<u>Proposal for review of Total Expense Ratio (TER) of Mutual Fund (MF) Schemes</u>

1.0 Objective:

1.1 This Board memorandum proposes to amend SEBI (Mutual Funds) Regulations, 1996 [MF Regulations] and circulars issued thereunder, governing limitation on fees and expenses, performance disclosure, transparency in expenses and other related provisions.

2.0 Background and Need for Review of Total Expense Ratio (TER):

2.1 Mutual Fund (MF) Industry in India is being governed by MF Regulations and various circulars issued thereunder. The Assets under Management (AUM) of mutual fund industry in India has grown manifold from Rs. 90,587 crore as on March 31, 2001 to approximately RS. 21.36 lakh crore as on March 31, 2018 (at a CAGR of more than 20%).

2.2 SEBI Board in its meeting held on August 16, 2012, based on the recommendation of Mutual Fund Advisory Committee (MFAC), had taken various policy measures to re-energise the Mutual Fund Industry. During the period from March 31, 2012 to March 31, 2018, the MF Industry has grown at a CAGR of 24%. AUM of the MF Industry as on August 31, 2018 was Rs.25.20 lakh crore.

2.3 While the AUM has grown multiple times, the slab wise limits of TER introduced in 1996 have not been modified or changed since then.

2.4 The existing slab-wise TER limits as detailed below were incorporated at the time of framing the MF Regulations in 1996:

Table1: Applicable TER as per the Existing Provisions

<table>
<tr><td colspan="5">Base TER</td></tr>
<tr><td>AUM Slabs (RS. Cr.)</td><td>Equity Oriented Schemes</td><td>Debt Oriented Schemes</td><td>Exchange Traded Funds (ETFs) (including Gold ETFs)/ Index Funds</td><td>Fund of Funds (FoF) (Both Domestic and Foreign)</td></tr>
<tr><td>Upto 100 Cr</td><td>2.50%</td><td>2.25%</td><td rowspan="4">1.50%</td><td rowspan="4">Maximum of 2.5% including the TER of underlying schemes.</td></tr>
<tr><td>Next 300 Cr.</td><td>2.25%</td><td>2.00%</td></tr>
<tr><td>Next 300 Cr.</td><td>2.00%</td><td>1.75%</td></tr>
<tr><td>On balance AUM</td><td>1.75%</td><td>1.50%</td></tr>
<tr><td colspan="5">The additional expenses over and above the base TER are as under:
• Additional expenses, not exceeding 0.30 percent of daily net assets, subject to new inflows from B 30 cities;
• Additional expenses, not exceeding 0.05 per cent of daily net assets, due to credit of any exit load to the scheme.
• Goods & Services Tax (GST) on Management Fee is charged over and above the TER limit.</td></tr>
</table>

2.5 Certain practices followed by some industry participants viz: varied practices of charging TER to the scheme; paying commissions from the books of the Asset Management Company (AMC) of the MF and charging the same to the scheme as AMC fees resulting in defraying the cost on direct investors; subverting the spirit of regulations by launching an increasing number of close ended schemes, apart from impacting the overall TER, have resulted in unhealthy environment for the mutual fund industry. Such practices have also resulted in mis-selling and unnecessary churn in the investors’ portfolio.

3.0 Internal study on review of TER

To analyze the issues relating to TER, a detailed study on existing regulatory provisions applicable for fees and expenses in a mutual fund scheme vis-à-vis the market practice was undertaken by SEBI. For the purpose of conducting the study, relevant data was obtained from all Mutual Funds, both at scheme level and at AMC level for the period from FY 2009-10 to FY 2017-18. The key observations from the study are given as under:

3.1 As on March 31, 2018 around 83.5% of retail investor's money is invested in equity oriented schemes (including balanced schemes) and around 15.5% is invested in debt oriented schemes. Whereas, in case of corporate/institutional investment around 80% is invested in debt oriented schemes and remaining 20% is invested in equity oriented schemes. Further, in the total AUM amounting to Rs. 21.36 lakh crore as on March 31, 2018, the share of Corporates/Institutions is around 45.13%, share of high net worth individuals is around 30.09% and share of retail investor is around 24.79% as per AMFI classification.

3.2 **Analysis from AMC-level data**

3.2.1 Based on the AUM of 39 MFs as on March 31, 2018 excluding Infrastructure Debt Funds (IDFs), MFs were categorized in three categories – Large, Medium and Small MFs. MFs which had more than 5% share of Industry AUM were categorized as Large MFs, MFs which had more than 1% but upto 5% share of Industry AUM were categorized as Medium MFs and MFs which had upto 1% share of Industry AUM were categorized as Small MFs.

