directed, to amend the distribution agreements, put in place systems and processes that ensure unitholders unfettered and unrestricted access to Mutual Fund/AMC and ensure that the unit holder's rights are not restricted in any manner.

8. <u>Declaration and disclosure of dividend</u>
Reference –Email dated June 02, 2010

8.1. It has been observed that many of the advertisements and communications to the investors/unitholders issued by the Asset Management Companies regarding dividend are expressed in terms of percentages of NFO offer issue price of units.

8.2. In order to bring greater precision and clarity in dividend distribution, you are directed to declare and disclose dividend only in the form of rupee(s) per unit in advertisements and all other communications such as half yearly portfolio disclosures, annual reports etc. to the investors in this regard.

8.3. Mutual Funds/AMCs are advised to comply in letter and spirit in this regard.

9. <u>Subscription of Mutual Fund units through Distributors</u>
Reference – Email dated June 4, 2010

9.1. It has been observed that when subscription for mutual fund units are remitted through joint bank accounts of investors through on-line distributors, the units are allotted by default only in the single name of one of the joint holders of the bank account. As a result, investors who may have remitted subscription through joint accounts with an intention to get units allotted in joint names have received units in single name.

9.2. In view of the above, all Mutual Funds are advised to ensure the following:

a. When subscription for mutual fund units are remitted through joint bank accounts of investors, the default option for applying for mutual funds unit should be in the joint names of all the account holders of the bank account with immediate effect.
b. Additionally, investors shall also be given an option to apply for units in single name of any one or more names of the joint account holders of the bank account with nomination facility.
c. The existing unit holders who have applied through joint bank accounts through on-line distributors shall also be given the options to hold the units in joint or single names along with nomination facility. This process shall be completed by September 30, 2010.

10. <u>Differential Exit Load</u>
Reference – Email dated July 07, 2010

10.1. Observing that some fund houses are charging differential exit load to different set of investors, e.g. different exit loads for SIP investors and non-SIP investors, SEBI vide circular dated August 07, 2009 (Clause 10.8.1 of the Master Circular) has mandated that no distinction among the unit holders shall be based on amount of subscription while charging exit loads.

10.2. In this regard, it is reiterated that there shall be no distinction among the unit holders based on the amount of subscription and the above mentioned circular was effective from the date of issuance of the circular.

10.3. Mutual Funds/AMCs are advised to ensure compliance in letter and spirit in this regard.

11. <u>Reiteration of provisions of Risk Management</u>
Reference – Email dated July 16, 2010

11.1. Mutual Fund should not allow dealing through personal cell phones of dealers and the Mutual Fund should have recording facilities in the dealing room and preserve the records of the same for a period of eight years.

11.2. AMCs shall ensure that they have put in place the systems/procedures to review these recordings by designated personnel of AMC on a periodical basis. Report of this review shall be submitted to Trustees/ Trustee Board.

11.3. Further, AMCs shall also ensure that the terms of reference of internal auditors include review of these reports filed and the same shall be made available for SEBI inspection process.

12. <u>Subscription of mutual fund units through on-line distributors</u>
Reference – Email dated July 28, 2010

12.1. With respect to the earlier communication of SEBI about subscription of mutual fund units through on-line distributors, it has been represented that adding of a joint name to an existing single folio may be tantamount to transfer of units.

12.2. It is clarified that where investors have remitted subscription through joint bank accounts of investors through on-line distributors, with an intention to get units allotted in joint names but have received units in single names; the adding of a joint name may be treated as a rectification/ corrigendum rather than a transfer, and may be effected retrospectively.

12.3. The said investors may also be given the option to hold the units in single name if they so desire.

13. <u>Change of online channel distributor to either an offline distributor or another online channel distributor or direct by an investor</u>
Reference – Email dated August 12, 2010

13.1. It is learnt that when an investor wants to change an online channel distributor to either an offline distributor or another online channel distributor or direct then the investor is required to submit documents including covering letter from the 'Source Channel' enclosing the Investor request letter and Investor documents viz. MF Application with Investor signature duly attested by Channel, PAN Copy and KYC acknowledgement wherever applicable.

13.2. The practices prevailing in the industry is causing hardship to investors and should stop forthwith. The investors intending to change the distributor should only be required to make a request for the same to AMC/RTA and the necessary documentation to facilitate the process to change the distributor should be ensured by AMC/RTA to which the request is submitted.

13.3. Therefore, it is advised to ensure compliance with the instruction of the investor informing his desire to change his distributor and / or go direct, without compelling that investor to obtain a covering letter from the Source Channel distributor.

13.4. All AMC/RTA shall comply with the above requirements in letter and spirit.

14. <u>Updation of investor related documents</u>
Reference – Letter dated August 20, 2010

14.1. Please refer to SEBI Circular dated December 11, 2009 (Clause 16.1 of the Master Circular) advising the mutual funds that the requirements of customer due diligence as mentioned in the Master Circular on Anti Money Laundering (AML) dated December 19, 2008 issued by SEBI is applicable to mutual funds/ AMCs and hence maintenance of all investor related documentation is the responsibility of the AMC. It was also instructed that where investor related documentation is incomplete/ inadequate/ not available, then the trustees of the funds were to ensure that no further payment of any commissions, fees and / or payments in any other mode should be made to such distributors.

14.2. The AMCs were also advised vide letter dated June 02, 2010, to amend their distribution agreements and put in place systems and processes that ensure unitholders unfettered and unrestricted access to Mutual Fund/ AMC and ensure that unit holders' rights are not restricted in any manner.

14.3. Further, vide Circular dated August 12, 2010 (Clause 16.1.5 of the Master Circular), the AMCs were to ensure that

a. all new accounts/ folios would be opened only after ensuring that all investor related documents, Pan, KYC, PoA (if applicable), specimen signature are available with the AMCs/ RTAs and not just with the distributor.
b. For existing folios, AMCs would be responsible for updation of all investor related documents by November 15, 2010.

14.4. From the data on the progress of updation of client account opening documents, it has been observed in many instances that the distributor has submitted the investor related documents to the concerned RTA; but the RTA has not succeeded in verifying and updating the same.

14.5. This lacuna militates against our purpose of allowing investors unfettered access to the AMC at any time, by creating impediments in the implementation process.

14.6. Thus, the trustees of mutual funds are advised, after due analysis of the situation with respect to their mutual fund; to decide to pay/ withhold the payment to RTA in context of their performance therein.

14.7. In view of the progress made by the distributors in submitting investor related documents to the AMCs/ RTAs, the restriction on commissions, fees and / or payments in any other mode to the distributors mandated vide Circular No. SEBI/IMD/CIR. No. 12/ 186868/ 2009 dated December 11, 2009 (Clause 16.1 of the Master Circular), is hereby withdrawn.

14.8. It is advised that the trustees may decide to pay / withhold payment to the concerned distributor, in the context of their performance in the submission of investor related documents to the AMC/RTA.

14.9. These instructions may be implemented immediately.

14.10. Further, it is advised that the deadline of November 22, 2010 for the trustees to submit confirmation on completion of the progress of updation of investor related documents may be strictly adhered to.

15. Disclosures on securitized debt
Reference – Email dated August 25, 2010

With respect to investments in securitized debt by the scheme, the following disclosures may be made in Scheme Information Document:

15.1. **How the risk profile of securitized debt fits into the risk appetite of the scheme**
The policy followed by MF to be indicated.
(This will be exclusive to the profile of each scheme.)

15.2. **Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitized debt, etc**
The entity must give categorization and evaluation parameters of the originators.
The evaluation parameters can be as under:

a. Track record
b. Willingness to pay, through credit enhancement facilities etc.
c. Ability to pay
d. Business risk assessment, wherein following factors are considered:
   - Outlook for the economy (domestic and global)
   - Outlook for the industry
   - Company specific factors

In addition, a detailed review and assessment of rating rationale should be done including interactions with the company as well as agency.

Critical Evaluation Parameters (for pool loan and single loan securitization transactions) regarding the originator / underlying issuer:

a. Default track record/ frequent alteration of redemption conditions / covenants
b. High leverage ratios of the ultimate borrower (for single-sell downs) – both on a standalone basis as well on a consolidated level/ group level
c. Higher proportion of reschedulement of underlying assets of the pool or loan, as the case may be
d. Higher proportion of overdue assets of the pool or the underlying loan, as the case may be
e. Poor reputation in market
f. Insufficient track record of servicing of the pool or the loan, as the case may be.

15.3. **Risk mitigation strategies for investments with each kind of originator**
a. Size and reach of the originator
b. Collection process, infrastructure and follow-up mechanism
c. Quality of MIS
d. Credit enhancement for different type of originator

15.4. **The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments**
Framework that will be applied while evaluating investment decision relating to a pool securitization transaction:

Characteristics / Type of Pool	**Mortgage Loan**	**Commercial Vehicle and Construction Equipment**	**CAR**	**2 wheelers**	**Micro Finance Pools**	**Personal Loans**	**Single Sell Downs**	**Others**
Approximate Average maturity (in Months)								
Collateral margin (including cash ,guarantees, excess interest spread , subordinate tranche)								
Average Loan to Value Ratio								

Characteristics / Type of Pool	Mortgage Loan	Commercial Vehicle and Construction Equipment	CAR	2 wheelers	Micro Finance Pools	Personal Loans	Single Sell Downs	Others
Average seasoning of the Pool								
Maximum single exposure range								
Average single exposure range %								

Risk mitigating measures:

a. Size of the loan
b. Average original maturity of the pool
c. Loan to Value Ratio
d. Average seasoning of the pool
e. Default rate distribution
f. Geographical Distribution
g. Credit enhancement facility
h. Liquid facility
i. Structure of the pool

15.5. **Minimum retention period of the debt by originator prior to securitization**
The policy followed by MF to be indicated.

15.6. **Minimum retention percentage by originator of debts to be securitized**
The policy followed by MF to be indicated.

15.7. **The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the fund**
The policy followed by MF to be indicated.
(There can be no standardization here- the submissions of the funds may be accepted.)

15.8. **The resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt**
Among the general method of credit risk assessment, the following may also be disclosed:

a. Team dedicated to credit analysis.
b. Ratings are monitored for any movement

15.9. **The following disclosure may also be given:**
Wherever the schemes portfolio is disclosed, the AMC may give a comprehensive disclosure of securitized debt instruments held. This would include the originator and underlying asset exposure by percentage, e.g. percentage of two wheeler loans in the pool, percentage of commercial vehicle loans in the pool etc.

16. <u>Subscription of units under ELSS</u>
Reference – Email dated February 02, 2011

16.1. This is in reference to email of NSDL dated January 14, 2011 and letter of CDSL dated January 28, 2011 to SEBI on the captioned subject. In this regard following is advised:

a. SEBI does not approve process flow of credit of units from AMC's account to Investors account.
b. The transition of ELSS units from AMC to broker's pool account (via clearing corporations) to investor's account is only a part of the process of allotment.
c. AMCs/Depositories shall ensure that the lock-in of ELSS units is ensured as per the ELSS Guidelines 2005 in the beneficial holder's account.
d. Kindly ensure the compliance of the above in letter and spirit.

17. <u>Mutual Fund Oversight on Institutional Distributors</u>
Reference – Email dated February 17, 2011

17.1. Set of additional measures in the due diligence process that asset management companies (while empaneling distributors) and AMFI (while registering and monitoring distributors) implement towards institutional distributors viz, banks, banks sponsored entities, national and regional distributors are proposed. These additional measures would augment the current role that AMFI plays in registration and oversight

17.2. While there is a general code of conduct that governs all AMFI registered MF distributors, these additional measures would help augment investor protection in a segment where the institutional investors have the balance of power tilted in their favour. You will appreciate that this segment, though a few in number, have a significant share of both clients and volumes. By implementing this additional due diligence initially in this segment, it would also help the mutual funds and their asset management companies, as manufacturers, deliver better on their obligation for investor protection.

17.3. The suggested additional guidelines for Mutual Funds on eligibility criteria and qualifying norms for empanelment of institutional distributors are as given below. Guidelines proposed would only set out the minimum threshold. AMFI and mutual funds are encouraged to implement additional measures as you deem appropriate to help achieve greater investor protection.

17.3.1. At the time of empaneling distributors and during the period review process, mutual funds are advised to undertake a due diligence process to satisfy 'fit and proper' criteria that incorporate, amongst others, the following factors:

a) Business model, experience and proficiency in the business.
b) Record of regulatory / statutory levies, fines and penalties, legal suits, customer compensations made; causes for these and resultant corrective actions taken.
c) Review of associates and subsidiaries on above factors.
d) Organizational controls to ensure that the following processes are delinked from sales and relationship management processes and personnel:
   i. Customer risk / investment objective evaluation.
   ii. MF scheme evaluation and defining its appropriateness by customer risk categories.

e) Customer relationship and transactions are categorized as:
   i. Advisory – where the institutional distributor commits to distributing only on the principle of 'appropriateness' of products to that customer category. Appropriateness is defined as selling only that product categorization that is identified as best suited for investors within a defined upper ceiling of risk appetite. No exception can be made.

   ii. Execution Only – all transactions that are not booked as 'advisory' and, would therefore, mandatorily require:
      1) In case of "execution only" transaction where the institutional distributor has information to believe that the transaction is not appropriate for the customer, then a written communication shall be made regarding 'inappropriateness' to investor, duly acknowledged and accepted by investor.
      2) A customer confirmation to the effect that the transaction is 'execution only' notwithstanding the 'advice of appropriateness' from that distributor, is obtained prior to the execution of the transaction.
      3) That on all such 'execution only' transactions, the customer is not required to pay the distributor anything other than a standard flat transaction fee, that is not ad

valorem or percentage of value and is consistent across all investors irrespective of the transaction value.

iii. There may be no third categorization of customer relationship / transaction.

f) Compliance and risk management functions of the institutional distributor include review of defined management processes for:
   i. the criteria to be used in review of products and the periodicity of such review.
   ii. the factors to be included in determining the risk appetite of the customer and the investment categorization and periodicity of such review.
   iii. review of transactions, exceptions identification, escalation and resolution process by internal audit.
g) Recruitment, training, certification and performance review of all personnel engaged in this business.
h) Customer on boarding and relationship management process, servicing standards, enquiry / grievance handling mechanism.
i) Internal / external audit processes, their comments / observations as it relates to MF distribution business.
j) Findings of ongoing review from sample survey of investors (as outlined below)

Confirmation / Declaration

For all transactions executed by institutional distributors, mutual funds shall seek the following confirmation. The confirmation may be sought to be filed weekly / fortnightly / monthly as determined by the AMC based on volumes of that institutional distributor.

The confirmation should include:

i. that all transactions executed on 'advisory' basis were only on the principle of 'appropriateness' and no product was sold to any investor whose risk appetite and categorization was inappropriate for that product.
ii. that all transactions on 'execution only' basis include
   a. a confirmation from the customer that it was done on 'execution only'
   b. a confirmation from the distributor that only a standard flat transaction fee (not ad valorem or percent of value) was applied.
iii. that on all transactions, full disclosures of all fees and commissions earned by the distributor has been made.
iv. The certificate shall be annexed with a list of all transactions under each category during that week/fortnight/month that is covered by the certificate of declaration/confirmation.

v. The transactions list shall include a column to reflect the name and ARN of the employee who dealt with the customer for that transaction.

Mutual funds shall do independent verification directly with a sample of investors every month to revalidate the declarations made by the distributor.

18. Role of Mutual Funds in Corporate Governance of Public Listed Companies
Reference – Email dated June 23, 2011

18.1. Further to SEBI Circular No. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010 (Clause 6.16 of the Master Circular), all AMCs are advised to provide an exclusive link on their Website's Home Page titled "Voting Policy" which when activated provides disclosures as required under the said Circular. The compliance of this may be confirmed by 31st May, 2011.

19. Corporate Governance of Listed Companies
Reference – Email dated June 23, 2011

19.1. With a view to have uniformity in format for disclosure on corporate governance in listed companies, AMCs are advised to adhere to the following:

19.1.1. Policy for discharge of corporate governance shall be comprehensive including the following –

a. Dedicated policy with respect to governance measures for investments in group companies of the AMC and investment in companies that have subscribed to the units of their schemes.
b. Decision making process on voting policy –
   i) whether attended/not attended.
   ii) whether decided to vote or abstained
   iii) If voted, whether for or against.
c. Internal mechanism for review and control process on the above issues.

19.1.2. Disclosure on voting shall cover all equity holdings across all MF schemes of the AMC.

19.2. The disclosures shall not be selective or on sample basis.

20. <u>Empanelment of Distributors</u>
Reference - Letter No. – IMO/RB/ 35057/2011 dated November 16, 2011

20.1. Regarding empanelment of distributors, each AMC has to satisfy itself about the fit and proper criteria and other measures that AMC might seek to impose/ implement to help achieve greater investor protection. Distributor due diligence process is not a onetime exercise at the time of empanelment but needs to be carried out continuously and reviewed from time to time. Distributors are agents of AMC and due diligence of distributors shall be responsibility of AMC.

20.2. The due diligence cannot be delegated to AMFI or any other agency and AMC has to take full responsibility for the empanelment and subsequent due diligence on an ongoing basis.

21. <u>AMFI Registration/ NISM Certification/ KYD Compliance for Overseas Distributors</u>
Reference – Letter No.– OW / 14970 / 2012 dated July 5, 2012

21.1. Regarding NISM certification and AMFI Registration of distributors who engages in sale and / or distribution of Indian Mutual Fund Products, it is advised that NISM certification and AMFI registration may not be insisted upon for overseas distributors. However, the overseas distributors may be required to comply with the extant laws, rule and regulations of jurisdictions where they carry out their operations in the capacity of distributors.

22. <u>Exemption from the need for PAN for micro financial products</u>
Reference – Letter No. OW/ 16541 /2012 dated July 24, 2012

22.1. The Ministry of Finance, vide letter no. 5/55/CM/2006 dated June 03, 2009, had conveyed the decision to SEBI that micro schemes such as Systematic Investment Plans of mutual funds, micro products by micro finance institutions, upto Rs. 50,000/- per year per investor shall be exempted from the requirement of PAN. Such, schemes may be operationalized with other standard specified identification instruments like Voter ID card, Government/Defense ID Card, Card of reputed employer, Driving License, Passport.

22.2. As per the aforesaid MOF Circular, investments in mutual fund schemes (including investments in SIPs) of upto Rs. 50,000/- per investor per year per mutual fund shall be exempted from the requirement of PAN.

23. Inclusion of Bank Correspondents as part of the new cadre of distributors to sell simple and performing mutual fund schemes

Reference – Letter No. – IMD/OW/24/2013dated January 02, 2013

23.1. SEBI has introduced a new cadre of distributors, such as postal agents, retired government and semi -government officials (class Ill and above or equivalent) with a service of at least 10 years, retired teachers with a service of at least 10 years, retired bank officers with a service of at least 10 years. Further, other similar persons (such as Bank correspondents) as may be notified by AMFI/AMC from time to time, shall also be allowed to sell units of simple and performing mutual fund schemes.

23.2. In this regard, you are advised to include Business Correspondents appointed by Banks as distributors for selling units of simple and performing mutual fund schemes by issuing necessary communication, under intimation to SEBI.

24. SEBI (Payment of Fees) (Amendment) Regulations, 2014

Reference – Email dated April 13, 2015

24.1. As you are aware that *vide* notification dated May 23, 2014, the SEBI (Payment of Fees) (Amendment) Regulations, 2014 were notified in the Gazette of India and which came into force on the said date. In view of gazette notification of SEBI (Payment of Fees) (Amendment) Regulations, 2014, Para 13 of SEBI (Mutual Fund) Regulations, 1996 has been amended which inter alia mandate payment of Annual Fee as a percentage of Average Assets Under Management (AAUM) as on 31st March.

24.2. In this regard, in order to have a uniform methodology for computation of Annual Fee, it is advised that AAUM be calculated for the period 01.04.20xx to 31.03.20xx taking into account each day's closing net assets as detailed below.

Date	**Net Assets**
01.04.2014	
02.04.2014	
03.04.2014	
….	
….	
….	
30.03.2015	
31.03.2015	
Total (A)	

$$\textbf{AAUM} = \frac{\text{Total (A)}}{\text{No. of Days (365/366)}}$$

Annual Fee payable = as %age of AAUM (as per the amendment)
While making the payment of Annual Fee to SEBI in terms of the said amendment, a statement of calculation of Annual Fee as per the table above duly certified by the Compliance Officer may be furnished.

