

# **Instant Access Facility (IAF) in Mutual Funds and use of e-wallet for investment in Mutual Funds**

## **1.0 Objective**

**1.1** This memorandum seeks to place the following proposals for Board's consideration:

- (i) Instant Access Facility (IAF) in Mutual Funds schemes
- (ii) Tie-up with Payments Banks
- (iii) Use of e-wallet for investment in Mutual Funds schemes

## **2.0 Instant Access Facility (IAF) in Mutual Funds schemes**

### **2.1 Background**

**2.1.1** IAF is a facility (which can be availed through online mechanism) that allows investors of Mutual Funds (MF) to access their funds invested in certain schemes, within a very short time. It facilitates credit of redemption proceeds in the bank account of the investor on the same day i.e. mostly within few minutes of redemption application. Presently, there are a few AMCs who are already providing this facility to its investors. Some representations have been received to formalize / improvise the operational aspects of this facility viz., applicability of NAV, allowable monetary limit etc. The objective of this facility is to allow investors to access their investment (upto certain limit) to meet their urgent financial needs. Additionally, such a facility is expected to act as an entry point for first time MF investors which would then translate into increased investment into MFs once understanding and awareness is developed. This would help in channelizing households' savings into capital market.

### **2.2 Suggestion of Mutual Fund Advisory Committee(MFAC)**

**2.2.1** In order to seek views of the stakeholders of MF industry, this proposal was deliberated in the meeting of MFAC held on November 17, 2016. The MFAC deliberated and inter-alia suggested the following:

- 2.2.1.1 While calculating net asset value (NAV) for IAF, it must be ensured that the interest of the remaining investors in the scheme should not be affected and no investor can misuse the facility.
- 2.2.1.2 There would be need for specific norms, say 10% of AUM be kept as cash, to manage liquidity in the schemes which are providing such facility.
- 2.2.1.3 There should be uniformity among the mutual funds who are offering such facility.
- 2.2.1.4 Further, such facility in MFs should ensure that it meets the requirement of an investment product and should address risks such as liquidity risk, pricing risk, etc. It should also be ensured that interest of the remaining investors in the scheme is not impacted and they are treated fairly. AMFI as an industry body was suggested to submit a final proposal on IAF for consideration of SEBI.

**2.3 Suggestions of AMFI:** Pursuant to the suggestions of MFAC the following suggestions were made by the AMFI:

**2.3.1 Eligible scheme for IAF:** IAF may initially be permitted in Liquid schemes and Debt schemes having very short duration with average maturity up to 18 months, since investors invest in this category of schemes to park their funds for short-term liquidity needs or to meet any exigency situations. These schemes invest large portion of their corpus in liquid securities and are less-volatile in terms of returns. In due course, when the volumes of instant access transactions increase, based on experience, the facility may be allowed in other schemes.

**2.3.2 Monetary Limit on redemption amount per day:** Since the primary objective of IAF is to promote retail digital transactions, the maximum redemption amount may be limited to INR 2 lacs per day per investor per scheme. The amount is suggested based on the limits set by RBI for Immediate Payment Service (IMPS), an instant inter-bank electronic fund transfer service through mobile phones. Further, the unit holders would be allowed to redeem via IAF, a maximum of 95% of the current value of outstanding units in the folio (subject to INR 2 lacs per day per investor

per scheme), leaving a balance of at least 5% of current value in the folio, so as to ensure that the balance is adequate to meet any drop in NAV between the time of instant access and the actual NAV applied for posting the instant access transaction in the books of the scheme.

**2.3.3 NAV Applicability:** In view of the following considerations, AMFI has suggested that the existing regulatory guidelines with respect to NAV applicability may be followed for instant access facility, so that there is no confusion to the unit holders:

2.3.3.1 The instant access amount is proposed to be limited to INR 2 lacs per investor per day in a scheme. Currently, while in liquid funds, the applicable NAV is based on realization basis irrespective of the amount of subscription, in case of non-liquid schemes, same business day NAV is applied for subscriptions for less than INR 2 lacs, wherein the funds could be realised anywhere between T+1 to T+3 days.

2.3.3.2 This will also prevent access to 'stale' NAV and consequently no risk of investor taking advantage of a falling market post previous day's NAV. However, an investor effectively receives the accrual of the day (or days in case of redemptions on Friday/week-ends), in spite of receipt of funds instantly.

2.3.3.3 As the facility would be available to all retail investors with the exception of NRIs due to applicability of TDS on capital gains, if any.