3.2.2 Based on the data provided by the AMCs, the Revenue, Profit Before Tax (PBT) and PBT margin (PBT/Revenue) of the industry as a whole from MF operations is given below:

Table2: Revenue, PBT and PBT Margin of Mutual Funds Industry

Financial Year	Revenue (Rs. Cr.)	PBT (Rs. Cr.)	PBT Margin
2010-11	3579.43	670.05	18.72%

2011-12	3414.68	732.98	21.47%
2012-13	4058.43	931.81	22.96%
2013-14	4982.60	1609.61	32.30%
2014-15	6333.31	1935.10	30.55%
2015-16	8275.03	2786.87	33.68%
2016-17	10090.83	3711.12	36.78%
2017-18*	12984.42	4595.53	35.39%

* For FY 2017-18 data of one AMC is a projection of its 2016-17 data as per increase in its AUM as the accounting year for the Mutual Fund ends on 30 Sep 2018.

3.2.3 The revenue of the industry has increased from Rs. 3579 Cr to about Rs. 13,000 Cr within a span of 7 years. During the same period, the PBT has grown by about 7 times. Further, the PBT margin across industry has increased from 18.72% to 35.39% during the same period.

3.2.4 The Average AUM (AAUM), Revenue and PBT margin of Large, Medium and Small AMCs for the period starting 2010-11 to 2017-18 is as under:

Table 3: AAUM, Revenue and PBT margin of Large, Medium and Small AMCs

FY (2010-11 to 2017-18)	Large AMCs (7)			Medium AMCs (8)			Small AMCs (24)		
	Total AAUM (Rs. crore)	Revenue (Rs. crore)	PBT Margin (%)	Total AAUM (Rs. crore)	Revenue (Rs. crore)	PBT Margin (%)	Total AAUM (Rs. crore)	Revenue (Rs. crore)	PBT Margin (%)
10-11	495525	2462	43.08	153234	830	-2.14	71306	287	-129.90
11-12	485122	2328	42.23	169987	825	1.32	64766	261	-100.00
12-13	511143	2699	41.19	193927	1093	7.27	70210	267	-97.31
13-14	594372	3267	49.86	221275	1417	19.49	72549	298	-99.08
14-15	721081	4106	46.03	291210	1827	16.67	85538	401	-64.63
15-16	889593	5359	46.16	307352	2366	20.43	121122	550	-30.97
16-17	1138533	6418	46.26	393797	2815	28.32	145900	858	-6.38
17-18	1509278	8053	45.61	512122	3656	25.11	188673	1275	0.36

3.2.5 The market share, revenue share and PBT margin of large, medium and small MFs/AMCs for the year 2017-18 is given as under:

Table 4: Market share, revenue share and PBT margin of large, medium and small MFs/AMCs for the year 2017-18

MFs/AMC Category	Share of AAUM	Share in Revenue	PBT Margin (PBT as % of Revenue)
Large	68.29%	62.02%	45.61%
Medium	23.17%	28.16%	25.11%
Small	8.53%	9.82%	0.36%

3.2.6 The following observations are made from the details presented at tables 3 and 4.

3.2.6.1 All large AMCs at aggregate level have a PBT margin of above 40% throughout the period of study. Over the years, as industry AUM has increased, the PBT margins of medium AMCs have grown, and small AMCs have also reduced their loss margins and their PBT margin became positive as greater scale is achieved. However, during the same period, the PBT margins of large AMCs have remained in a narrow range. Thus, the PBT margin of medium and small AMCs reflects the benefits of economies of scale but the PBT margin of large AMCs does not reflect the same.

3.2.6.2 It may be surmised that one of the major reasons for PBT margins of large AMCs remaining constant is possibly due to a large amount of commissions paid from their own books to garner more AUM.

3.2.7 The total commission paid from AMC books as a % of total industry revenue is given as under:

Table 5: Percentage of Commission paid from AMC Books from 2009-10 to 2017-18

Period	**09-10**	**10-11**	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**
Commission from AMC Books (Approx.)	11%	14%	11%	13%	11%	16%	19%	19%	22%

From above, it is observed that the commissions paid from the AMCs' books have doubled from FY 2009-10 to FY 2017-18. From FY 2013-14 onwards the commission from the AMC books as a percentage of the industry revenue has increased continuously. Therefore, there is an increase in average distribution commission paid from AMCs' books, which is mostly upfront commission or upfronting of trail commission, as a percentage of the industry revenue.