25. <u>Uniform disclosure on treatment of applications under Direct / Regular Plans - SIDs</u>
Reference – Email dated April 28, 2015

25.1. In order to have a uniform disclosure on treatment of applications under "Direct" / "Regular" Plans, the following disclosures may be made by all AMCs in their SID/KIM

Scenario	*Broker Code mentioned by the investor*	*Plan mentioned by the investor*	*Default Plan to be captured*
1	*Not mentioned*	*Not mentioned*	*Direct Plan*
2	*Not mentioned*	*Direct*	*Direct Plan*
3	*Not mentioned*	*Regular*	*Direct Plan*
4	*Mentioned*	*Direct*	*Direct Plan*
5	*Direct*	*Not Mentioned*	*Direct Plan*
6	*Direct*	*Regular*	*Direct Plan*
7	*Mentioned*	*Regular*	*Regular Plan*
8	*Mentioned*	*Not Mentioned*	*Regular Plan*

In cases of wrong/ invalid/ incomplete ARN codes mentioned on the application form, the application shall be processed under Regular Plan. The AMC shall contact and obtain the correct ARN code within 30 calendar days of the receipt of the application form from the investor/ distributor. In case, the correct code is not received within 30 calendar days, the AMC shall reprocess the transaction under Direct Plan from the date of application without any exit load.

26. <u>Providing transaction data feed to Investment Advisers (IAs) /Distributors</u>
Reference – Letter No. – IMD/DF/PB/VB/32460/2015 dated November 20, 2015

26.1. Regarding providing transaction data feed to Investment Advisers(IAs)/Distributors, it is clarified that the data feed (portfolio holdings, transactions, NAV, etc.) of investors who subscribe to Direct Plan on the advice of Investment Advisers/distributors may be shared with such IAs/Distributors, after taking the explicit written consent of the investors.

26.2. AMFI should obtain declaration from AMCs on a half-yearly basis, that they are not compensating the IAs/Distributors directly or indirectly or through any associate / group companies for the advice given by the IAs/Distributors to the investors to subscribe to Direct Plan.

27. <u>SEBI Directive to aggregate 50% of 2 bps on net assets set aside for Investor Education and awareness initiatives with AMFI</u>
Reference: Letter No. IMD/DF2/RS/813/2016 dated January 08, 2016

27.1. Mutual Funds (MFs) are mandated to annually set apart at least 2 bps on daily net assets for investor education and awareness initiatives. In this respect, it has been further decided that:

a. 50% of the unutilized portion of investor awareness and education fund under each AMC, as on March 31, 2016, shall be aggregated at the industry level with AMFI.
b. From 1st April 2016 onwards, 50% of the 2bps on daily net assets set aside by each Mutual Funds / AMCs for investor education and awareness initiatives, shall be aggregated at the industry level with AMFI on a monthly basis.
c. To this end, AMCs are required to transfer the funds mentioned at point (a) and (b) above to AMFI, within 10 days from the end of the concerned month.
d. AMFI shall ensure that the funds so aggregated shall be utilized for conducting meaningful investor education and awareness programs & initiatives (such as telecasting thought provoking messages via short soaps in mass-media, etc.) towards enhancing financial literacy in the country.
e. AMFI and AMCs have been-entrusted with the responsibility of utilization of the 2 bps set aside for investor education & awareness purposes. It is again reiterated that such funds must be appropriately utilized strictly for the mandated purpose.

28. <u>Applicability of PAN on Investment of upto INR 50,000 in Mutual Funds</u>
Reference – Letter No. SEBI/HO/IMD/DF2/OW/P/2016/6768/1 dated March 08, 2016

28.1. Please refer to the SEBI circular number CIR/MIRSD/29/2016 dated January 22, 2016, clarifying on voluntary adaptation of Aadhaar based e-KYC process.

28.2. It is being clarified that the investments in mutual fund schemes of upto INR 50,000 per investor per financial year per mutual fund as mentioned in the aforesaid circular shall continue to be exempted from the requirement of PAN as communicated to AMFI vide letter dated July 24, 2012.

29. Representation from Brokers on brokerage and transaction costs
Reference - Letter No. IMD/DF2/HB/18172/2016 dated June 27, 2016

29.1. A representation is received which states that Mutual Fund (MF) houses are interpreting that there is a ceiling of 12 basis points on the brokerage and transaction costs and the applicable service tax that may be charged to a Mutual Fund scheme and request SEBI to issue a clarification that this ceiling is exclusive of service tax.

29.2. It is surprising to note that the aforementioned view is prevalent in the industry, since this matter has been sufficiently clarified vide SEBI circulars dated September 13, 2012 and November 19, 2012 (Clause 10.1.14 of the Master Circular), as per which:

a. Brokerage and transaction costs can be capitalized in the concerned Mutual Fund scheme's books to extent of 12bps and 5bps for cash market transactions and derivatives transactions respectively. Any payment towards brokerage and transaction cost, over and above 12 bps and 5 bps for cash market transactions and derivatives transactions respectively, is to be borne by the scheme within the Total Expense Ratio (TER) limit prescribed under Regulation 52 of the SEBI (MFs) Regulations, 1996. Any expenditure in excess of the prescribed TER limits, has to borne by Asset Management Company (AMC), Trustee or sponsors.

b. Further, service tax on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit of TER prescribed under Regulation 52 of the SEBI (MFs) Regulations, 1996.

29.3. Thus, the above requirements set guidelines on appropriation of expenditure (including brokerage and transaction costs) to a scheme by an Asset Management Company (AMC) and do not set any limits on the amount of brokerage that can be paid to brokers. The brokerage that can be paid by an AMC to a broker is a commercial transaction and is to be negotiated between the AMC and the brokers.

30. Exemption of certain KYC requirements under Rule 9 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005
Reference - Letter No. IMD/DF2/MSD/OW/P/2016/ 20426/1 dated July 20 2016

30.1. SEBI has been taking various initiatives to increase penetration of Mutual Funds in India. One such initiative is to ease on-boarding of investors in Mutual Funds.

30.2. In this regard, it is clarified that as per Rule 9 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005, investments in mutual fund schemes of up to Rs. 50,000 per investor per mutual fund per financial year shall be exempted from the requirement of additional KYC information (i.e., (i) gross annual income (ii) net worth (iii) occupation details and (iv) political exposure).

31. <u>Advertising through social media</u>
Reference - Email dated May 03, 2017

31.1. Any repost by a MF/AMC on social media (even though the concerned article, data, etc. is already available in public domain) should adhere to the advertisement guidelines prescribed under SEBI (Mutual Funds) Regulations, 1996 and circulars issued there under.

31.2. For example, no retweet or Facebook post should provide link to a website, article or data that provides scheme ratings. Similarly, performance data in a repost should adhere to the guidelines prescribed under the SEBI (Mutual Funds) Regulations, 1996 and circulars issued there under.

32. <u>Clarification w.r.t. MF Branding Advertisements</u>
Reference – Letter No. IMD/DF2/RS/2017/10751 dated May 12, 2017

32.1. As per the Sixth Schedule of SEB! (Mutual Funds) Regulations, 1996; all advertisements are required to be accompanied by a risk disclaimer which states that 'Mutual Fund investments are subject to market risks, read all/ scheme related documents carefully.' In this respect, queries have been repeatedly raised whether the aforementioned risk disclaimer is to be mandatorily included in corporate advertisements that are a form of brand promotion. Accordingly, Mutual Funds may note that:

a. SEBI (Mutual Funds) Regulations, 1996 defines an advertisement as all forms of communication issued by or on behalf of the asset management company/mutual fund that may influence investment decisions of any investor/prospective investors.

b. The Advertisement code as mentioned in the Sixth Schedule of SEBI (MFs) regulations is a principle based regulatory norm. The requirement of 'risk disclaimer' as mentioned in clause (i) of the Advertisement Code applies to all communication falling within the definition of advertisement.

c. Hence, the mandate to provide risk disclaimer is as such applicable to only those communications that may influence investment decisions of any investor/prospective investors.

d. Corporate advertisements that do not solicit investments in MF / its schemes or influence investment decisions in a MF scheme, but are merely a branding exercise of a Mutual Fund (e.g. "XYZ Mutual Fund") shall not fall within the definition of advertisement and hence may not necessarily require drawing investor's attention to the risk of investing in MFs by providing risk disclaimer as mentioned in clause (i) of the advertisement code.

e. Also, program sponsorships i.e. announcement of "This part of program is brought to you by ABC Mutual Funds" during sponsored program on TV or radio, constitute a branding exercise and not an advertisement, thus such program sponsorships may not be necessarily accompanied with the risk disclaimer as mentioned in clause (i) of the advertisement code.

32.2. Further, with reference to SEBI circular dated March 15, 2017 (Clause 10.1.16 of the Master Circular) permitting celebrity endorsements of Mutual Funds at industry level, it may be noted that the Advertising Standards Council of India (ASCI) has issued guidelines for celebrities in advertisements. AMFI is thus requested to be mindful of these guidelines while issuing any endorsement of Mutual Funds as a financial product, which features a celebrity.

33. <u>Utilization of 2 bps for investor education and awareness</u>
Reference – Letter No. – IMD/DF2/RS/201712507/1 dated May 31, 2017

33.1. AMFI is advised to form a core group, drawing members from AMFI and representatives from few MFs, with the objective of creating a concrete plan and ensuring effective utilization of the 1 bps pooled for investor education and awareness purpose with AMFI. AMFI may consult SEBI prior to finalizing the members of this core group. The decisions taken by the core group in its meetings may also be communicated to SEBI.

33.2. It has also been noted that sufficient attention is not being given to certain areas while educating potential / existing investors, especially w.r.t.:

a. Direct plan of Mutual Fund schemes,
b. Availability of Systematic Transfer Plan (STP) & Systematic Withdrawal Plan (SWP) facilities.

33.3. While, as part of investor education and awareness initiatives, AMFI is advised to take concerted efforts in educating appropriate investors about the direct plan, AMFI and all Mutual Funds may also create awareness about the facility of STP and SWP along-with educating investors about the Systematic Investment Plan (SIP) facility.

34. <u>De-duplication of folios</u>
Reference – Letter No. IMD/DF2/DS/24539/2017 dated October 10, 2017

34.1. The de-duplication process across the Mutual Fund Industry for folios with PAN and PEKRN will be undertaken at the end of every quarter alternatively by CAMS and Karvy, starting from Quarter ended September 2017. For instance, for the quarter ended September 2017, the exercise will be undertaken by Karvy, for the next quarter ended December 2017, the exercise will be undertaken by CAMS and so on.

34.2. All Mutual Fund RTAs shall share the requisite data for the exercise with respective RTA who is conducting the exercise (CAMS/Karvy) within 5 Working days from end of each quarter. Further, the exercise shall be carried out and the information and results shall be forwarded to AMFI within 10 working days from end of each quarter. AMFI shall be the repository of such data. Subsequent to the transfer of data to AMFI, the data held with RTA may be purged. AMFI may submit a report on the same to SEBI on a quarterly basis.

35. <u>Total Expense Ratio- Disclosure</u>
Reference - SEBI Letter No. SEBI/HO/IMD/DF2/OW/P/2018/13813/1 dated May 09, 2018

35.1. With reference to SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/18 dated February 05, 2018 (Clause 10.1.8 of the Master Circular), AMCs shall ensure the following:

a. "*Total Expense Ratio of Mutual Fund Schemes"* tab is disclosed prominently on the home page of AMC website.

b. The scheme-wise, Date-wise TER should be disclosed in a single spreadsheet and as per the format specified by SEBI.

c. The disclosures in spreadsheet should be investor-friendly enabling filtering/ sorting feature so as to enable investors analyse the said disclosures.

36. <u>Total Expense Ratio (TER) - Change and Disclosure</u>
Reference – Letter No. SEBI/HO/IMD/DF2/OW/P/2018/22825/1 dated August 13, 2018

36.1. The choice exercised by the AMC to keep charging maximum TER even if it results in change in base TER without any regulatory requirement is an active change in base TER. Therefore, such changes require compliance with the three days prior notice before effecting such changes.

37. <u>Regarding investment by Mutual Fund in commercial papers (CPs)</u>
Reference - Letter No. – SEBI/HO/IMD/DF2/OW/P/2019/138/1 dated January 01, 2019

37.1. Both the stock exchanges (NSE and BSE) have issued notices dated December 24, 2019 and December 26, 2019 with regard to 'Listing of outstanding CPs on the exchange' and 'Guidelines on Framework for listing of CPs'.

37.2. Further, considering the intended objectives of mandating investment in listed CPs, viz. enhanced transparency and disclosures of mandating investment in listed CPs, mutual funds are advised to obtain all relevant documents and disclosures that are required for listing of CPs before finalizing the deal (i.e. deal confirmation date) for investment in CPs. The aforementioned documents and disclosures can also be accessed on the Exchange Platforms provided for listing of CPs.

38. <u>Implementation of SEBI circular dated October 22, 2018 on Total Expense Ratio (TER) and Performance Disclosure for Mutual Funds</u>
Reference – Letter No. SEBI/HO/IMD/DF2/OW/P/2019/4263/1 dated February 21, 2019

38.1. To have uniformity in charging of expenses attributable to the scheme, which are not specifically covered in terms of regulation 52(4) of SEBI (Mutual Funds) Regulations, 1996 but are very small in value and high in volume, AMFI is advised to issue the list of expenses as mentioned in AMFI e-mail dated December 07, 2018 to SEBI. Such expenses can be paid out of AMC books at actual or not exceeding 2 bps of respective scheme AUM whichever is lower.

38.2. Treatment of Borrowing Costs: The cost of borrowings by a mutual fund scheme in terms of regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996 would be adjusted against the portfolio yield and the cost of borrowings in excess of the portfolio yield, if any, shall be borne by the AMC.

38.3. Grandfathering of upfront commissions on future instalments of SIPs registered prior to October 22, 2018: AMFI has requested that AMCs may be permitted to continue paying upfront commissions on SIP/STP registered prior to the date of the Circular. The request for exemption for upfront commission for all SIPs registered prior to SEBI circular dated October 22, 2018 is not acceded to.

38.4. B-30 TER accrual and trail commission payments: As the additional TER in terms of regulation 52(6)(A)(b) of SEBI (Mutual Funds) Regulations, 1996 is based on the new inflows from individuals from beyond top 30 cities, the formula for calculation of the additional TER on daily net assets of the scheme, till retail investor is defined, shall be as under:

$$\frac{\{(\text{Daily net assets}) \times (30 \text{ basis points}) \times (\text{new inflows from individuals from beyond top 30 cities})\}}{365^{*} \text{ higher of (a) and (b) above}}$$

Where,
(a) - 30% of gross new inflows in the scheme.
(b) - 15% of the average assets under management (year to date) of the scheme.

The formula is modified to the extent of 'new inflows from individuals from beyond top 30 cities' in place of 'new inflows from beyond top 30 cities' in the numerator. In denominator the condition (a) i.e. 30% of gross new inflows in the scheme would remain unchanged.

Further, it is stated that the list of T30 cities disclosed by AMFI shall continue to be based on total AUM rather than AUM of individual investors.

38.5. Treatment of investor education cost (2 bps set apart): Any expenses towards investor education and awareness initiatives in excess of the amount set apart through 2 bps shall be borne by the AMC.

38.6. AMFI has submitted that it will be more appropriate to allocate some expenses, due to their nature, among Regular and Direct Plans based on transaction count, folio count and requested amendment of circular. In this regard, the request of AMFI is not acceded and it is advised to ensure that the expenses charged in a Direct Plan (in percentage terms) under various heads shall not exceed the expenses charged under such heads in a Regular Plan.

38.7. Disclosure of Scheme Performance:

a. The AUM of all schemes except liquid schemes has to be disclosed on daily basis on AMFI website. In case of liquid schemes the closing AUM and the AAUM of the previous month has to be disclosed on AMFI website on daily basis. However, it is stated that the day the AUM movement (both upward and downward) of liquid scheme is more than 10% cumulatively from the previous disclosed AUM, the AUM of that day has to be disclosed and such disclosed AUM becomes the reference AUM for future disclosure of AUM during that month, for movement of AUM if any.

   Further, it is advised that an appropriate disclosure regarding the AUM of liquid schemes disclosed on AMFI website on monthly basis including the trigger limit of 10% is to be made as an explanation through footnote.

b. The interpretation of AMFI that scheme performance needs to be disclosed only for growth option of both regular and direct plans is accepted.

c. The interpretation of AMFI with respect to disclosure of performance of schemes that are in existence for less than one year, except in case of overnight fund, liquid fund, ultra-short duration fund, low duration fund, and Money Market Funds (where the performance shall also be disclosed for a period of 7 days, 15 days, 1 month, 3 months and 6 months) is accepted.

d. The provisions of SEBI circular dated October 22, 2018 (Clause 5.9 of the Master Circular) regarding performance disclosure shall be followed simultaneously along with provisions of all other circulars issued by SEBI on performance disclosure.

38.8. Other Interpretations/ Representations:

a. The interpretation of AMFI that the downward change in base TER in direct plan due to change in expenses of regular plan may not necessitate an advance notification to investors as the same is necessitated due to regulatory requirements, is accepted.

b. Regarding payment of withheld commissions, including upfront commission for sales pertaining to the period prior to October 22, 2018 (e.g. with-held for claw back of commission, ARN renewal pending, etc.), the request of AMFI of making payment subsequently is acceded to. AMCs may be advised by AMFI to make all the withheld payments within a period of 3 months from the date of this letter, subject to fulfilment of all the requirements specified.

c. Regarding consideration of SIPs registered prior to SEBI Circular dated October 22, 2018 (Clause 5.9 of the Master Circular) for the purpose of determining the total SIP inflows across all schemes of a mutual fund upto Rs. 5000, it is clarified that upfronting of trail commission for total SIP inflows of upto Rs.5,000 per month, per investor, across all schemes of a mutual fund, includes the SIPs registered prior to the date of the circular i.e. October 22, 2018.

d. The request of AMFI to honour the commercial commitments made to distributors prior to the date of the circular is not acceded to.

39. <u>Investor Education and Awareness Initiatives</u>
Reference - Letter No. SEBI/HO/IMD/DoF4/0W/P/2019/9576/1 dating April 12, 2019

39.1. Considering that Asset Management Companies ("AMCs") conducting Investor Education Campaigns on distributor's platforms viz. web banner, distributor sending e-mailers to investors, publishing education advertisement in monthly magazine of distributors etc. may benefit only to those investors investing through that particular distributor(s) or investment advisor(s) and thus would not be available to all other investors including investors using direct plans and prospective investors. Thus, the cost incurred on Investor Education and Awareness Initiatives through distributors or investment advisors shall not be charged to IAP corpus i.e. 1 bps earmarked by the AMC.

39.2. As a part of Investor Education and Awareness initiatives, the members of AMFI may be advised to use other mode of reaching general public at large.

40. <u>Withholding of distributors' commission for incomplete KYCs</u>
Reference – Letter No. SEBI/HO/lMD2/DoF4/OW/P/19402/2019 dated July 30, 2019

40.1. AMCs shall transfer all such withheld commission to a separate bank account. The commission may be released to the respective distributors only after ensuring such clients are KYC complied.

40.2. The AMCs shall report to the Trustees in their quarterly report, regarding the steps taken by them in completing the KYCs. Further the Trustees may be informed about the progress in reducing the number of incomplete KYCs.

41. <u>Prudential Framework for Resolution of Stressed Assets</u>
Reference - Letter No. SEBI/HO/IMD/DF2/OW/P/2019/22447/1 dated August 29, 2019

41.1. Regarding RBI Circular dated June 07, 2019 on 'Prudential Framework for Resolution of Stressed Assets', it is optional for Asset Management Companies (AMCs) of mutual funds to participate in Inter Creditor Agreement (ICA) or give consent to Debenture Trustee to sign on their behalf. However, the participation of AMCs of mutual funds shall be subject to the following:

a. Segregation of portfolio pursuant to a credit event should be the pre-condition for signing of ICA for the assets in the segregated portfolio.
b. In case any intimation is received by the debenture trustee(s) / AMCs to join an ICA, the information should be shared with the CRAs. Based on the information, the CRAs may update the credit ratings of

securities of that issuer as appropriate.

c. If the revised credit rating of those securities is downgraded to below investment grade, the AMCs may segregate the portfolio in terms of SEBI Circular dated December 28, 2018 (Clause 4.4 of the Master Circular), if not segregated already, pursuant to which the AMC(s), can at their option sign the ICA.
d. Signing of ICA and agreeing to the Resolution Plan (RP) should be in the best interest of the investors and in compliance with all relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and relevant circulars issued thereunder.
e. AMCs can participate in the ICA subject to approval of their Board and the trustees.
f. AMCs shall ensure that the following conditions are part of the ICA before signing the ICA:

    i. If RP imposes condition(s) on the AMCs which are not in accordance with the provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder, then AMCs shall be free to exit the ICA altogether with the same rights as if it had never signed the ICA. In such a circumstance, RP would not be binding on the AMCs.

    ii. RP shall be implemented within 180 days from the end of review period. If not, the AMCs shall be free to exit the ICA altogether with the same rights as if it had never signed the ICA. In such a circumstance, RP would not be binding on the AMCs.

    However, if AMCs feel that extension of implementation period of RP beyond 180 days from the end of review period is in the interest of investors, the proposal for extension shall be placed before the board of AMC and Trustees for approval subject to the total time for implementation of RP not exceeding 365 days from the commencement of review period.

    iii. If any of the terms of the approved RP are contravened by any party to the ICA, AMCs shall be free to exit the RP and take legal recourse or take any other action as deemed fit in the interest of the unitholders.

