MASTER CIRCULAR

SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 **June 27, 2024**

To,

All Mutual Funds ('MFs')

Asset Management Companies ('AMCs')

Trustee Companies/ Boards of Trustees of Mutual Funds

Registrar to an Issue and Share Transfer Agents ('RTAs')

Association of Mutual Funds in India (AMFI)

All Recognized Stock Exchanges & Clearing Corporations

All Stock Brokers

All Depositories

All Custodians

Dear Sir/ Madam,

Subject: Master Circular for Mutual Funds

1. For effective regulation of Mutual Fund Industry, the Securities and Exchange Board of India ("SEBI") has been issuing various circulars from time to time. In order to enable the stakeholders to have an access to all the applicable regulatory requirements at one place, the provisions of the said circulars issued till March 31, 2023 were incorporated in the Master Circular for Mutual Funds dated May 19, 2023.

2. Subsequently, various guidelines/directions were issued to Mutual Funds by way of circulars/letters. In view of the same, the Master Circular dated May 19, 2023 has been updated to include all relevant circulars that were issued on/before March 31, 2024. The instant Master Circular supersedes the Master Circular for Mutual Funds dated May 19, 2023.

3. Vide Master Circular for Mutual Funds dated May 19, 2023, the guidelines/directions contained in the circulars listed out in the **Appendix** to that Master Circular were rescinded. In addition, with the issuance of this Master Circular, the guidelines/directions contained in the circulars listed out at Sr. Nos. 1 to 16 in the **Appendix** to this Master Circular, to the extent they relate to the Mutual Funds industry, shall stand rescinded.

4. With respect to the directions or other guidance issued by SEBI, as specifically applicable to Mutual Funds, the same shall continue to remain in force in addition to the provisions of any other law for the time being in force. Terms not defined in this Master Circular shall have the same meaning as provided under the relevant Regulations.

5. Notwithstanding such rescission,

   5.1. anything done or any action taken or purported to have been done or taken under the rescinded circulars, including registrations or approvals granted, fees collected, registration suspended or cancelled, any inspection or investigation or enquiry or adjudication commenced or show cause notice issued prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;

   5.2. any application made to SEBI under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;

   5.3. the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the

rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded;

6. Pursuant to issuance of this Master Circular, the entities which are required to ensure compliance with various provisions shall submit necessary reports as envisaged in this Master Circular on a periodic/ continuous basis.

7. This Master Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

8. This Master Circular is available on the SEBI website at https://www.sebi.gov.in/ under the category "Legal -> Master Circulars".

Yours faithfully,

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INDEX

ABBREVIATIONS **6**

CHAPTER 1: OFFER DOCUMENT FOR SCHEMES **8**

CHAPTER 1A: REGISTRATION **26**

CHAPTER 2: CONVERSION & CONSOLIDATION OF SCHEMES, LAUNCH OF ADDITIONAL PLAN AND CATEGORIZATION & RATIONALIZATION OF MUTUAL FUND SCHEMES **35**

CHAPTER 3: NEW PRODUCTS **57**

CHAPTER 4: RISK MANAGEMENT FRAMEWORK **91**

CHAPTER 5: DISCLOSURES & REPORTING NORMS **115**

CHAPTER 6: GOVERNANCE NORMS **138**

CHAPTER 7: SECONDARY MARKET ISSUES **196**

CHAPTER 8: NET ASSET VALUE **202**

CHAPTER 9: VALUATION **216**

CHAPTER 10: LOADS, FEES, CHARGES AND EXPENSES **243**

CHAPTER 11: DIVIDEND DISTRIBUTION PROCEDURE **261**

CHAPTER 12: INVESTMENT BY SCHEMES **266**

CHAPTER 13: ADVERTISEMENTS **320**

CHAPTER 14: INVESTOR RIGHTS & OBLIGATIONS **328**

CHAPTER 15: CERTIFICATION AND REGISTRATION OF INTERMEDIARIES **345**

CHAPTER 16: TRANSACTION IN MUTUAL FUNDS UNITS **355**

CHAPTER 16A: CORPORATE DEBT MARKET DEVELOPMENT FUND (CDMDF) **381**

CHAPTER 16B: EXECUTION ONLY PLATFORMS (EOP) **389**

CHAPTER 17: MISCELLANEOUS **403**

APPENDIX: LIST OF RESCINDED CIRCULARS ***434***

INDEX OF ANNEXURES ***455***

INDEX OF FORMATS ***590***

POLICY RELATED LETTERS/ EMAIL ISSUED BY SEBI ---------- Refer the attachment

AMFI BEST PRACTICE GUIDELINES ----------Refer AMFI Website

ABBREVIATIONS

American Depository Receipt	ADR
Asset Management Company	AMC
Asset under Management	AUM
Association of Mutual Funds in India	AMFI
Authorized Dealer	AD
Bombay Stock Exchange	BSE
Central Board of Direct Taxes	CBDT
Clearing Corporation of India Limited	CCIL
Compliance Test Reports	CTR(s)
Common Account Statement	CAS
Contingent Deferred Sales Charge	CDSC
Compound Annual Growth Rate	CAGR
Corporate Debt Market Development Fund	CDMDF
Depository Participant	DP
External Commercial Borrowings	ECB
Financial Action Task Force	FATF
Foreign Exchange Management Act	FEMA
Foreign Institutional Investor	FII
Foreign Portfolio Investor	FPI
Fixed Maturity Plans	FMP(s)
Global Depository Receipt	GDR
Gold Exchange Traded Fund	GETF
Gold Monetization Scheme	GMS
Hindu Undivided Family	HUF
International Organization of Securities Commission	IOSCO
Investor Service Center	ISC
Key Information Memorandum	KIM
Know Your Client	KYC
London Bullion Market Association	LBMA

Monthly Cumulative Report	MCR
Monthly Average Assets Under Management	MAAUM
Multilateral Memorandum of Understanding	MMOU
Mutual Fund Advisory Committee	MFAC
Mutual Fund Distributor	MFD
National Stock Exchange	NSE
Net Asset Value	NAV
New Fund Offer	NFO
Permanent Account Number	PAN
Prevention of Money Laundering Act	PMLA
Regulation	Reg.
SEBI (Mutual Funds) Regulations 1996	Regulations
Securities and Exchange Board of India	the Board
Scheme Information Document	SID } Offer
Statement of Additional Information	SAI } Document
Systematic Investment Plan	SIP
Systematic Transfer Plan	STP
Systematic Withdrawal Plan	SWP
Trustee(s)	Board of Trustee(s)/ Trustee Company
Unique Client Code	UCC
Unit Confirmation Receipt	UCR
Unit Holder Protection Committee	UHPC

CHAPTER 1: OFFER DOCUMENT FOR SCHEMES

1.1 Filing of Offer Document with the Board[1]

1.1.1. The Offer Document shall have two parts i.e. Scheme Information Document (SID) and Statement of Additional Information (SAI). SID shall incorporate all information pertaining to a particular scheme. SAI shall incorporate all statutory information on Mutual Fund.

1.1.2. The Mutual Funds shall prepare SID and SAI in the prescribed formats[2]. Contents of SID and SAI shall follow the same sequence as prescribed in the format. The Board of the AMC and the Trustee(s) shall exercise necessary due diligence, ensuring that the SID/SAI and the fees paid[3] are in conformity with the Mutual Funds Regulations[4].

[1.1.2A **Revision in the format of SID:**

a. In order to enhance ease of preparation of the SID by mutual funds and increase its readability for investors, SEBI in consultation with AMFI, undertook an exercise to revamp the format of SID.

b. Based on the suggestions of AMFI and the recommendations of the Mutual Fund Advisory Committee, the format of SID was simplified and rationalized. The revised format is aimed at streamlining the dissemination of relevant information to

[1] SEBI Circular No. SEBI/IMD/CIR No.5/ 126096/08 dated May 23,2008 and SEBI Circular No – SEBI/IMD/CIR No.10/178129/09 dated September 29,2009, Refer SEBI email dated November 15, 2011, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2022/4580/1 dated February 03, 2022

[2] For format of SID & SAI, please refer to format no. 5.A & 5.B. under the section on Formats, Refer SEBI email dated January 07, 2009

[3] The filing fees was revised via gazette notification No. LAD-NRO/GN/2014-15/03/1089 on SEBI (Payment of Fees) (Amendment) Regulations, 2014 dated 23 May, 2014, applicable from May 23, 2014, Refer SEBI email dated April 13, 2015.

[4] SEBI Circular No. IIMARP/MF/CIR/01/428/97 dated February 28, 1997, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/25096/2022 dated June 17, 2022

investors, rationalizing the preparation of SID and facilitating its periodic updation by mutual funds.

1.1.2B In line with the new SID format, AMFI shall carry out necessary changes in the formats of KIM and SAI in consultation with SEBI, within two months from the date of this circular.][5]

[1.1.2C **Applicability of revised format:** The revised format for SID, KIM and SAI shall be adopted as under:

a. Updated format for SID/KIM/SAI to be implemented w.e.f. June 01, 2024.
b. Draft SIDs to be filed with SEBI on or before May 31, 2024 or SIDs already filed with SEBI (final observations yet to be issued) or SIDs for which the final observations have already been received from SEBI (if launched on or before May 31, 2024), can use the old format of SID, provided that the SIDs are updated as per timeline mentioned at (c) below.
c. For Existing SIDs – by June 30, 2024 with data as on May 31, 2024.
d. Reference is drawn to para 1.2.1 and 1.2.4 of this Master Circular w.r.t updation of SID and KIM within 1 month from the end of half year i.e. April 30, 2024 for half year ended March 31, 2024. In order to avoid duplication of efforts of AMCs as well as to ensure uniform implementation of revised formats, the scheduled updation of SID and KIM for half year ended March 31, 2024, may be carried out by AMCs by June 30, 2024. This extension shall be applicable specifically for half year ended March 31, 2024 only.

[5] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01, 2023. Refer SEBI letter No. SEBI/HO/IMD/IMD-RAC-2/P/OW/2023/ 44197 /1 dated November 02, 2023

All updated/revised SIDs shall be made available on the website of SEBI/AMFI/AMCs within the specified timelines.] [6]

1.1.3. All offer documents (ODs) of Mutual Fund schemes shall be filed with SEBI in terms of the Regulations[7].

1.1.3.1. Filing of Draft SID:

a. Draft SID of schemes of Mutual Funds filed with the Board shall also be available on SEBI's website – http://www.sebi.gov.in for 21 working days from the date of filing[8].
b. AMC shall submit a soft copy of draft SID to the Board in HTML or PDF format. For this purpose, AMC shall be fully responsible for the contents of soft copies of the SID. AMC shall also submit an undertaking to the Board while filing the soft copy of draft SID certifying that the information contained in the soft copy matches exactly with the contents of the hard copy filed with the Board.
c. In case of any inaccurate filing, the SID will be returned and refiling will be required. 21 working days[9] shall be calculated from the date of refiling;[10]

[6] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2024/000015 dated March 12, 2024
[7] Regulation 28 (1) of SEBI (Mutual Funds) Regulation 1996
[8] SEBI Circular No. IIMARP/MF/CIR/06/793/98 dated March 31, 1998
[9] Regulation 29(3) of SEBI (Mutual Funds) Regulation 1996
[10] SEBI Circular No. IIMARP/MF/CIR/01/428/97 dated February 28, 1997.

d. If any changes to the SID are made after filing, the 21 working day(s) period will recommence from the date of submission of the last additional statement(s)[11].

1.1.3.2. Filing of SAI

a. A single SAI (common for all the schemes) can be filed with Board along with first draft of SID or can be filed separately. After incorporating the comments/observations, if any, from the Board, AMC shall file a soft copy of SAI with the Board in PDF format along with printed copy of the same[12], upload the SAI on its website and on AMFI website. The printed copy of SAI shall be made available to the investor on request.

b. Updation of SAI - SAI shall be updated within 3 months from end of financial year and filed with SEBI. Any material changes in the SAI shall be made on an ongoing basis by way of updation on the Mutual Fund and AMFI website. SEBI shall be intimated of the changes made in the SAI within 7 days. The effective date for such changes shall be mentioned in the updated SAI.

1.1.3.3. Filing of Final SID

a. Final SID (after incorporating comments of the Board) must reach the Board before it is issued for circulation. [As a part of the go green initiative and based on consultation with AMFI, it has been decided that AMCs shall file all final offer documents (final SID & final KIM) only digitally by emailing the same to a dedicated email id. viz. imdsidfiling@sebi.gov.in and there

[11] SEBI Circular No. IIMARP/MF/CIR/01/428/97 dated February 28, 1997, SEBI Circular No. IIMARP/MF/CIR/07/844/97 dated May 5, 1997.
[12] SEBI Circular No – SEBI/IMD/CIR No.10/178129/09 dated September 29, 2009

would be no requirement of filing of physical copies of the same with SEBI. Such submission of all final SID and KIM in digital form shall be made at least two working days prior to the launch of the scheme.][13] AMC shall also submit an undertaking to the Board while filing the soft copy that information contained in the soft copy of SID to be uploaded on SEBI website is current and relevant and matches exactly with the contents of the hard copy and that the AMC is fully responsible for the contents of the soft copy of SID. The soft copy of SID should also be uploaded on AMFI website two working days prior to launch of the scheme [14]. Failure to submit the printed SID to the Board before it is issued for circulation shall invite penalties under the Mutual Funds Regulations[15].

b. In case of any difference, in nature of material alteration of the suggestions made by the Board[16] between the printed SID and the SID filed with the Board, immediate withdrawal of the SID from circulation will be ordered and such withdrawal shall be publicized by the Board

1.2 Updation of SID & KIM[17]

The procedure for updation of SID and KIM shall be as follows:

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[13] Substituted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/60 dated April 25, 2023. Prior to substitution, clause read as under:
"Soft copy of the final SID in PDF format along with a printed copy should be filed with Board seven working days prior to the launch of the scheme."

