

STANDARD OBSERVATIONS FOR SCHEME INFORMATION DOCUMENT AND STATEMENT OF ADDITIONAL INFORMATION

While filing the Statement of Additional Information (SAI) and the Scheme Information Document (SID) for launching a new scheme / revising and filing existing SAI and SID with SEBI, the mutual funds should highlight and clearly mention the page number of the SAI and SID on which each of the following observation has been incorporated. In case of any amendment to Regulations, the new provisions should be incorporated in the SAI / SID.

STANDARD OBSERVATIONS FOR SID

	Standard Observation	Remarks
1.	The AMC shall not invest in any of the schemes unless full disclosure of its intention to invest has been made in the Scheme Information Document and that the AMC shall not be entitled to charge any fees on such investments may be disclosed.	
2.	All Risk Factors including general and scheme specific risk factors should appear at a single place in the Scheme Information Document instead of giving at different places.	
3.	In case the mutual fund intends to invest in ADRs/GDRs and foreign securities, the risk factors associated with such investments including currency risk should be disclosed.	
4.	If the scheme proposes to invest in securitised debt, the table on investment pattern should disclose the maximum limit up to which such investment in securitised debt would be made.	
5.	<p>In case the mutual fund intends to trade in derivatives, the strategies and risks associated with such activities should be disclosed at relevant places in the Scheme Information Document. The Scheme Information Document shall contain disclosures as communicated vide our circular no. DNP/D/Cir-29/2005 dated September 14, 2005</p> <p>Following risk factor pertaining to investments in derivatives may also be given (<i>except in case where the scheme is investing in derivatives for only for the purpose of hedging and portfolio rebalancing</i>):</p> <p>“Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies”.</p> <p>“The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments”.</p> <p>Mention clearly specific risk factors pertaining to derivative strategies.</p>	
6.	In case the mutual fund intends to engage in stock lending/short selling, concepts and risks associated with stock	

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	lending/short selling shall be provided as per the applicable guidelines.	
7.	A note of the investment strategy followed for the scheme shall be given in the Scheme Information Document.	
8.	<p>The fundamental attributes of the scheme shall be disclosed in the Scheme Information Document. The note shall also include the steps to be followed by the Trustee for change in fundamental attributes, as required by the SEBI regulations.</p> <p>The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of the unitholders, shall be carried out unless, (i) a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and (ii) the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load.</p>	
9.	The name(s) of index/indices with which the AMC and trustees would compare the performance of the scheme should be disclosed. The benchmark index/indices may be chosen on the basis of the investment pattern/objective of the scheme and the composition of the index, as approved by the Boards of AMC and trustees	
10.	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, etc.	
11.	All the investment restrictions under SEBI (Mutual Funds) Regulations, 1996 and applicable to the scheme should be incorporated.	
12.	In case the scheme intends to invest substantially in debt and/or money market instruments, one para highlighting the features of Debt Market and Instruments available may also be included alongside the asset allocation.	
13.	Clarify whether, apart from the investment restrictions prescribed under SEBI (MF) Regulations, does the fund follow any internal norms vis-à-vis limiting exposure to a particular scrip or sector, etc.	
14.	Indicate the asset allocation pattern under normal circumstances and to what extent that would be allowed to rise or fall before a review and rebalancing would be called for. From the disclosures, prospective investors should be able to gather an idea on the investment strategy of a scheme at any point of time.	
15.	The Scheme Information Document shall Indicate the types of securities / instruments in which the scheme would invest and a brief narration on the same.	
16.	Any imposition or enhancement in the load shall be applicable on prospective investments only. However, AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well as prospective investors. At the time of changing the load structure, the mutual funds may consider the following measures to avoid complaints from investors about investment in the schemes without knowing the loads:	
	(i) The addendum detailing the changes may be attached to Scheme Information Documents and key information memorandum. The addendum may be circulated to all the distributors/brokers so that the same can be attached to all	