41.2. Overall, AMCs have to evaluate whether it is in the best interest of the unit holders to participate in ICA or not, taking into account the nature of the securities held and other recourse it has in comparison with other lenders / investors, possibility of selling its investment etc.

42. Valuation of money market and debt securities rated below investment grade

Reference – Letter No. SEBI/HO/IMD/DF4/OW/P/2019/24760 dated September 20, 2019

42.1. It has come to notice that in certain cases wherein information on rating change to sub-investment grade was received after declaration of NAV at 9 pm, the indicative haircuts were applied on the next business day instead of the same date.

42.2. In order to protect the interest of all Investors in a MF scheme and to maintain uniformity, in case information on rating change is received after the valuation price is released by the agencies or after NAV has already been declared, the NAV should be suitably revised such that indicative haircuts are incorporated on the date of the credit event.

43. Clarification sought by AMFI with respect to charging of TER for inflows from B-30 cities

Reference - Letter No. SEBI/HO/IMD/DF2/OW/P/2019/26551/1 dated October 09, 2019

43.1. The threshold limit of Rs. 2,00,000 for considering inflows from "retail investors" from beyond top 30 cities shall be considered by clubbing all transactions received on the same day from an individual investor in a particular scheme.

44. Exit load in Liquid Funds

Reference– Letter No. SEBI/HO/IMD/DF2/OW/P/2019/271771/1 dated October 15, 2019

44.1. To ensure uniformity across the industry, AMFI has been advised to prescribe the minimum exit load in a liquid fund on a graded basis in consultation with SEBI.

44.2. In this regard, SEBI is in agreement with the following graded basis load structure proposed by AMFI for liquid funds:

Investor exit upon subscription	**Exit load as a% of redemption proceeds**
Day 1	0.0070%
Day2	0.0065%
Day3	0.0060%
Day4	0.0055%
Day5	0.0050%
Day6	0.0045%
Day 7 onwards	0.0000%

44.3. All AMCs must suitably inform about the exit load structure to investors in liquid funds.

44.4. No change in the aforesaid exit load structure shall be made without prior consultation with SEBI. However, since interest rate scenarios can change overtime, the load structure should be reviewed annually by AMFI in consultation with SEBI.

45. <u>Creation of segregated portfolio in mutual fund schemes</u>

Reference – Letter No. SEBI/HO/IMD/DF2/OW/P/2019/28242/1 dated October 24, 2019

45.1. With regard to the following para on segregated portfolio it is clarified that full portfolio (both principal and interest) of the affected security / instrument has to be segregated

"The term 'segregated portfolio' shall mean a portfolio, comprising of debt or money market instrument affected by a credit event, that has been segregated in a mutual fund scheme."

45.2. Process for creating segregated portfolio requires issuance of notice to press and disclosure of the same prominently on AMC website. In this regard, it is clarified that newspaper publication is not mandatory. Further, other requirements of the circular regarding disclosure and intimation to investors shall continue to be applicable.

45.3. The payment of scheme expenses on segregated portfolio by AMC and subsequently charging to the scheme upon recovery in terms of the circular would not be viewed to be in conflict with other guidelines issues in respect to charging on expenses from the scheme only within the regulatory limits and not from the books of the Asset Management Companies.

45.4. Further, regarding the below given clause of the circular it is clarified that the maximum permissible limit is as referred in Regulation 52(6) of SEBI (Mutual Funds) Regulations, 1996.

"The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within *the* maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC."

46. <u>Guidelines for optimum use of the funds set aside for Investor Education & Awareness Initiatives (IEAI) by Asset Management Companies (AMCs)</u>
Reference – Letter No. SEBI/HO/IMD2/OW/P/27647/2019 dated October 29, 2019

46.1. In order to ensure that the funds allocated for the IEAI are utilized appropriately and to have uniformity for the use of the funds, the following guidelines shall be followed:

a. <u>Basic principles to be followed by AMCs while conducting IEAI out of the funds earmarked as mentioned above</u>:

i. The funds shall not be used for brand building exercises of MFs/AMCs.
ii. The funds shall not be used for selling/advertising Mutual Fund schemes.
iii. The funds shall not be misused for paying any remuneration to the distributors, directly or indirectly.

b. <u>Broad guidelines to be followed by AMCs while utilizing the funds are mentioned below</u>:

The funds set aside for IEAI are utilized in various ways by AMCs such as conducting investor awareness programs/seminars (IAPs), contents on investor awareness in print media (newspapers, magazines etc.) and programs on mutual funds in electronic media (TVs, Radios etc.). An indicative (not exhaustive) list of initiatives for optimum utilization of the funds earmarked for conducting IEAI by AMCs and broad guidelines for the same are as follows:

A. Investor Awareness Programs/Seminars(IAPs)

i. The IAPs should be conducted by trained professionals across India viz metros, state capitals, urban, semi-urban and rural areas.

a) A standard presentation shall be provided by AMFI for the 'basic' investor awareness events so as to ensure uniformity in the content for IAPs conducted across the country. AMCs may add additional content based on the profile of the attendees of the IAPs, if required.

b) The presentation may also be made in the regional/ local language for better understanding of the investors in the location where IAP is conducted.

c) Details of all the IAPs shall be advertised in local media for wider publicity and to ensure maximum participation by locals. The details of IAP like address, contact person, phone numbers, date and status (scheduled/ postponed/cancelled etc.) should be uploaded well in advance on the AMFI website and the respective AMC's website.

d) Once IAP is scheduled and advertised in local newspapers, AMCs should avoid rescheduling, postponing and cancelling the same. Frequent rescheduling, postponing and cancellations of the IAPs shall be viewed adversely.

ii. In the instances where the IAPs are conducted for specific set of closed group of investors viz employees of specific corporate entities, Govt. departments or PSU's, employees of an organization who are due to retire, police personnel, defense personnel, etc. the details of the same should be uploaded on the AMFI website and the respective AMC's website. Further in such cases local publicity may not be required. The AMFI website and the respective AMC's website should indicate whether in such cases the IAP is open for all or not.

iii. Advanced educative programs to cover mutual funds in greater detail or covering specific topics like financial planning, tax planning and wealth creation with the help of Mutual Fund products may be included in the presentation depending on the group of investors.

iv. The details with regard to the categorization and rationalization of the scheme, relevance of various schemes for different investors for different purpose may also be suitably explained.

v. No separate session w.r.t the promotion of specific products or schemes shall be conducted in the same venue in continuation of the IAP.

vi. List of attendees along with their signatures and photographs of the events shall be maintained.

B. Print Media

Write up on mutual funds/ financial planning/personal finance topics to enlighten the investor in addition to advertisements on investor awareness may be published in national dailies, business publications, magazines etc. having large circulation.

C. Handbook/ Reading Materials

Brochures, books, pocket money books, leaflets etc. may be developed along with AMFI on various areas of mutual funds/ financial planning/personal finance topics including basic to advanced topics. The same may also be translated into multiple regional languages to enhance maximum reach.

D. Social Media

Social media is one of the effective means of creating awareness. Short videos (or other multi-media contents) on Mutual Funds/ financial planning/ personal financial topics may be developed and disseminate on different social media platform like YouTube, Facebook, Twitter, lnstagram etc. for creating investor awareness.

E. Television

Television programs on mutual funds/ financial planning/personal finance topics may be created wherein live interaction with the audience and resolving their queries pertaining to Mutual Funds may also be part of the program.

F. Radio

Chat shows may be conducted on radio programs wherein live interaction with the audience and resolving their quires pertaining to mutual funds/ financial planning/personal finance topics may also be made part of the show.

G. Websites

Separate blog/ web page may be created on different areas of mutual funds. These blog/ web page may consist of articles or themes for different age groups and category of people for better understanding of Mutual Funds.

Ill. Mandatory contents

The following shall compulsorily form part of each investor education initiative:

I. The investors shall be informed about documentary requirements and procedures of completing one time KYC (Know Your Customer). Details of the procedure w.r.t change of address, phone number, bank details etc. may also be mentioned.

II. Investors shall be cautioned that they should deal only with registered Mutual Funds details of which can be verified on the SEBI website under "Intermediaries/Market Infrastructure Institutions".

III. The investors shall be informed about procedures with regard to redressal of their complaints including details about SEBI SCORES portal.

IV. <u>Disclosures</u>

For every mode of IEAI conducted, there shall be following disclosures at the end:

i. It should be clearly mentioned that the program or the material is part of investor education and awareness initiative of the Mutual Fund.

ii. Risk Disclosure: *"Mutual Funds investments are subject to market risks. Read all scheme related documents carefully".*

47. <u>Guidelines to be issued by AMFI as per SEBI circular dated September 24, 2019</u>
Reference – Letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019

47.1. Mutual Funds / AMCs shall ensure that guidelines on the following, issued by AMFI in consultation with SEBI, are strictly followed by the valuation agencies.

a. Waterfall approach for valuation of money market and debt securities
b. Polling process for money market and debt securities
c. Valuation of upfront fee (or any other consideration) received in a Mutual Fund scheme
d. Investment by Mutual Funds in partly paid debentures

47.2. Further, daily data on security level pricing, as provided by valuation agencies to Mutual Funds, shall be disclosed on the respective website of these agencies. This disclosure shall include ISIN, name of security, maturity date, credit rating used for valuation along-with the security level price given by the valuation agency to Mutual Funds. Further, these details shall be made available with a lag of 30 days. AMFI is advised to ensure that the above disclosure is made by the valuation agencies, within 10 days from receipt of this letter.

48. <u>To permit Multi Asset Allocation Funds to continue to invest in /hold gold in physical form</u>
Reference – Letter No. SEBI/HO/IMD/DF3/OW/P/2019/31579/1 dated November 28, 2019

48.1. Mutual fund schemes other than Gold ETFs are not allowed to invest in physical gold.

48.2. Accordingly, it is clarified that;

a. The AMCs are allowed a period of 3 months, from the date of receipt of this letter, to rebalance the Multi Asset Allocation Funds portfolio.

b. The AMCs are not allowed to make fresh investments in physical gold.

49. <u>Guidelines for use of the funds set aside for Investor Education & Awareness Initiatives (IEAI) by AMCs</u>
Reference – Letter No. SEBI/HO/OW/IMD-II/DOF3/P/2019/34582/1 dated December 24, 2019

49.1. AMFI is advised to set aside the 1 bps received from AMCs in respect of ETFs (Equity and Debt ETFs) and Index Funds and use the said amount specifically for investor awareness/ education programs pertaining to investment in ETFs (equity and debt ETFs) and Index Funds.

49.2. AMFI is also advised to submit a status report on the amount received and spent in respect of the above on half yearly basis.

50. <u>AMFI Letter No. AMFI/17/SEBI/57/2019-20 dated January 08, 2020 regarding releasing of commission withheld due to incomplete KYC on Redemption</u>
Reference – Email dated January 10, 2020

50.1. The AMCs are required to complete the KYC in all cases and obtain PAN in all non-PAN exempt cases before any transaction including redemptions. In view of the same, AMCs shall not release the trail commission withheld due to incomplete KYC pursuant to SEBI letter dated July 9, 2018 in all such cases where the investors had redeemed the units in their non-PAN exempt folios.

51. <u>Implementation of Amendments in Indian Stamp Act, 1899 brought out through Finance Act, 2019 and rules made thereunder</u>

Reference – Letter No. SEBI/IMD/DF2/OW/P/2020/11099/1 dated June 29, 2020

51.1. MOF vide letter dated June 26, 2020 has informed that the Amendments in Indian Stamp Act and the rules made thereunder will be w.e.f. July 1, 2020.

51.2. Based on the guidance of MOF, clarification on the issues raised by AMFI is as given below.

a. Sub-section 23A of Section 2 of the Indian Stamp Act, 1899 in Finance Act, 2019 (the Stamp Act) defines securities as including securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (SCRA, 1956). Further, clause(h)(id)of Section 2 of SCRA, 1956 which defines "securities" includes "units or any other such instrument issued to the investors under any mutual fund scheme" under its ambit. Therefore, units of Mutual Fund (MF) Schemes are to be considered as securities.

b. Issue of fresh units in the switched scheme would also attract stamp duty even though there is no physical consideration paid or transfer of ownership. This is because the new units are deemed to have been purchased with the NAV realized from the sale of earlier units.

c. Redemption is not liable to duty as it is neither a transfer nor an issue nor a sale.

d. As clear from the Stamp Act that in case of Mutual Fund transactions (sale, transfer and issue in demat mode) through recognized Stock Exchange or Depository as defined under SCRA, 1956, and Depositories Act, 1996 respectively, the respective stock exchange/ authorized Clearing Corporation or a depository is already empowered to collect Stamp Duty as per Amended Stamp Act and rules made thereunder. However, to provide for collection of Stamp Duty on transactions in mutual fund units in the statement of account/ physical (non-demat) form, RTIs and / or STA have been notified (vide Gazette Notification dated 8th January, 2020) as a "depository" for the limited purposes of acting as a "collecting agent" under the said Act and the rules made thereunder.

e. Since RTI and/or STA of Mutual Funds have been declared as depositories under the Stamp Act vide gazette notification dated 8th January, 2020, and hence the entire mutual fund business gets covered under Section 9A of the Stamp Act. Section 9B is not applicable to Mutual Funds. RTAs have to function like a depository in respect of issue and sale or transfer of mutual funds and the extant Stamp Rules applies to them as well i.e. the operational clause for them is Section 9A and not 9B of the Stamp Act.

f. Accordingly, for non-demat MF transactions, collection of Stamp duty by RTAs (as notified depositories) also shall be governed by the provisions of Section 9A(1)(b) and 9A(1)(c) and the transfer of stamp duty to the respective states shall be governed by the provisions of Section 9A(4) of the Stamp Act.

g. Duty is imposed on the value of units excluding other charges like service charge, AMC fee, GST, etc. if the units are issued for Rs. 1 Cr. then Rs.500 would be the stamp duty to be remitted to states.

h. It should be ensured that double incidence of stamp duty doesn't occur on any transaction.

i. As per rule 7(2) of the Indian Stamp (Collection of Stamp-Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules 2019, the collecting agents shall transfer the collected stamp-duty in the account of concerned State Government with the Reserve Bank of India or any scheduled commercial bank, as informed to the collecting agent by the Reserve Bank of India or the concerned State Government. The State Government/ UTs have already been requested to appoint a nodal officer as per rule 7(5) of the aforementioned Rules. The issue of transfer of stamp duty to the respective states is expected to be handled with coordination between the principal officers of collecting agents and nodal officers of States as well as SEBI.

AMFI/Mutual Funds/RTAs are advised to take note of the clarifications and have the required infrastructure and the institutional mechanism ready in order to ensure smooth implementation of the provisions of the said Act as well as the rules made thereunder.

52. <u>Instructions from SEBI regarding transactions in units of Mutual Funds on Digital Platforms and other issues</u>

Reference – Letter No. SEBI/HO/IMD/DF5/OW/P/2020/11567/1 dated July 10, 2020

52.1. Based on the recommendations of the Working Group, following instructions are being issued on Digital Platforms - Mutual Funds:

a. Daily NAV, scheme portfolio and other scheme related details shall be provided in a standard format that can be hosted on the websites of the digital platforms involved in transactions in units of mutual funds. AMFI shall prescribe the standard format in this regard.

b. Standard messaging formats for all types of communication - forward and reverse feeds, financial and non-financial, shall be provided by RTAs in consultation with industry participants.

c. AMCs/RTAs shall ensure parity in acceptance of transactions through various channels, in compliance with various circulars issued by SEBI from time to time, regarding NAV applicability and cut-off timings.

d. Data privacy: Digital platforms in business of distribution of / advice on Mutual Funds units, AMCs, RTAs and industry participants having investors' data should respect and adhere to user's data privacy. Accordingly, following shall be noted:

i. user data shall not be shared between group entities managing multiple business or products.
ii. mobile applications or websites owned by RTAs/ digital platforms etc., shall not be promoted to such investors who are not acquired/ managed by them directly. RTAs may communicate directly through their own channels/ modes, only as needed in terms of SEBI Regulations and Circulars.
iii. products & services of group companies shall not be cross-marketed.

AMCs shall ensure that digital platforms selling their products adhere to the above.

e. AMCs/ RTAs shall ensure that all investor service requests, whether financial or non-financial shall be dealt with in a uniform manner irrespective of the channel such request is received from.

f. For investments routed through exchange platforms, both in demat and non-demat modes, AMCs shall ensure compliance with provisions related to payment of transaction charges to mutual fund distributors, in terms of SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder.

g. RTAs shall develop procedures to ensure digitization of non-financial transactions with due consideration of provisions of Prevention of Money Laundering Act, 2012, rules and regulations made thereunder and SEBI circulars issued in this regard.

h. RTAs shall notify planned downtime to all platforms in advance by 7 calendar days. ln case of unplanned downtime, alert notifications shall be sent instantly to all platforms including expected time for recovery.

52.2. The instructions of this letter shall be:
a. implemented w.e.f. November 2,2020, except for point 2(b) above.
b. implemented on or before December 31, 2020 for instructions at point 2(b) above. Status of the implementation shall be updated to AMFI on a monthly basis.

52.3. AMFI / AMCs shall bring the contents of this letter to the attention of all digital platforms/ Investment Advisors/ Mutual Fund Distributors/ other Intermediaries / Stock Exchanges etc., involved in transactions in units of mutual fund.

53. <u>Disclosure of valuation by Valuation agencies to Mutual Funds</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2020/12151/1 dated July 31, 2020 read with Email dated August 12, 2020

53.1. SEBI letter dated November 07, 2019 on 'Guidelines to be issued by AMFI as per SEBI circular dated Sept 24, 2019' addressed to The Chairman, AMFI stated as under:

"It has also been decided that daily data on security level pricing, as provided by valuation agencies to Mutual Funds, shall be disclosed on respective website of these agencies. This disclosure shall include /SIN, name of security, maturity date, credit rating used for valuation along with the security level price given by the valuation agency to Mutual Funds. Further, these details shall be made available with a lag of 30 days. AMFI is advised to ensure that the above disclosure is made by the valuation agencies, within 10 days from receipt of this letter."

53.2. Valuation agencies shall provide consolidated list of valuations/SLP (including yield analysis) of all money market and debt securities to all AMCs (regardless of its holding) on a daily basis and disclosure of the said valuations/SLP data on the website of the valuation agencies shall continue to be with a gap of thirty days as per SEBI letter dated November 07, 2019.

53.3. AMFI is advised to ensure that the above disclosure is made by the valuation agencies, within 10 days from the applicability of the circular.

54. <u>AMFI's email dated September 04,2020 on amendments to SEBI (Investment Advisers) Regulations, 2013</u>
Reference – Email dated September 22, 2020

54.1. Regarding the request for exemption/extension from compliance of Regulation 3(3) of SEBI (Investment Adviser) Regulations, 2013, AMCs are advised to ensure the following for MFDs:

a. MFDs shall not use the nomenclature "Independent Financial Adviser or IFA or Wealth Adviser or any other similar name" while dealing in distribution of securities.
b. The name of an MFD should reflect the registration held by the entity and should not in any way create an impression of performing a role for which the entity is not registered. Thus, every MFD, while dealing in

distribution of securities, should clearly specify that he /she is acting as MFD.

c. MFD's Name and tagline, should be placed together in a clear and legible font size. The same disclosure should be followed in all forms of communication i.e. website, mobile app, printed or electronic materials, business card, sign board etc.

54.2. AMCs must ensure that mutual fund distributors whose registered name has the terms such as Adviser / Advisor / Financial Adviser/ Investment Adviser/ Wealth Adviser/Wealth Manager/Wealth Managers etc. should submit name change applications with ROC by October 15, 2020 and also ensure the collection of documentary evidence in this regard. In case approval is under process by the concerned ROC, as on October 15, 2020, AMCs should ensure the completion of this name change exercise latest by December 31, 2020.

55. <u>Portfolio disclosure for debt schemes on a fortnightly basis</u>
Reference – Email dated September 30, 2020

55.1. Regarding fortnightly disclosure of portfolio for debt schemes, following shall be intimated to Mutual Funds:

a. Mutual funds shall disclose the scheme portfolio within 5 days from the end of each fortnight (i.e. for the periods from 1st day of the month to the 15th day of the same month and from 16th day of the month till the last day of the month).

b. All conditions stipulated in SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 5, 2018 (Clause 5.1 of the Master Circular) shall also be applicable w.r.t. portfolio disclosure.

56. <u>AMFI's email on SEBI (Investment Advisers) Regulations, 2013</u>
Reference - Email dated October 14, 2020

56.1. Regarding compliance of Regulation 3(3) of SEBI (Investment Adviser) Regulations, 2013 by entities engaging in advice or distribution on Mutual Funds, following is informed:

56.2. SEBI registered stock brokers or portfolio managers who are acting as advisors (seeking exemption from registration as Investment Adviser), it may be noted that these entities can only advise and/or execute Direct Plan Schemes on behalf of their clients since Chapter III of the SEBI (Investment Adviser) Regulations, 2013 is applicable to them. Such stock brokers or portfolio managers can have the words like "Adviser" in their name. Further, advice on buying or selling mutual funds is not incidental to registration as a merchant banker.