#### **2.3.4 Liquidity / Funding of instant access transactions**

2.3.4.1 Based on the history of day-end unutilized/undeployed funds in the scheme account (i.e., Undeployable funds) due to credits received post 2.30 p.m. (which is the cut-off time for deployment by fund management team for T+0 settlement and earning T day's income accrual), it is expected that the IAF could easily be funded out of the Undeployable/Undeployed funds. This effectively mitigates the perceived negative impact on scheme's returns, since the fund manager would not have any opportunity to generate any income out of the undeployed funds for that day and consequently it would not impact the returns of the scheme.

2.3.4.2 In other words, funds for the instant access transactions shall be met out of Undeployable funds lying idle in the Scheme's bank account for the benefit of scheme's investors instead of remaining idle in the bank account.

2.3.4.3 As the instant access transactions scales up in due course, the AMC will need to estimate the likely quantum of redemption under instant success mode for each day and retain a suitable balance, in addition to the estimated Undeployable funds. This estimate may be carried out based on past trends, sales inputs etc.

2.3.4.4 The AMC shall also need to make suitable overdraft arrangements with the banks to fund the instant access requests, in case the available balances in the scheme's bank account are insufficient. Needless to add, the AMC shall comply with all applicable regulations relating to borrowing of funds by a scheme.

**2.3.5 Compliance with regulations:** Regulation 53 of SEBI (Mutual Funds) Regulations, 1996 prescribes that every mutual fund shall dispatch the redemption proceeds within 10 working days from the date of redemption. Instant access, being paid on the redemption date or the date of submitting the redemption request, will be in compliance with this requirement.

**2.3.6 Risk management & Prevent of abuse:** AMCs shall closely monitor instant access transactions to prevent any misuse of this facility by investors. AMCs shall periodically review the limits on instant access amount, liquidity levels to ensure that the facility does not pose any liquidity or MTM risk.

**2.3.7 Approval of the AMC and Trustee Boards:** AMCs shall launch instant access facility only after obtaining prior approvals from the AMC Board and the Trustee Board.

**2.4 SEBI's View and Proposal:** One of the important feature of IAF is that it can provide instant liquidity to the investors during urgency which is made possible with the advancement in payments technology. This facility can play an important role in attracting first-time investors to the MF industry by encouraging them to start with low-

risk fixed income funds. Therefore, considering suggestions of MFAC and AMFI the following checks and balances may be considered for providing instant access facility:

**2.4.1 Eligible Investor:** With an objective to increase penetration of mutual funds for which IAF is seen as a catalyst for the first time investor, it would be appropriate to extend this facility to resident individual investor only. NRI may not be allowed to use IAF due to applicability of TDS on capital gains, if any.

**Proposal:** IAF may be allowed only for resident individual investors.

**2.4.2 Applicability of NAV:** In terms of Regulation 53(b) of SEBI (Mutual Funds) Regulations, 1996, AMCs are required to dispatch the redemption or repurchase proceeds within 10 working days from the date of redemption or repurchase. In terms of master circular SEBI/HO/IMD/DF3/CIR/P/2016/84 dated September 14, 2016, on uniform cut off timings for applicability of NAV and especially for redemptions, the following is required to be followed:

Time of receipt of redemption application	of	Applicable NAV for Liquid Schemes	Applicable NAV for Other than Liquid Schemes
Up to 3:00 p.m.		Today's NAV (in case application made on Friday, Sunday's NAV)	Today's NAV
After 3:00 p.m.		Tomorrow's NAV	Tomorrow's NAV

The collective reading of the above regulatory requirements indicates the following:

- a. The NAV applicability for redemption requests is decided on the basis of cut-off timings.
- b. The number of units which needs to be extinguished is arrived at the end of the day of applicable NAV and then the redemption proceeds is dispatched to the investors. As a practice, the industry dispatches the redemption proceeds within 2 to 3 days of the application of redemptions.
- c. Till then the fund remains invested in the scheme and is paid to the investors after calculation of NAV.