[14] SEBI Circular No – SEBI/IMD/CIR No.10/178129/09 dated September 29,2009

[15] SEBI Circular No. IIMARP/MF/CIR/07/844/97 dated May 5, 1997.

[16] Regulation 29(2) of the SEBI (Mutual Funds) Regulations, 1996

[17] SEBI Circular- SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/397002021 dated December 28, 2021 & SEBI email dated March 25, 2022 for Scheme Summary Document. Refer SEBI letter No. SEBI/HO/IMD/IMD-RAC-2/P/OW/2023/45312/1 dated November 10, 2023

1.2.1 [18]For the open ended and interval schemes, the SID shall be updated within next six months from the end of the 1st half or 2nd half of the financial year in which schemes were launched, based on the relevant data and information as at the end of previous month. Subsequently, SID shall be updated within one month from the end of the half-year, based on the relevant data and information as at the end of September and March respectively. A soft copy of updated SID shall be filed with SEBI in PDF format within 7 days along with a printed copy of the same[19].

1.2.2 [20]The procedure to be followed in case of changes to the open ended and interval scheme shall be as under:

a. In case of change in fundamental attributes in terms of Regulation 18 (15A):
   i. An addendum to the existing SID shall be issued and displayed on AMC website immediately.
   ii. SID shall be revised and updated immediately after completion of duration of the exit option (not less than 30 days from the notice date).
   iii. 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.

b. In case of other changes:
   i. The AMC shall be required to issue an addendum and display the same on its website immediately.

[18]SEBI Circular- SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/0560 dated April 30, 2021.
[19] SEBI Circular No – SEBI/IMD/CIR No.10/178129/09 dated September 29,2009
[20] Refer SEBI letter No. IMD/DF3/OW/P/2021/32220/1 dated November 11, 2021

ii. The addendum shall be circulated to all the distributors/brokers/Investor Service Centre (ISC) so that the same can be attached to all KIM and SID already in stock till it is updated.

iii. Latest applicable addendum shall be a part of KIM and SID. (E.g. in case of changes in load structure the addendum carrying the latest applicable load structure shall be attached to all KIM and SID already in stock till it is updated).

iv. Further, the account statements shall continue to include applicable load structure.

1.2.3 A copy of all changes made to the scheme shall be filed with SEBI within 7 days of the change.

1.2.4 [21]KIM shall be updated at least once in half-year, within one month from the end of the respective half-year, based on the relevant data and information as at the end of September and March and shall be filed with SEBI forthwith through electronic mode only.

1.3 Validity of SEBI Observations on SID

1.3.1 The AMCs shall file their replies to the modifications suggested by SEBI on SID as required under Regulation 29 (2), if any, within six months from the date of the letter. In case of lapse of six-month period, the AMC shall be required to refile the SID along with filing fees.

1.3.2 The scheme shall be launched within six months from the date of the issuance of final observations from SEBI. If the AMC intends to launch the scheme at a date later than six months, it shall refile the SID with SEBI under Regulation 28 (1) along with filing fees.

1.4 Undertaking from Trustees for new Scheme[22]

[21] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/0560 dated April 30, 2021
[22] SEBI Cir. No. IMD/CIR No.5/70559/06 dated June 30, 2006

1.4.1 In the certificate submitted by Trustees with regard to compliance of AMC with Regulations[23], the Trustees are required to certify as follows:

"The Trustees have ensured that the (name of the scheme/Fund) approved by them is a new product offered by (name of the Mutual Fund) and is not a minor modification of any existing scheme/fund/product."

1.4.2 This certification shall be disclosed in the SID along with the date of approval of the scheme by the Trustees.

1.4.3 This certification is not applicable to fixed maturity plans and close ended schemes except for those close ended schemes which have the option of conversion into open ended schemes on maturity and also to Interval Schemes.

1.5 Standard Observations

1.5.1 Standard Observations have been prescribed to ensure minimum level of disclosures in the SID and SAI[24].

1.5.2 SEBI may revise the Standard Observations from time to time and in that case the date of revision shall also be mentioned.

1.5.3 While filing the SID and SAI, AMC shall highlight and clearly mention the page number of the SAI and SID on which each standard observation has been incorporated.

1.6 KIM

[23] Regulation 18 (4) of SEBI (Mutual Funds) Regulations, 1996
[24] For Standard Observations, please refer to format no. 6 under the section on Formats

1.6.1 Application forms for schemes of mutual funds shall be accompanied by the KIM in terms of Regulation 29 (4). KIM shall be printed at least in 7-point font size with proper spacing for easy readability.

1.6.2 Format of KIM[25]

1.6.2.1 AMCs shall prepare KIM in the prescribed format[26]. The contents of KIM shall follow the same sequence as prescribed in the format.

1.7 Easy Availability of Offer Document[27]

1.7.1 Trustees and AMCs shall ensure that the SID of the schemes and SAI are readily available with all the distributors/ISCs and confirm the same to SEBI in the half yearly trustee report.

1.8 Selection of Benchmarks[28]

1.8.1 In case of equity oriented schemes, mutual funds may appropriately select any of the indices available, (e.g. BSE (Sensitive) Index, S&P CNX Nifty, BSE 100, BSE 200 or S&P CNX 500 etc.) as a benchmark index depending on the investment objective and portfolio of the scheme(s).

1.8.2 Benchmarks for debt oriented and balanced fund schemes[29] developed by research and rating agencies recommended by the AMFI on a regular basis shall be used by the Mutual Funds.

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[25] Refer SEBI email dated March 29, 2010
[26] For format of KIM, please refer format no. 5.C under the section on Formats
[27] SEBI Circular- SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008
[28] SEBI Circular No. MFD/CIR/16/400/02 dated March 26, 2002, SEBI Circular No. MFD/CIR/01/071/02 April 15, 2002
[29] SEBI Circular No. MFD/CIR/01/071/02 dated April 15, 2002

1.8.3 In case of sector or industry specific schemes, Mutual Funds may select any sectoral indices as published by the Stock Exchanges and other reputed agencies.

1.8.4 These benchmark indices may be decided by the AMC(s) and Trustees. Any change at a later date in the benchmark index shall be recorded and reasonably justified[30].

1.8.5 Examples of benchmarks are illustrated below:

1.8.5.1 Growth funds maintaining minimum 65% of their investments in equities shall always be compared against The Bombay Stock Exchange Ltd. (BSE) Sensex or The National Stock Exchange Ltd. (NSE) Nifty or BSE 100 or CRISIL 500 or similar standard indices.

1.8.5.2 Income funds maintaining 65% or more of investments in debt instruments shall be compared with a suitable index that is a representative of the fund's portfolio.

1.8.5.3 Balanced funds with equity investments of 40%-60% shall be compared with a tailored index having 50% of its weight selected from any equity index as above and the other 50% from an appropriate bond return index.

1.8.5.4 Money Market funds or liquid plans can be compared against a suitable Money Market Instrument or a combination of such instruments.

[30] SEBI Circular No. MFD/CIR/16/400/02 dated March 26, 2002. Also please note that for review of scheme performance with benchmark indices please refer to Chapter 6 on governance norms.

1.9 Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes[31]

1.9.1 It has been decided that there would be two-tiered structure for benchmarking of schemes for certain categories of schemes. The first tier benchmark shall be reflective of the category of the scheme, and the second tier benchmark should be demonstrative of the investment style / strategy of the Fund Manager within the category. All the benchmarks followed should necessarily be Total Return Indices.

1.9.2 The following are the guiding principles for first tier benchmarks:

For Income / Debt Oriented Schemes

First Tier: One Broad Market Index per Index Provider for each category e.g.: NIFTY Ultra Short Duration Debt Index or CRISIL Ultra Short Term Debt Index for Ultra Short Duration Fund Category

Second Tier: Bespoke according to Investment Style/Strategy of the Index e.g.: AAA Bond Index

For Growth / Equity Oriented Schemes

First Tier: One Broad Market Index per Index Provider for each category e.g.: S&P BSE 100 Index or NSE 100 Index for Large Cap Fund Category

Second Tier: Bespoke according to Investment Style/Strategy of the Index e.g.: Nifty 50 Index

For Hybrid and Solution Oriented Schemes:

[31]SEBI Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, SEBI circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021. Refer SEBI letter No. SEBI/HO/IMD/POD-II/P/OW/2023/50162/1 dated December 14, 2023

There would be a single benchmark, i.e., Broad Market Benchmark wherever available or bespoke to be created for schemes, which would then be applicable across industry.

For Thematic / Sectoral schemes:

There would be a single benchmark as characteristics of the schemes are already tapered according to the theme/sector.

For Index Funds and Exchange Traded Funds (ETFs):

There would be a single benchmark as these schemes replicate an underlying index.

For Fund of Funds Schemes (FoFs):

Similar to Index Fund and ETFs, if a FoF scheme is investing in a single fund, then benchmark of the underlying scheme shall be used for corresponding FoF.

However, in case a FoF scheme invests in multiple schemes, then Broad Market Index shall be applied.

For Other Schemes:

Depending on underlying asset allocation, Broad Market benchmark may be arrived at.

1.9.3 AMFI has been advised to publish:

a) Benchmarks intended to be used by AMCs as first tier benchmarks

b) Benchmarks intended to be used as first tier benchmark as per the Potential Risk Class Matrix from April 1, 2022 by AMCs for open ended debt schemes.

1.9.4 The second tier Benchmark is optional and shall be decided by the AMCs according to Investment Style/Strategy of the Index.

1.10 New Fund Offer (NFO) Period[32]

1.10.1 In case of open ended and close ended schemes (except ELSS schemes), the NFO should be open for 15 days.

[1.10.1A All NFO shall remain open for subscription for a minimum period of three working days.][33]

1.10.2 The NFO period in case of ELSS schemes shall continue to be governed by guidelines issued by Government of India.

1.10.3 Mutual Funds/AMCs are allowed to deploy the NFO proceeds in triparty repo on Government securities or treasury bills [34] before the closure of NFO period. However, AMCs shall not charge any investment management and advisory fees on funds deployed in triparty repo on Government securities or treasury bills during the NFO period. The appreciation received from investment in triparty repo on Government securities or treasury bills shall be passed on to investors. Further, in case the minimum subscription amount is not garnered by the scheme during the NFO period, the interest earned upon investment of NFO proceeds in triparty repo on Government securities or treasury bills shall be returned to investors, in proportion of their investments, along-with the refund of the subscription amount.

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[32] SEBI Circular no MFD/Cir. No 9/120/2000 dated November 24, 2000. SEBI Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010.
[33] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/60 dated April 25, 2023
[34] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016 and SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021.

1.10.4 The mutual fund should allot units/refund of money and dispatch statements of accounts within five business days from the closure of the NFO and all the schemes (except ELSS) shall be available for ongoing repurchase/sale/trading within five business days of allotment.

1.11 Timelines related to processing of scheme related applications filed by AMCs[35]

1.11.1 The application filed by AMCs for the following matters may be deemed to be taken on record in case no modifications are suggested or no queries are raised by SEBI within 21 working days:

a) Change in the Fundamental Attributes of a scheme

b) Merger/Consolidation of Schemes

c) Rollover of Close-ended schemes

d) Conversion of Close-ended scheme to Open ended schemes.

1.11.2 In respect of applications filed by AMCs under Regulation 24 (b) of SEBI (Mutual Funds) Regulations, 1996, no objection will have been deemed to be communicated in case no modifications are suggested or no queries are raised by SEBI within 21 working days.

1.11.3 The timelines mentioned at Paragraph 1.11.1 and 1.11.2 above shall generally be adhered to -

(a) provided the application is complete in all respects and in compliance with all the relevant Regulations and circulars issued by SEBI.

[35] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/603 dated July 23, 2021

(b) except in cases where subject matter of approval requires a policy view to be taken or presents a unique situation which requires wider consultation and deliberation.

1.12 Restriction on Redemption in Mutual Funds[36]

1.12.1 In order to bring more clarity and to protect the interest of the investors, the following requirement shall be observed before imposing restriction on redemptions:

1.12.1.1 Restriction may be imposed when there are circumstances leading to a systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets such as:

1.12.1.1.1 Liquidity issues - when market at large becomes illiquid affecting almost all securities rather than any issuer specific security. AMCs should have in place sound internal liquidity management tools for schemes. Restriction on redemption cannot be used as an ordinary tool in order to manage the liquidity of a scheme. Further, restriction on redemption due to illiquidity of a specific security in the portfolio of a scheme due to a poor investment decision, shall not be allowed.

1.12.1.1.2 Market Failures, exchange closures - when markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies.

1.12.1.1.3 Operational Issues - when exceptional circumstances are caused by *force majeure*, unpredictable operational problems and technical failures (e.g. a black out). Such cases can only

[36] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/57 dated May 31, 2016

be considered if they are reasonably unpredictable and occur in spite of appropriate diligence of third parties, adequate and effective disaster recovery procedures and systems.

1.12.1.2 Restrictions on redemption may be imposed for a specified period of time not exceeding 10 working days in any 90 days period.

1.12.1.3 Any imposition of restriction would require specific approval of Board of AMCs and Trustees and the same should be informed to SEBI immediately.