56.3. SEBI registered stock brokers or portfolio managers or merchant bankers who are acting as distributors of Mutual Funds cannot have words like “Adviser” in their name.

56.4. SEBI registered stock brokers or portfolio managers who use both the above models with client level segregation, should reflect broking or PMS activity in their name. Further they cannot have words like “Adviser” in the entity’s name or in the name of the distribution division.

56.5. AMFI can issue NOC to its members for the specific purpose of name change in compliance with Regulation 3(3) of SEBI (Investment Adviser) Regulations, 2013.

56.6. The time line for making application to RoC for change in name is extended from October 15, 2020 to October 31, 2020. For MFDs functioning as proprietary/partnership entity, same timelines will apply.

57. <u>Trades by mutual funds through RFQ System</u>
Reference– Letter No. SEBI/HO/OW/IMD-II/DOF3/P/2021/1467/1 dated January 18, 2021

57.1. The regulatory intent of the circular mandating trading through RFQ platform is full transparency and price discovery on exchange platform which can be achieved only through One to Many (OTM) mode. Accordingly, AMCs are required to ensure the above in a calibrated manner by increasing the percentage of trades in OTM mode to such a stage that all possible transactions are carried out in OTM mode.

57.2. Further, the RFQ system at stock exchanges does not capture trading member related details and AMCs currently maintain it outside the RFQ system. Hence, as requested by AMFI, AMCs are permitted to accept the Contract Note from the brokers for those OTO transact ions till such time that all possible transactions are carried out in OTM mode.

57.3. With respect to the issue of Inter Scheme Transfers (IST), it is informed that RFQ system is not a reporting platform and reporting of IST trades which are kept out of the purview of the RFQ platform may be reported as per the earlier practice.

58. <u>Product Labelling in Mutual Fund schemes - Risk-o-meter</u>

Letter No. – SEBI/HO/IMD-II/DOF3/OW/P/2021/1566/1 dated January 19, 2021

58.1. It is understood that AMFI has appointed a vendor for collection of data and AMFI is in discussion with Stock exchanges for discussing the commercials. Till such time 'Very High risk' to be considered for the schemes wherein equity component is more than or equal to 50% of net assets held by the scheme. Further, for cash segment, prices across NSE and BSE and for F&O segment, prices on NSE to be considered by mutual funds.

58.2. To begin with, if more than or equal to 90% of the subscription to the issuance is by a single Mutual Fund, directly or indirectly, then mutual funds shall label the structure as bespoke. The data on which securities have 90% or more subscription to the issuance by single issuer, directly or indirectly, may be sourced by the vendor from the depositories.

58.3. Any call or put option or periodic coupon resets shall be considered as "embedded options". After the expiry of the embedded option, if there are no further options in the said instrument, then it shall be treated as "without embedded option".

58.4. Credit risk value and liquidity risk value of the following:

a. <u>Triparty Repo in government securities and Triparty Repo on corporate bonds for which settlement is guaranteed by clearing corporation:</u>
With regard to Triparty Repo in government securities, dealt in CROMS, the risk shall be that of G-Secs. Triparty Repo for which settlement is guaranteed by clearing corporation may also be treated as AAA in terms of SEBI circular on risk-o-meter.

b. <u>TREPs on corporate bonds which are OTC traded and whose settlement is not guaranteed by clearing corporation:</u>
To begin with, the risk of the underlying instrument may be considered in respect of TREPs in corporate bonds traded in OTC market and TREPS in corporate bonds traded on stock exchanges whose settlement is not guaranteed by clearing corporations.

c. <u>BRDS:</u>
AMFI’s proposal pertaining to BRDS that they shall be treated similar to Certificate of Deposits (CD) and credit risk value and the liquidity risk value shall be derived based on the lowest conservative long term ratings for senior instrument, as prescribed under clause 3.i.e is accepted only if BRDS has recourse available with the banks for the said instruments. Otherwise the instrument shall be assigned highest risk value for all the three parameters of debt instrument as specified in the said SEBI circular.

58.5. "To be listed" securities can be considered as listed securities for a period of 1 month for bonds and for a period of 1 week for Commercial Papers and Certificate of Deposits, beyond which, these securities will be treated as unlisted from risk-o-meter perspective.

58.6. If the short term instrument is not subordinate, the lowest long-term issuer rating for senior instruments (excluding Perpetual and Hybrid securities) or instruments with similar structure I standing shall be considered. Further, if the short term instrument is subordinate, the lowest long-term issuer rating for subordinate instruments shall be considered (excluding Perpetual and Hybrid).

58.7. Credit risk value and liquidity risk value shall be based on the lowest long term credit rating as per the "long term credit rating - short term credit rating" mapping published by credit rating agencies.

58.8. Scheduled commercial bank deposits (Commercial bank deposit) shall be treated similar to Certificate of Deposits (CD). Further, Credit risk value and liquidity risk value of scheduled commercial bank deposits shall be based on the lowest long term credit rating for senior instrument of the issuer.

58.9. For cash segment, the prices of BSE and NSE to be considered for calculating volatility (most conservative volatility value across stock exchanges for a given month) and impact cost (average value of impact costs across stock exchanges for a given month).

58.10. Risk values for IPOs and recently listed equity securities:

a. For yet to be listed IPO, the market capitalisation shall be calculated based on the final price discovered during the book building process and if that is not available then the lower of the price band determined by the issuer.

b. During the period between three months (or the listing date if listed after 3 months) and two years from the listing date, the volatility value shall be calculated based on the available security prices from the listing date till the month end for which risk-o-meter is computed.

c. In case the security is not listed within 3 months, the volatility risk value and impact cost risk value shall be 6 and 9 respectively (highest values).

58.11. Regarding Risk values for Equity related securities such as Warrants, Rights, Preference shares, Partly-paid shares, if the preference shares are convertible, they shall be treated like equity instrument with highest impact cost value and volatility value. If such shares are not convertible, then they shall be treated like debt instrument of the said issuer with credit rating being lowest long term credit rating of the instrument of the said issuer and interest rate risk value being highest as the instrument has no maturity. In case of Warrants, Rights, and Partly-paid shares, they will be treated as equity instruments.

58.12. As regards Risk values for equity securities of demerged companies, the Market capitalisation value shall be determined based on the valuation of the demerged entity as per the terms of de merger. With respect to Volatility value and impact cost value, the treatment shall be as mentioned in SEBI response to Risk values for IPOs and recently listed equity securities.

58.13. Regarding Liquidity risk value and impact cost risk value for Preference shares, if the preference shares are convertible, they shall be treated as an equity instrument with highest market capitalization value, impact cost value and volatility value. If such shares are not convertible, then they shall be treated as a debt instrument of the said issuer with credit rating as lowest long term credit rating of a senior instrument of the said issuer and interest rate risk value being highest as the instrument has no definite maturity.

58.14. Regarding mutual fund schemes holding legacy unlisted shares, highest values for the three parameters shall be assigned for unlisted shares (i.e. a value of 9, 6 and 9 for market capitalization value, volatility value and impact cost value respectively).

58.15. Annualised Volatility as calculated by NSE for F&O instruments shall be used by mutual funds for Index/Stock Futures.

58.16. The implied volatility of Index/stock option and value of India VIX for the last trading day of the month shall be considered for the calculation purpose.

58.17. With respect to Exchange Traded Commodity, for gold and silver derivatives, the risk value shall be based on the volatility value of the derivative instrument as mentioned in table 9 of the aforesaid SEBI circular. For other derivative instruments, a risk value of 6 shall be assigned.

58.18. ADR/GDR shall be treated as foreign securities and accordingly assigned a risk value.

58.19. Mutual funds shall use current month's risk-o-meter values of the underlying MF schemes and disclose the risk-o-meter of such schemes investing in other schemes by 12th day of the month as the risk-o-meter of underlying MF schemes shall be published latest by 10th day of subsequent month.

58.20. **Regarding current assets following is clarified:**

a. Contractual Receivable (Net) which are non-default, shall be treated similar to the treatment of underlying bonds for which it is receivable.

b. For securities which have defaulted, appropriate risk value based on the underlying issuer and the security shall be assigned. Accordingly, highest credit risk value and liquidity risk value will be assigned based on Table 1 and 3 of the SEBI circular. Further, Interest rate risk value shall be considered as 6 (highest as the instrument has defaulted and there is no clarity on when will the proceeds of the same be realized). Calculations shall be in line with the para 3(i)(d) of the annexure to the circular. The securities which have defaulted beyond maturity are not current assets and shall not be grouped under Net current assets.

c. As the gross assets are considered for calculating the risk value of risk-o-meter, the borrowing by the schemes can be excluded.

58.21. Mutual funds shall state in the SID and KIM that the product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

58.22. Regarding annual disclosure relating to the start level of Risk-o-meter and number of changes, for the financial year 2019-20, the annual disclosure shall be based on Risk-o-meters (Riskometer) published post the date of the circular

58.23. Mutual funds shall communicate the change in risk-o-meter, if any, along with month-end portfolios which is disclosed by the 10th of the following month.

59. Regarding Code of Conduct for Fund Managers and Dealers

Reference – Letter No. SEBI/HO/IMD II/DoF4/OW/P/3503/2021 dated February 09, 2021

59.1. Regarding Code of Conduct for Fund Managers and Dealers, the following may be noted:

a. Not only the communications relating to order placement and trade execution but all communication during market hours shall be recorded to comply with Regulations as notified.

59.2. Regarding the clause '*Fund Managers shall record in writing, the decision of buying or selling securities together with the detailed justifications for such decisions'*, AMC should ensure that recording of such decisions including data, facts and opinion leading to that decision is prepared as per instruction of and approved by Fund Managers. Accordingly, AMC is advised to comply with the regulations as notified.

59.3. Regarding clause *'Dealers and Fund Managers shall ensure that investments are made in the interest of the unit holders',* the dealers are supposed to execute deal in the interest of the unit holders while, responsibility w.r.t. investments decisions shall remain on the fund managers. However, if the transactions on the face of it, is not in the interest of unitholders, dealer must seek documented clarification from Fund Manager and where necessary the next higher level before executing the deal.

60. <u>Dedicated Email Id for sharing Quarterly reports containing information on cyber-attacks and threats experienced by Mutual Funds/ AMCs</u>
Reference - Email dated February 17, 2021

60.1. A dedicated email id, **cybersecurity_amc@sebi.gov.in**, has been created for the purpose of sharing quarterly reports containing information on cyber-attacks and threats experienced by Mutual Funds/ AMCs, as required in Paragraph 51 of the SEBI Circular dated January 10, 2019 (Clause 4.7 of the Master Circular) on Cyber Security and Cyber Resilience framework for Mutual Funds / Asset Management Companies (AMCs).

60.2. Further, in case of no cyber-attacks and threats experienced during the quarter, AMCs are advised to send a "Nil" reply.

61. <u>Valuation of AT1 bonds and Tier-2 bonds</u>
Reference - Letter No. IMD/DoF4/OW/P/6697/1 dated March 22, 2021

61.1. AMFI is advised to ensure that Mutual Funds/Valuation Agencies calculate Macaulay Duration based on the deemed residual maturity of the bond, as given in the SEBI circular providing glide path for implementation of the policy on Valuation of bonds issued under Basel III framework, and the maturity date based on the valuation is not considered for the purpose of calculation of Macaulay Duration.

61.2. Further, as confirmed by AMFI, the deemed residual maturity taken for the purpose of valuation and calculation of Macaulay Duration shall never be below the deemed residual maturity stated in the circular providing glide path for implementation of the policy on Valuation of bonds issued under Basel III framework.

61.3. Besides, AT-1 bonds and Tier 2 bonds being different categories of bonds, AMFI should ensure that the valuation of these bonds is done separately (i.e.) ISIN of AT-1 bond traded will not mean that ISIN of Tier-2 bonds of the same issuer have also traded. However, if any issuer does not exercise call option for any ISIN, then the valuation and calculation of Macaulay

Duration should be done considering maturity of 100 years from the date of issuance for AT-1 Bonds and Contractual Maturity for Tier 2 bonds, for all ISINs of the issuer.

61.4. AMFI is advised to ensure that Mutual Funds/Valuation Agencies does not adjust Yield to Maturity by duration to call while valuing a non-traded ISIN based on the traded ISIN. The example shared by AMFI is modified appropriately to remove ambiguity and is as given below:

ABC and XYZ are similar issuers

Maturity of ISIN 1 of ABC is near to maturity of ISIN 1 of XYZ
Maturity of ISIN 2 of ABC is near to maturity of ISIN 2 of XYZ

Issuers	**ABC**		**XYZ**		**Valuation of ABC ISIN 1**
Trade	ISIN 1	ISIN 2	ISIN 1	ISIN 2	
Traded Today	Y	-	-	-	Take price and arrive at YTM
Traded Today	N	Y	-	-	Take price of ISIN 2 of ABC and compute YTM of ISIN 2. Then adjust the YTM spread of ISIN 1and ISIN 2 and compute value of ISIN 1of ABC
Traded Today	N	N	Y	N	From the price of ISIN 1 of XYZ compute YTM. The spread between YTM of ABC ISIN 1 and XYZ ISIN 1 is to be adjusted to derive YTM of ABC ISIN 1. The spread should further be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued and final YTM and price of the security should be computed
Traded Today	N	N	N	Y	From the price of ISIN 2 of XYZ compute YTM of ISIN 2 of XYZ. Then derive YTM of ISIN 1 of XYZ by adjusting spread of YTM. Then by adjusting difference in spread between ISIN 1 of XYZ and ISIN 1 of ABC trade (which happens to be nearest maturity) arrive at YTM of ISIN 1 of ABC. The spread should be adjusted to reflect adverse news, change in credit rating, interest rate

Issuers	ABC		XYZ		Valuation of ABC ISIN 1
					etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	Y	-	-	-	Take YTM of traded day and adjust spread to the movement of benchmark ISIN over the period. Also adjust to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	Y	-	-	Arrive at YTM of ISIN 2 by adjusting spread to the movement of benchmark ISIN over the period. Derive YTM of ISIN 1 of ABC from ISIN 2 of ABC by adjusting spread over YTM. Also adjustment should be done to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	N	Y	N	Arrive at YTM of ISIN 1 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Then the spread of YTM of XYZ ISIN 1 and ABC ISIN 1 is to be adjusted to arrive at YTM of ISIN 1 of ABC. Also adjustment will be done to reflect adverse news, change in credit rating, interest rate etc ., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	N	N	Y	Take YTM of ISIN 2 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Adjust the spread of YTM of ISIN 1of XYZ and ISIN 2 of XYZ to arrive at YTM of ISIN 1of XYZ. YTM of ISIN 1 of ABC will be derived by adjusting spread of YTM of ISIN 1 of XYZ to ISIN 1 of ABC (which appears to be a nearest maturity to ABC ISIN 1). Further, YTM will be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.

Issuers	ABC		XYZ		Valuation of ABC ISIN 1
Not Actual Traded During look back	N	N	N	N	Valuation will be done considering spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.

The duration to call shall not be considered/adjusted to spread over YTM.
Yield to Call and Yield to Maturity shall be disclosed to investors.

61.5. Mutual Funds shall continue to remain responsible for true and fair valuation of securities and NAV as per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996.

62. <u>Representations received in respect of SEBI circular dated November 5, 2020 on enhancement of Overseas Investment limits to Mutual Funds</u>
Reference– Letter No. SEBI/HO/IMD/IMDII/DOF3/P/OW/2021/11530/1 dated June 4, 2021

62.1. Regarding overseas investment limits, the understanding of the industry that the limit on Ongoing schemes become applicable only after the mutual fund exceeds the USD 50 million limit is in line with the intent of the SEBI circular.

62.2. Further, with reference to the format for reporting of utilisation of overseas investment limits, AMCs shall consider the cost of investment for reporting of limit utilised.

63. <u>Submission of CTRs and HYTRs through SEBI Intermediary portal (S.I)</u>
Reference – Email dated July 09, 2021

63.1. It has now been decided that the AMCs shall submit Compliance Test Reports (CTRs) and Half Yearly Trustee Reports(HYTRs) to SEBI through SEBI Intermediary portal (S.I).

63.2. Signed PDF copy of the CTR/HYTR shall be submitted on the online portal.

63.3. The first online submission of CTR will be applicable for the quarter ending June, 2021 and first online submission of HYTR will be applicable from the half-year ended September, 2021.

64. <u>Clarification w.r.t. Data feeds in respect of Direct Plan transactions by the Mutual Fund Distributors, Registered Investment Advisers, Portfolio Managers and Stock Brokers</u>
Reference – SEBI letter No. SEBI/IMD1/DoF-1/SK/2021/25517/1 dated September 06, 2021

64.1. If any entity is acting as a Mutual Fund Distributor (MFD) for a particular client, then he cannot deal in direct plans for such a client and thus, the question of data feed of such plans does not arise.

64.2. With respect to SEBI registered intermediaries (Stock Broker/Investment Adviser (IA)/Portfolio Manager (PMS)), it may be noted that in terms of Regulation 4(g) of the SEBI (Investment Advisers) Regulations, 2013 {the IA Regulations}, PMS/brokers are required to comply with the general obligation(s) and responsibilities specified in Chapter III of the IA Regulations as applicable to IAs, which *inter alia* provides that client level segregation of advisory and distribution activities needs to be ensured at the entity and group level. Further, as per Regulation 22(1) of the IA Regulations, an individual IA cannot provide distribution services. Accordingly,

a. In case a stock broker/non-individual IA/PMS is offering distributor service to the client, they can offer only Regular Plans for that client using their distributor code/Application Reference Number (ARN). Accordingly, they may have visibility of their client's transaction data feeds only for such plans.

b. In case a stock broker/non-individual IA/PMS is offering advisory service to the client, they can execute/invest only in direct plans of Mutual Funds for that client using their Broker/IA/PMS code. Accordingly, they may have visibility of their client's transaction data feeds only for such plans. They will not be entitled for any commission/compensation in any form, from the Asset Management Companies (AMCs).

64.3. In terms of SEBI Circular dated November 28, 2002 (Clause 15.1 of the Master Circular), all entities engaged in selling and marketing i.e. distribution of mutual funds units (distributors, agents, *brokers*, sub-brokers or called by any other name, whether individuals or of any other organisation structure) should be registered with AMFI. Accordingly, they have to quote a valid ARN and Employee Unique Identification Number (EUIN), in order to place transactions in Regular Plan and receive commissions, as per extant requirements.

64.4. You may bring the above clarification to the notice of all AMCs and MFDs including IAs/PMS/Brokers who have a distributor code/ARN, for compliance and make this available on the website of AMFI.

65. <u>Clarification on Circular dated April 28, 2021 on alignment of interest of key employees of AMC with Unitholders of MF Schemes</u>
Reference – Letter No. SEBI/HO/IMD/DF5/OW/P/2021/24745/1 dated September 20, 2021

65.1. Regarding SEBI policy/circular on Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes (Clause 6.10 of the Master Circular), following is further clarified:

65.1.1. With regards to investment in units by research analyst, following shall be followed:
a. Debt research analyst shall invest across debt schemes and hybrid schemes.
b. Equity research analyst shall invest across equity schemes and hybrid schemes.

65.2. In case of analysts performing the role of fund manager, they shall be treated as fund managers for the purpose of this circular.

65.3. Dealers placing TREPS deals for equity funds shall invest only in debt schemes.

65.4. In case of ELSS schemes, the nearest multiple amount of INR 500 shall be invested.

65.5. Any one time payments such as bonus, perquisites, etc. which are not factored into the monthly pay-slip shall be factored into the investment in the month of payment.

65.6. AMFI may bring the above clarification to the notice of all AMCs for compliance and make this available on the website of AMFI.

66. <u>Alignment of interest of Key Employees ('Designated Employees') of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes</u>
Reference – Letter No. SEBI/HO/IMD/DF5/OW/P/2021/30715/1 dated October 29, 2021

66.1. Regarding SEBI circular on Clarifications w.r.t. policy on ‘Alignment of interest of Key Employees (‘Designated Employees’) of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes’, (Clause 6.10 of the Master Circular), following is further clarified:

66.1.1. Gratuity paid at the time of resignation in terms of Payment of Gratuity Act, 1972, shall also not be included in the CTC on similar lines as of Gratuity paid at the time of death/retirement is not to be included in the CTC.

66.1.2. If the fund manager is also performing the role of an analyst, he shall be treated as a fund manager i.e., even if the fund manager acts as research analyst, his/her investment for the purpose of alignment of interest of Key Employees ('Designated Employees') of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes, shall only be across those schemes in which he/she has a role of a fund manager.