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	Scheme Information Documents and key information memoranda already in stock.	
	(ii) Arrangements may be made to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office.	
	(iii) The introduction of the exit load/ CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC.	
	(iv) A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.	
	(v) Any other measures which the mutual funds may feel necessary.	
17.	NAV Information/ Sale and Repurchase price:	
	a) Disclosure to the effect that NAV shall be published at least in two daily newspapers at intervals of not exceeding one week in case of close ended schemes and on daily basis in case of open ended schemes (alongwith sale and repurchase prices).	
	b) Disclosure to the effect that the repurchase price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV and the difference between the repurchase price and sale price shall not exceed 7% on the sale price. In the case of close-ended scheme the repurchase price shall not be lower than 95% of the NAV.	
18.	SID shall disclose the number of days within which the statement shall be dispatched to the unitholders who subscribe to the units when the scheme is open for continuous subscription after NFO as per the applicable guidelines.	
19.	Disclosure to the effect that it shall be mandatory for the investors of mutual fund schemes to mention their bank account numbers in their applications/requests for redemption.	
20.	Disclosure on Pending Penalties and Pending Litigations shall be provided as per the relevant clause as prescribed in the SID format.	
21.	The Scheme Information Document shall have no clause, which in effect limits the jurisdiction for settlement of claims of the investors to a specific place/region.	
22.	A statement should be incorporated on the last page of the Scheme Information Document as follows "Notwithstanding anything contained in the Scheme Information Document the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Guidelines thereunder shall be applicable."	
23.	All information in the Scheme Information Document and KIM shall be updated, considering the above observations, 30 days before the launch of the scheme.	
24.	You are required to give a due diligence certificate stating that the draft Scheme Information Document is in accordance with the SEBI (Mutual Funds) Regulations. You are again advised to specifically confirm whether there are any deviations from the regulations or whether subjective interpretations have been applied to the provisions of the regulations or where the AMC feels that any matter is required to be brought to the notice of SEBI.	

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	Further you are also advised to confirm that the contents of the SID including figures, data, yields, etc. have been checked and are factually correct.	
25.	Trustees shall provide certification as required under circular SEBI/IMD/CIR No. 5/ 70559 /06 dated June 30, 2006	
26.	The schemes are required to be approved by the trustees. While approving the scheme, the trustees may also review the systems, adequacy of key personnel, compliance mechanism, etc. as required under Regulation 18 (4). A letter from the Trustees should be submitted while filing a new Scheme Information Document, confirming that the trustees have ensured that the asset management company complies with the requirements of Regulation 18(4).	

STANDARD OBSERVATIONS FOR SAI

	Standard Observation	Remarks
1.	If the AMC is undertaking other business activities as provided in Regulation 24(2) brief details of the same giving SEBI registration particulars, if applicable, and certification that there is no conflict of interest.	
2.	The details of sponsor shall also include a brief note on their activities.	
3.	The details pertaining to the key personnel of the AMC 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, etc. The number of persons involved in equity research and fund management and their past experience must be mentioned. If any of the key personnel is based elsewhere and not in the registered/corporate office of the AMC, must be disclosed.	
4.	The detailed procedures followed for investment decisions, whether an individual or committee takes decisions, role of chief executive of AMC in investment decisions, recording of the each investment decision, how these decisions and performance of schemes are monitored by the AMC Board and the trustees, should be explained by way of a separate paragraph in the Statement of Additional Information.	
5.	A brief note on the supervisory role performed by the Trustees, the number of meetings held during the last year, systems set up by the trustees for monitoring the activities of the AMC.	
6.	Disclosure that no amendments to the trust deed shall be carried out without the prior approval of SEBI and unitholders approval would be obtained where it affects the interests of unitholder.	
7.	Share holding pattern of the AMC specifying the percentage holding of various groups/companies.	
8.	The appointment of the AMC can be terminated by majority of the trustees or by seventy five percent of the unitholders of the scheme.	
9.	The despatch of dividend warrants shall be made within 30 days of the declaration of the dividend and despatch of redemption or repurchase proceeds shall be made within 10 working days from the date of redemption or repurchase.	
10.	Suspension or restriction of repurchase / redemption facility under any scheme of the mutual fund shall be made applicable only after the approval from the Board of Directors of the Asset Management Company and the Trustees. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.	
11.	If the work relating to transfer of units is processed in-house, disclosure that the charges are at competitive rates and if the rates are higher, reasons for charging higher rates should be disclosed.	
12.	Disclosure as to the procedure for seeking approval of the unitholders in specified circumstances.	
13.	The SAI shall fully disclose the fund's policy for dealing with unclaimed redemption amounts in line with SEBI Circular No. MFD/CIR/ 9 /120 /2000 dated 24/11/2000.	
14.	The disclosure in respect of tax benefits to the mutual fund and the unit holders shall be in accordance with prevailing tax laws.	
15.	The SAI shall have no clause, which in effect limits the jurisdiction for settlement of claims of the investors to a specific place/region.	
16.	The application inviting subscription to the scheme should mention about the availability of the facility of Multiple nominations and how the same can be availed. Necessary details in this regard may also be disclosed in the SAI.	

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17.	The table on Condensed Financial Information shall be provided as per the relevant clause as prescribed in the SAI format.	
18.	A statement should be incorporated on the last page of the Statement of Additional Information as follows "Notwithstanding anything contained in the Statement of Additional Information the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Guidelines thereunder shall be applicable."	