Therefore, in IAF, the applicability of NAV becomes crucial and NAV must be applied in such a way so that interest of all the investors is protected. Towards this the following would be observed for applicability of NAV for IAF:

- If only Today's NAV i.e. 'Prospective NAV' is applied – This has its flaw as it would allow an investor to take double benefit on the redemption proceeds i.e. while the amount withdrawn (before the calculation of NAV) would normally accrue return and reflect in prospective NAV, the instantly withdrawn amount can be deployed in other avenues to generate return. This would also encourage churning by investors.
- If only Yesterday's NAV or 'Previous Day NAV' is applied – Using this would address the limitation of Prospective NAV, however, if only 'Previous Day NAV' is applied for instant access, in falling markets investors would tend to redeem to get 'Previous Day NAV' which would be higher than the Prospective NAV. This will have a cascading effect especially during a black swan event.

**Proposal:** In order to mitigate the undue benefits that could arise out of either prescribing only 'Prospective NAV' or only 'Previous Day NAV', it is proposed that 'Lower of Previous Day NAV or Prospective NAV' may be applied. Further, applying 'Lower of Previous Day NAV or Prospective NAV' can also be justified with a view that investors would have to bear a cost for availing IAF by accepting a lower NAV.

**2.4.3 Eligible Scheme:** AMFI has proposed that instant access facility may initially be permitted in Liquid Schemes and Debt schemes having very short duration with average maturity up to 18 months, since investors invest in this category of schemes to park their funds for short-term liquidity needs or to meet any exigency situations. These schemes invest large portion of their corpus in liquid securities and are less volatile in terms of returns.

Presently, there are five mutual funds who are providing instant access facility, out of which 4 are providing in Ultra Short Term Schemes i.e. Debt Schemes with investment in securities with average maturity of upto 18 months and 1 is providing in Liquid Scheme. In this regard a study was carried out for these fund houses for

their Liquid Schemes and Ultra Short Term Schemes from the period November 1, 2016 till March 7 2017. It is observed that the volatility in returns of Ultra Short Term Schemes is high with negative return on 43 days (ranging from 6 days to 12 days for each scheme), whereas in Liquid Schemes there was no negative return for any day during the period. Therefore, it can be said that Liquid Schemes are more stable and less volatile than the Ultra Short Term Schemes for first time investor in the mutual funds.

**Proposal:** While taking a conservative view, it is proposed that only Liquid Schemes may be allowed to offer IAF as these schemes invest in most liquid securities with maximum maturity period of upto 91 days. Those fund houses which are providing IAF facility in other than Liquid Scheme shall be required to discontinue the same within a stipulated time period.

**2.4.4 Monetary Limit on redemption amount per day:** AMFI has proposed that the maximum redemption amount may be limited to INR 2 lacs per day per investor per scheme. In this regard a study was carried out for 5 schemes which are offering FIR with daily instant access limit of INR 2 lacs.

Sl. No.	Type of scheme		Average AUM of scheme (since launch till Jan 18, 2017)	AUM eligible for IAF (INR Crore)*	AUM eligible as % of Average AUM
1	Ultra Short Term	This has been excised for reasons of confidentiality	7254.80	589.53	8.126%
2	Ultra Short Term		17451.41	786.57	4.507%
3	Liquid		9925.08	219.16	2.208%
4	Ultra Short Term		3124.18	440.58	14.102%
5	Ultra Short Term		3804.21	556.27	14.622%
* It is arrived at for each folio value on daily basis i.e. how much instant access can be made subject to maximum of INR 2 Lacs					

From the table, it can be observed that the AUM eligible for IAF ranges from 2.21% to 14.62% of AUM. This shows that instant access with limit of INR 2 Lacs per day per investor per scheme can expose as high as 14.62% of AUM to IAF which may require AMCs to maintain high idle cash in bank account to meet instant access. This would impact the overall performance of the scheme while exposing the scheme to additional liquidity risk especially in case of a black swan event.

**Proposal:** In view of the above, it is proposed that a lower limit for IAF may be set, say at INR 50,000 or 90% of latest value of investment, whichever is lower, per day per investor per scheme. The limit of 90% would safeguard from making any excess payment to investors in a situation where Prospective NAV turns out to be lower than Previous Day NAV, leading to erosion in the value of investment of investors. Further, AMCs may also put in place a system to ensure that this facility is not misused by any investor say by putting restrictions on the number of instant access by an investor etc.

**2.4.5 Liquidity Management:** AMFI has suggested that based on the history of day-end unutilized/undeployed funds in the scheme account due to credits received post 2.30 p.m. (which is the cut-off time for deployment by the fund management team for T+0 settlement and earning T day's income accrual), it is expected that the instant access could easily be funded out of the undeployed funds.