67. <u>Request for clarification with regard to Cash and cash equivalent</u>
Reference – Letter No. SEBI/HO/ IMD-II/DOF3/OW/P/2021/31487/1 dated November 3, 2021

67.1. Cash equivalent with residual maturity of less than 91 days for exposure limits shall consist of following securities:

a. Government Securities,
b. T-Bills and
c. repo on Government Securities

68. <u>Change in name of Mutual Fund Scheme</u>
Reference – Letter No. IMD/DF3/OW/P/2021/32220/1 dated November 11, 2021

68.1. Name of a scheme is considered as a key aspect in maintaining true to label feature of mutual fund schemes. The same has also been articulated in the SEBI Circular stating that for easy identification by investors and in order to bring uniformity in names of schemes for a particular category across Mutual Funds, the scheme name shall be the same as the scheme category.

68.2. Therefore, AMFI is advised to inform all the AMCs that any change in name of mutual fund scheme after receipt of final observation letter from SEBI / Launch of the scheme would require no objection from SEBI.

69. <u>Advisory to introduce a Scheme Summary Document for all Mutual Fund Schemes</u>
Reference – Letter No. SEBI/HO/OW/IMD-II/DOF3/P/397002021 dated December 28, 2021

69.1. AMFI is advised to communicate the following to all the Asset Management Companies as a part of ongoing efforts to enhance investor awareness and information dissemination about Mutual funds:

69.1.1. AMCs shall prepare a Scheme Summary Document for all schemes of the respective Mutual Fund.

69.1.2. The Scheme Summary document will be a standalone scheme document that will contain all the applicable details of the scheme as per the format given below:

Fields	SCHEME SUMMARY DOCUMENT	
1	Fund Name	
2	Option Names {Regular & Direct)	
3	Fund Type	
4	Riskometer (At the time of Launch)	
5	Riskometer (as on Date)	
6	Category as Per SEBI Categorization Circular	
7	Potential Risk Class (as on date)	
8	Description, Objective of the scheme	
9	Stated Asset Allocation	
10	Face Value	
11	NFO Open Date	
12	NFO Close date	
13	Allotment Date	
14	Reopen Date	
15	Maturity Date (For closed-end funds)	
16	Benchmark (Tier 1)	
17	Benchmark (Tier 2)	
18	Fund Manager 1 - Name	Dedicated fund manager wherever applicable
19	Fund Manager 1 - Type (Primary/Comanage/Description)	To be repeated for all the fund managers
20	Fund Manager 1 - From Date	
21	Annual Expense (Stated maximum)	
22	Exit Load (if applicable)	
23	Custodian	
24	Auditor	
25	Registrar	
26	RTA Code (To be phased out)	
27	Listing Details	
28	ISINs	
29	AM FI Codes (To be phased out)	
30	SEBI Codes	
Investment Amount Details:		
31	Minimum Application Amount	
32	Minimum Application Amount in multiples of Rs.	
33	Minimum Additional Amount	
34	Minimum Additional Amount in multiples of Rs.	
35	Minimum Redemption Amount in Rs.	
36	Minimum Redemption Amount in Units	
37	Minimum Balance Amount (if applicable)	

Fields	SCHEME SUMMARY DOCUMENT	
38	Minimum Balance Amount in Units (if applicable)	
39	Max Investment Amount	
40	Minimum Switch Amount (if applicable)	
41	Minimum Switch Units	
42	Switch Multiple Amount (if applicable)	
43	Switch Multiple Units (if applicable)	
44	Max Switch Amount	
45	Max Switch Units (if applicable)	
46	Swing Pricing (if applicable)	
47	Side-pocketing (if applicable)	
SIP SWP&STP Details:		
46	Frequency	
47	Minimum amount	
48	In multiple of	
49	Minimum Instalments	
50	Dates	
51	Maximum Amount (if any)	

69.1.3. The document is to be updated by the AMCs on a monthly basis or on changes in any of the specified fields, whichever is earlier.

69.1.4. The document is to be uploaded on the websites of AMC, AMFI and Stock Exchanges in 3 data formats, namely: PDF, Spreadsheet and a machine readable format (either JSON or XML).

69.1.5. The requirement of Scheme Summary Document shall be effective from April 1, 2022.

70. <u>Regarding overseas limits</u>
Reference – Email dated January 28, 2022

70.1. In order to avoid breach of industry-wide overseas limits as allowed by RBI, AMFI is advised to inform all AMCs to stop subscriptions intending to invest in overseas securities with immediate effect.

70.2. However, the investments in overseas ETFs may continue till further communication.

71. <u>Market Cap Classification of newly listed stocks</u>
Reference – Letter No. SEBI/HO/OW/IMD-II/DOF3/P/2022/4419 dated February 02, 2022

71.1. SEBI has defined large cap, mid cap and small cap companies in order to ensure uniformity in respect of the investment universe for equity mutual fund schemes. Further, SEBI has also stipulated that AMFI shall prepare the list of large cap, mid cap and small cap stocks, in accordance with the points specified.

71.2. In furtherance of the above, in order to enable mutual funds to invest in newly listed stocks, it has been decided, based on the representation of AMFI and as recommended by Mutual Fund Advisory Committee, that there should be market classification of newly listed stocks by AMFI at monthly intervals.

71.3. The parameters to be followed by AMFI for market classification of the newly listed stocks and listings arising on account of Scheme of Arrangements such as demergers between July - December & January - June of a calendar year are as provided below:

a. At the end of every month, the Exchanges will provide the average market cap of the IPO companies listed during that month.
b. AMFI would compare the average market cap of such IPO companies relative to stock no. 100 (being the last stock of Large Cap segment) and 250 (being the last stock of Mid Cap segment) in the AMFI's last published list (average market cap as of end of preceding six months) and establish the market cap classification of the company and share the same at month end.
c. The comparison of newly listed stocks is against the static prices of existing classifications - i.e., the boundaries are set at the values of the last available half-year review.
d. The classification of the IPO companies made at the month-end would not change till the next detailed half-yearly review
e. The number of large-cap and mid-cap companies could exceed the number of 100 and 150 during the 6-month period
f. In June/December, the list would be reset to 100 large cap stocks and 150 midcap stocks respectively, as per the normal process.

71.4. Kindly note that the market classification of the newly listed stocks as per the parameters mentioned above is to be made available to all the AMCs from March 1, 2022.

72. <u>Fast track processing of domestic ETF/Index Funds and for Fund of Funds having one underlying domestic ETF</u>

Reference - Letter No. SEBI/HO/OW/IMD-II/DOF3/P/2022/4580/1 dated February 03, 2022

72.1. It has been decided in consultation with Mutual Fund Advisory Committee (MFAC), to introduce a Fast track processing of schemes for domestic ETF/Index Funds and for Fund of Funds having one underlying domestic ETF.

72.2. All Mutual Funds filing in any of the aforesaid category of schemes can either opt for fast track processing or regular track of processing by SEBI.

72.3. The AMC opting for fast track processing of schemes will have to adhere to a list of Do's and Don'ts and further provide an Undertaking.

72.4. In view of above, AMFI is advised to issue guidelines for fast track processing of schemes along with Dos and Don'ts and Undertaking as given below w.e.f March 01, 2022.

<u>Do's and Don'ts for Domestic Index Funds and ETFs and for Fund of Funds having one underlying domestic ETF</u>

Do's

1. The benchmark being tracked by the scheme should be independently developed and managed by the index provider.
2. For ETF and Index Funds, name of the proposed scheme should reflect the underlying index name including index provider name.
3. The name of the underlying scheme should reflect in the proposed scheme name in case of Fund of Funds having one underlying domestic ETF.
4. Portfolio Concentration Norms as per circulars dated January 10, 2019 and November 29, 2019 (circular rescinded with effect from the date of implementation of SEBI circular dated May 23, 2022) (Clause 3.4 of the Master Circular) wherever applicable and all conditions of said circular be mentioned under asset allocation section / investment restrictions.
5. SID should also indicate the types of securities / instruments in which the scheme would invest and a brief narration on the same, which will be in compliance with MF Regulations and circulars issued from time to time.
6. A statement to the effect that notwithstanding anything contained in this Scheme Information Document (SID), the provisions of the SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) and circulars issued from time to time will prevail should be part of SID.
7. Benchmark should be Total Return Index
8. In investment objective following shall be included:
    a. Subject to tracking errors
    b. There is no assurance or guarantee that the investment objective of the scheme would be achieved.
9. Details of Risk-o-meter to be provided as per SEBI Circular dated October 05, 2020 (Clause 17.4 of the Master Circular) under periodic disclosures. Disclosure for risk-o-meter stating it is based on internal assessment etc. and also mention related disclosure under periodical disclosures.
10. Potential Risk Matrix to be provided for Debt Schemes
11. In case of ETFs, Definition of intra-day NAV needs to be provided in the Definition Section
12. Portfolio rebalancing timelines as prescribed by SEBI from time to time to be provided

13. Disclosures with regards to provisions for pending deployment of funds along with timelines in compliance with MF Regulations and circulars issued from time to time.
14. Gross cumulative exposure paragraph setting out all the asset classes in which the scheme intends to invest as per SEBI Circular dated March 04, 2021 and as amended from time to time
15. Illustration under the annual recurring expense for schemes must include for regular plan and direct plan, for schemes having regular and direct plans.
16. Risk mitigation strategies needs to be defined properly.
17. Default plan, option and sub-option details have to be clearly disclosed, for schemes having more than one plan/ option/ sub-option
18. Statement to the effect that all scheme related expenses including commission paid to distributors, by whatever name it may be called and in whatever manner it may be paid, shall necessarily be paid from the scheme only within the regulatory limits and not from the books of AMC, its associate, sponsor, trustees or any other entity through any route in terms of SEBI circulars, subject to the clarifications provided by SEBI to AMFI vide letter dated February 21 , 2019 on implementation of SEBI Circular dated October 22, 2018 on Total Expense Ratio (TER) and performance disclosure for Mutual Fund.
19. The scheme shall adhere to the limits i.e., (a) not more than 20% of the net assets of the scheme can generally deployed in stock lending and (b) not more than 5% of the net assets of the scheme can generally be deployed in stock lending through a single intermediary, should it engage in stock lending
20. SID should clearly provide the proposed investments on the residual investment part of the scheme i.e. 5%. Further, SID shall specify the limits on investments or negative confirmation in respect of the below investments, as applicable:
    a. Overseas securities/ADR/GDR
    b. Investment in their own Mutual Fund Schemes or Other Mutual fund schemes
    c. Securitised Debt
    d. Repo in corporate debt and corporate reverse repo
    e. Short selling
    f. invest in unrated debt instruments
    g. Credit default swaps (CDS).
    h. Debt instruments having Structured Obligations / Credit Enhancements.
    i. Securities covered under SEBI circular SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021 (Clause 9.4 of the Master Circular)
    j. Under what circumstances the scheme is proposing to invest in derivatives

21. Mention the investment restrictions which are specific to the proposed scheme. For instance: Benchmark index methodology, constituents of the index and weightages of each constituents of the index shall be part of Scheme Documents of all ETFs and Index Funds.

22. Following investment restriction for equity ETF/Index funds
    a. *A mutual fund scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of directors of the asset management company:*
    b. *Provided that such limit shall not be applicable for investments in Government Securities, treasury bills and collateralized borrowing and lending obligations:*
    c. *Provided further that investment within such limit can be made in mortgaged backed securitised debts which are rated not below investment grade by a credit rating agency registered with the Board:*

    Considering the nature of the Scheme, investments in such instruments will be permitted up to 5% of its NAV.

23. The Scheme may take an exposure to equity derivatives of constituents of the underlying index for short duration when securities of the index are unavailable, insufficient or for rebalancing at the time of change in index or in case of corporate actions, as permitted subject to rebalancing within 7 days (or as specified by SEBI from time to time). The exposure of scheme in derivative instruments shall be up to 20% of the net assets of the scheme.

24. Segregated portfolio provisions to be included, if scheme proposes to invest in Debt instruments
25. Confirm the availability of the proposed benchmark before launch of scheme
26. Derivative strategies mentioned in the SID should also disclose risk factors w.r.t. all the strategies
27. Product differentiation of current scheme with the other existing schemes in the same category and having the same underlying asset class (i.e. debt or equity)
28. The details pertaining to the fund manager of the scheme shall inter-alia include the age of the person, educational qualification, total number of years' experience, type and nature of past experience including assignments held (during the last 10 years or as applicable)

29. Disclosure regarding the Index, Index eligibility criteria, Index rebalancing, Methodology, Index service provider, Index constituents, Impact cost of the constituents
30. Details of investment through Stock Exchange Platforms in view of SEBI Circular dated February 26, 2020 (Clause 16.2.12 of the Master Circular)
31. If an investor opted for pay out of Income Distribution cum Capital Withdrawal (IDCW) plan, auto re-investment of IDCW amount to be restricted to INR 100 in schemes providing the IDCW option.
32. All features specific to the scheme should form part of the SID.
33. Units of the scheme are freely transferable (both SOA and demat).
34. Enabling clauses may be avoided. If at all AMC wants to add clauses e.g.: *the Fund Manager reserves the right to invest in such instruments and securities as may be permitted from time to time and which are in line with the investment objective of the scheme it should include* **subject to prior approval from SEBI if any.**
35. Fundamental attributes section of SID to be updated in line with para 16 of SEBI circular dated March 4, 2021
36. Maturity Year of the index fund should be included in draft Debt ETFs/Index Funds, month may be at the discretion of AMC.
37. In case of an ETF on a particular index, either an index fund or an ETF fund of fund should be launched on same index, not both.

41 Incorporate past observations issued by SEBI as applicable.

Don'ts

1. Under benefits of ETF or under investment strategy or wherever applicable, arbitrage strategies are not allowed.
2. Investment in REITs and InvITs is not allowed in the residual portion of 5% under asset allocation
3. The SID should not contain any clause which gives discretion to Fund Managers with respect to investment decisions in case of an Index Fund/ ETF apart from the stated asset allocation.
4. Avoid usage of words like "Closely", "Predominately", "as close as possible", "broadly" etc., as the proposed Index Fund/ETF needs to replicate the Benchmark Index.
5. Usage of following sentences shall be avoided
    a. The Scheme retains the flexibility to invest across all the securities in equity and equity related instruments, debt and money market instruments.
    b. Any application for subscription of units may be accepted or rejected in the sole and absolute discretion of AMC/Trustee company. (Instead of this open ended statement, it should be mentioned that any application for subscription of units may be rejected if found incomplete or due to unavailability of underlying securities, etc.)

c. Change of benchmark shall be at the discretion of Fund / AMC / Trustee'

6. Minimum redemption — no clauses indicating force redemption such as following be part of SID:
    a. *The minimum amount of Redemption may be changed in future by the AMC. If the balance in the account of the Unit holder does not cover the amount Redemption request, then the Mutual Fund is authorised to close the account of the Unit holder and send the entire such (lesser) balance to the Unit holder.*
    b. The AMC / Trustee may decide to introduce minimum balance requirements later, if they so deem fit. In such case, in the event of non-maintenance of minimum balance for any particular situations, the Units may be compulsorily redeemed. The scheme will invest in 'when issued' securities

7. SID should not state that any expenditure in excess of the prescribed limit of TER (including brokerage and transaction cost, if any) shall be borne by the AMC or Sponsor.

8. SID of ETF/Index Fund/FOF shall not include hedging related provisions.

UNDERTAKING FOR PROCESSING OF DOMESTIC ETFs/INDEX FUNDs AND DOMESTIC FUND OF FUNDS WHERE A SINGLE ETF AS AN UNDERLYING FUND IN FAST TRACK PROCESS

The following undertaking shall be provided by CEO on behalf of the AMC in respect of Scheme Information Document (SID) to be filed with SEBI for processing in fast track manner.

It is confirmed that:

i. the draft SID forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines, circulars and directives issued by SEBI from time to time

ii. all legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with

iii. the disclosures made in the SID are true, fair, correct and adequate to enable the investors to make a well informed decision regarding investment in the proposed Scheme

iv. the intermediaries named in the SID and Statement of Additional Information are registered with SEBI and their registration is valid, as on date of launch of scheme

v. the contents of the SID including figures, data, yields, etc. have been checked and are factually correct

vi. the correct and complete data pertaining to Offsite surveillance cum inspection of Mutual Funds has been submitted to SEBI within specified timelines as per the directions.

vii. if the contents of the SID filed by the AMC with SEBI are found to be not in compliance with SEBI (Mutual Funds) Regulations, 1996, guidelines, circulars and directives issued by SEBI time to time and are not in compliance with the Dos and Don'ts provided or if any of the above declarations are found to be untrue, we agree to be liable for the operational disincentive *of not launching Domestic ETFs/Index Funds/domestic Fund of Funds where single ETF is an underlying fund, if so decided and communicated by SEBI, for a period of 3 months from the date of such communication from SEBI.*

We also understand that, these financial/operational disincentives shall be without prejudice to any other action as may be initiated by SEBI.

Sd/-
XXXXXXXXX
CEO
Place: XXXX <<Name of the AMC>>
Date: XX/XX/XXXX

73. <u>Clarification to be issued with respect to Exposure calculation and NAV to be disclosed in Account Statements</u>

Reference – Letter No. SEBI/HO/IMD-II/DoF8/OW/P/05031/2022- dated February 07, 2022

73.1. Regarding calculation of exposure limit and disclosure of NAV as at the end of accounting year, based on recommendation of Mutual Fund advisory Committee, AMFI is advised to issue the following clarification to Mutual Fund industry for uniform practice across Mutual Fund industry:

73.1.1. Calculation of various exposure limits specified in the SEBI (Mutual Funds) Regulations, 1996 and circulars issued there under, shall be after considering the accrued interest i.e. dirty price instead of current practice of clean price effective from July 01, 2022.

73.1.2. Further, Clause 3(v) of Eleventh Schedule of SEBI (Mutual Funds) Regulations, 1996 requires to disclose NAV as at the end of accounting year. The same should be last day NAV irrespective of whether it is business day or not.

74. Disclosure norms for ESG Mutual Fund Schemes

Reference – Letter No. SEBI/HO/OW/IMD-II/DOF3/P/5249/2022 dated February 08, 2022

74.1. SEBI had issued a consultation paper to seek public comments on introducing disclosure norms for ESG Mutual Fund schemes.

74.2. Working group (WG) of mutual fund having ESG schemes was constituted for standardization of scoring processes to be followed across the industry with respect to ESG schemes and broad parameters for each of the pillars viz. Environmental, Social and Governance.

74.3. The disclosure norms for ESG Mutual Fund schemes along with report of working group on standardization of ESG scoring process for ESG schemes were deliberated with Mutual Fund Advisory Committee (MFAC).

74.4. The disclosure norms for ESG Mutual Fund schemes, based on deliberation in Mutual Fund Advisory Committee (MFAC), as forwarded to AMFI for issuance is given below. The said disclosure norms will be effective from April 01, 2022.

Disclosure norms for ESG Mutual Fund schemes

The following disclosure norms for ESC Mutual Fund schemes are proposed to be implemented

74.4.1. **Disclosures in Scheme Information Documents (SIDs):** The following disclosures are mandated to be disclosed in the SIDS for Mutual Funds which launch ESG schemes in Equity category. Mutual Funds which already have ESG schemes in existence are required to update their SIDS with the abovementioned disclosures:

a. **Name of the scheme:** The name of the scheme should accurately reflect the nature and extent of the scheme's ESG focus taking into account investment objective and type of strategy followed. All AMCs will be required to have a Responsible Investment Policy incorporating aspects of ESG investing. The investment objective shall be as per the Responsible Investment Policy of the AMC.

b. **Investment objectives:** It shall provide transparency about the nature and extent of the scheme's ESG related investment objectives. Detailed objectives of the scheme need to be laid down stating how it aims to achieve this objective through its investment policy and strategy including the approach used for screening companies.

c. **Investment Policy:** The investment policy of AMCs should encompass processes to review the investments during a certain period and the strategy pursued. The strategy should include the broad universe of the companies in which they intend to invest. The investments should be designed to generate a beneficial ESG/sustainability impact alongside a financial return and the AMC should clearly state the intended 'real world' outcome in qualitative terms, especially for strategies related to Integration, Impact Investing and Sustainable Objectives.