1.12.1.4 When restriction on redemption is imposed, the following procedure shall be applied:

1.12.1.4.1 No redemption requests up to INR 2 lakh shall be subject to such restriction.

1.12.1.4.2 When redemption requests are above INR 2 lakh, AMCs shall redeem the first INR 2 lakh without such restriction and remaining part over and above INR 2 lakh shall be subject to such restriction.

1.12.2 **Disclosure**: The above information to investors shall be disclosed prominently and extensively in the scheme related documents regarding the possibility that their right to redeem may be restricted in such exceptional circumstances and the time limit for which it can be restricted.

1.13 Discontinuation of the nomenclature – 'Liquid Plus Scheme(s)'[37]

[37] SEBI/IMD/CIR No.13/150975 / 09 dated January 19, 2009

1.13.1 The nomenclature “Liquid Plus Scheme(s)” has been discontinued from January 2009 since it gives a wrong impression of added liquidity.

1.14 Fundament al Attributes[38]

1.14.1 The words "fundamental attributes"[39] are elaborated below:

1.14.1.1 Type of a scheme

a. Open ended/Close ended/Interval scheme
b. Equity Schemes, Debt Schemes, Hybrid Schemes, Solution Oriented Schemes and Other Schemes[40]

1.14.1.2 Investment Objective(s)

a. Main Objective - Growth/Income/Both.
b. [41]Investment pattern - The tentative portfolio break-up of Equity, Debt, Money Market Instruments, other permitted securities and such other securities as may be permitted by the Board from time to time with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations.

1.14.1.3 Terms of Issue

a. Liquidity provisions such as listing, repurchase, redemption.
b. Aggregate fees and expenses charged to the scheme.

[38] SEBI Circular No- IIMARP/MF/CIR/01/294/98 dated February 4, 1998, Refer SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/511371/1 dated October 04, 2022
[39] Sub-regulation (15A) of Regulation 18 of SEBI (Mutual Funds) Regulations, 1996
[40] SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017
[41] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

c. Any safety net or guarantee provided.

1.14.1.4 [42]Comments from SEBI for change in Fundamental Attributes:

In addition to the conditions specified under Regulation 18 (15A) for bringing change in the fundamental attributes of any scheme, trustees shall take comments of the Board before bringing such change(s).

[42] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

CHAPTER 1A: REGISTRATION

1A.1 Regulatory Framework for Sponsors of a Mutual Fund[43]

1A.1.1 In order to enhance the penetration of the Mutual Fund industry, and to facilitate new types of players to act as sponsors of Mutual Funds, an alternative set of eligibility criteria is introduced. This is with the objective of facilitating fresh flow of capital into the industry, fostering innovation, encouraging competition, providing ease of consolidation and easing exit for existing sponsors.

1A.1.2 In this regard, a Working Group was formed by SEBI to examine the aforesaid issues. The recommendations of the Working Group were deliberated in the Mutual Funds Advisory Committee and subsequent to that, SEBI (Mutual Funds) Regulations, 1996 have been amended vide notification No. SEBI/LAD-NRO/GN/2023/134 dated June 26, 2023.

1A.1.3 In furtherance to the same, the following has been decided:

1A.1.3.A **Deployment of liquid net worth by Asset Management Company (AMC)**

i. In terms of Regulation 21(1)(f) of the MF Regulations, an AMC shall deploy the minimum net worth required, as applicable, in assets as may be specified by SEBI.

ii. In this regard, the following has been decided:
   a. AMCs shall deploy the minimum net worth required either in cash, money market instruments, Government Securities, Treasury bills, Repo on Government securities, or in listed

[43] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/118 dated July 07, 2023. Refer SEBI email dated December 14, 2024

AAA rated debt securities without bespoke structures/structured obligations, credit enhancements or embedded options or any other structure/ feature which increase the liquidity risk of the instrument on a continuous basis and such investments shall be unencumbered.

1A.1.3.B **Acquisition of an AMC**

i. In terms of Regulation 7 (a) (iii) of the MF Regulations, in case of change in control of an existing AMC due to acquisition of shares, the sponsor shall ensure that the positive liquid net worth of the sponsor or funds tied up by the sponsor is to the extent of aggregate par value or market value of the shares proposed to be acquired, whichever is higher.

ii. In this regard, the following has been decided.

a. In case of change in control of an existing AMC due to acquisition of shares, the cost of acquisition may also be funded out of borrowings by a sponsor but in such cases, the sponsor shall have sufficient other assets to encumber for borrowings other than the shares of the proposed AMC.

b. The sponsor's stake in the proposed AMC shall be free from any encumbrance at all times.

iii. In terms of clause (iv) to the first proviso to Regulation 7 (a) of the MF Regulations, the sponsor has to ensure that in case of acquisition of an existing AMC, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the AMC and the positive liquid net worth of the sponsor or the

funds tied up by the sponsor are to the extent of aggregate par value or market value of the shares proposed to be acquired, whichever is higher.

iv. In this regard, the following has been decided.

a. In case of change in control of the existing AMC due to acquisition of shares, the cost of acquisition may be funded out of borrowings by a sponsor but the sponsor shall have sufficient other assets to encumber for borrowings other than the shares of the proposed AMC.

b. Minimum incremental capital contribution required in the AMC shall not be funded through borrowings and shall be funded only out of the net worth of the acquirer.

c. The sponsor's stake in an AMC shall be free from encumbrances in any form at all points of time.

1A.1.3.C **Pooled Investment Vehicle as sponsor of Mutual Funds**

i. Second proviso to Regulation 7 (a) of the MF Regulations permits to allow a private equity fund or a pooled investment vehicle or a pooled investment fund to sponsor Mutual Funds subject to conditions as may be specified by SEBI from time to time.

ii. In this regard, the following has been decided.

a. Among the pooled investment vehicles, only the private equity funds (PEs) can sponsor a Mutual Fund.

b. Such PEs shall comply with clauses (i) to (vi) of the first proviso to clause 7 (a) of the MF Regulations.

c. For any PE to qualify as a Mutual Fund sponsor, the following criteria shall be applicable;

I. The applicant PE (scheme/ fund) shall itself be a body corporate or, a body corporate set up by a PE. The applicant body corporate may be set up in India or abroad.

II. The applicant PE or its manager shall have a minimum of five years of experience in the capacity of fund/investment manager and an experience of investing in the financial sector, where it should have managed committed and drawn-down capital of not less than INR 5,000 Cr. as on the date of its application made to SEBI.

d. The following additional safeguards shall also be applicable for PEs acting as Mutual Fund sponsor.

I. There shall be no off-market transactions between the schemes of the Mutual Fund and

a) Sponsor PE; or

b) Schemes/ Funds managed by the manager of the sponsor PE; or

c) Investee Companies of schemes/ funds of sponsor PE, where it holds more than 10% stake; or has a board representation or a right to nominate Board representation.

II. As per clause (ii) of the first proviso to Regulation 7(a) of the MF Regulations, an initial shareholding of sponsor equivalent to capital contributed to an AMC to the extent

of not less than INR 150 Cr. shall be locked-in for a period of 5 years. In such cases, the lock in period of 5 years shall continue in case of transfer of sponsorship to any other entity within the PE group provided all the criteria required for a PE to act as sponsor are met by the transferee PE as well.

III. The said lock in period of 5 years shall also be applicable to the shareholding of PE in the corporate entity, which is sponsoring the Mutual Fund.

IV. The experience, track record and eligibility regarding the fit and proper criteria of any applicant PE to become sponsor of a Mutual Fund shall be ascertained through its conduct in the respective home jurisdiction.

1A.1.3.D **Reduction of stake and disassociation of sponsor**

i. Considering the evolution of the Mutual Fund industry and significant shift in the nature of roles and responsibilities of the AMCs in the last few decades, most of the AMCs can be stated to be prepared enough to stand on their own and create trust among their investors. In view of the above, it has been decided to allow a sponsor to voluntarily reduce its stake in an AMC subject to certain conditions.

ii. Regulations 7C (1) and 7C (2) of the MF Regulations permit a sponsor to disassociate itself from an AMC and a Mutual Fund and allow such AMC of an existing Mutual Fund to act as sponsor of the same Mutual Fund in the event of the sponsor disassociating itself from the AMC.

iii. In view of the above, it has been decided that an AMC can become a "self- sponsored AMC", subject to fulfilling the following conditions:

   a. The AMC should have been carrying on business in financial services for a period of not less than 5 years;

   b. The AMC should have positive net worth in all the immediately preceding five years;

   c. Net profit of the AMC after providing for depreciation, interest and tax in each of the immediately preceding five years and average net annual profit after providing for depreciation, interest and tax during the immediately preceding 5 years should be at least INR 10 cr.

iv. Any sponsor proposing to disassociate should have been a sponsor of the concerned Mutual Fund for at least 5 years before the proposed date of disassociation;

v. The shareholding proposed to be reduced by a sponsor shall not be under any encumbrance or lock-in.

vi. Any sponsor proposing to disassociate may undertake to reduce shareholding below 10% from the proposed date of disassociation as per the following timelines:

   a. Within a period of 5 years in case of listed AMCs.

   b. Within a period of 3 years in case of unlisted AMCs.

c. During the above period, the obligations of an outgoing sponsor shall be as per the applicable regulatory framework for a sponsor.

d. The sponsor shall commit to a graded stepwise reduction over the applicable time period.

vii. Post disassociation of any sponsor from an AMC, all the shareholders of such AMC shall be classified as "financial investors" and there shall not be any sponsor of such AMC.

viii. Post disassociation, the upper limit of shareholding for any financial investor shall be below 10%.

ix. Any sponsor proposing to disassociate itself shall undertake to honour all the obligations applicable to it under Regulation 38 of MF Regulations (Guaranteed Returns) as on proposed date of disassociation.

x. A self- sponsored AMC shall maintain the minimum net worth requirement as per SEBI MF Regulations on a continuous basis.

xi. The statutory auditor of a Mutual Fund shall submit a compliance report on the fulfilment of eligibility criteria by a self- sponsored AMC, as defined at paragraph 1A.1.3.D (iii) above on an yearly basis. The trustees and Board of a self-sponsored AMC shall provide a compliance status to SEBI in the half yearly and quarterly compliance reports furnished by them respectively.

xii. The constitution of trustee company of a self- sponsored AMC shall be as under:

a. In case of trustee company of a MF with an unlisted AMC, the shareholding of trustee company shall be a mirror image of the shareholding of the AMC at all times.

b. In case of trustee companies of a MF with a listed AMC, the financial investors shall continue to hold shares in the trustee company that is a mirror image of their holding in the AMC. Further, the shareholding in the trustee company that is equivalent to the public shareholding in the AMC, shall be held with a trust whose beneficial owner shall be the erstwhile sponsor with Independent directors of the trustee company as its trustees.

xiii. Regulation 14 of the MF Regulations has been amended specifying signatory to the trust deed in case of disassociation of the sponsor. In this regard, it has been decided that upon disassociation of the sponsor, the largest financial investor shall be the signatory to the trust deed instead of the sponsor.

1A.1.3.E **Re- Association of the Sponsor(s)**

i. Regulation 7C (5) of the MF Regulations provides for the dissociated sponsor as described at paragraph 1A.1.3.D above or any new entity to become sponsor of the Mutual Fund managed by the self- sponsored AMC, in case the AMC fails to meet the conditions specified at paragraph 1A.1.3.D (iii) above.

ii. In this regard, for the scenarios mentioned at paragraph 1A.1.3.E (i) above, it has been decided that a disassociated sponsor and/or any new entity can become sponsor of a Mutual Fund subject to the following conditions:

a. If the AMC fails to meet the criteria of self-sponsored AMC as defined at paragraph 1A.1.3.D (iii) above, a cure period of one year shall be provided within which, the AMC shall be required to meet the criteria for self-sponsored AMCs.

b. If even after the cure period, the AMC fails to meet the conditions for self- sponsored AMCs, then either the disassociated sponsor or any new entity shall become sponsor of the concerned Mutual Fund.

c. The proposed sponsor should meet all the requirements and obligations specified in MF Regulations pertaining to the sponsors and,

d. The proposed sponsor shall follow due process of obtaining approval as a sponsor from SEBI.

iii. In such cases, an exit option shall be provided to the unitholders of the existing schemes of the concerned Mutual Fund, without any exit load.

CHAPTER 2: CONVERSION & CONSOLIDATION OF SCHEMES, LAUNCH OF ADDITIONAL PLAN AND CATEGORIZATION & RATIONALIZATION OF MUTUAL FUND SCHEMES

PART I - CONVERSION OF SCHEMES

2.1 Conversion of Close Ended Scheme(s) to Open Ended Scheme(s)[44]

2.1.1 Although the procedure for conversion of close ended scheme(s) to open ended scheme(s) has been clearly enumerated in the Mutual Funds Regulations[45], following requirements are clarified again:

2.1.1.1 Since the scheme(s) would reopen for fresh subscriptions, disclosures contained in the SID shall be revised and updated. A copy of the draft SID shall be filed with the Board as required under Regulation 28(1) of the Mutual Funds Regulations along with filing fees prescribed under Regulation 28(2) of the Mutual Funds Regulations. Instructions issued by the Board[46] for filing of the SID shall also be followed.

2.1.1.2 A draft of the communication to be sent to unit holders shall be submitted to the Board which shall include the following:

a. Latest portfolio of the scheme(s) in the prescribed format[47]
b. Details of the financial performance of the scheme(s) since inception in the format prescribed in SID[48] along with comparisons with appropriate benchmark(s)[49].
c. The addendum to the SID detailing the modifications (if any) made to the scheme(s).