Undeployed funds based on credits received each day is an uncertain metric and may not be a prudent measure to base a policy requirement to address liquidity management. Further, deploying of funds reflects on the management skills of the Fund Manager. If prescription is made to make use of undeployed funds then it may lead to a situation where funds may be kept undeployed as a rule to facilitate IAF. Further, making use of undeployed fund or deferring of AMC fees (as being practiced and suggested in the meetings) to facilitate IAF, are nothing but temporary ways of working around a definite liquidity requirement and is not desirable.

**Proposal:** Therefore, it is proposed that to fund IAF, liquidity is to be provided out of the available funds from the scheme and AMCs should put in place a mechanism in such a way so that adequate cash is available in the bank account of the scheme

to meet the liquidity demands of IAF. Such mechanism may be based on historical trend of instant access, for example AMC may set aside at least 3 times of – the higher of, last one month or three months daily average of instant access on rolling day basis. AMC should also make arrangement for continuous monitoring and lay down robust processes to fund the payments of redemptions under the IAF. Further, appropriate disclosure may be given to the investors mentioning the scenarios under which IAF may be suspended and in such case IAF request would be processed in normal course as a non-IAF redemption request. Further, IAF may also be accounted for while carrying out the mandated stress testing of the schemes by MFs AMC.

**2.4.6 Borrowings to meet IAF:** AMFI has also proposed that the AMC shall also need to make suitable overdraft arrangements with the banks to fund the instant access requests, in case the available balances in the scheme's bank account are insufficient.

Mutual funds are pooled vehicles which collect funds from investors with an objective to invest in securities and generate return for the investors. In order to meet its objective fund managers endeavor to remain invested in securities as much as possible and keep funds in cash to the minimum. Further, it may be mentioned that Regulation 44(2) of SEBI MF Regulations, 1996, allow borrowings only for the purpose to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unitholders. This implies that fund manager assesses the situation of inflows and outflows from the scheme and depending on the requirement decides which securities to sell in the market to meet the net outflow requirements. In case there is shortfall which cannot be met in 10 working days then borrowing is done to meet the redemption and cost of such borrowings is borne by the schemes.

Therefore, the regulations evidently provide that borrowings are allowed only to meet the temporary requirements and cannot be made as a rule to meet the redemptions on daily basis. Hence, to allow borrowings to meet redemption requirements under IAF will make it a rule and the same is not desirable.

**Proposal:** It is proposed that for the purpose of meeting the redemption requirements under IAF borrowings should not be allowed.

**2.4.7 Approval of the AMC and Trustee Boards and Disclosure:** Any new innovations require appropriate approvals, instructions and disclosures to the investors especially in investments of MFs where there is a likelihood of mis-selling. To this end, appropriate approvals and disclosures would be required to be mandated.

**Proposal:** AMCs/MF would launch IAF only after obtaining prior approvals from the AMC Board and the Trustee Board. And as well as would be required to make appropriate disclosures in the scheme related documents about the IAF and ensure that no mis-selling is done in the context of instant availability of funds to the investors. Further, appropriate disclosure may be given to the investors mentioning the scenarios under which IAF may be suspended and any such IAF request would be processed in normal course as a non-IAF redemption request.

### **3.0 Tie-up with Payments Bank**

**3.1** Recently Reserve Bank of India (RBI) has issued licenses for Payments Banks (PB).

The salient features of PB is as under:

**3.1.1** Primary objective of PB is to further financial inclusion by providing - small savings accounts and payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high volume-low value transactions in deposits and payments / remittance services in a secured technology-driven environment.

**3.1.2** The Payments bank shall operate in remote areas mostly through Banking Correspondent (BCs), ATMs and other networks.

**3.1.3** Acceptance of demand deposits, i.e., current deposits, and savings bank deposits'

**3.1.4** A customer can hold maximum balance of INR1,00,000. However, PB can accept a large pool of money to be remitted to a number of accounts provided at the end of the day the balance does not exceed INR1,00,000.