3.3 Analysis from Scheme-level data

To understand the impact of above practices at scheme-level, further analysis was done.

3.3.1 As per the data available on average TER charged and average AUM, for the FY 2017-18 the base TER charged in Regular Plans was analysed. From the analysis the following is observed:

Table 6: Category-wise Base TER Charged (in Regular Plans)

Particulars	Base TER Charged in Regular Plans			
	% of Schemes charging full TER as per Slab	% of Schemes charging upto 0.25% less than the maximum limit	% of Schemes charging 0.25% to 1.00% less than the maximum limit	% of Schemes charging at least 1.00% less than the maximum limit
Equity Schemes	49.82%	22.28%	10.69%	17.21%
Debt Schemes	7.44%	6. 71%	11.25%	74.71%
Balanced Schemes	51.61%	35.48%	9.68%	3.23%

3.3.2 Observations in case of Equity Schemes

In around 72% of equity schemes (in regular plans), the expenses charged were either at maximum or upto 0.25% lower than the maximum limit for the base TER.

Therefore, in case of equity schemes, maximum permissible base TER is charged in majority of schemes.

3.3.3 Observations in case of Debt Schemes

In around 7.5% of debt schemes, full base TER has been charged as per the maximum permissible limit. In around 75% of debt schemes, the total expenses charged were at least 1.00% less than the maximum permissible base TER.

Thus, from above it is observed that in case of majority of debt oriented schemes the TER charged to the scheme was much less than the maximum permissible limit.

3.3.4 In case of Balanced Schemes

In around 87% of balanced schemes, the expenses charged are either at maximum or upto 0.25% lower than the maximum limit. Therefore, in case of balanced schemes, maximum permissible TER is charged in majority of schemes.

The expenses charged in case of equity and balanced schemes are higher as compared to debt schemes. There is a tendency to charge upto the maximum permissible base TER in case of equity and balanced schemes (mostly equity oriented). However, in case of debt schemes the expenses charged are way below the maximum permissible limit of base TER.

3.3.5 The weighted average base TER charged in regular plans of various schemes during FY 2017-18 are given as under:

Table 7: Weighted average base TER charged in regular plans

Category of Schemes	Weighted Average Base TER
Equity Oriented	1.84%
Debt Oriented	0.88%
Balanced	1.83%
Exchange Traded Fund (ETF)	0.17%
Index Fund (Equity)	0.84%
Fund of Fund (FoF) (Domestic)	1.24%
Fund of Fund (FoF) (Overseas)	1.83%

From the table above, it is observed that the weighted average base TER charged in case of regular plans of equity oriented schemes (including balanced schemes) is much higher than that of regular plans of debt oriented schemes. In case of debt schemes the weighted average base TER charged is much below the regulatory limit.

3.3.6 In other industries, economies of scale and competition have reduced costs for the customers. In the Mutual fund industry, the benefit of scale has been passed on to investors in debt schemes and these schemes are predominantly subscribed by corporate /institutional investors. Further, in case of few such schemes, the benefit of scale, in the form of lower TER is passed on to the investor even at relatively lower AUMs. The last slab of TER in debt schemes with AUM of Rs. 700 crore and above, is 1.5%, and the weighted average TER charged across all debt schemes is around 0.88%. However, the same benefit so far has not accrued to the equity investors of MF industry, which are largely retail investors. It is noted that the TER charged for around 72% of equity schemes, gravitates to the prescribed regulatory ceiling – leading to concerns that economies of scale have not been passed to retail investors.

3.4 Analysis of Performance

3.4.1 Mutual funds being a pass through vehicle, pass on the losses or gains on the scheme portfolio to the investors. The AMCs are charging the fees (management fees) and expenses to the schemes on daily basis irrespective of whether the scheme is performing or not. Higher the TER, ceteris paribus, lower will be the return to the investors and vice-versa.

3.4.2 From the performance analysis of mutual fund schemes vis-à-vis its benchmark as on March 31, 2018, it is observed that overall, around 45% of schemes outperformed their benchmark in 3-year period and around 56% schemes outperformed their benchmark in 5-year period. In case of equity schemes around 50% and 75% of schemes outperformed their benchmark in 3-year and 5-year period respectively.