   Responsible Investment Policy of AMCs should be revised to contain a clause that from October 1, 2022, AMCs shall only invest in securities which have Business Responsibility and Sustainability Report (BRSR) disclosures. The existing investments in the schemes for which there are no BRSR disclosures would be grandfathered by SEBI for a period of one year i.e., till September 30, 2023. Schemes which invest in overseas securities would choose any global equivalent of the BRSR which will be specified by Association of Mutual Funds in India (AMFI),

d. **Investment Strategy:** The AMC shall disclose the type of strategy followed by scheme, with regards to sustainability / ESG characteristics which merit the nomenclature of an ESG fund. The following are some examples of ESG strategies:
   a. **Exclusions:** Exclude securities based on certain ESG related activities, business practices, or business segments, The strategy should specify
      i. the characteristic / type of exclusion (Adverse impact, Controversy, Faith)
      ii. threshold or condition for exclusion, and
      iii. reference, where applicable, to any law/ regulation/ third-party standard/ guideline/ framework used in the establishment or evaluation of the criterion.
   b. **Integration:** Explicitly consider ESG related factors that are material to the risk and return of the investment, alongside traditional financial factors, when making investment decisions.
   c. **Best-in-class & Positive Screening:** Aim to invest in companies and issuers that perform better than peers on one or more performance metrics related to ESG matters. The details/specifics of the metrics should be disclosed.
   d. **Impact investing:** Seeks to generate a positive, measurable social or environmental impact alongside a financial return and how the Fund Manager intends to achieve the impact objective. Provide methodology used to assess the effect that investments have, or may have, on environmental or social or governance

issues. Describe the process for identifying and avoiding, mitigating, or managing adverse effects that the scheme or underlying companies' activities have, or may have, on environmental or social issues. The fund should seek a non-financial (real world) impact and evaluate if that impact is being measured and monitored.

e. **Sustainable objectives:** Aim to invest in sectors, industries, or companies that are expected to benefit from long-term macro or structural ESG-related trends. Describe the focussed objective including rationale for focussing on that objective.
f. Any other clearly defined ESG investment strategy
g. Any combination of above.
h. **Decision-making process for Investing:** Decision-making process for investing should include disclosure on use of proprietary or third party ESG Scoring Process / Methodology. The disclosure should broadly indicate the above including the due diligence on any data, research and analytical resources it relies upon when using proprietary methodology to be confident that it can validate the ESG/sustainability claims that it makes.

e. **Disclosure of material risks:** Disclosure of unique risks that arise from a scheme's focus on sustainability. Disclosure of measures taken to mitigate risks related to green washing and risk of reliance on third party scores, if any, given the dispersion in scores across providers.
f. **Asset Allocation:** As per extant regulations these schemes fall under thematic sub-category and so a minimum of 80% of total assets of the scheme shall be invested in securities following ESG theme. Hence, these guidelines would apply only to the portion of investment towards ESG theme. However, it is proposed that the residual portion of the investment should not be starkly in contrast to the philosophy of the scheme from the theme. AMC shall endeavour to have a higher proportion of the assets under the ESG theme and make suitable disclosures.
g. **Benchmark:** The benchmark should be continuously aligned with each of the environmental, governance and social characteristics followed by the scheme. The website of the respective Mutual Fund should also provide a link to the index methodology.
h. **Disclaimer:** Apart from the above, AMCs can provide suitable disclaimers, if any, for aspects related to the above disclosures in the SIDs.

74.4.2. Additional Disclosures with respect to engagements undertaken by AMCs for ESG Schemes:

In addition to the above disclosures in the SID, AMCs are also required to undertake the following:

a. **Monitor and evaluate:** AMCs should monitor and evaluate the investments in terms of Key Performance Indicators, real world outcomes, active engagement and stewardship activities with investee companies. In case of Impact Investing and Sustainable Objective investment strategy, Mutual Funds should assess, measure and monitor: (a) the sustainability-related product's compliance with its investment objectives and/or characteristics; (b) the sustainability impact of its portfolio to the extent applicable to the portfolio's stated design; and (c) its sustainability-related performance. The sustainability impact of a product's portfolio refers to the effect of the product's portfolio holdings on environmental, social and governance issues. ESG Funds to disclose on ESG engagement and stewardship activities on material/relevant ESG issues at the completion of every financial year.

b. **Stewardship and shareholder engagement disclosure:** Stewardship policy reflecting that the exercise of voting rights is in accordance with the objectives of the scheme. Disclosures about policy on stewardship and shareholder engagement and past stewardship and shareholder engagement records.

c. **Periodic Portfolio Disclosures:** AMCs shall disclose the following in simple and comprehensible language:
    a) The contribution to 'positive environmental change', an investor might reasonably expect
    b) The various ESG engagement and stewardship activities carried out during the financial year.
    c) Link to BRSR disclosure for each security in the portfolio or global equivalent in case of overseas securities, wherever available.
    d) Periodic reporting relating to whether a sustainability-related product is meeting its sustainability-related investment objectives or characteristics, including the product's sustainability-related performance and holdings, during the applicable time period.

d. **Maintenance of ESG policy related to investments:** AMCs should disclose on their website the following information covering various aspects of ESG investing such as:
    i. Source of ESG information of underlying investments
    ii. Investment process and philosophy
    iii. Key ESG factors to be considered in decision making
    iv. Due Diligence methodology and its limitations
    v. Engagement policies including stewardship
    vi. Monitoring of investments and evaluation.

74.4.3. **General Obligations:**

a. The Board of the AMC should submit a declaration to the Trustees of Mutual Fund that the scheme is following its disclosed strategy and is in compliance with its Responsible Investment Policies on quarterly basis.
b. AMCs need to augment its resources and processes to take into account the ESG philosophy as a theme for launch and management of schemes in this space.
c. AMCs should ensure that the Marketing materials and website disclosures are fair, balanced and consistent with their regulatory filings.
d. As there is significant divergence in the terms and definitions related to ESG, AMFI should encourage industry participants to develop common sustainable finance-related terms and definitions in line with global standards. AMFI should also promote financial and investor education initiatives relating to sustainability, or, where applicable, enhance existing sustainability related financial and investor education initiatives.

As there is considerable activity in terms of development of global standards by various standard setting bodies, it is expected that going forward, the above disclosure norms are subject to change, based on the experience gained and based on emergence of appropriate standards and norms.

74.5. The disclosures should be updated by AMFI on a dynamic basis as the concept of ESG is in a nascent stage and continuously evolving.

74.6. With regards to standardization of ESG scoring process, AMFI is advised to empanel ESG rating service provider(s) based on the parameters proposed by the working group which has been shared with AMFI.

75. AMFI's recommendation to declare market dislocation for Swing pricing framework

Reference – Letter No. SEBI/HO/ IMD-II/DOF3/ OW/P/2022/5274/1 dated February 08, 2021

75.1. This has reference to SEBI circular SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 (Clause 4.10.3 of the Master Circular) stipulating applicability of swing pricing framework for open ended debt schemes. In terms of para II(a) of the said circular when AMFI recommends market dislocation, it is advised to ensure that the same is done only after cut-off timing of open ended debt schemes of mutual funds (which is 3:00 PM).

76. <u>Request to allow Prepayment Validation service for subscription in Mutual Fund units</u>
Reference – SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/8536/1 dated February 25, 2022.

76.1. SEBI has no objection to the use of the pre-payment validation service using PAN in UPI, for subscription in Mutual Fund units through UPI. However, the onus to ensure compliance with Prevention of Money Laundering Act, 2002 provisions and not permitting third party payments shall lie with the AMCs.

77. <u>Discontinuation of pooling of funds and units pertaining to Mutual Funds transactions</u>
Reference – Letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/10847/1 dated March 15, 2022.

77.1. Regarding SEBI policy on Discontinuation of usage of pool accounts by entities including online platforms other than stock exchanges for transactions in the units of Mutual Funds, following are the further clarifications:

77.1.1. Pooling done by banks as part of the banking process to debit customers account and provide a consolidated credit to the mutual fund scheme/collection account for cheque collections or direct transfers for subscription where funds flow through an internal account of the bank may not be considered as "intermediate pooling".

77.1.2. Mutual Funds can continue to receive subscription money in the pool bank account of the Mutual Funds, including by way of cheques drawn in the name of the pool bank account of the Mutual Funds subject to compliance with SEBI Circular no. SEBI/ HO/ IMD/ DF2/ CIR/ P/2021/683 dated December 10, 2021 (Clause 16.8 of the Master Circular).

77.1.3. Further, regarding the requirement of sharing detailed information with all the stakeholders involved in the transactions, it is clarified that information sharing shall be at the same time to all the stakeholders of the same category involved in the mutual fund transactions. An indicative list of the stakeholders in each category may be included in the Guidelines to be issued by AMFI in this regard.

78. <u>Revision of Code of Conduct for Mutual Fund Distributors (MFDs)</u>
Reference – SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/2463/1 dated March 21, 2022

78.1. AMFI is advised to issue the revised code of conduct for MFDs expeditiously and the onus is on AMCs to ensure that MFDs strictly follow the Code of Conduct prescribed by AMFI.

78.2. In order to ensure uniformity in dealing with deficiencies by different MFDs, AMFI is advised to:

a. prepare policies and procedures to deal with due diligence report/Audit report on MFDs; and
b. issue Guidelines on action to be taken by all the affiliated AMCs like suspension, claw back of commissions, de-empanelment, etc. in cases of major violations.

78.3. AMCs are advised to place the due diligence report/audit report on MFDs along with the action taken on the same before the Board of the concerned AMC. The same shall also be reported to SEBI by the AMC(s) in their CTR(s) and by the Trustees in their Half Yearly Reports.

79. <u>Scheme Summary Document - Request for SEBI's Urgent Guidance / Clarification</u>
Reference – Email dated March 25, 2022

79.1. This has reference to our letter dated December 28, 2021 regarding introduction of Scheme Summary Document w.e.f. April 1, 2022 and your email dated March 21, 2022 wherein you had raised certain queries about the information to be provided in the format prescribed.

79.2. In this regard, the comments of SEBI are provided in a separate column as given below:

SCHEME SUMMARY DOCUMENT:

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
1	Fund Name			
2	Option Names (Regular & Direct)	Whether to give suspended plan details?	In light of the limitations of various data formats, it is proposed not to give details of suspended	Details of only active plans to be provided

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
			plans to keep the information in this document relevant and focussed.	
3	Fund Type	Is this Scheme type?	Type of scheme (uniform description of scheme) as mentioned in SEBI Circular dated October 6, 2017 on Categorization and Rationalization of Mutual Fund Schemes can be provided here	Scheme Type description shall be as per SEBI Circulars dated October 7, 2017 and December 4, 2017 on Categorization and Rationalization of Mutual Fund Schemes
4	Riskometer (At the time of Launch)	First time 6 risk Riskometer? Should it be only the text of Risk Level or even pictorial representation is required?	To enable investors to do a like to like comparison of Riskometer as on date, in this field it is proposed to provide the Riskometer issued for the first time in accordance with SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020 i.e. 6 level riskometer. Given the constratints of xml and json formats it would be better to only provide risk level in text rather than pictoral representation.	Risk level as per Risk-o-meter in accordance with SEBI circular dated October 05, 2020 in text format shall be provided wherever applicable
5	Riskometer (as on Date)			
6	Category as Per SEBI Categorization Circular			

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
7	Potential Risk Class (as on date)	Full table is required or only the PRC rating as on date of document rather than uploading date.	Given the constraints of xml and json formats it would be better to only provide risk level in text rather than pictoral representation.	Risk level as per Potential Risk Class in accordance with SEBI circular dated June 7, 2021 in text format shall be provided
8	Description, Objective of the scheme	What does description mean? If it is same as fund type then can be deleted since it is a duplication	We believe Description means Type of Schemes. As it is already provided in point 3 above it is suggested to limit this field to only Objective of the Scheme.	The Scheme Objective as mentioned in the Scheme Information Document shall be provided
9	Stated Asset Allocation	Full section needs to be included or only percentages will do.		Asset allocation to include only the asset allocation percentage table mentioned in the SID
10	Face Value			
11	NFO Open Date			
12	NFO Close date			
13	Allotment Date			
14	Reopen Date			
15	Maturity Date (For closed-end funds)			
16	Benchmark (Tier 1)			
17	Benchmark (Tier 2)			
18	Fund Manager 1-Name			

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
19	Fund Manager 1-Type (Primary/Comanage/Description)			
20	Fund Manager 1-From Date			
21	Annual Expense (Stated maximum)	This will not be actual. This is maximum as per Regulations stated in SID. Only max % is required or full table and text as per SID needs to be included?	For example: Estimated recurring expenses for the first Rs.500 crores of Average Daily Net Assets shall be as follows: (i) Recurring expenses permissible under Regulation 52(6)(c)(i): not exceeding 2.25% of daily net assets + (ii) Goods and Service Tax on investment and advisory fees at actuals + (iii) Additional expenses permissible under Regulation 52(6A)(c) towards various permissible expenses not exceeding 0.05% of daily net assets + (iv) Expenses in case of inflows from retail investors from cities beyond Top 30 cities charged proportionately under Regulation 52(6A)(b) not exceeding 0.30% of daily net asset	To be read as "Actual Expenses (TER)" and to provide actual expense ratio (TER) of the scheme
22	Exit Load (if applicable}			

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
23	Custodian			
24	Auditor			
25	Registrar			
26	RTA Code (To be phased out)			
27	Listing Details		Only the names of exchanges where listed will suffice since ISINs are given separately.	Only the names of exchanges where the scheme is listed
28	ISINs			
29	AMFI Codes (To be phased out)	Whether to give suspended plan details?	In light of the limitations of various data formats, it is proposed not to give details of suspended plans to keep the information in this document succinct and relevant.	Details of only active plans to be provided
30	SEBI Codes		We seek guidance on disclosure for this clause	To be read as "SEBI Scheme Code" and the same will be generated by NSDL for all Mutual Fund Schemes which will be effective from April 1, 2022
Investment Amount Details				
31	Minimum Application Amount			
32	Minimum Application Amount in multiples of Rs.			

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
33	Minimum Additional Amount			
34	Minimum Additional Amount in multiples of Rs.			
35	Minimum Redemption Amount in Rs.			
36	Minimum Redemption Amount in Units			
37	Minimum Balance Amount (If applicable}			
38	Minimum Balance Amount in Units (if applicable)			
39	Max Investment Amount			
40	Minimum Switch Amount (if applicable)			
41	Minimum Switch Units			
42	Switch Multiple Amount (if applicable}			
43	Switch Multiple Units (if applicable)			
44	Max Switch Amount			

Sr. No.	Fields	AMC Queries	AMFI's Understanding (Please also refer other queries at the end of this table)	SEBI Comments
45	Max Switch Units (if applicable)			
46	Swing Pricing (if applicable)	a one liner about facility/ yes or no	We propose to mention a short description of facility if available in SID	Applicability of swing pricing for the said scheme needs to be mentioned
47	Side-pocketing (if applicable)	a one liner about facility/ yes or no	Heading on left side may be rephrased as 'Segregated Portfolio, (if applicable) We propose to mention "Enabled and __ Segregated Portfolios OR no segregated portfolio created" OR "Not Applicable" (where not enabled). Please specify, if created, what details, if any, need to be mentioned.	To be read as "Segregated Portfolio" and enabling provisions as well as segregated portfolios if any needs to be mentioned.
SIP SWP & STP Details:		How to represent in case of sub options such as character specific/conditional frequencies	Additional rows to be included for SWP and STP. Accordingly, it will be 6 rows each for SIP, STP, SWP	To include only SIP, SWP and STP facilities available if any.
46	Frequency			
47	Minimum amount			
48	In multiple of			
49	Minimum Instalments			
50	Dates			
51	Maximum Amount (if any)			

Other queries:		**SEBI Comments:**
1	Should only listed scheme details to be provided to stock exchanges?	Scheme Summary Document of all the schemes to be provided to stock exchanges
2	The Riskometer for the end of the month should be available by 1st week/10 days of the succeeding month. The data for the month end should be accordingly uploaded between 10th to 15th of the next month. Eg - The data for the month of March 2022 may be uploaded by 10th to 15th April, 2022.	We are OK with the proposal
3	The SEBI letter dated December 28, 2021 provides that the document should be updated by the AMC on a monthly basis or on changes, in any of the specified fields, whichever is earlier. Thus in view of any change in data for a particular scheme, the data of the said scheme should be updated within 5 working days from the date of change.	We are OK with the proposal
4	Whether all the three formats are to be uploaded on the AMC website - AMFI OPCO suggestion: As of now AMFI has activated only pdf format for each scheme separately. AMFI needs to provide upload facility for remaining 2 format - request if these can these be consolidated for all schemes	Scheme Summary Document in all the 3 formats are to be uploaded on AMC website, AMFI website and Stock Exchange Website
5	What is the meaning of codes "to be phased out"?	There is no need of capturing AMFI Code once SEBI Code (Scheme Code) comes into existence

80. <u>Revision of Code of Conduct for Mutual Fund Distributors (MFDs)</u>
Reference – SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/14567/1 dated April 04, 2022

80.1. AMFI is advised to peruse the revised code of conduct and issue the same expeditiously. Further, it is reiterated that as stated in SEBI Circular dated August 27, 2009 (clause 15.6 of the Master Circular), the onus is on AMCs to ensure that MFDs strictly follow the Code of Conduct prescribed by AMFI.

80.2. In order to ensure uniformity in dealing with deficiencies by different MFDs, AMFI is advised to:

a. prepare policies and procedures to deal with due diligence report/Audit report on MFDs; and
b. issue Guidelines on action to be taken by all the affiliated AMCs like suspension, claw back of commissions, de-empanelment, etc. in cases of major violations.

80.3. AMCs are advised to place the due diligence report audit report on MFDs along with the action taken on the same before the Board of the concerned AMC. The same shall also be reported to SEBI by the AMC(s) in their CTR(s) and by the Trustees in their Half Yearly Reports.

81. <u>Request for review of Categorization Sectoral funds and Thematic Funds</u>
Reference – SEBI letter No. SEBI/H0/0W/IMD-II/DOF3/P/24098/2022 dated June 10, 2022

81.1. As per SEBI categorization circular, Sectoral and Thematic Funds have been classified under a single category and the said circular does not distinguish between the Sectoral and Thematic Funds, it is informed that the investment norms for stock exposure limit applicable for Sectoral Mutual Fund schemes shall also be applicable for Thematic Funds.

82. <u>Proposal to introduce bundled products</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/25096/2022 dated June 17, 2022

82.1. No existing schemes or one which are proposed to be launched shall have bundled products e.g. insurance features w.r.t scheme investments (such as SIP Insure, etc.)

83. <u>**Disclosure norms for ESG Mutual Fund schemes**</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/25379/2022 dated June 21, 2022

83.1. The working group was constituted for standardization of scoring process to be followed across the industry with respect to ESG schemes investment methodology and broad parameters for each of the pillars viz. Environmental, Social and Governance. The working group has inter-alia recommended that *"To ensure compatibility across the schemes, the ESG Schemes will use this common scoring to come out with weighted average Fund Scores and publish them with regular updates as and when required."*

83.2. Accordingly, the ESG schemes will use scores arrived by empanelled ESG rating providers based on the standard parameters recommended by the Working Group, to come out with securities wise score along with weighted average Fund Score and publish the said scores in the portfolio disclosures as and when required.

83.3. AMFI is advised to mandate all the AMCs to publish security-wise score along with weighted average Fund Score in the portfolio disclosure.

84. <u>**SEBI circular on "Timelines for Rebalancing of Portfolios of Mutual Fund Schemes'**</u>
Reference – SEBI Letter No. – SEBI/HO/IMD-I DOF-2/P/OW/2022/26571/1 dated June 29, 2022

84.1. SEBI circular dated March 30, 2022 (Clause 2.9 of the Master Circular) states that "In order to bring uniformity across Mutual Funds with respect to timelines for rebalancing of portfolio, the following has been decided:

a. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period across schemes shall be as follows:

Sl. No.	**Category of Scheme**	**Mandated Rebalancing Period**
i.	Overnight Fund	NA
ii.	All schemes other than Index Funds and Exchange Traded Funds	Thirty (30) business days

84.2. In this regard, it is clarified that the provisions of paragraph 9 of SEBI Circular No. SEBI/HO/IMD/ DF3/ CIR/P/2017/114 dated October 6, 2017 and paragraph 2.1 of SEBI Circular No. SEBI/HO/IMD/DF2/ CIR/P/ 2021/024 dated March 4, 2021 shall not be read in conjunction with the provisions of SEBI Circular No. SEBI/HO/IMD/IMD-II

DOF3/P/CIR/2022/39 dated March 30, 2022 and shall be complied with independently. Further, no specific exemption to close ended schemes is considered.

84.3. Further, regarding clause 1(b) of the above referred SEBI circular, deviations in mandated asset allocation table as on July 1, 2022 which have originated prior to Jul 1, 2022 shall be deemed to have occurred for the first time on July 1, 2022 and the provisions of the circular shall be accordingly complied with. AMCs shall ensure that the provisions of the circular are strictly followed w.e.f. July 01, 2022.

84.4. Further, if the portfolio of schemes is not rebalanced within the aforementioned mandated plus extended timelines, for close ended schemes since no exit option can be given, AMC shall not be permitted to launch new schemes, till the portfolio is rebalanced.

84.5. Regarding reporting and disclosure requirement, the reporting to Trustee shall be initiated immediately after the expiry of the mandated rebalancing period (i.e. 30 business days).

84.6. As regards the disclosure to investors in case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme the reporting to investors shall be initiated immediately after the expiry of the mandated rebalancing period (i.e. 30 business days). However, scheme wise deviation of the portfolio (beyond the limit specified in circular) from the mandated asset allocation beyond 30 days shall also be disclosed on the website of the AMC.