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[44] SEBI Circular No. MFD/CIR No.22/2311/03 dated January 30, 2003.
[45] Regulation 33(3) of the SEBI (Mutual Funds), Regulations, 1996.
[46] SEBI Circular No. SEBI/IMD/Cir No 5/126096/08 dated May 23, 2008
[47] Refer to format no. 3.C on half yearly portfolio disclosure under section on formats.
[48] Please refer to format no. 5.A. of SID under section on Formats.
[49] For examples of Benchmarks, refer to Chapter 1 – 'Offer Documents for Schemes'

2.1.1.3 The letter to unit holders and revised SID (if any) shall be issued only after the final observations as communicated by the Board in terms of Regulation 29(3) of the Mutual Funds Regulations have been incorporated therein and final copies of the same have been filed with the Board.

2.1.1.4 Unit holders shall be given at least 30 days to exercise exit option. During this period, the unit holders who opt to redeem their holdings in part or in full shall be allowed to exit at the NAV applicable for the day on which the request is received, without charging exit load.

PART II – CONSOLIDATION OF SCHEMES

2.2 *Consolidation of Schemes*[50]

2.2.1 Any consolidation or merger of Mutual Fund schemes will be treated as a change in the fundamental attributes of the related schemes and AMCs shall be required to comply with the Mutual Funds Regulations in this regard[51].

2.2.2 Further, in order to ensure that all important disclosures are made to the investors of the schemes sought to be consolidated or merged and their interests are protected; AMCs shall take the following steps:

2.2.2.1 Approval by the Board of the AMC and Trustee(s):

a. The proposal and modalities of the consolidation or merger shall be approved by the Board of the AMC and Trustee(s), after they ensure that the interest of unit holders under all the concerned schemes have been protected in the said proposal.

2.2.2.2 Disclosures:

a. Subsequent to approval from the Board of the AMC and Trustee(s), AMCs shall file the proposal with the Board, along with the draft SID, requisite fees (if a new scheme emerges after such consolidation or merger) and draft of the letter to be issued to the unit holders of all the concerned schemes.
b. The letter addressed to the unit holders, giving them the option to exit at prevailing NAV without charging exit load, shall

[50] SEBI Circular No. SEBI/MFD/CIR No.5/12031/03 dated June 23, 2003.
[51] Regulation 18(15A) of the Mutual Funds Regulations.

disclose all relevant information enabling them to take well informed decisions. This information will include, *inter alia:*

1. Latest portfolio of the concerned schemes[52].
2. Details of the financial performance of the concerned schemes since inception in the format prescribed in SID[53] along with comparisons with appropriate benchmarks.
3. Information on the investment objective, asset allocation and the main features of the new consolidated scheme.
4. Basis of allocation of new units by way of a numerical illustration
5. Percentage of total exposure to securities classified as below investment grade or default and percentage of total illiquid assets to net assets of each individual scheme(s) as well the consolidated scheme.[54]
6. Tax impact of the consolidation on the unit holders.
7. Any other disclosure as specified by the Trustees.
8. Any other disclosure as directed by the Board.

2.2.2.3 Updation of SID shall be as per the requirements for change in fundamental attribute of the scheme[55].

2.2.2.4 Maintenance of Records:

a. AMC(s) shall maintain records of dispatch of the letters to the unit holders and the responses received from them. A report giving information on total number of unit holders in the schemes and their net assets, number of unit holders who opted

[52] Refer format no. 3.C. on half yearly portfolio disclosure under section on Formats
[53] Please refer format no. 5.A. on SID under section on Formats
[54] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.
[55] Please refer Chapter 1 on 'Offer Documents for Schemes' for further details

to exit and net assets held by them and number of unit holders and net assets in the consolidated scheme shall be filed with the Board within 21 days from the date of closure of the exit option[56].

2.2.2.5 Merger or consolidation shall not be seen as change in fundamental attribute of the surviving scheme if the following conditions are met[57]:

a. Fundamental attributes[58] of the surviving scheme do not change. The 'surviving scheme' means the scheme which remains in existence after the merger.
b. Mutual Funds are able to demonstrate that the circumstances merit merger or consolidation of schemes and the interest of the unit holders of surviving scheme is not adversely affected.

2.2.2.6 After approval by the Boards of AMCs and Trustees, the AMCs shall file such proposal with SEBI. SEBI would communicate its observations on the proposal within the time period prescribed[59].

2.2.2.7 The letter to unit holders shall be issued only after the final observations communicated by SEBI have been incorporated and final copies of the same have been filed with SEBI.

[56] SEBI Circular No- SEBI / IMD / CIR No 14 / 187175/ 2009 dated December 15,2009
[57] SEBI Circular No- Cir / IMD / DF / 15/ 2010 dated October 22, 2010
[58] SEBI Circular No-IIMARP/MF/CIR/01/294/98 dated February 4, 1998
[59] Regulation 29(3) of SEBI (Mutual Funds) Regulations, 1996

PART III – LAUNCH OF ADDITIONAL PLANS[60]

2.3 Launch of Additional Plans

2.3.1 Additional plans sought to be launched under existing open ended schemes which differ substantially from that scheme in terms of portfolio or other characteristics shall be launched as separate schemes in accordance with the regulatory provisions.

2.3.2 However, plan(s) which are consistent with the characteristics of the scheme may be launched as additional plans as part of existing schemes by issuing an addendum. Such proposal should be approved by the Board(s) of AMC and Trustees. In this regard please note that:

2.3.2.1 The addendum shall contain information pertaining to salient features like applicable entry/exit loads, expenses or such other details which in the opinion of the AMC/ Trustees is material. The addendum shall be filed with SEBI 21 days in advance of opening of plan(s).

2.3.2.2 AMC(s) shall publish an advertisement or issue a press release at the time of launch of such additional plan(s).

2.4 Single Plan[61]

2.4.1 Mutual funds/AMCs shall launch schemes under a single plan and ensure that all new investors are subject to single expense structure.

2.4.2 Existing schemes with multiple plans based on the amount of investment (i.e. retail, institutional, super-institutional, etc.) shall accept fresh subscriptions only under one plan.

[60] SEBI Circular No. SEBI / IMD / CIR No 14 / 187175/ 2009 dated December 15, 2009
[61] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012

2.4.3 Other plans will continue till the existing investors remain invested in the plan.

2.5 Direct Plan[62]

2.5.1 Mutual funds/AMCs shall provide a separate plan for direct investments, i.e., investments not routed through a distributor, in existing as well as new schemes.

2.5.2 Such separate plan shall have a lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid from such plans. The plan shall also have a separate NAV.

[62] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, Refer SEBI Email dated April 28, 2015

PART IV – CATEGORIZATION AND RATIONALIZATION OF MUTUAL FUND SCHEMES[63]

It is desirable that different schemes launched by a Mutual Fund are clearly distinct in terms of asset allocation, investment strategy etc. Further, there is a need to bring in uniformity in the characteristics of similar type of schemes launched by different Mutual Funds. This would ensure that an investor of Mutual Funds is able to evaluate the different options available, before taking an informed decision to invest in a scheme.

In order to bring the desired uniformity in the practice, across Mutual Funds and to standardize the scheme categories and characteristics of each category, it has been decided to categorize the MF schemes as given below:

2.6 Categories of Schemes, Scheme Characteristics and Type of Scheme (Uniform Description of Schemes)[64]:

2.6.1 The Schemes would be broadly classified in the following groups:

i. Equity Schemes

ii. Debt Schemes

iii. Hybrid Schemes

iv. Solution Oriented Schemes

v. Other Schemes

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[63] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/5249/2022 dated February 08, 2022, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/25379/2022 dated June 21, 2022. Refer SEBI letter No. SEBI/HO/IMD/IMD-RAC-2/P/OW/2023/40331/1 dated September 26, 2023 & Refer SEBI letter No. SEBI/HO/IMD/IMD-SEC-3/P/OW/2023/ 43062/1 dated October 19, 2023.

[64] Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/25096/2022 dated June 17, 2022

The details of the scheme categories under each of the aforesaid groups along with their characteristics and uniform description are as under:

A. Equity Schemes:

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Multi Cap Fund	Minimum investment in equity & equity related instruments- 75% of total assets in the following manner:[65] a) Minimum investment in equity & equity related instruments of large cap companies - 25% of total assets; b) Minimum investment in equity & equity related instruments of mid cap companies - 25% of total assets; c) Minimum investment in equity & equity related instruments of small cap companies - 25% of total assets	Multi Cap Fund- An open ended equity scheme investing across large cap, mid cap, small cap stocks
2	Large Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 80% of total assets	Large Cap Fund- An open ended equity scheme predominantly investing in large cap stocks

[65] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/172 dated September 11, 2020

3	Large & Mid Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 35% of total assets Minimum investment in equity & equity related instruments of mid cap stocks- 35% of total assets	Large & Mid Cap Fund- An open ended equity scheme investing in both large cap and mid cap stocks.
4	Mid Cap Fund	Minimum investment in equity & equity related instruments of mid cap companies- 65% of total assets	Mid Cap Fund- An open ended equity scheme predominantly investing in mid cap stocks
5	Small cap Fund	Minimum investment in equity & equity related instruments of small cap companies- 65% of total assets	Small Cap Fund- An open ended equity scheme predominantly investing in small cap stocks
6	Dividend Yield Fund	Scheme should predominantly invest in dividend yielding stocks. Minimum investment in equity- 65% of total assets	An open ended equity scheme predominantly investing in dividend yielding stocks
7	Value Fund*	Scheme should follow a value investment strategy. Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme following a value investment strategy
	Contra Fund*	Scheme should follow a contrarian investment strategy. Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme following contrarian investment strategy
8	Focused Fund	A scheme focused on the number of stocks (maximum 30) Minimum investment in equity & equity related instruments - 65% of total assets	An open ended equity scheme investing in maximum 30 stocks (mention where the scheme intends to focus, *viz.*, multi cap, large cap, mid cap, small cap)

9	Sectoral/ Thematic[66] *(Also refer to para 3.11 of this Master Circular for sub-category for ESG investments)*	Minimum investment in equity & equity related instruments of a particular sector/ particular theme- 80% of total assets	An open ended equity scheme investing in __ sector (mention the sector)/ An open ended equity scheme following __ theme (mention the theme)
10	ELSS[67]	Minimum investment in equity & equity related instruments - 80% of total assets (in accordance with Equity Linked Saving Scheme, 2005 notified by Ministry of Finance)	An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit
11	Flexi Cap Fund[68]	Minimum Investment in equity & equity related instruments – 65% of total assets	An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

* Mutual Funds will be permitted to offer either Value fund or Contra fund.

B. Debt Schemes

Sr. No.	**Category of Schemes**	**Scheme Characteristics**	**Type of scheme (uniform description of scheme)**
1	Overnight Fund**	Investment in overnight securities having maturity of 1 day***	An open ended debt scheme investing in overnight securities
2	Liquid Fund $ **	Investment in Debt and money market securities with maturity of upto 91 days only	An open ended liquid scheme

[66] Refer SEBI letter No. SEBI/H0/0W/IMD-II/DOF3/P/24098/2022 dated June 10, 2022
[67] Refer SEBI letter No. SEBI/HO/IMD- POD-2/P/OW/2023/1114/1 dated January 10, 2023
[68] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020

3 ++	Ultra Short Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months	An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months (please refer to page no.__) #.
4++	Low Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months	An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months (please refer to page no.__) #.
5	Money Market Fund	Investment in Money Market instruments having maturity up to 1 year	An open ended debt scheme investing in money market instruments
6++	Short Duration Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years	An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years (please refer to page no.__) # .
7++	Medium Duration Fund ^^	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. Portfolio Macaulay duration under anticipated adverse situation is 1 year to 4 years	An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years (please refer to page no.__) #.

8++	Medium to Long Duration Fund ^^	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 4 to 7 years. Portfolio Macaulay duration under anticipated adverse situation is 1 year to 7 years	An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years (please refer to page no.__) #.
9++	Long Duration Fund	Investment in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years	An open ended debt scheme investing in instruments such that the Macaulay duration of the portfolio is greater than 7 years (please refer to page no.__) # .
10	Dynamic Bond	Investment across duration	An open ended dynamic debt scheme investing across duration
11	Corporate Bond Fund	Minimum investment in corporate bonds- 80% of total assets (only in AA+ and above rated corporate bonds) @	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds
12	Credit Risk Fund ^	Minimum investment in corporate bonds- 65% of total assets (only in AA* and below rated corporate bonds) @	An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)
13	Banking and PSU Fund	Minimum investment in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds - 80% of total assets @	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds

14	Gilt Fund	Minimum investment in Gsecs- 80% of total assets (across maturity)	An open ended debt scheme investing in government securities across maturity
15	Gilt Fund with 10 year constant duration	Minimum investment in Gsecs- 80% of total assets such that the Macaulay duration of the portfolio is equal to 10 years	An open ended debt scheme investing in government securities having a constant maturity of 10 years
16	Floater Fund	Minimum investment in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)- 65% of total assets @	An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)

***Provision as mentioned at Paragraph 8.4.5 of this Master Circular shall be followed for Uniform cut-off timings for applicability of Net Asset Value in respect of Liquid Fund and Overnight Fund.*

**** Overnight funds can deploy, not exceeding, 5% of the net assets of the scheme in G-secs and/or T-bills with a residual maturity of upto 30 days for the purpose of placing the same as margin and collateral for certain transactions*[69].