Summary of the findings

Based on the internal study, the following broad conclusions are drawn:

- The TER for debt schemes, Index Fund, ETFs are much lower in comparison to the regulatory limits.
- In schemes which are oriented towards retail investors i.e. equity schemes, balanced schemes, capital protection, monthly income plans, etc, the TER charged is predominantly close to the regulatory limits. Economies of scale and competition have not been able to bring down the TER.
- Despite the presence of number of mutual funds in large AUM space, the TER has not come down in respect of equity schemes on account of lack of bargaining power of the investors, who are mostly retail. However, in case of debt funds, the investors (mostly corporates / institutional) have bargaining power and are getting the benefit of economies of scale.
- There is a need to bring transparency in charging of expenses and payment of commissions.
- Performance based incentive / disincentive may be considered.

4.0 Consultative Process

4.1 The analysis and observations from the above study was presented in the meeting of Mutual Fund Advisory Committee (MFAC) held on August 10, 2018. The MFAC deliberated on the issues raised and subsequently a working group from members of MFAC was formed to deliberate on the issues in detail and present its recommendations to MFAC in its next meeting scheduled on September 4, 2018.

4.2 The working group deliberated on agenda on 'Review of TER' and adopted the following framework for their analysis:

i. Need for review of TER
ii. Guiding principles for proposed TER review
iii. Analysis of industry wide data
iv. Fundamental issues to be addressed
v. Evaluation of alternatives
vi. Recommendations

The working group report was discussed in detail in the MFAC meeting held on September 4, 2018. MFAC broadly agreed with the recommendations of the working group with minor modifications.

5.0 Recommendations of MFAC and Proposals

The issue-wise recommendations of MFAC and the proposals thereon are detailed below:

5.1 <u>Transparency in Expenses</u>:

5.1.1 <u>Recommendation of MFAC</u>

In order to bring transparency in charging of expenses including commission paid to distributors and to reduce churning and mis-selling:

5.1.1.1 Regulation 52(1) of SEBI (Mutual Fund) Regulations, 1996 should be followed in letter and spirit. Therefore, all commission and expenses, etc. by whatever name it may be called and in whatever manner it may be paid, shall necessarily be paid from the scheme only and not from the AMC/Associate/Sponsor/Trustee, or any other route.

5.1.1.2 The industry must adopt the full trail model of commission in all schemes without payment of any upfront commission or upfronting of any trail commission, directly or indirectly and in cash, kind, sponsorship, or any other route except for as provided in paragraph 5.1.1.7.

5.1.1.3 No pass back should be given by distributors to the investors.

5.1.1.4 Genuine training sessions for distributors and programmes conducted by AMCs should continue and should not be misused for providing any reward or commission.

5.1.1.5 Investors should be provided with transparent, regular and clear data on the charges that they pay to distributors, AMC and other service provider.

5.1.1.6 Management fee of direct plans shall not exceed the management fee of regular plans.

5.1.1.7 While no upfront or upfronting of any trail commission be permitted, however, in respect of Systematic Investment Plan (SIP) flows into MF schemes, a carve out may be considered for new investors to the MF industry (to be identified based on PAN). In this regard, upfronting of trail commissions on SIP transactions may be considered for a period of three years. Such carve out should be based on upper threshold limit of SIP (as may be decided by SEBI), across all fund houses at the industry level. However, to have such a system in place certain technological advancement is required at RTAs' end. In the interim, the committee recommended the following:

i. The upfronting of trail commission may be permitted for a total SIP of Rs. 5000 per month per investor across all schemes of a particular mutual fund.
ii. For this purpose, unique investor should be identified based on PAN.
iii. Such Upfronting shall be capped at 1 % of total SIP investments for a maximum period of 3 years.
iv. AMC shall pay such commission from its books.
v. These expenses should not be charged to the scheme under the head "Management / advisory fees" and should account for computing the TER differential between regular and direct plan.
vi. This mechanism may not be used to increase the TER of the scheme in terms of additional GST for the scheme.
vii. This payment must be recovered in full from the distributors if the SIP is not continued for the period for which the said payment is made.
viii. If SEBI finds that this carve out is being misused in any manner, SEBI may discontinue this carve out and take necessary action against errant participants.