85. Clarifications on SEBI Circular on Development of Passive Fund
Reference – SEBI letter No. SEBI/HO/IMD-I DOF2/P/OW/2022/26517/1 dated June 29, 2022

85.1. Clause 2 (I)(A)(xi) of the SEBI circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022 states that AMFI shall issue a list of debt indices for launching of debt ETFs/ Index Funds. The list shall be issued by AMFI within 1 month from the date of issuance of this circular. In this regard, following are mentioned:

a. AMFI must submit to SEBI the comprehensive list of existing debt indices on which passive funds have been launched or can be launched before the date of implementation of the circular.
b. New Indices considered appropriate for launch of passive debt schemes maybe submitted by AMFI to SEBI for comments on quarterly basis before any schemes are launched on those indices.
c. A carve out for target maturity indices from the above requirement is provided. However, the broad framework for formulation of such Indices such as mix of asset class, weightage of ratings wherever

applicable, duration mix of various securities, defined maturity of the indices, etc. with the broad index methodology shall be submitted to SEBI.

85.2. Further, regarding clause 2(I) (B) and (D) of the circular dated May 23, 2022 following is clarified:

a. Corporate debt securities include both long term debt securities and money market instruments (i.e. CDs and CPs).
b. Only A1+ rated CDs and CPS should form part of the index/portfolio of ETFs/ Index Funds. However, the long term rating of issuers shall be considered for single issuer and sector exposure limits.
c. The exposure to an issuer by a scheme shall be sum of exposure to long term debt and money market instruments of the issuer.
d. Exposure to government money market instruments such as TREPS on G-Sec/t-bills would be treated as exposure to government securities.
e. However, instruments like BRDS, FDs etc. should not be part of the constituents of the index.

85.3. As regards clause 2(I)(E) of the circular dated May 23, 2022 it is clarified that movement to a lower risk cell in the PRC matrix is permitted only on account of investment into higher rated securities and exposure to cash within the permitted range of replication mechanism. The condition on maintenance of tracking difference shall continue to be applicable.

85.4. Further, with respect to clause 2(IV) of the circular dated May 23, 2022 it was agreed that for in spirit implementation of the provision, execution value shall be considered rather than transaction value for arriving at value of order placed for redemption or subscription directly with the AMC. It is also felt that in any case providing order execution service to clients is the job of brokers and not the AMCs.

85.5. Further, with respect to clause 2(V) of the circular dated May 23, 2022, the formula/computation of tracking error and tracking difference submitted by AMFI is accepted. However, following shall be ensured:

a. The condition of maximum TD of 1.25% must be adhered to upon completion of one year of a Debt ETF/Index Fund scheme on a daily basis. For Debt Index Funds the TD shall be maintained for both regular and direct plans.
b. The computation of both TE and TD shall consider return of the portfolio of ETFs/ Index Funds net off TER.
c. In case of Index Funds, the TE and TD of both direct and regular plans shall be disclosed separately.

85.6. Regarding the requirement of clause 2(XI)(C) of the circular dated May 23, 2022, the scrip code of the ETF shall be mentioned along with the scheme name in the literature and factsheets of the scheme and not in the scheme name.

85.7. With respect to clause 2(I)(A)(vii), 2(I)(A)(viii) and 2(I)(A)(ix) of the circular dated May 23, 2022 the prudential limits for the Index are to be adhered to at the time of introduction of the Index and on each subsequent Index review/rebalancing.

86. <u>Review of on boarding and other processes of mutual fund clients transacting through various platforms</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/27993/2022 dated July 08, 2022

86.1. It is mentioned that the issue was discussed with the AMFI ETF Committee members and it was agreed that for in spirit implementation of the provision, execution value shall be considered rather than transaction value. It is also felt that in any case providing order execution service to clients is the job of brokers and not the AMCs.

86.2. AMCs shall ensure the following:

a. Client on boarding done through their platform or the platforms of their Distributors/RTAs/channel partners/Agents follow the client on boarding process diligently,
b. Key investor attributes are verified before on boarding of the clients/ modifications of the fields/ attributes and
c. Verification of transaction data is done at their end before execution.

87. <u>Review of on boarding and other processes of mutual fund clients transacting through various platforms</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/27989 dated July 08, 2022

87.1. A review of the on boarding and other processes of mutual fund clients transacting through stock exchange platforms, platforms provided by channel partners and through select applications/portals developed by RTAs was carried out.

87.2. In view of the observations, RTAs are advised to:

a. review the systems and processes at their respective end,
b. place the system level checks for verification of data of clients with supporting documents at regular intervals and
c. take necessary steps and improve checks and controls at their end to avoid recurrences of discrepancies/non-compliances.

88. <u>Advisory on Software as a Service (SaaS)</u>
Reference – Email dated August 04, 2022

88.1. This has reference to a letter received from Indian Computer Emergency Response Team (CERT-In) regarding usage of Software as a Service(SaaS) based solution for managing Governance, Risk & Compliance(GRC) functions and risk associated with such solution due to the nature of shared cloud SaaS (cross border movement of data beyond legal and jurisdictional boundary of India).

88.2. In this regard, the advisory as received from CERT-In is forwarded to AMFI and AMFI is advised to bring the same to the notice of its members and advise them to comply with the same.

88.3. AMCs of mutual funds shall report compliance of the same to SEBI in the half yearly trustee report with an undertaking, "Compliant with CERT-Fin Advisory- 201155100308 for Financial Sector Organizations regarding Software as a Service (SaaS) based solutions."

89. <u>Policy on action to be taken by AMFI in cases of splitting of application for earning transaction charges by Mutual Fund Distributors.</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD/SEC-DIV-3/P/2022/44787/1 dated August 24, 2022

89.1. SEBI has identified a number of instances of splitting of application only for the purpose of earning separate transaction charges by Mutual Fund Distributors (MFDs) for each application which in spirit is violation of SEBI circulars and subsequent AMFI circular in this regard.

89.2. AMFI is advised to enhance its systems processes and capabilities in order to ensure strict monitoring of such violations by MFDs.

89.3. Further, going forward, RTAs have been separately advised to share the details of such MFDs who indulge in splitting of application for earning separate transaction charges, on monthly basis with AMFI starting October 01, 2022. Further, RTAs have also been advised to report such instances of violations to AMFI on monthly basis within a period of five days from end of the month. AMFI shall take necessary action i.e. blocking of such MFDs for a period of six months, within a period of 15 days from the receipt of such communication from RTAs.

89.4. For instances of violations observed pertaining to the period October 01, 2022 onwards, AMFI shall devise a policy to ensure that MFDs which indulge in such practice of splitting of application for earning separate transaction charges shall be blocked for a period of six months without affecting existing on-going transactions of investors (including SIPs) registered through such MFDs. AMFI shall also report the list of such blocked MFDs with SEBI on quarterly basis.

89.5. AMFI shall also write to Chairman of top 10 MFDs, in terms of amount involved in violation, informing them of the said violations and advising their audit committees to put in place mechanisms to detect and prevent such practice which is in violation of SEBI circular.

89.6. Further, from October 01, 2022 for such instances of violations, AMFI shall inform the AMCs that the concerned investors be allotted the units at NAV re-instated at the amount equivalent to transaction charges deducted wrongly.

90. <u>Folios without PAN / PEKRN (PAN exempted KYC Reference Number)</u> Reference – SEBI letter No. SEBI/HO/OW/IMD /PoD/P/2022/48112 /1 dated September 12, 2022

90.1. SEBI vide circular dated April 27, 2007 (Clause 14.11 of the Master Circular) has mandated PAN as sole identification for all the transactions in the securities market with effect from July 02, 2007. Further, SEBI has provided an exemption from requirement of PAN for micro financial products and for investors residing in the state of Sikkim.

90.2. Subsequently, SEBI vide circular No. Cir/IMD/DF/9/2010 dated August 12, 2010 (Clause 16.1.5 of the Master Circular) has inter alia, directed all mutual funds/ AMCs to collect all investor related documents including PAN.

90.3. In this regard, AMCs be advised to ensure that -

a. No investments (Systematic transaction, lumpsum, redemption) shall be permitted in such folios wherein PAN/ PEKRN details are not available.

b. All necessary steps are taken to populate such folios by obtaining PAN / PEKRN on or before March 31, 2023.

c. Thereafter, such non-compliant Non-PAN and Non-PEKRN folios will be liable to be frozen from April 01, 2023. Further, it should be noted that non-investor initiated transactions such as dividend pay-out, if any, declared by the Mutual Fund schemes shall also be disallowed. AMCs shall ensure that intimation is sent to the unitholders that such payment is due and shall be made electronically only upon complying with the requirements.

d. Any folio which has been frozen due to the above requirement shall be able to lodge grievance or avail service request only after furnishing the above details.

e. All efforts to be made by AMFI to reach out through electronic campaign to investors in this regard, where consequences at points (c) and (d) above may be communicated.

f. AMCs to continue to report the progress and steps taken to clean-up the Non-PAN and Non-PEKRN folios to the Trustees in their quarterly report till the time such folios are cleaned up.

91. <u>Date for implementation of Guidelines on Remote Access and Telecommuting for AMCs/ Mutual Funds</u>
Reference – Email dated September 13, 2022

91.1. AMFI had meetings with High Powered Steering Committee on Cyber Security of SEBI to discuss the Guidelines on Remote Access and Telecommuting for AMCs/ Mutual Funds. After the discussions, guidelines on "Remote Access and Telecommuting for AMCs/ Mutual Funds" have been finalized and shared with AMFI for phase wise implementation.

91.2. The timeline provided by AMFI for implementation of all clauses except clause #6 is April 01, 2023 and the timeline for implementation of clause #6 of the guideline is December 31, 2023.

91.3. With regards to clause 6 of the guideline, the same may be optional for implementation by the AMCs.

92. <u>Strengthening governance framework for polling</u>
Reference – SEBI letter No. SEBI/HO/IMD/IMD-I PoD-1/P/ON/2022 dated September 27, 2022

92.1. This is regarding the correspondence on 'Strengthening governance framework for polling'. SEBI is in agreement with the basic requirements laid down by AMFI for the automated polling systems of valuation agencies empanelled with AMFI.

92.2. Further, AMFI is advised to ensure that following matters are also appropriately addressed/incorporated in the above referred AMFI policy on 'Basic requirements of systems for polling for the valuation agencies empanelled with AMFI':

a. AMFI requirement is that the automated polling process to be cloud based platform. In this regard, AMFI shall ensure that the data on valuation as well as polling for mutual funds is maintained in India.
b. The automated system of polling should have end to end audit trail.
c. The system enabling live feedback to participants shall be subject to the feedback not influencing the polling.
d. The system should be able to generate reports to analyse pattern of polling. The system should be able to identify minimum, maximum, average and median of the polls submitted.
e. The system should have option at users end to generate reports regarding poll submissions.
f. Polling by AMCs should be through the polling systems developed by valuation agencies and polling through email should be done away with.
g. In terms of AMFI Best Practice Guidelines dated November 18, 2019, the officials of the AMC who are responsible for polling are personally liable for any misuse of the polling process. In view of the same, the need for maker-checker at the polling participant's end may be reviewed in consultation with the AMCs.
h. All the data is preserved by valuation agencies empanelled by AMFI for the period of eight years and the data should be produced to AMFI and/or SEBI as and when required.

92.3. AMFI shall ensure that valuation agencies empanelled by them comply with the policy on "Basic requirements of systems for polling for the valuation agencies empanelled with AMFI", prepared by AMFI in consultation with SEBI.

92.4. AMFI shall with at least an annual frequency get the polling process of valuation agencies revalidated by external audit and submit the compliance report to SEBI.

93. <u>Standardization of the text of the letter to the unit holders for changes in fundamental attributes of schemes</u>

Reference – SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/511371/1 dated October 04, 2022

93.1. AMCs shall use the standard text of the letter to unit holders in all future communications to investors while informing about changes in fundamental attributes of schemes in terms of Regulation 18(15)A of SEBI (Mutual Fund) Regulations, 1996. The standard text format shall be as under:

Letter to all the Unitholders of all the affected Mutual Fund Scheme/s

Date: ______________________

Dear Unitholder,

<u>Sub: Change in fundamental attributes of <Name of the Scheme of <Name of the Mutual Fund></u>

Unit holders are requested to note that the following scheme will be undergoing certain changes in the key features as detailed in the table below. The changes, indicated as FAC in the below table will be considered as change in the fundamental attributes in line with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations"). Accordingly, these proposed changes shall be carried out by implementing the process for change in the fundamental attributes of the Scheme.

1. **Name of the Scheme/s:**
2. **Rationale for the change/s:**
3. **The comparison between the existing features and the proposed features are as follows (Only change portion to be mentioned):**

Particulars	**Existing Scheme Features**	**Proposed Scheme Features (Changes to be highlighted in Bold)**
1. Name of the Scheme		
2. Type of scheme*		
3. Investment Objective*		
4. Asset Allocation 5. Pattern*		
6. Investment Strategy, (if applicable) *		
7. Segregated Portfolio*		
8. Swing Pricing Framework *		
9. Potential Risk Class		

Particulars	Existing Scheme Features	Proposed Scheme Features (Changes to be highlighted in Bold)
Matrix, if applicable*		
10. Benchmark		
11. Change in Total Expense Ratios*		
12. Any other changes		

*** Considered as Fundamental Attribute Change**

Note: All other features of the Scheme except those mentioned above will remain unchanged.

4. The Board of Directors of <the AMC name > and the Board of Directors of <name of the Trustee Company>>, have approved the above proposed changes. Further, SEBI, vide letter ref. no. _____________ / email dated ___________, has communicated its no-objection for the proposed changes.

5. In line with regulatory requirements, for scheme where a change in fundamental attributes is being proposed, we are offering an exit window ("Exit Option") to the Unit holders of ___ days (minimum 30 days) from ______________ to _______________(both days inclusive) ("Exit Option Period") . These changes will be effective from _____________ ("Effective Date"). During the Exit Option Period, unit holders not consenting to the change may either switch to any other scheme of ……….. mutual fund or redeem their investments at applicable Net Asset Value without payment of exit load subject to provisions of applicable cut-off time as stated in the Scheme Information Document of the relevant scheme. All transaction requests received on or after <Effective date> will be subject to applicable exit load (if any), as may be applicable to the respective Scheme mentioned above.

6. Redemption / Switch requests, if any, may be lodged at any of the Official Points of Acceptance of XYZ Mutual.

7. The above information is also available on the website of XYZ Mutual viz., www.XYZ mutual.com.

8. Unit holders who have pledged / encumbered their units will not have the option to exit unless they submit a letter of release of their pledges / encumbrances prior to submitting their redemption / switch requests. In case of ELSS and Solution Oriented Schemes, the exit option shall be subject to completion of applicable lock in period as specified in the SID.

9. Investors who have registered for Systematic Investment Plan (SIP) in the Scheme and who do not wish to continue their future investments must apply for cancellation of their SIP registrations.

10. The redemption warrant/cheque will be mailed or the amount of redemption will be credited to the unit holders bank account (as registered in the records of the Registrar) within 10 (ten) working days from the date of receipt of redemption request.

11. **It may be noted that the offer to exit is purely optional and not compulsory. If the Unit holder has no objection to the aforesaid change, no action is required to be taken and it would be deemed that such Unit holder has consented to the aforesaid change.**

12. Please note that unit holders who do not opt for redemption on or before ____________ (upto __ p.m.) shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the scheme of XYZ MF. In case the unit holders disagree with the aforesaid changes, they may redeem all or part of the units in the respective scheme(s) of XYZ MF by exercising the Exit Option, without exit load within the Exit Option Period by submitting a redemption request online or through a physical application form at any official point of acceptance/investor service center of the AMC or to the depository participant (DP) (in case of units held in Demat mode). Unit holders can also submit the normal redemption form for this purpose.

13. The option to redeem the Units without exit load during the Exit Option Period can be exercised in the following manner:

    (a) Unit holders can submit redemption requests online or via duly completed physical application form at any official points of acceptance/investor service center of the AMC or to the DP (in case of units held in Demat mode).

    (b) The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the Scheme.

    (c) Unit holders should ensure that any changes in address or pay-out bank details required by them, are updated in XYZ MF's records at least 10 (Ten) working days before exercising the Exit Option. Unit holders holding Units in dematerialized form may approach their DP for such changes.

14. The expenses related to the proposed changes and other consequential changes as outlined above will not be charged to the unit holders of the Scheme of XYZ MF.

15. **Tax Consequences:**

    Redemption / switch-out of units from the Scheme may entail capital gain/loss in the hands of the unitholder. For unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of XYZ MF and Scheme Information Document of relevant scheme of XYZ MF would be applicable. In case of NRI investors, TDS shall be deducted from the redemption proceeds in accordance with the prevailing income tax laws. In view of the individual nature of tax consequences, Unitholders are advised to consult their professional tax advisors for tax advice.

Unit holders who require any further information may contact:

XYZ Mutual Fund: Address with telephone number and email ID

Yours faithfully

For <Name of the AMC>

Authorised Signatory

Enclosures: as above

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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94. <u>Standardization of the text of the letter to the unit holders for Change in Control of AMC or Change in Sponsor</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/51980/1 dated October 12, 2022

94.1. AMCs shall use the standard text of the letter to unit holders in all future communications to investors while informing about change in control in terms of Regulation 22 (e) of SEBI (Mutual Fund) Regulations, 1996.

94.2. Further, AMCs may be advised to confirm while submitting the application for change in control that the letter to the unit holders is in accordance with the guidance issued by AMFI in this regard.

94.3. Standard text of the letter to unitholders is as given below:

Letter to all the Unitholders about the proposed change in control of

<u><<On the letter head of the Asset Management Company>></u>

Dear Unitholder,

Sub: Change in control of XXX Asset Management Company pursuant to merger/ takeover/ induction of new sponsor

I. Background:

II. Nature of change in control:

- In case of new Sponsor:

  The activities of the new sponsor and its financial track record and performance *(as prescribed in the standard offer document)* is as follows *(requisite details to be provided, if applicable)*: -----

- In case of taking over of the schemes by an existing mutual fund registered with SEBI:

  The condensed financial information of all the schemes in the format prescribed in the standard offer document is enclosed as **Annexure --** *(requisite details to be provided, if applicable).*

- In case of new sponsor(s) or in case of taking over of the schemes by an existing mutual fund:

  The requisite undertakings as prescribed by SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, are enclosed as **Annexure --** *(requisite details to be provided, if applicable)***.**

III. Rationale for the change/s / Expected Benefits of the change/s:

IV. Effects of the proposed change:

V. Requisite approvals for the Proposed Transaction:

The Board of Directors of the AMC and Trustee Company have approved the above change in control in their respective meeting held on <date of the meeting (s)>.

SEBI vide its letter dated [Insert Date] has granted its prior/ final approval for the proposed change in control.

The proposed changes shall be made subject to other requisite approvals, as applicable.

VI. Option for exit to the unit holders without exit load for 30 days:

The above-mentioned change would result in change in control within the meaning of Regulation 22(e) of the MF Regulations.

As per regulation 22(e), SEBI (Mutual Funds) Regulations, 1996 (MF Regulations), no change in control of an asset management company can be made unless the unitholders are given an option to exit on the prevailing Net Asset Value ("NAV") without any exit load.

In accordance with the MF Regulations, and pursuant to the approval from SEBI, an exit option is being provided to such unit holders as on close of business hours on the record date being [Insert Date] to exit from his/ her/ its investment in the Schemes of XXX Mutual Fund ["Scheme(s)"] at the prevailing NAV without any exit load, for a period of 30 days from [Insert Date] to [Insert Date] (both days inclusive) (up to 3.00 p.m. on [Insert last date]) if they do not wish to stay invested in the Schemes upon the change in control becoming effective.

A list of all the open ended, close ended schemes and Interval schemes of XXX Mutual Fund along with their maturity dates and AUM as on ----- is enclosed as **Annexure - 1**.

Please note that the no load exit option is not available to following investments in the schemes of XXX Mutual Fund which have not completed the statutory lock-in period.

However, Unit-Holders who have completed the statutory lock-in period will be eligible to exercise the option to exit without being charged an exit load.

Further, such exit option will not be available to unit holders who have pledged or encumbered their units in the Scheme and Mutual Fund has been instructed to mark a pledge/lien on such units, unless the release of the pledge/ lien is obtained and appropriately communicated to AMC / Mutual Fund prior to applying for redemption/switch-out.

VII. Procedure for exercising exit option:

The Exit Option can be exercised by submitting a normal redemption request at any of the official points of acceptance of XXX Mutual Fund, details of which are available in the relevant scheme information document ("SID") / website viz. _______. In case any existing unit holder has not received the letter relating to exit option, they are advised to contact any of the Investor Service Centers of XXX AMC or download and print the letter format from the website.

The redemption proceeds will be remitted/ dispatched to the respective Unitholders within stipulated period from the date of receipt of the valid redemption request.

Unit holders should procure a release of their pledges/ vacate the lien prior to applying for redemption/ switch-out during the Exit Option

Period. In case units have been frozen / locked pursuant to an order of a government authority or a court, such exit option can be executed only after the freeze / lock order is vacated / revoked within the exit option period specified above.