- 3.1.5** Internet Banking Services can also be provided.
- 3.1.6** The payments bank cannot undertake lending activities.
- 3.1.7** Apart from amounts maintained as Cash Reserve Ratio (CRR) with RBI on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Government securities/Treasury Bills with maturity up to one year that are recognized by RBI as eligible securities for maintenance of Statutory Liquidity Ratio (SLR).
- 3.1.8** PB can undertake other non-risk sharing simple financial services activities, not requiring any commitment of their own funds, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of the RBI and after complying with the requirements of the sectoral regulator for such products.
- 3.2** There are representation from AMCs who wants to tie-up with PB wherein any amount in an account of PB in excess of INR 1,00,000 or any lower limit as decided, would be invested automatically in liquid scheme or any other scheme of the MF. Further, in order to meet a debit request in such PB account, the amount over and above the available balance in the account would be redeemed instantly from the scheme. For this, inter-alia, AMCs are seeking approval from SEBI to apply 'Previous Day NAV' for such instant access. Further one AMC has requested that no threshold may be prescribed on instant access while another has requested that maximum limit of atleast INR 2 lacs may be prescribed.

**3.3 SEBI's Views and Proposal** - Though PB does not come under the purview of SEBI, it is observed that by allowing auto investment and redemption from a PB account to Mutual Fund would effectively mean that a PB account can virtually act as a normal Bank Account without any limit as prescribed for PB by RBI. SEBI may not have any objection for tie-up, provided necessary approvals are taken from RBI.

**Proposal:** For tie-up with PB, all provision for instant access facility as proposed above, if approved, would apply including 'Lower of Previous Day NAV or Prospective

NAV' with maximum limit of instant access of 90% of folio value or INR 50,000 whichever is lower. This would not require any specific notification from SEBI.

#### **4.0 Use of e-wallet for investment in Mutual Fund**

##### **4.1 Background**

**4.1.1** SEBI has received representations from the market participants to allow use of Prepaid Payment Instruments (PPIs) i.e. e-wallets, for investment in mutual funds to increase the penetration of mutual funds by taking advantage of advanced payment systems and allow small denomination investments (says Rs.50, 100, etc.) in mutual funds in a cost effective manner.

**4.1.2 Views of RBI:** On the use of use of e-wallet for transaction in mutual funds RBI has clarified that, PPIs mainly addresses the transactional convenience, hence they may not be as enduring as bank accounts. There is no minimum balance requirement prescribed for such instruments and for PPIs issued with minimum details, the minimum detail is very often only the mobile number. PPIs issued by authorized non-bank entities are under the three-party model; hence there is no interoperability. Each PPI issuer has to enroll the mutual funds individually. It is also clarified that mutual fund can be among the identified merchant locations/ establishment from whom e-wallet's customers would be allowed to purchase mutual fund units and transaction in mutual funds can be carried out through e-wallets (PPIs). However, as per extant guidelines of e-wallets, redemption proceeds from mutual fund scheme **cannot be transferred to e-wallets i.e. e-wallets cannot be credited out of redemption proceeds of MF schemes.**

##### **4.2 Suggestion of Mutual Fund Advisory Committee(MFAC):**

**4.2.1** In order to seek views of the stakeholders of MF industry, this proposal was deliberated in the meeting of MFAC held on November 17, 2016. The MFAC was principally in agreement with the use of e-wallet for investments in mutual fund and suggested the following:

4.2.1.1 The investment through e-wallet in mutual funds is standing on one leg as redemption proceeds cannot be credited back to e-wallet. However, this

would be similar to investment using cash where redemption is paid in bank accounts only.

4.2.1.2 The e-wallet investors would be required to complete KYC.

4.2.1.3 E-wallet issuers must not offer any incentive such as cash back etc., directly or indirectly for investing in mutual fund scheme through them.

4.2.1.4 The MF industry need to comply with the requirement of no third party payment norm.

4.2.1.5 AMFI as an industry body was advised to submit a final proposal on this for consideration of SEBI.

### **4.3 Suggestions of AMFI:**

**4.3.1** The following suggestions were made by the AMFI:

4.3.1.1 **KYC and Account Opening:** Extant SEBI guidelines on Know-Your-Customer (KYC) to be followed.

4.3.1.2 **Agreement / Arrangement with PPI Issuers:** MFs/ AMCs to enter into an agreement / arrangement with e-wallet providers as may be required by RBI.

4.3.1.3 **Payment for subscription:** PPI issuer will facilitate payments for subscription from the e-wallet of investors.

4.3.1.4 **Payment of Redemption and Dividend Proceeds:** As per SEBI Circular MFD/CIR/15/19133/2002 dated September 30, 2002, redemptions proceeds should be made only to a bank account of the unit holder. Accordingly, MFs would continue to follow the extant regulations and credit the redemption and dividend proceeds to the registered bank account of the unit holders.