5.1.2 <u>Proposal</u>

5.1.2.1 It is proposed that in order to bring transparency and to reduce churning and mis-selling, the recommendations of MFAC as stated in paragraph 5.1.1 above may be accepted with the following additions/modifications with reference to paragraph 5.1.1.7 on the carve out for SIP:

i. The interim arrangement for upfronting of trail commission based on SIP inflows at mutual fund level would be available for a period of six months or the time by which the MF industry would put the required system in place to implement the proposal at industry level, whichever is earlier.
ii. The upfront payment made to the distributor from the AMC books should be amortised on daily basis from the scheme over the period for which payment

has been made. Full audit trail should be available for payments made from the AMCs' books and recovered from schemes thereafter.

iii. If the SIP is not continued for the period for which the payment has been made, recovery from the distributor should be made on pro-rata basis.

iv. The need of this carve out may be reviewed by SEBI as and when required.

5.2 TER for Equity and other than Equity Schemes:

5.2.1 Recommendation of MFAC

5.2.1.1 Equity TER would be applicable only in case of schemes where as per the Scheme Information Document (SID), the scheme will invest at least 65% of its AUM in equity and equity related instruments.

5.2.1.2 As the economies of scale has already been passed on in case of debt schemes, the committee recommended that the slab wise base TER for schemes other than as mentioned above, including debt, hybrid schemes, etc., may be retained at the existing difference of 0.25% as compared to the base TER applicable for equity schemes.

5.2.2 Proposal

5.2.2.1 It is proposed that in order to bring more clarity and uniformity in practice, the recommendations of MFAC as stated in paragraph 5.2.1 above may be accepted.

5.3 AUM Slabs for applicability of TER in Open Ended Schemes

5.3.1 Recommendation of MFAC

5.3.1.1 As the existing slab structure has not been changed from 1996, therefore, upon taking into consideration, the inflation and in order to pass on the benefit of economies of scale, the MFAC agreed with the recommendations of the Working group by reducing the TER rates in a staggered manner, with minor changes.

5.3.1.2 In respect of the slab structure proposed by the working group, the MFAC recommended that for equity schemes, the AUM slab from Rs 2000 cr to Rs 10000 cr, with base TER of 1.5%, recommended by the working group, maybe further bifurcated into 2 slabs, .i.e. Rs 2000 cr to Rs 5000 cr with a base TER of 1.6% and Rs 5000 cr to Rs 10000 cr with base TER 1.5%. Similarly, the slab for debt schemes may also be accordingly bifurcated.

5.3.1.3 The committee recommended the following AUM Slab structure for applicability of TER for equity and other than equity schemes:

Table 8: Proposed slab structure

AUM Slab (In Rs. crore)	**Equity TER**	**Other than Equity TER**
0 - 500	2.25%	2.00%
500 - 750	2.00%	1.75%
750 - 2,000	1.75%	1.50%
2000-5000	1.60%	1.35%
5,000 - 10,000	1.50%	1.25%
10,000 - 50,000	TER reduction of 0.05% for every increase of 5,000 crore AUM or part thereof	TER reduction of 0.05% for every increase of 5,000 crore AUM or part thereof
>50,000	1.05%	0.80%

5.3.1.4 The committee recommended that the existing requirement of pre-notification of TER increase on account of AUM movement (upwards or downwards) as a result of charging expenses at the proposed slab structure may be dispensed with.

5.3.1.5 The committee further recommended that Mutual Funds should move towards a tiered model of distribution incentives that recognizes the economies of scale.

5.3.2 Proposal

5.3.2.1 It is proposed that in order to pass on the benefit of economies of scale, the recommendations of MFAC as stated in paragraph 5.3.1.3 and 5.3.1.4 above may be accepted, while taking note of suggestions of MFAC at paragraph 5.3.1.5.

5.4 TER for Close ended Schemes:

5.4.1 Recommendation of MFAC

5.4.1.1 Close ended schemes have been used in the past by certain sections of the industry as a means of subvention to SEBI provisions. Further, close ended schemes have a different cost structure compared to open ended schemes.

Therefore MFAC recommended to remove the scope for regulatory arbitrage and rationalize the base TER structure.

5.4.1.2 MFAC, in its meeting on August 10, 2018 had recommended to continue Close ended schemes subject to adequate product differentiation. Thus, the TER for Close ended schemes may be capped at 1.30% for equity oriented and at 1.05% for other than equity oriented schemes.

5.4.2 <u>Proposal</u>

5.4.2.1 Based on the nature of close ended schemes, estimates of costs for distributor commission, management fees and other expenses in close ended schemes and the base TER currently charged by the industry in close ended scheme, it is proposed that the recommendations of MFAC may be modified to 1.25% for equity oriented and 1% for other than equity oriented close ended schemes.