In case any existing Unit-Holder has not received the letter relating to Exit Option, they are advised to contact any of the Investor Service Centres of XXX Mutual Fund.

VIII. Expenses &Taxation:

The expenses related to the proposed change in ……. and other consequential changes as outlined above will NOT be charged to the unit holders of the schemes of XXX Mutual Fund.

As regards the unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information (SAI) of XXX Mutual Fund and Scheme Information Documents (SID) of the respective scheme(s) would apply including deduction of tax at source (TDS) in accordance with applicable tax laws. In view of individual nature of tax consequences, you are advised to consult your financial / tax advisor for detailed tax advice.

IX. Others:

The details of the unclaimed redemption and dividend amounts as of along with the procedure for claiming the same by the unit holders is enclosed as **Annexure 2.**

As a unit holder, you are requested to go through this communication carefully and consult your Advisor in the event that you have any questions.

Unit holders having no objection to the proposed changes and wishing to remain invested need not take any further action.

This option to exit is merely an option and not compulsory.

X. Updation of Scheme related documents:

The SAI, the SID, the Key Information Memorandum and other relevant documents relating to the Schemes shall be appropriately amended and updated (wherever applicable) in accordance with the MF Regulations, so as to reflect the relevant change(s) pursuant to change in control.

Contact Details:

In case you need any further clarifications, please contact us on the details provided below:

<Contact details of Investor Relations Officer to be added>. We will be happy to assist you.

With regards,

Yours faithfully

For <Name of the AMC>

Authorised Signatory

Format of Draft Email to Unit holders:

Subject: Change in control of XXX Asset Management Company pursuant to merger/takeover/induction of new sponsor (Delete the portion not applicable)

Dear Unitholder,

Greetings from XXX Mutual Fund.

At the outset we wish to thank you for investment in the schemes of XXX Mutual Fund and look forward for your continued patronage.

This communication is being sent with respect to the proposed change in control of XXX Asset Management Company Private Limited pursuant to merger/takeover/induction of new sponsor (Delete the portion not applicable). The communication w.r.t said proposal can be accessed using the below link:

Click here to open the Unitholder letter

For any further assistance please call us on __________ **between ___ to ____ (____day to ____day)** and speak to any of our Client Relations Officers. Alternatively, you can also write to us at customer@xxxmf.com. We shall be glad to serve you.

Annexure – 1

List of all the Schemes of <Name of the Mutual Fund>

Sr. No.	Name of the Scheme	Open ended/Close ended	Type of Scheme	Maturity date (in case of close ended Schemes)	Assets under Management as on __________

Annexure 2

i. Details of Unclaimed Dividend and Redemption amounts as on <----------> are provided below:

Scheme Name	Unclaimed Dividends		Unclaimed Redemptions	
	Amount (Rs.)	No. of Unclaimed Drafts/ Warrants	Amount (Rs.)	No. of Unclaimed Drafts/ Warrants
Grand Total				

ii. Procedure for claiming the Unclaimed Dividend / Redemption Amounts by the Unit holders is as follows:

<Procedure for claiming the unclaimed amount to be added here>

Annexure for undertakings as prescribed by SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

In case of new sponsor(s) or in case of taking over of the schemes by an existing mutual fund, the undertakings on the following lines are required to be given to the unitholders:

i. Taking full responsibility of the management and the administration of the schemes including the matters relating to the reconciliation of accounts (as if the schemes had been floated by the new trustees on the date of taking over).

ii. Assumption of the trusteeship of the assets and liabilities of the schemes including outstanding borrowings, unclaimed dividends and unclaimed redemptions, if any.

iii. Assuming all responsibilities and obligations relating to the investor grievances, if any, in respect of the schemes taken over, in accordance with and pursuant to MF Regulations and various circulars issued thereunder.

95. <u>Disclosure of votes cast by Mutual Funds in respect of resolutions passed in general meetings of the investee companies</u>
Reference – Letter No. SEBI/HO/IMD-II/IMD-II_DOF11/P/OW/2022/52316/1 dated October 14, 2022

95.1. Guidelines have been prescribed by SEBI for casting of votes by Mutual Funds. In this regard, following shall be communicate to AMCs:

a. Mutual Funds shall compulsorily be required to cast their votes in all resolutions as mentioned in SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021 (Clause 6.16.10 of the Master Circular) and to ensure this Mutual Funds shall track the company general meeting notices on Stock Exchange websites.

b. In case Mutual Funds casts their vote using custodian systems, AMCs shall ensure that its custodian systems are free of any issue including the issue of voting of AMC getting frozen before the record date and therefore new addition/updation of resolutions were not available to AMC for voting.

c. Mutual Funds ensure that appropriate email ids of the Mutual Fund are tagged to the demat account of Mutual Fund schemes.

96. <u>Standardization of language of letter to unit holders in case of change in AMC or Change in Trust Deed</u>
Reference – SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/ 58081/1 dated November 16, 2022

96.1. AMCs shall use the standard text of the letter to unit holders in all future communications to investors while informing about change in AMC and/or change in trust deed.

96.2. Further, AMCs shall confirm while submitting the application to SEBI for change in AMC or change in trust deed that the letter to the unit holders is in accordance with the guidance issued by AMFI.

96.3. Standard text of the letter to unitholders is as given below:

Letter to all the Unitholders of the applicant AMC/s

Dear Unitholder,

Sub: Change in Asset Management Company (AMC) of ABC Mutual Fund ('the Fund'**) and / or Trust Deed of ABC Mutual Fund pursuant to ___ reasons. (Delete the portion not applicable)**

I. **Background reasons for changes in AMC and / or Trust Deed:**
II. **Proposed key changes envisaged:**
III. **Details of approvals obtained/ required:**

IV. **Approval of Unitholders for proposed change of the Asset Management Company and consequential changes in the Trust Deed as reflected in Supplemental Trust Deed.**

As per Regulation 20 (3) of the SEBI (Mutual Fund) Regulations, 1996, any change in the appointment of the Asset Management Company shall be subject to prior approval of unitholders. Accordingly, we seek your approval through postal ballot for the proposed change of Asset Management Company of the Fund from XXX (name of the existing asset management company) to YYY (name of the proposed asset management company) along with the consequential changes in the Trust Deed as reflected in the Supplemental Trust Deed.

A copy of the Supplemental Trust Deed (draft) and No-objection from SEBI ("SEBI NOC") are also attached herewith or available at the registered office of ABC at ……. should you wish to review the same.

V. **Terms of Voting:**

a) All unitholders of the schemes of the Fund, as per the records of RTA, as on ……………………… will be entitled to vote in respect of the proposal under reference.
b) The voting window shall remain open from …<ballot open date>…………………… till ……<ballot closing date> & <Time>…………………… (Both days inclusive). All duly signed and filled-up Ballot Papers received by the Registrar and votes received electronically, during these days and time will be accepted and considered, if found valid, for the purpose of determining the results of ballot.
c) Each unitholder will be entitled to one vote for every unit held on the aforesaid date.

VI. **Procedure for voting and determining results of the ballot:**

You can provide your consent by

a) You are requested to fill and sign the ballot paper (enclosed as Exhibit A herein) ("Ballot Paper") clearly indicating your approval or disapproval. It is clarified that the Ballot Paper is to be signed as per mode of holding in line with normal practice for all other transactions. This means if the holding is "Joint", all holders need to sign and for "Anyone or Survivor", anyone can sign.
b) Unitholders who have their email address/mobile number registered with the Fund can provide their votes electronically through ....<Web link>......... upto _____________<Closing date to be added>. The votes received electronically from unitholder/s will be considered for and on behalf of all joint holders in that particular folio/s.
c) Unitholders who do not wish to vote electronically or are not able to vote electronically, can submit a physical copy of the Postal Ballot Paper to Registrar <Address of the Registrar to be added> or at any Investor Service Centers (ISC) of the Fund.
d) The Ballot Paper, duly filled and signed, can either be sent to the Registrar by post at the following address or submitted at any of the Investor Service Centres of the Fund (ISC), details of which are available on website address. You are requested to send the Ballot Paper to the below mentioned address of the Registrar. <Address of the Registrar to be added>.

e) If you require a fresh Ballot Paper, you are requested to contact the ISC or download the same from the website of the fund.
f) All valid Ballot Papers and valid votes received electronically will be counted by the Registrar under the supervision of an independent scrutinizer appointed by the Fund.
g) In case the Unitholder provides his vote through the Postal Ballot paper as well as electronically, then the vote received through Postal Ballot duly signed and valid, will be considered.
h) Unitholders are requested to note that:
   i. if you do not send the duly filled signed Ballot Paper, or provide your vote electronically, or if no valid vote is received either through Ballot Paper or electronically by the Registrar on or before .....<ballot closing date> & <Time>......, then it will be deemed that you have approved the proposed change detailed in para IV of this letter and that you and joint holders, if any, do not have any objection to the proposed change.

   ii. if more than 50% of the total valid votes received (or deemed to be received, as above) are in favour of the aforementioned proposed change, then such change would stand approved by all the unitholders of all schemes of the Fund and be binding on all the unitholders of all schemes of the Fund.

The result of the postal ballot shall be intimated to the unitholders by way of email or by way of a notice in newspaper. The results of the postal ballot shall also be announced on the website address.

In accordance with the MF Regulations, and pursuant to the SEBI NOC (as set out above), this letter serves as a communication to the unitholders of the schemes of the Fund about the change of the Asset Management Company and/or Trust Deed and all other consequential changes pursuant to the Proposed ___.

VII. Exemption from requirements of Regulation 18 (15A) and Regulation 22(e) of MF Regulations

Since the proposed change is on account of internal restructuring of business of ABC, with no change in the (a) ultimate ownership and control of the asset management company of the Fund; (b) sponsor of the Fund; and (c) name of the Fund, it shall not constitute as a change in the fundamental attributes of any of the schemes of the Fund in line with Regulations 18 (15) A of MF Regulations. Also, the proposed internal restructuring will not lead to any change in control of the asset management company as per Regulations 22(e) of MF Regulations and thus the unitholders need not be given an option to exit on the prevailing Net Asset Value without any exit load.

The expenses related to the proposed changes and other consequential changes as outlined above will not be charged directly/indirectly to the unitholders of the schemes of the Fund and will be borne by ABC/ZZZ.

As a unitholder, you are requested to go through this communication carefully and consult your financial / tax advisors if you have any questions. Unitholders may also write to us at <email id>. We look forward to your continued support.

Thanking You,

Yours Faithfully,

For ____Trustee Company

Sd/-

Authorised signatory

Date :

Place :

97. <u>Guidelines to determine "Celebrity" for the purpose of mutual fund advertisements</u>

Reference – SEBI letter No. SEBI/HO/IMD/IMD-PoD-2/P/OW/2022/59612/1 dated November 28, 2022

97.1. The expression 'Celebrity' shall means and includes any person:

a. Who features in the Top 50 rankings in any celebrity index published by a national publication of repute and is publicly available. The celebrity index should be latest available or at the most one—year-old.
b. Who has played lead role or one of the lead roles in any Main-Stream/ prominent/ popular movies/ TV serials/ TV shows/ web series on any of the OTT platforms.
c. Who is an influencer with more than 10 lacs followers/ subscribers (per social media handle) on any social media platform that include but not limited to Youtube, Instagram, Facebook, Twitter, etc.
d. Who, being a Sports person, has been part of National team of the country to which he belongs or represented his country/ participated in international tournaments / events such as Olympic Games, Asian Games, Commonwealth Games or popular sport events telecast on television like kabaddi, Cricket IPL, etc. and competitive games at international level for that given sport, etc.
e. Who has been host or one of the hosts or anchor or one of the anchors for any TV programs such as quiz, cooking shows, news channels, comedy show, dance shows, song show, award functions and such other entertainment programs at least for one season or for a minimum of 10 episodes, as the case may be.
f. Who was/ has been winner or runner-up in any prominent/ popular competitive program aired on TV/ OTT platform or any other prominent personality who has gone through a series of qualifying rounds (for elimination of competitors) which may be known as qualifying round, quarter-finals, semi-finals and finals or by any other names.
g. Who is a virtual character (fictional computer generated 'people' or avatars who have the realistic characteristics, features and personalities of humans) that bears influence on their audience/ followers.

98. <u>Disclosure of fortnightly/monthly/half yearly portfolio</u>
Reference – Email dated November 17, 2022

98.1. Through various circulars SEBI has mandated that all AMCs shall send fortnightly/monthly/half yearly scheme portfolio to unit holders through email.

98.2. It is noted that emails sent by few AMCs do not contain the fortnightly/monthly/half yearly portfolio disclosures in the email itself, but contain links which redirects the investors to the websites of the respective AMCs, making it cumbersome for investors to access portfolio disclosure in a user friendly manner.

98.3. In order to standardize the process so that the information is available to the investors in a uniform and user friendly manner, AMFI is advised to communicate to all AMCs that emails sent to the investors pertaining to portfolio disclosures should either contain the fortnightly/monthly/half yearly portfolio in user-friendly and downloadable format (preferably in a spreadsheet) in the email itself or should contain a link which when clicked should download the respective monthly portfolio disclosures without redirecting the investor to the website of the AMC.

99. <u>Telegram scams / groups – fake Mutual Funds</u>
Reference – Letter No. SEBI/HO/IMD-II/IMD-II_DOF11/P/OW/2022/60035/1 dated November 30, 2022

99.1. It is observed that certain Telegram group names appears to be misleading and misrepresenting the names of Mutual Funds. These telegram groups may be adopting new methods to defraud the investors by camouflaging as registered Mutual Funds / associated with Mutual Funds.

99.2. In view of the proliferation of such activities on social media which are dubious in nature and not in the interest of investors who intend to invest in Mutual Funds, AMFI is advised to communicate the following to its members:

a. Mutual Funds shall be vigilant and regularly monitor social media to identify the entities / groups which camouflage themselves as registered Mutual Funds or misuse the names of Mutual Funds to lure the investors for investments.

b. Based on this continuous monitoring of such entities, Mutual Funds / AMFI should promptly take appropriate actions including issuing a press release / public notice, filing FIR etc. to ensure that such entities / groups are prevented from misusing names of Mutual Funds.

c. The Mutual Funds / AMFI shall also ensure that all the stakeholders of Mutual Funds such as distributors, brokers, Investment Advisors etc. be sensitized to perform similar due diligence and promptly take appropriate actions.

100. <u>Launch of passively managed ELSS schemes after closing actively managed schemes for subscription</u>
Reference – SEBI letter No. SEBI/HO/IMD- POD-2/P/OW/2023/1114/1 dated January 10, 2023.

100.1. Mutual funds having existing actively managed open ended ELSS scheme may launch passively managed open ended ELSS schemes after stopping fresh inflows/ subscriptions to existing actively managed open ended ELSS scheme.

100.2. The following procedure shall be followed for the same:

Step 1: All fresh inflows/ subscriptions to the actively managed ELSS scheme shall be stopped after a written communication about the proposed change along with reasons and benefits of such change is sent to each unitholder and an advertisement is given in at least one English daily newspaper having nationwide circulation as well as in at least one newspaper published in the language of region where the Head Office of the mutual fund is situated. The disclosure in the letter shall also clearly highlight that

a. The fresh inflows/ subscriptions including Systematic Investment Plans (SIPs) and Systematic Transfer Plans (STPs) for the existing actively managed open ended ELSS scheme would be stopped from dd/mm/yyyy due to proposed launch of passively managed open ended ELSS scheme.

b. The unitholders of the actively managed open ended ELSS scheme, for which fresh inflows/subscriptions would cease, shall be able to redeem their units, subject to lock-in, if any.

ii. **Step 2:** Mutual Fund to launch passively managed open ended ELSS Scheme subject to filing of the Scheme Information Document with SEBI under Regulation 28 of SEBI (Mutual Fund) Regulations 1996 and receiving of final observation letter.

iii. **Step 3:** Further, after completion of 3 years from the date of stopping of all inflows in actively managed ELSS Scheme, AMC is required to make suitable disclosures in relation to clause 15A of regulation 18 of SEBI (Mutual Funds) Regulations, 1996 for merger of the two ELSS schemes subject to obtaining necessary approvals from SEBI. The exit option as required under sub-clause (ii) of clause 15A of regulation 18 shall specifically inform the investor that in case the investor doesn't exit the scheme, the investments would be managed through passively managed open ended ELSS scheme.

101. <u>Disclosure of Total Expenses Ratio(TER) on AMCs' website</u>
Reference – Email dated February 23, 2023

101.1. It is mandated that AMCs shall prominently disclose on a daily basis, the TER (scheme-wise, date-wise) of all schemes except infrastructure debt fund (IDF) schemes under a separate head –"Total Expense Ratio of Mutual Fund Schemes" on their website and on the website of AMFI in a downloadable spreadsheet format as per the specified format.

101.2. In order to standardize the process so that the information is available to the investors in a uniform and user friendly manner, AMFI is advised to instruct all the AMCs:

a. To ensure that TER is displayed prominently on the AMC website either through a link directly on the home page of the website or intuitively placed at a section so that a user does not have to visit more than two sections on the AMC website to access the information.

b. To ensure that TER of all schemes are disclosed strictly as per format specified in Annexure A of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/91 dated June 05, 2018 along with relevant footnotes and the TER shall be updated on a daily basis.

102. <u>B-30 incentive mechanism</u>
Reference – SEBI letter No. SEBI/HO/IMD/IMD-SEC-3/P/OW/2023/5823/1 dated February 24, 2023

102.1. The purpose of financial inclusion is adversely impacted due to the misuse and lack of uniformity in practice of B-30 incentives. Further, the lack of system driven mechanisms to check the misuse of incentives structure is a serious bottleneck in achieving the desired objective. Thus, it is desirable to keep B-30 incentive structure in abeyance till AMCs put in place effective controls to address the concerns of SEBI as mentioned above to identify and take action against wrongdoing. AMCs are required to ensure that they have a system driven mechanism to detect and prevent splitting, churning of investments and other misuse modalities so as to take action against wrongdoing, whether internal to the AMC or external in terms of Mutual Fund Distributors (MFDs).

102.2. Meanwhile, SEBI is also exploring other measures for financial inclusion which may include bringing in a more effective mechanism for B-30 incentives by considering only inflows from 'first time' retail investors tracked at industry level on the basis of PAN/PEKRN.

102.3. Based on the aforesaid review and implementation of appropriate mechanism, the incentive structure will be appropriately re-instated by SEBI with necessary safeguards.

103. <u>Audit of 1 bps of daily net assets aggregated by Mutual Funds/AMCs at AMFI Level for investor education and awareness (IEA) for the period of FY 2016-17 to FY 2020-21</u>
Reference – Letter No. SEBI/HO/IMD/IMD-SEC-1/P/OW/2023/9455/1 dated March 03, 2023

103.1. Based on the analysis of audit observations along with AMFI's comments, in respect of investor education and awareness fund (IEAF) aggregated at AMFI Level, the following has been decided:

a. AMFI shall improve its internal controls and devise a certificate format to be submitted by AMCs giving details of AUM at AMC level and due amount to be transferred to AMFI. The format shall be circulated among all AMCs for submission to AMFI on a defined periodic basis.

b. AMFI shall communicate to all of its members to deposit / transfer the contributions of 1 bps of daily net assets aggregated by Mutual Funds/AMCs on timely basis to AMFI by 10th day of subsequent month. In case 10th day of subsequent month is a holiday, the amount should be deposited on immediately following working day.

c. It is advised to ensure that all the decision in respect of uses of IEAF be recorded in the minutes of the Board of AMFI.

d. AMFI shall devise certain criteria/methodology for assessing the end use of IEAF results into financial awareness amongst the investor group.

e. AMFI is advised to reimburse the salary and related expenses of personnel charged to IEAF and henceforth not to charge such expenses to the IEAF.

f. In respect of conducting programs at region or local level across India, it is desirable to have a mix of speakers/experts from different verticals within the mutual fund industry and hence AMFI is advised to engage / deploy people who may be familiar with Mutual Funds and suitable with local language /conditions.

g. AMFI is advised to prepare separate Financials Statements for Investor Education and Awareness Fund instead of clubbing with in AMFI's Financial Statements.

104. <u>Compliance with Advertisement Code prescribed in Sixth Schedule to SEBI (Mutual Funds) Regulations, 1996</u>
Reference – SEBI letter No. IMD/SEC4/OW/P/2023/9448/1 dated March 03, 2023

104.1. AMCs shall refrain from inter-alia following practices, which are not in letter and spirit compliance with the Advertisement Code prescribed in SEBI (Mutual Funds) Regulations, 1996, in future and remove such advertisements/presentations/pamphlets and brochures from all the medium and to advise their distributors not to use such advertisements/ presentations/ pamphlets and brochures:

a. Illustrations are provided in the advertisements/ presentations/ brochures/ pamphlets which would lead investors to believe that they will be receiving fixed returns for their investments including that of SIPs by demonstrating SWP as a multiple of SIP.
b. Illustrations are shown depicting future returns on the basis of assumptions and projections.
c. Disclaimers and assumptions are made in fine print that are likely to be missed out by the investors.

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