$ All provisions mentioned at Paragraph 1.13, 8.4.2.1.c, 12.6 of this Master Circular in respect of liquid schemes shall be applicable.

 # Please refer to the page number of the Offer Document on which the concept of Macaulay's Duration has been explained

^ Words/ phrases that highlight/ emphasize only the return aspect of the scheme shall not be used in the name of the scheme (for instance Credit Opportunities Fund, High Yield Fund, Credit Advantage etc.)

** excludes AA+ rated corporate bonds*
^^ With respect to the Medium Duration Fund and Medium to Long Duration Fund, the characteristics of the scheme shall remain the same under normal

[69] SEBI/HO/IMD/DF2/CIR/P/2021/683 dated December 10, 2021

circumstances. However, the fund manager, in the interest of investors, may reduce the portfolio duration of the aforementioned schemes up to one year, in case he has a view on interest rate movements in light of anticipated adverse situation. The AMC shall be required to mention its asset allocation under such adverse situation in its offer documents.

Whenever the portfolio duration is reduced below the specified floors of 3 years and 4 years in respect of Medium Duration Fund and Medium to Long Duration Fund respectively, the AMC shall be required to record the reasons for the same with adequate justification and maintain the same for inspection. The written justifications shall be placed before the Trustees in the subsequent Trustee meeting. Further, the Trustees shall also review the portfolio and report the same in their Half Yearly Trustee Report to SEBI.

++ It is clarified that Macaulay duration shall be at portfolio level[70].

@ For asset allocation limits considering minimum liquid assets requirement, refer Paragraph 4.6 of this Master Circular. For exclusion of investment in units of CDMDF from asset allocation limits, please refer Paragraph 2.10 of this Master Circular.

C. Hybrid Schemes

Sr. No.	**Category of Schemes**	**Scheme Characteristics**	**Type of scheme (uniform description of scheme)**
1	Conservative Hybrid Fund	Investment in equity & equity related instruments- between 10% and 25% of total assets; Investment in Debt instruments- between 75% and 90% of total assets	An open ended hybrid scheme investing predominantly in debt instruments
2	Balanced Hybrid Fund @	Equity & Equity related instruments- between 40% and 60% of total assets; Debt instruments- between 40% and 60% of total assets No Arbitrage would be permitted in this scheme	An open ended balanced scheme investing in equity and debt instruments

[70] SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017

	Aggressive Hybrid Fund @	Equity & Equity related instruments- between 65% and 80% of total assets; Debt instruments- between 20% 35% of total assets	An open ended hybrid scheme investing predominantly in equity and equity related instruments
3	Dynamic Asset Allocation or Balanced Advantage	Investment in equity/ debt that is managed dynamically	An open ended dynamic asset allocation fund
4	Multi Asset Allocation ##	Invests in at least three asset classes with a minimum allocation of at least 10% each in all three asset classes	An open ended scheme investing in_ , _ ,___ (mention the three different asset classes)
5	Arbitrage Fund	Scheme following arbitrage strategy. Minimum investment in equity & equity related instruments- 65% of total assets	An open ended scheme investing in arbitrage opportunities
6	Equity Savings	Minimum investment in equity & equity related instruments- 65% of total assets and minimum investment in debt- 10% of total assets Minimum hedged & unhedged to be stated in the SID. Asset Allocation under defensive considerations may also be stated in the Offer Document	An open ended scheme investing in equity, arbitrage and debt

@ Mutual Funds will be permitted to offer either an Aggressive Hybrid fund or Balanced fund

Foreign securities will not be treated as a separate asset class

D. Solution Oriented Schemes:

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Retirement Fund	Scheme having a lock-in for at least 5 years or till retirement age whichever is earlier	An open ended retirement solution oriented scheme having a lock-in of 5 years or till retirement age (whichever is earlier)
2	Children's Fund	Scheme having a lock-in for at least 5 years or till the child attains age of majority whichever is earlier	An open ended fund for investment for children having a lock-in for at least 5 years or till the child attains age of majority (whichever is earlier)

E. Other Schemes:

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Index Funds/ ETFs	Minimum investment in securities of a particular index (which is being replicated/ tracked)- 95% of total assets	An open ended scheme replicating/ tracking _ index
2	FoFs (Overseas/ Domestic)	Minimum investment in the underlying fund- 95% of total assets	An open ended fund of fund scheme investing in fund (mention the underlying fund)

2.6.2 As per the above, the 'type of scheme' (mentioned below the scheme name in the offer documents/ advertisements/ marketing material/etc.) would be the type of scheme (given in the third column of the tables) as applicable to each category of scheme.

2.6.3 In case of Solution oriented schemes, there will be specified period of lock in as stated in the above tables.

However, the said lock- in period would not be applicable to any existing investment by an investor, registered SIPs and incoming STPs in the existing solution oriented schemes as on the date on which such scheme is getting realigned with these provisions.

2.6.4 The investment objective, investment strategy and benchmark of each scheme shall be suitably modified (wherever applicable) to bring it in line with the categories of schemes listed above.

2.6.5 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.[71]

2.7 Definition of Large Cap, Mid Cap and Small Cap[72]:

2.7.1 In order to ensure uniformity in respect of the investment universe for equity schemes, it has been decided to define large cap, mid cap and small cap as follows:

i. Large Cap: 1st -100th company in terms of full market capitalization
ii. Mid Cap: 101st -250th company in terms of full market capitalization
iii. Small Cap: 251st company onwards in terms of full market capitalization

[71] SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020
[72] Refer SEBI email dated January 28, 2022

2.7.2 Mutual Funds would be required to adopt the list of stocks prepared by AMFI in this regard and AMFI would adhere to the following points while preparing the list:

i. If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;

ii. In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.

iii. This list would be uploaded on the AMFI website and the same would be updated every six months based on the data as on the end of June and December of each year. The data shall be available on the AMFI website within 5 calendar days from the end of the 6 months period.

iv. While preparing the single consolidated list of stocks, average full market capitalization of the previous six month of the stocks shall be considered[73].

2.7.3 Subsequent to any updation in the list, Mutual Funds would have to rebalance their portfolios (if required) in line with updated list, within a period of one month.

2.8 Process to be followed for categorization and rationalization of schemes:

2.8.1 Only one scheme per category would be permitted, *except*:

i. Index Funds/ ETFs replicating/ tracking different indices;

ii. Fund of Funds having different underlying schemes; and

iii. Sectoral/ thematic funds investing in different sectors/ themes

[73] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017

2.8.2 [74]Further, Mutual Funds can launch either of the following ELSS scheme in open ended Scheme Category, subject to compliance with guidelines on Equity Linked Saving Scheme, 2005 notified by Ministry of Finance:

i. Active ELSS Scheme - In terms of Paragraph 2.6.1.A.10 above under "Equity Schemes" category or;

ii. Passive ELSS Scheme (through Index Fund) - In terms of Paragraph 2.6.1.E.1 under "Other Schemes" category. The passive ELSS scheme shall be based on one of the indices comprising of equity shares from top 250 companies in terms of market capitalization

2.9 Timelines for Rebalancing of Portfolios of Mutual Fund Schemes[75]

In order to bring uniformity across Mutual Funds with respect to timelines for rebalancing of portfolio, the following has been decided:

2.9.1 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

[74] SEBI Circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022
[75] SEBI circular no SEBI/HO/IMD/IMD-II DF3/P/CIR/2022/39 dated March 30, 2022, Refer SEBI Letter No. – SEBI/HO/IMD-I DOF-2/P/OW/2022/26571/1 dated June 29, 2022

ii.	All schemes other than Index Funds and Exchange Traded Funds	Thirty (30) business days

2.9.2 In case the portfolio of schemes (all schemes other than Index Funds and Exchange Traded Funds) mentioned at Paragraph above are not rebalanced within the above mandated timelines, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period.

2.9.3 In case the portfolio of schemes is not rebalanced within the aforementioned mandated plus extended timelines, AMCs shall:

a) not be permitted to launch any new scheme till the time the portfolio is rebalanced.

b) not to levy exit load, if any, on the investors exiting such scheme(s).

2.9.4 Reporting and Disclosure Requirements:

a) AMCs to report the deviation to Trustees at each stage.

b) In case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme:

i. AMCs have to immediately disclose the same to the investors through SMS and email / letter including details of portfolio not rebalanced.

ii. AMCs shall also have to immediately communicate to investors through SMS and email / letter when the portfolio is rebalanced.

iii. Subject line of the aforementioned emails / letters should be uniform across industry and clearly indicate "breach of" / "deviation" from mandated asset allocation.

c) AMCs have to disclose any deviation from the mandated asset allocation to investors along with periodic portfolio disclosures as specified by SEBI from the date of lapse of mandated plus extended rebalancing timelines.

2.9.5 The above mentioned norms shall be applicable to main portfolio only and not to segregated portfolio(s), if any.

2.10 Exclusion of investment in units of CDMDF from asset allocation limits[76]

2.10.1 For calculation of asset allocation limits of mutual fund schemes in terms of Part IV of this Chapter, investment in units of CDMDF shall be excluded from base of net assets.

[76] Inserted by SEBI Circular No. SEBI/HO/IMD/PoD2/P/CIR/2023/152 dated September 06, 2023

CHAPTER 3: NEW PRODUCTS

3.1 Fund of Funds Scheme[77]

3.1.1 The SID and the advertisements pertaining to Fund of Funds Scheme[78] shall disclose that the investors are bearing the recurring expenses of the scheme, in addition to the expenses of other schemes in which the Fund of Funds Scheme makes investments.

3.1.2 AMCs shall not enter into any revenue sharing arrangement with the underlying funds in any manner and shall not receive any revenue by whatever means/head from the underlying fund. Any commission or brokerage received from the underlying fund shall be credited into concerned scheme's account[79].

3.1.3 Fund of funds mutual fund schemes shall adopt the total expense structures laid out in Regulations[80], which Asset Management Companies shall clearly indicate in the SIDs.

3.2 Gold Exchange Traded Fund Scheme[81]

3.2.1 A Gold Exchange Traded Fund (GETF) Scheme[82] shall invest primarily in:

3.2.1.1 Gold and

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[77] SEBI Circular No. MFD/CIR. No.04/11488/2003 dated June 12, 2003.
[78] Regulation 2(ma) of the Mutual Funds Regulations introduced vide Gazette Notification No. S.O 632(E) dated May 29, 2003.
[79] SEBI Circular No. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010
[80] Regulation 52(6)(a) of SEBI (Mutual Funds) Regulations, 1996
[81] SEBI Circular No. SEBI/IMD/CIR. No.4/58422/06 dated January 24, 2006, SEBI Circular No. SEBI/IMD/CIR No.2/65348/06 dated April 21, 2006, SEBI Circular No. SEBI/IMD/CIR No.14/84243/07 dated January 15, 2007.
[82] Regulation 2(mb) of the SEBI (Mutual Funds) Regulations, 1996 introduced vide Gazette Notification No. S.O. 38(E) dated January 12, 2006.

3.2.1.2 Gold related instruments[83]. However investments in gold related instruments shall be done only after such instruments are specified by the Board[84]

3.2.1.3 Gold Deposit Scheme (GDS)[85] of banks had been designated as one such gold related instrument. However, as per RBI notification dated October 22, 2015, the Gold Monetisation Scheme, 2015 (GMS) will replace the Gold Deposit Scheme, 1999. Accordingly, it has been decided that GMS will also be designated as a gold related instrument[86], in line with GDS of Banks.

3.2.1.4 Exchange Traded Commodity Derivatives (ETCDs)[87] having gold as the underlying, shall also be considered as 'gold related instrument' for GETFs.

3.2.1.5 Investment in GDS, GMS and ETCD having gold as the underlying by GETFs of mutual funds will be subject to following conditions:

a. The cumulative exposure to gold related instruments i.e. GDS of banks, GMS and ETCD having gold as the underlying shall not exceed 50% of net asset value of the scheme. However, within the 50% limit, the investment limit for GDS of banks and GMS as part of gold related instrument shall not exceed 20% of net asset value of the scheme. The unutilized portion of the limit for GDS of banks and GMS can be utilized for ETCD having gold as the underlying.

b. Before investing in GDS of Banks, GMS and ETCDs having gold as the underlying, mutual funds shall put in place a written policy with regard to such investments with due approval from

[83] Regulations 2(mc) of the Mutual Funds Regulations introduced vide Gazette Notification No. S.O. 38(E) dated January 12, 2006.
[84] SEBI Circular No. SEBI/IMD/CIR No. 4/58422/06 dated January 24, 2006.
[85] SEBI Circular No. CIR/IMD/DF/04/2013 dated February 15, 2013
[86] SEBI Circular No. CIR/IMD/DF/11/2015 dated December 31, 2015
[87] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/65 dated May 21, 2019

the Board of the Asset Management Company and the Trustees. The policy should have provision to make it necessary for the mutual fund to obtain approval of trustees for investment proposal in GDS of any bank and GMS. The policy shall be reviewed by Trustees of Mutual Funds, at least once a year.

c. Certificates issued in respect of investments made by GETFs in GDS of banks and GMS can be held by the mutual funds in dematerialized or physical form[88].

3.2.1.6 Existing investments by Gold ETFs of Mutual Funds under the GDS will be allowed to run till maturity unless these are withdrawn prematurely.

3.2.2 Valuation:

3.2.2.1 Gold shall be valued based on the methodology provided in Clause 3A of, Schedule Eight of the Mutual Funds Regulations[89].