5.4.2.2 The above TER limits may be applicable to both close ended and interval schemes (which are in the nature of a series of close ended schemes).

5.5 <u>TER for Other Schemes</u>

5.5.1 <u>Recommendation of MFAC</u>

5.5.1.1 For Index Funds and ETFs (Including Gold ETFs): The maximum limit for base TER may be capped at 1.00%.

5.5.1.2 For Fund of Funds (FoFs):

i. FoFs investing primarily in Liquid, Index and ETF schemes:

a) Charge over underlying funds capped at a maximum of twice the weighted average cost of the underlying funds, and,

b) Overall base TER capped at 1.00%

ii. FoFs investing primarily in active underlying schemes, (with at least 65% of AUM invested in such schemes as per SID):

a) Charge over underlying funds capped at a maximum of twice the weighted average cost of the underlying funds, and,

b) Overall base TER capped at the same level as equity / non-equity slabs as per the asset allocation of the fund (equity, hybrid or debt FoF as per SID)

5.5.2 Proposal

5.5.2.1 It is proposed that the recommendations of MFAC as stated in paragraph 5.5.1 above may be accepted. Therefore, in respect of paragraph 5.5.1.2(ii)(b), the FoF schemes investing predominantly in equity oriented underlying schemes, the overall TER including the TER of the underlying scheme(s), may be capped at 2.25%, and the overall TER for FoFs investing predominantly in other than equity oriented schemes, including the TER of underlying schemes, may be capped at 2%, as given in paragraph 5.3.1.3.

5.6 Performance Based TER

5.6.1 Recommendation of MFAC

5.6.1.1 TER should not be the tool to be used for rewarding or punishing the performance. Instead, adequate disclosure of all schemes' returns (category wise) vis-à-vis its benchmark shall be made available on the website of AMFI. The said disclosure should be updated regularly.

5.6.2 Proposal

5.6.2.1 It is proposed that the recommendations of MFAC as stated in paragraph 5.6.1 above may be accepted.

5.7 Additional expenses of 30 bps for penetration in B-30 cities

5.7.1 Recommendation of MFAC

5.7.1.1 It was opined that incentive for penetration in B-30 cities should be based on the inflows / AUM garnered from retail investors and not from corporates/institutions.

5.7.1.2 Therefore MFAC recommended that the additional expense permitted for penetration in B-30 cities should be based on the inflows / AUM garnered from retail investors only. The definition of retail investors in this context may be decided by SEBI. Further, the B-30 incentive should be paid as trail only.

5.7.2 Proposal

5.7.2.1 The recommendations of MFAC as stated in paragraph 5.7.1.2 above may be accepted. Since 'Retail Investor' has not been defined in the MF Regulations, pending such clarification, it is proposed that the additional expense permitted for penetration in B-30 cities, may be based on inflows from individual investors only and not on inflows from corporates and institutions. The Board may also authorize SEBI to finalize the definition in consultation with market participants.

5.8 Other Recommendations of MFAC

5.8.1 SEBI may bring to the notice of all trustees and AMC Board the spirit of the recommendations and the need for trustees to confirm the same periodically.

5.8.2 The working group further recommends that any malpractice against the spirit of the regulations should attract disproportionately high penalty to act as deterrence.

5.8.3 Proposal

5.8.3.1 It is proposed that the recommendations of MFAC as stated in paragraph 5.8.1 & 5.8.2 above may be accepted.

5.9 Applicability

5.9.1 Recommendation of MFAC

5.9.1.1 MFAC recommended that SEBI may decide suitable timelines for the implementation of recommendations on TER slab structure, close end schemes and other schemes, whereas other recommendations may be implemented immediately.

5.9.2 Proposal

5.9.2.1 It is proposed that the recommendations of MFAC as stated in paragraph 5.9.1.1 above may be accepted.

6.0 The comparative table on recommendations made to MFAC, recommendations of working group, recommendations of MFAC and proposals to the Board is placed at **Annexure-A**.

7.0 Proposal for consideration and approval

7.1 The Board may consider and approve the proposals at paragraphs 5.0 above

7.2 The Board may authorize the Chairman to take steps to implement the proposal by amending the SEBI (Mutual Funds) Regulations, 1996 and/or issuance of circulars, wherever necessary, with consequential and appropriate changes, as may be required, and to notify the necessary regulations and issue guidelines and circulars in this regard.

Annexure-A

This has been excised for reasons of confidentiality.