4.3.1.5 **Client-wise segregation by PPI:** As per PPI guidelines, PPI would maintain a client-wise segregation of payments (viz. debits for subscription of units) made to MFs and the same shall be appropriately reflected in the client wise PPI statements/balances.

- 4.3.1.6 **Investor Servicing:** MFs /AMCs would be responsible for all investor queries, complaints and servicing for investors transacting through PPI.
- 4.3.1.7 **Investment Limit: Investment through PPI would be restricted for** purchase up to INR 50,000 per Mutual Fund Scheme per annum.
- 4.3.1.8 **AMFI guidelines on Third Party Payments:** As per paragraph 4 (c) of the AMFI circular 16/2010-11 dated August 16, 2010 on Risk mitigation process against third-party cheque in MF subscription, subscription in MFs through pre-funded instruments issued by banks against cash are permitted upto INR 50,000 if accompanied by certificate from the bank stating the name, address, and PAN (if available) of the person who has requested for such pre-funded instrument. AMFI will need to issue an addendum to the said circular to clarify that payment made through e-wallets for MF subscription would be permitted upto limits specified by the SEBI & RBI (if any) subject to the MF validating the name of the first holder with the name of the e-wallet holder as confirmed by the PPI.
- 4.3.1.9 **Payments through e-wallet funded by credit card:** Funds become fungible once they are credited into e-wallet. It will be quite challenging and complicated to keep track of the credit card component in an e-wallet balance. With a limit of INR 50,000 per MF scheme per annum placed on subscriptions from e-wallets AMFI do not believe that this would lead to any high level of leverage. Further, payments for insurance ULIPs and NPS are permitted to be made by credit cards. Therefore, it is suggested that there should not be any restriction on usage of e-wallet balance, funded through a credit card either partly or fully, for payment of subscription to MF units. MFs/AMCs shall have a surveillance mechanism to prevent any abuse by e-wallet holders.

**4.4 SEBI's View and Proposal:** Currently, in order to comply with the requirement of AML/ KYC, subscription in MF units is accepted from the account of the investors only. Further presently, there are no specific guidelines on subscribing to MF units via e-wallets. In this context, SEBI circular number

IIMARP/MF/CIR/07/826/98, dated April 15, 1998, requires investors to mention their bank account numbers in their applications/ requests for redemptions.

Further, in terms SEBI Circular CIR/IMD/DF/10/2014 dated May 22, 2014, MFs are allowed to accept investment in cash upto INR 50,000 per financial year per MF. However, such investment can be redeemed only through the bank account of the investors. The investment using e-wallet would be similar to investment using cash in MFs, wherein redemption proceeds cannot be credited to e-wallet of the investors.

**Proposal:** In light of the suggestions of MFAC and AMFI and views given by RBI, it is proposed that the use of e-wallet for transactions in MF may be allowed while requiring that AMCs may comply with the following broad principles:

- 4.4.1** The AMCs/MFs shall ensure that extant regulation are complied with for investment in MFs using e-wallets.
- 4.4.2** They shall enter into an agreement / arrangement with PPIs for facilitating payment from e-wallets of the investors to MFs schemes.
- 4.4.3** As per SEBI Circular MFD/CIR/15/19133/2002 dated September 30, 2002, redemptions proceeds should be made only to a bank account of the unit holder.
- 4.4.4** Total subscription through e-wallet(s) for an investor would be restricted to upto INR 50,000 per Mutual Fund per financial year, similar in the lines of cash investment.
- 4.4.5** AMCs/MF to ensure that e-wallet issuers must not offer any incentive such as cash back etc., directly or indirectly for investing in mutual fund scheme through them.
- 4.4.6** AMCs to ensure that e-wallet's balance loaded through cash or debit card or net banking, can only be used for subscription to mutual funds schemes.
- 4.4.7** In order to ensure that no leverage is created in the system, AMCs to ensure e-wallet's balance loaded through credit card, cash back,

promotional scheme etc. should not be allowed for subscription to MF schemes.

**4.4.8** AMCs to comply with the requirement of no third party payment norm.

**5.0 Cost-benefit Analysis:** Instant Access Facility and use of e-wallet for investment in mutual funds would help in increasing the penetration of MF using digital channels and would help in channelizing households' savings into capital market. These facilities would also provide convenient options to investors to diversify from the traditional savings avenue.

**6.0** The Board may consider and approve the proposals in para 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.7, 3.3 & 4.4 and authorize the Chairman to take steps to implement the proposals by amending / issuing the circulars, with consequential and appropriate changes, as may be required.