3.2.3 Determination of Net Asset Value[90]

3.2.3.1 The NAV of units under the GETF Scheme shall be calculated up to four decimal points as shown below:

$$\text{NAV (in Rs. terms)} = \frac{\text{Market or Fair Value of Scheme's investments + Current Assets - Current Liabilities and Provision}}{\text{Number of Units outstanding under Scheme on the Valuation Date}}$$

[88] SEBI Circular No. CIR/IMD/DF/16/2013 dated October 18, 2013
[89] SEBI Circular No. SEBI/IMD/CIR No.14/84243/07 dated January 15, 2007 read with Gazette Notification F. No. SEBI/LAD/DoP/82534/2006 dated December 20, 2006.
[90] SEBI Circular No. SEBI/IMD/CIR No.2/65348/06 dated April 21, 2006.

3.2.4 Recurring Expenses[91]

3.2.4.1 The recurring expenses limits as per applicable regulations[92] shall be applicable to GETF Scheme(s).

3.2.5 Benchmarks for GETF Scheme[93]

3.2.5.1 GETF Scheme(s) shall be benchmarked against the price of gold.

3.2.6 Half yearly report by Trustees[94]

3.2.6.1 Physical verification of gold underlying the Gold ETF units shall be carried out by statutory auditors of mutual fund schemes and reported to trustees on half yearly basis.

3.2.6.2 The confirmation on physical verification of gold as above shall also form part of half yearly report[95] by trustees to SEBI.

3.2.7 Additional Norms for Gold ETFs[96]

3.2.7.1 Gold ETFs shall additionally comply with the norms as stated at Paragraphs 3.3.6, 3.3.9, 3.3.10 and 3.3.11 of this Master Circular.

3.3 Norms for Silver Exchange Traded Funds (Silver ETFs)[97]

3.3.1 **Investment Objective:** To generate returns that are in line with the performance of physical silver in domestic prices, subject to tracking error.

3.3.2 A Silver ETF scheme shall invest at least 95% of the net assets of the scheme in:

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[91] SEBI Circular No. SEBI/IMD/CIR No.2/65348/06 dated April 21, 2006.
[92] Regulation 52(6)(b) of the SEBI (Mutual Funds) Regulations, 1996.
[93] SEBI Circular No. SEBI/IMD/CIR No.2/65348/06 dated April 21, 2006.
[94] SEBI Circular No. Cir/IMD/DF/20/2010 dated December 06, 2010
[95] Please refer to Format No. 2.C. under the section on Formats for the disclosures in the Half Yearly Trustee Report w.r.t physical verification of Gold. This will be effective from the half yearly report ending April 2011 by Trustees to SEBI.
[96] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/668 dated November 24, 2021
[97] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/668 dated November 24, 2021.

3.3.2.1 Silver and

3.3.2.2 Silver related instruments. Exchange Traded Commodity Derivatives (ETCDs) having silver as the underlying shall be considered as 'silver related instrument' for Silver ETFs.

3.3.2.3 Investment in ETCDs having silver as the underlying by Silver ETFs will be subject to following conditions:

a) The exposure to ETCDs having silver as the underlying shall not exceed 10% of net asset value of the scheme. However, the above limit of 10% shall not be applicable to Silver ETFs where the intention is to take delivery of the physical silver and not to roll over its position to next contract cycle.

b) Before investing in ETCDs having silver as the underlying, mutual funds shall put in place a written policy with regard to such investment with due approval from the Board of the AMC and the Trustees. The policy shall be reviewed by the Board of AMC and Trustees at least once a year.

c) The cumulative gross exposure of Silver ETFs shall not exceed 100% of the net assets of the scheme.

3.3.2.4 The physical silver shall be of standard 30 kg bars with fineness of 999 parts per thousand (or 99.9% purity) confirming to London Bullion Market Association (LBMA) Good Delivery Standards.

3.3.3 **Valuation:** Silver shall be valued based on the methodology provided in paragraph 3B of Eighth Schedule to MF Regulations.

3.3.4 **Determination of Net Asset Value**

3.3.4.1 The NAV of units of Silver ETF Scheme shall be calculated up to four decimal points as shown below:

$$\text{NAV (in Rs. terms)} = \frac{\text{Market or Fair Value of Scheme's investments + Current Assets - Current Liabilities and Provision}}{\text{Number of Units outstanding under the Scheme on the Valuation Date}}$$

3.3.5 **Total Expense Ratio (TER):** The TER applicable for Silver ETF schemes shall be same as the TER applicable for ETFs in terms of Regulation 52 of MF Regulations.

3.3.6 **Disclosure of NAV:** The NAV of Silver ETFs shall be disclosed on every business day on the website of the AMC. Further, the indicative NAVs of Silver ETFs shall be disclosed on Stock Exchange platforms, where the units of these ETFs are listed, on continuous basis during the trading hours.

3.3.7 **Benchmark for Silver ETF Scheme:** Silver ETF Scheme(s) shall be benchmarked against the price of silver (based on LBMA Silver daily spot fixing price).

3.3.8 **Liquidity:**

3.3.8.1 Units of Silver ETFs shall be listed on the recognized Stock Exchange(s).

3.3.8.2 The AMC shall appoint Authorized Participants (APs)/ Market Makers (MMs) to provide liquidity for the units of Silver ETFs in secondary market on an ongoing basis.

3.3.8.3 APs/ MMs and large investors may directly buy/sell units with the Mutual Fund in creation unit size. The AMC shall disclose the

details about the creation unit size of Silver ETF in Scheme Information Document (SID).

3.3.9 **Tracking Error & Tracking Difference:**

3.3.9.1 The provisions mentioned at Paragraph 3.6.3 below, shall be followed for tracking error & tracking difference for Silver Exchange Traded Funds.[98]

3.3.10 **Disclosures:** To enable the investors to take an informed decision, the SID of Silver ETFs shall, inter-alia, disclose the following:

3.3.10.1 Tracking error and tracking difference,

3.3.10.2 Market risk due to volatility in silver prices,

3.3.10.3 Liquidity risks in physical or derivative markets impairing the ability of the fund to buy and sell silver,

3.3.10.4 Risks associated with handling, storing and safekeeping of physical silver;

3.3.10.5 Applicable tax provisions.

3.3.11 **Dedicated Fund Manager:** For commodity based funds such as Gold ETFs, Silver ETFs and other funds participating in commodities market, a dedicated fund manager with relevant skill and experience in commodities market including commodity derivatives market shall be appointed to manage the fund. However, it is clarified that dedicated fund manager(s) for each Commodity based fund is not mandatory.

3.3.12 **Half Yearly Trustee Report:**

3.3.12.1 Physical verification of silver underlying the Silver ETF units shall be carried out by the statutory auditor of mutual fund and shall report the same to trustees on half yearly basis.

[98] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022

3.3.12.2 The confirmation on physical verification of silver as stated above shall also form part of half yearly report by trustees to SEBI.

3.4 Portfolio Concentration Norms for Equity Exchange Traded Funds (ETFs) and Index Funds[99]

3.4.1 In order to address the risk related to portfolio concentration in ETFs and Index Funds, it has been decided to adopt the following norms:

3.4.1.1 The index shall have a minimum of 10 stocks as its constituents.

3.4.1.2 For a sectoral/ thematic Index, no single stock shall have more than 35% weight in the index. For other than sectoral/ thematic indices, no single stock shall have more than 25% weight in the index.

3.4.1.3 The weightage of the top three constituents of the index, cumulatively shall not be more than 65% of the Index.

3.4.1.4 The individual constituent of the index shall have a trading frequency greater than or equal to 80% and an average impact cost of 1% or less over previous six months.

Accordingly, any ETF/ Index Fund that seeks to replicate a particular Index shall ensure that such index complies with the aforesaid norms.

3.4.2 Compliance Procedure:

3.4.2.1 The aforesaid norms shall be applicable to all ETFs/ Index Funds tracking equity indices.

3.4.2.2 The ETF/ Index Fund issuer shall evaluate and ensure compliance to the aforesaid norms for all its ETFs/ Index Funds at the end of every calendar quarter.

[99] SEBI Circular No SEBI/HO/IMD/DF3/CIR/P/2019/011 dated January 10, 2019.

3.4.2.3 The ETF/Index Fund issuer shall ensure that the updated constituents of the Indices (for all its ETFs/ Index Funds) are available on the website of such ETF/Index Fund issuers at all points of time.

3.5 Norms for Debt Exchange Traded Funds (ETFs)/Index Funds[100]

3.5.1 Debt ETFs/ Index Funds could be based on indices comprising of

3.5.1.1 Corporate Debt Securities (Corporate debt indices); or

3.5.1.2 Government Securities (G-sec), t-bills and/or State Development Loans (SDLs) (G-sec indices); or

3.5.1.3 A combination of Corporate Debt Securities and G-sec/t-bills/SDLs (Hybrid debt indices).

The detailed provisions in this regard are given below:

3.5.2 Debt ETFs/ Index Funds: Index Constitution

For Debt ETFs/ Index Funds, the AMCs shall ensure the following:

3.5.2.1 Constituents of the index are aggregated at issuer level for the purpose of determining investment limits for single issuer, group, sector, etc.

3.5.2.2 Constituents of the index shall have a defined credit rating and defined maturity and the same shall be specified in the index methodology.

3.5.2.3 Rating of the constituents of the index shall be of investment grade and above.

[100] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022 & SEBI Circular No SEBI/HO/IMD/DF3/CIR/P/2019/147 dated November 29, 2019, Refer SEBI Letter No. – SEBI/HO/IMD-I DOF-2/P/OW/2022/26571/1 dated June 29, 2022

3.5.2.4 Constituents of the index should have adequate liquidity and diversification (other than for the portion of indices comprising of G-sec and/or SDLs) at issuer level.

3.5.2.5 Constituents of the index shall be periodically reviewed (at least on half-yearly basis).

3.5.2.6 Debt ETFs/ Index Funds shall replicate the underlying debt index. The portfolio of ETF/Index Funds shall be considered to be replicating the index subject to meeting the requirements specified at Paragraph 3.5.3, 3.5.4 & 3.5.5 below.

3.5.2.7 Single issuer limit for debt indices shall be as follows:

a) For an index with at least 80% weight of corporate debt securities, single issuer limit shall be as under:
   i. In respect of AAA rated securities, a single issuer shall not have more than 15% weight in the index.
   ii. In respect of AA rated securities, a single issuer shall not have more than 12.5% weight in the index.
   iii. In respect of A and below rated securities, a single issuer shall not have more than 10% weight in the index.

b) For a hybrid index (comprising both corporate debt securities and G-sec /SDL) with up to 80% weight of corporate debt securities,
   i. In respect of AAA rated securities, a single issuer shall not have more than 10% weight in the index. However, for AAA rated securities of PSU and AAA rated securities of PFI issuers the said limit shall be 15%.
   ii. In respect of AA rated securities, a single issuer shall not have more than 8% weight in the index.

iii. In respect of A and below rated securities, a single issuer shall not have more than 6% weight in the index.

c) For an index based on G-Sec and SDLs, single issuer limit shall not be applicable.

3.5.2.8 The index shall not have more than 25% weight in a particular group (excluding securities issued by Public Sector Units (PSUs), Public Financial Institutions (PFIs) and Public Sector Banks (PSBs)). For the purpose of this provision, 'group' shall have the same meaning as defined in Paragraph 12.9.3.3 of this Master Circular.

3.5.2.9 The index shall not have more than 25% weight in a particular sector (excluding G-sec, t-bills, SDLs and AAA rated securities issued by PSUs, PFIs and PSBs). However, this provision shall not be applicable for sectoral or thematic debt indices.

3.5.2.10 AMCs shall ensure that the updated constituents of the indices and methodology for all their Debt ETFs/ Index Funds are available on their respective websites at all points of time. Further, the historical data with respect to constituents of the indices since inception of schemes shall also be disclosed on their website.

3.5.2.11 AMFI has issued a list of debt indices for launching of debt ETFs/ Index Funds. The said list is available on AMFI's website.

3.5.3 <u>Corporate Debt ETF/Index Funds: Debt ETFs/ Index Funds based on Index of Corporate Debt Securities</u>

Debt ETFs/ Index Funds based on index comprising of only corporate debt securities shall be considered to be replicating the underlying debt index provided:

3.5.3.1 Investment in securities of issuers accounting for at least 60% of weight in the index, represents at least 80% of net asset value (NAV) of the ETF/ Index Fund.

3.5.3.2 At no point of time the securities of issuers not forming part of the index exceed 20% of NAV of the ETF/ Index Fund.

3.5.3.3 At least 8 issuers from the underlying index form part of the portfolio of the ETF/ Index Fund.

3.5.3.4 The investment in various securities are aggregated at issuer level for the purpose of exposure limits.

3.5.3.5 The exposure limit to a single issuer by the ETF/ Index Fund shall be as under:

a) For AAA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 15% weight in the portfolio.
b) For AA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 12.5% weight in the portfolio.
c) For A and below rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 10% weight in the portfolio.

3.5.3.6 Total exposure of the ETF/ Index Fund in a particular group (excluding investments in securities issued by PSUs, PFIs and PSBs) shall not exceed 25% of NAV of the scheme. For the purpose of this provision, 'group' shall have the same meaning as defined in Paragraph 12.9.3.3 of this Master Circular.

3.5.3.7 Total exposure of the ETF/ Index Fund in a particular sector (excluding G-sec, t-Bills, SDLs and AAA rated securities issued by PSUs, PFIs and PSBs) shall not exceed 25% of the NAV of the

scheme. However, this provision shall not be applicable for schemes based on sectoral or thematic debt indices.

3.5.3.8 The Macaulay Duration (hereinafter referred as "duration") of the portfolio of the ETF/ Index Fund replicates the duration of the underlying index within a maximum permissible deviation of +/- 10%.

3.5.3.9 In case of Target Maturity (or Target Date) ETFs/ Index Funds, the following norms for permissible deviation in duration shall apply:

a) For portfolio with residual maturity of greater than 5 years: Either +/- 6 months or +/- 10% of duration, whichever is higher.
b) For a portfolio with residual maturity of up to 5 years: Either +/- 3 months or +/- 10% of duration, whichever is higher.
c) However, at no point of time, the residual maturity of any security forming part of the portfolio shall be beyond the target maturity date of the ETF/ Index Fund.

3.5.3.10 The rating wise weightage of debt securities in the portfolio of ETF/ Index Fund replicates the underlying index. However, greater allocation of up to 10% of the portfolio may be made to higher rated debt securities.

3.5.3.11 Rebalancing Period:

For rebalancing the portfolio of the ETF/ Index Fund, the following norms shall apply:

a) In case of change in constituents of the index due to periodic review, the portfolio of ETF/ Index Funds be rebalanced within 7 calendar days.

b) In case the rating of any security is downgraded to below the rating mandated in the index methodology (including downgrade to below investment grade), the portfolio be rebalanced within 30 calendar days.

c) In case the rating of any security is downgraded to below investment grade, the said security may be segregated in accordance with Paragraph 4.4.4 & 4.4.5 of this Master Circular on "Segregated portfolio in mutual fund schemes".

3.5.4 G-sec ETF/Index Fund: Debt ETFs/ Index Funds based on G-sec, t-bills and SDLs

3.5.4.1 The duration of the portfolio of ETF/ Index Fund replicates the duration of the underlying index within a maximum permissible deviation of +/- 10%.

3.5.4.2 ETFs/Index Funds replicating a Constant Maturity index may invest in securities with residual maturity within +/- 10% of maturity range of the index.

3.5.4.3 In case of Target Maturity (or Target Date) ETFs/ Index Funds, the following norms for permissible deviation in duration shall apply:

a) For portfolio with residual maturity of greater than 5 years: Either +/- 6 months or +/- 10% of duration, whichever is higher.
b) For a portfolio with residual maturity of up to 5 years: Either +/- 3 months or +/- 10% of duration, whichever is higher.
c) However, at no point of time, the residual maturity of any security forming part of the portfolio shall be beyond the target maturity date of the ETF/ Index Fund.

3.5.5 Hybrid Debt ETF/ Index Fund - Debt ETFs/ Index Funds based on a Hybrid Index of Corporate Debt Securities and G-Sec/t-bills/SDLs

Hybrid Debt ETFs/ Index Funds shall be considered to be replicating the underlying index, provided:

3.5.5.1 For ETF/ Index Fund based on an index comprising of more than 80% weight for corporate debt securities, the provisions mentioned at paragraph 3.5.3 above shall be followed.

3.5.5.2 For ETF/ Index Fund based on an index comprising of up to 80% weight of corporate debt securities, the provisions mentioned at Paragraph 3.5.3 above, apart from Paragraph 3.5.3.3 & 3.5.3.5, shall apply on the portion of the portfolio comprising of corporate debt securities. Further, the exposure limit to a single issuer by the ETF/ Index Fund shall be as under:

a) For AAA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 10% weight in the portfolio. However, for AAA rated securities of PSU and AAA rated securities of PFI issuers the said limit shall be 15%.

b) For AA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 8% weight in the portfolio.

c) For A and below rated issuances, exposure to a single issuer by the ETF/ Index Fund shall not have more than 6% weight in the portfolio.

3.5.5.3 For the portion of the portfolio of the ETF/ Index Fund comprising of G-sec/tbills/SDLs, the provisions mentioned at Paragraph 3.5.4 above shall apply.

3.5.6 At all points of time, positioning of the ETF/ Index Fund in the Potential Risk Class (PRC) matrix shall be in the same cell as that of positioning of the index in the PRC matrix.

3.5.7 Any transactions undertaken in the scheme portfolio of ETF/ Index Fund in order to meet the redemption and subscription obligations shall be done while ensuring that post such transactions replication of the portfolio with the index is maintained at all points of time.

3.6 Development of Passive Funds[101]

3.6.1 Norms for Market Making Framework for ETFs

3.6.1.1 AMC shall appoint at least two Market Makers (MMs), who are members of the Stock Exchanges, for ETFs to provide continuous liquidity on the stock exchange platform. MM shall transact with AMC only in multiples of creation unit size.

3.6.1.2 The AMC shall have an approved policy regarding market making in ETFs based on the framework for market making as provided at **Annexure 12**.

3.6.1.3 AMCs shall facilitate in-kind creation and redemption of units of ETFs (including Debt ETFs) by MMs on a best effort basis.

3.6.1.4 Incentive for MMs

a) Incentives, if any, to MMs shall be charged to the scheme within the maximum permissible limit of TER.

b) A transparent incentive structure for the MMs shall be put in place, and the incentives shall, *inter alia,* be linked to performance

[101] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022, Refer SEBI letter No. SEBI/HO/IMD-I DOF2/P/OW/2022/26517/1 dated June 29, 2022. SEBI letter No. SEBI/HO/IMD/IMD-PoD-2/P/OW/2023/17644/1 dated April 28, 2023, SEBI letter No. SEBI/HO/IMD-POD-2/P/OW/2023/43653/1 dated October 26, 2023 & SEBI letter No. SEBI/HO/IMD/POD-II/P/OW/2023/44633/1 dated November 06, 2023.

of the MMs in terms of generating liquidity in units of ETFs. The relevant data regarding trading volume, bid-ask spread in units of ETFs, and such other information as may be required to formalize performance based incentive structure, shall be obtained from the stock exchanges.

c) Stock Exchanges may also incentivize the MMs through Liquidity Enhancement Schemes (LES) as per the applicable provisions.

d) There should be necessary checks and balances and adequate disclosure of the principles of incentive structure on the website of the AMCs and also in the Scheme Information Documents (SIDs) of ETFs.

e) There shall be proper audit trail for scheme wise incentives.

3.6.1.5 Market Making Settlement Process for domestic Equity ETFs

In order to make the market making process less capital intensive, it has been decided that net settlement between cash leg of transactions in units of ETF by the MM and consequent transaction in underlying basket by the ETF shall be implemented. In this regard, the following has been decided:

a) MMs shall be permitted to transact in the basket of securities underlying the ETF against equivalent transactions in units of ETFs and transfer the net obligation of such transactions to the ETF for unit creation or redemption. The AMCs shall be allowed to create or redeem units of ETFs without upfront payment of 100% value of such units or upfront delivery of such units by the MMs, respectively.

b) The above mechanism shall be permitted subject to equivalent transactions in units and underlying basket for the same

settlement cycle and confirmation of both the legs by the Custodian.

c) For the above mechanism,

i. ETFs shall be allowed to buy or sell their own units, without the same forming part of the asset allocation of the scheme.

ii. Provisions mentioned at Paragraph 12.29.3.b.III) of this Master Circular shall not be applicable.

iii. The transactions by the MM in the underlying basket shall be excluded for the purpose of computation of aggregate purchase or sale of securities through any broker as required under the Regulations[102].

d) Facilitation of the above mechanism for equity ETFs shall be at the discretion of the AMC.

e) The detailed operational guidelines in this regard, has been issued by AMFI in consultation with Clearing Corporations. The Clearing Corporations shall ensure that the necessary systems are in place to enable the netting mechanism.

f) The AMC shall ensure that at no point of time, the above mechanism shall increase the risk of the ETF.

3.6.2 **Direct transaction in ETFs through AMCs**

3.6.2.1 In order to enhance liquidity in units of ETFs on stock exchange platform, it has been decided that direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold.

[102] Regulation 25(7)(a) and (b) of SEBI (Mutual Funds) Regulations, 1996

3.6.2.2 In this regard, to begin with any order placed for redemption or subscription directly with the AMC must be of greater than INR 25 Cr. The aforesaid threshold shall not be applicable for MMs and shall be periodically reviewed. [103]This provision shall be applicable with effect from May 01, 2023.

3.6.2.3 Further, as in terms of Paragraph 8.7 of this Master Circular, all direct transactions in units of ETFs by MMs or other eligible investors (as per Paragraph 3.6.2.1 above) with AMCs shall be at intra-day NAV based on the actual execution price of the underlying portfolio, the following has been decided:

a) The provisions as mentioned at Paragraph 4.10 of this Master Circular on "Swing pricing framework for mutual fund schemes" shall not be applicable to Debt ETFs.

b) The requirement of "cut-off" timing for NAV applicability as prescribed by SEBI from time to time shall not be applicable for direct transaction with AMCs in ETFs by MMs and other eligible investors.

3.6.3 **Tracking Error and Tracking Difference**

3.6.3.1 Tracking Error (TE)

a) The tracking error i.e. the annualized standard deviation of the difference in daily returns between the underlying index or goods and the NAV of the ETF/ Index Fund (other than Debt ETFs/ Index Funds) based on past one year rolling data shall not exceed 2%. In case of unavoidable circumstances in the nature of force majeure, which are beyond the control of the AMCs, the tracking

[103] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/145 dated October 28, 2022 & SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2022/102 July 28, 2022

error may exceed 2% and the same shall be brought to the notice of Trustees with corrective actions taken by the AMC, if any.

b) For ETFs/ Index Funds in existence for a period of less than one year, the annualized standard deviation shall be calculated based on available data.

c) All ETFs/ Index Funds (including Debt ETFs/ Index Funds), shall disclose the tracking error based on past one year rolling data, on a daily basis, on the website of respective AMCs and AMFI.

3.6.3.2 Tracking Difference (TD)

a) Along with tracking error, tracking difference i.e. the annualized difference of daily returns between the index or goods and the NAV of the ETF/ Index Fund shall also be disclosed on the website of the AMC and AMFI, on a monthly basis, for tenures 1 year, 3 year, 5 year, 10 year and since the date of allotment of units.

b) For Debt ETFs/ Index Funds the annualized tracking difference averaged over one year period shall not exceed 1.25%. In case the average annualized tracking difference over one year period for Debt ETFs/ Index Funds is higher than 1.25%, the same shall be brought to the notice of trustees with corrective actions taken by the AMC, if any.

3.6.4 **Valuation by Fund of Funds (FoFs) investing in ETFs**

3.6.4.1 The closing price of the units of ETFs on Stock Exchange shall be used for valuation by FoFs investing in such ETFs.

3.6.5 **Disclosure of indicative Net Asset Value (iNAV)**

3.6.5.1 iNAV of an ETF i.e. the per unit NAV based on the current market value of its portfolio during the trading hours of the ETF, shall be

disclosed on a continuous basis on the Stock Exchange(s), where the units of these ETFs are listed and traded and shall be updated in the following manner:

a) For Equity ETFs, within a maximum time lag of 15 seconds from underlying market.

b) For Debt ETFs, at least four times a day i.e. opening and closing iNAV and at least two times during the intervening period with minimum time lag of 90 minutes between the two disclosures.

c) For ETFs on Gold or Silver, based on the latest available data for Gold or Silver. Accordingly, iNAV disclosed for Gold or Silver ETFs may either be static or dynamic depending upon the availability of the underlying price.

d) For ETFs on international indices, based on the latest available data regarding the portfolio of the ETF. Accordingly, iNAV disclosed for international ETFs may either be static or dynamic depending on the intersection in trading hours of domestic and overseas markets.

e) For disclosure of iNAV, AMCs and Stock Exchanges shall develop suitable mechanism for data sharing.

3.6.6 **Liquidity window for Investors of ETFs with AMCs**

3.6.6.1 Investors can directly approach the AMC for redemption of units of ETFs, for transaction of upto INR 25 Cr. without any exit load, in case of the following scenarios:

a) Traded price (closing price) of the ETF units is at discount of more than 1% to the day end NAV for 7 continuous trading days, or

b) No quotes for such ETFs are available on stock exchange(s) for 3 consecutive trading days, or

c) Total bid size on the exchange is less than half of creation units size daily, averaged over a period of 7 consecutive trading days.

3.6.6.2 In case of the above scenarios, applications received from investors for redemption up to 3.00 p.m. on any trading day, shall be processed by the AMC at the closing NAV of the day.

3.6.6.3 The above instances shall be tracked by the AMC on a continuous basis and in case if any of the above mentioned scenario arises, the same shall be disclosed on the website of AMC.

3.6.7 **Rebalancing period for Equity ETFs/ Index Funds**

3.6.7.1 In case of change in constituents of the index due to periodic review, the portfolio of equity ETF/ Index Funds be rebalanced within 7 calendar days.

3.6.7.2 Any transactions undertaken in the scheme portfolio of ETF/ Index Fund in order to meet the redemption and subscription obligations shall be done while ensuring that post such transactions replication of the portfolio with the index is maintained at all points of time.

3.6.8 **Disclosure Norms for ETFs/ Index Funds**

3.6.8.1 The debt and equity ETFs/ Index Funds shall disclose the following on monthly basis:

a) Name and exposure to top 7 issuers and stocks respectively as a percentage of NAV of the scheme

b) Name and exposure to top 7 groups as a percentage of NAV of the scheme.

c) Name and exposure to top 4 sectors as a percentage of NAV of the scheme.

Change in constituents of the index, if any, shall be disclosed on the AMC website on the day of change

3.6.9 **Nomenclature of ETFs/ Index Funds**

3.6.9.1 In order to have proper understanding and clarity for investors, the nomenclature for ETFs/ Index Funds shall include the name of the underlying index or goods.

3.6.9.2 Further, for ETFs, after listing of the units, the scrip code of such ETFs shall also be disclosed in the nomenclature at all places.

3.7 Capital Protection Oriented Scheme[104]

3.7.1 The SID, KIM and advertisements pertaining to Capital Protection Oriented Scheme[105] shall disclose that the scheme is "oriented towards protection of capital" and not "with guaranteed returns." It shall also be indicated that the orientation towards protection of capital originates from the portfolio structure of the scheme and not from any bank guarantee, insurance cover etc.

3.7.2 The proposed portfolio structure indicated in the SID and KIM shall be rated by a Credit Rating Agency registered with the Board from the view point of assessing the degree of certainty for achieving the objective of capital protection and the rating shall be reviewed on a quarterly basis.

[104] SEBI Circular No. SEBI/IMD/CIR No.9/74364/06 dated August 14, 2006.
[105] Regulation 2(ea), 33(2A) and 38A of the Mutual Funds Regulations introduced vide Gazette Notification No. S.O. 1254(E) dated August 3, 2006.

3.7.3 The Trustees shall continuously monitor the portfolio structure of the scheme and report the same in the Half Yearly Trustee Reports[106] to the Board. The AMC(s) shall also report on the same in its quarterly CTR(s)[107] to the Board.

3.7.4 It shall also be ensured that the debt component of the portfolio structure has the highest investment grade rating.

3.8 Guaranteed Return Schemes

3.8.1 All Mutual Funds which offer Guaranteed Return Schemes shall clearly indicate in the scheme information document as to who is offering guarantee and that the guarantee is for both, initial capital invested and the return assured[108].

3.8.2 AMC in its report to Trustees and Trustees in their half yearly reports to SEBI shall comment on ability of the AMC/sponsor to honour the guaranteed returns in case of any Scheme guaranteeing returns[109].

3.9 Real Estate Mutual Funds[110]:

3.9.1 A real estate mutual fund scheme[111] can invest in real estate assets in the cities mentioned in:

3.9.1.1 List of Million Plus Urban Agglomerations/Cities; or

3.9.1.2 List of Million Plus Cities

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[106] For format of Half Yearly Trustee Report, please refer format no. 2.C under the section on Formats
[107] For format of quarterly CTR, please refer format no. 2.B under the section on Formats
[108] SEBI Circular No. IIMARP/MF/CIR/07/844/97 dated May 5, 1997
[109] SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000 and SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021
[110] SEBI Circular No - SEBI/IMD/CIR No.4/124477/08 dated May 2,2008
[111]Regulation 49 A(a)(i) of SEBI (Mutual Fund) Regulations, 1996

3.9.2 Such list appears in Census Statistics of India (2001) at www.censusindia.gov.in. A printout of cities which appear in the foresaid categories taken from the said website is attached for ready reference at **Annexure 3**.

3.10 Infrastructure Debt Schemes[112]

3.10.1 Placement Memorandum:

3.10.1.1 Private Placement to less than 50 investors has been permitted as an alternative to New Fund Offer to the public, in case of Infrastructure Debt Funds (IDF). In case of private placement, the mutual funds would have to file a Placement Memorandum with SEBI instead of a Scheme Information Document and a Key Information Memorandum. However, all the other conditions applicable to IDFs offered through the NFO route like kind of investments, investment restrictions, etc. would be applicable to IDFs offered through private placement.

3.10.1.2 In terms of regulation 49-OA of the SEBI (Mutual Funds) Regulations, 1996, the Placement Memorandum shall be filed with SEBI as per the prescribed format[113].

3.10.2 The Asset Management Companies shall ensure that the Placement Memorandum is uploaded on their respective websites after allotment of units, and on the website of such recognized Stock Exchange, where it is proposed to be listed, at the time of listing of the scheme.

3.10.3 **FPIs which are long term investors**

[112] SEBI Circular No. CIR/IMD/DF/7/2013 dated April 23, 2013
[113] Please refer to format no. 5.D under the section on Formats

3.10.3.1 The universe of strategic investors in the IDF has been expanded to include, inter alia, FPIs registered with SEBI which are long term investors subject to their existing investment limits.

3.10.3.2 With reference to regulation 49L of the SEBI (Mutual Funds) Regulations, 1996 the following categories of FPIs are designated as long term investors only for the purpose of IDF:

a. Foreign Central Banks
b. Governmental Agencies
c. Sovereign Wealth Funds
d. International/Multilateral Organizations/ Agencies
e. Insurance Funds
f. Pension Funds
g. Foreign feeder funds, having at all times, at least 20% of their assets under management held by investors belonging to one of more of the above categories of FPIs[114]

3.10.4 **Investments by the IDF scheme**

3.10.4.1 With reference to regulation 49P (1) of the SEBI (Mutual Funds) Regulations, 1996, the investments in bank loans shall be made only through the securitization mode.

3.11 New category of Mutual Fund schemes for Environmental, Social and Governance ("ESG") Investing and related disclosures by Mutual Funds[115]

3.11.1 Under the then regulatory requirements, Mutual Funds were permitted to launch only one scheme with ESG investing under the thematic category for Equity schemes. In view of the industry

[114] SEBI Circular No. CIR/IMD/DF/20/2013 dated November 29, 2013
[115] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/125 dated July 20, 2023

representations for allowing multiple schemes with different ESG strategies and considering the increasing need for green financing, it was decided to permit launch of multiple ESG schemes with different strategies by Mutual Funds.

3.11.2 The concept of ESG investments is emerging and therefore consistent, comparable, and decision-useful scheme disclosures is desirable to enable investors to make informed investment decision and to prevent greenwashing. In this regard, SEBI, vide letters dated February 08, 2022 and June 21, 2022 to AMFI, had prescribed disclosure norms for ESG schemes of Mutual Funds, as available under the 'Policy related letters/Emails issued by SEBI' section of this Master Circular.

3.11.3 In order to suggest further measures to improve transparency, with a particular focus on mitigation of risks of mis-selling and greenwashing, an ESG Advisory Committee was set up by SEBI which provided recommendations for expanding the disclosure norms for ESG funds. Considering the recommendations of the ESG Advisory Committee and pursuant to public consultation on the matter, the provisions of the SEBI (Mutual Funds) Regulations, 1996 were amended on June 27, 2023 (link) to inter-alia specify that the funds under ESG schemes shall be invested in the manner as specified by SEBI from time to time.

3.11.4 Accordingly, it has been decided to implement the following measures to facilitate green financing with thrust on enhanced disclosures and mitigation of green washing risk.

3.11.4.1 **Thematic schemes on ESG Strategies**

3.11.4.1.1 Previously, as Mutual Funds could launch only one ESG scheme under the thematic category of Equity schemes (*reference: paragraph 2.6.1(A)(9)*), it is decided to introduce a

separate sub-category for ESG investments under the thematic category of Equity schemes. Any scheme under the ESG category shall be launched with one of the following strategies (details of strategies are at **Annexure 14**) –

a. Exclusion

b. Integration

c. Best-in-class & Positive Screening

d. Impact investing

e. Sustainable objectives

f. Transition or transition related investments

3.11.4.1.2 Minimum 80% of the total assets under management (AUM) of ESG schemes shall be invested in equity & equity related instruments of that particular strategy of the scheme (as per the above specified sub-strategies). The remaining portion of the investment shall not be in contrast to the strategy of the scheme. Mutual Funds shall endeavour to deploy a higher proportion of the assets towards the scheme's strategy under the ESG theme and make suitable disclosures.

3.11.4.1.3 AMCs shall ensure that the schemes launched by Mutual Funds are clearly distinct in terms of asset allocation, investment strategy etc.

3.11.4.1.4 The provision of new category for ESG schemes was applicable with effect from July 20, 2023.

3.11.4.2 **Investment criteria for ESG Schemes**

3.11.4.2.1 Previously, the ESG schemes of Mutual Funds were mandated to invest only in such companies which had comprehensive Business Responsibility and Sustainability Reporting (BRSR) disclosures. It is decided that an ESG scheme shall invest at least 65% of its AUM in companies which are reporting on comprehensive BRSR and are also providing assurance on BRSR Core disclosures (details on BRSR Core disclosures are as specified vide SEBI circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12, 2023). The balance AUM of the scheme can be invested in companies having BRSR disclosures. This requirement shall be applicable with effect from October 01, 2024.

3.11.4.2.2 Such ESG schemes which are not in compliance with the aforesaid investment criteria as on October 01, 2024, shall ensure compliance with the requirement by September 30, 2025. During the said period of one year, ESG schemes shall not undertake any fresh investments in companies without assurance on BRSR Core.

3.11.4.3 **Disclosure requirements for ESG Schemes**

3.11.4.3.1 **Scheme strategy to be reflected in scheme name**

Mutual Funds shall clearly disclose the name of ESG strategy in the name of the concerned ESG fund/scheme. For eg., XYZ ESG Exclusionary Strategy Fund, ABC ESG Best-in-class Strategy Fund etc.

3.11.4.3.2 **ESG scores of securities**

a. Mutual Funds shall disclose the following in their monthly portfolio statements of ESG schemes:

i. Security wise BRSR Core scores {as and when the same is made available by SEBI registered ESG Rating Provider (ERPs)}, along with the BRSR scores.

ii. Name of the ERPs providing ESG scores for the ESG schemes, along with the ESG scores. In case there is a change in ERP, the reason for such change shall also be disclosed in the next monthly portfolio statements of ESG schemes.

b. These requirements were applicable with effect from July 20, 2023.

3.11.4.3.3 **Voting disclosures by ESG schemes**

a. Clauses 6.16.10 and 6.16.11 of this Master Circular requires the Mutual Funds to compulsory cast votes in respect of all resolutions of their investee companies. Further, the AMCs are required to make disclosures of votes cast on their website on a quarterly basis, along-with the specific rationale supporting their voting decision.

b. In addition to the above, in order to enhance transparency on votes cast by ESG schemes, it is decided that under the rationale for voting decisions (whether" in favour" or "against"), the AMCs shall categorically disclose whether the resolution has or has not been supported due to any environmental, social or governance reasons.

c. The disclosure of voting rationale may be made at the Mutual Fund level. However, in instances wherein the voting approach for ESG and non-ESG schemes of any Mutual Fund is not same, the details and rationale for

votes cast on behalf of ESG schemes and non-ESG schemes shall be disclosed separately.

d. The enhanced voting disclosures are applicable from FY 2024-25 i.e. for Annual General Meetings held from April 01, 2024 onwards.

3.11.4.3.4 **Annual Fund Manager commentary and disclosure of case studies**

a. A 'Fund Manager Commentary' along with the additional disclosures with respect to engagements undertaken by Mutual Funds for ESG schemes, as required to be disclosed in terms of SEBI letter dated February 08, 2022, shall be provided in the Annual Report of the ESG schemes. The Fund Managers Commentary shall include the following:

i. Examples on how ESG strategy was applied on the fund, how engagements were carried out, any escalation strategy that the Fund Manager may have applied on the portfolio companies, annual tracking of ESG rating movements in the investee companies etc.

ii. Case studies where Fund Managers have engaged with portfolio companies with a clear objective of engagement and engagements carried out for exercise of votes.

iii. The details on number of engagements carried out in a year, the modes of communication employed, and if any outcomes were achieved in the reporting year shall be included in the fund managers' commentary. If ESG schemes have a specific objective, then reporting shall

be done on engagements and outcomes achieved (if any) in the reporting year based on that objective. Additional areas to be covered in case studies and minimum disclosures shall be specified by AMFI in consultation with SEBI.

iv. Annual tracking of ESG rating / score movements in the investee companies.

b. The Fund Manager commentary shall suitably disclose percentage of AUM invested in such companies where there is no BRSR disclosures (investments prior to October 01, 2022) and its impact, if any, on the Fund score.

c. In case there is a change in ERP, reason(s) for such change recorded by AMCs shall also be disclosed in the fund manager's commentary.

d. The requirement of Annual Fund Manager commentary are applicable from FY 2023-24. The disclosure of case studies at para a(ii) and a(iii) above are applicable from FY 2024-25 and the engagement details shall be disclosed from FY 2025-26 onwards.

3.11.4.3.5 **Assurance on ESG Schemes**

a. **Independent assurance**

i. The AMCs shall obtain an independent reasonable assurance on an annual basis regarding their ESG scheme's portfolio being in compliance with the strategy and objective of the scheme, as stated in respective Scheme Information Documents. Such an assurance was on a "comply or explain basis" for all ESG schemes

for FY 2022-23 by December 31, 2023. Thereafter, disclosure of assurance shall mandatorily be made in the scheme's annual report.

ii. The Board of AMCs shall ensure that the assurance provider for an ESG scheme has the necessary expertise, for undertaking reasonable assurance.

iii. The AMCs shall also ensure that there is no conflict of interest with the assurance provider appointed for providing assurance on their ESG schemes. For instance, it shall be ensured that the assurance provider or any of its associates do not sell its products or provide any non-audit / non-assurance related service including consulting services, to the AMC or its group entities.

b. **Certification by the Board of AMCs**

i. The board of directors of AMCs, based on comprehensive internal ESG audit, shall certify the compliance of ESG schemes with the regulatory requirements including disclosures, in annual report of the scheme.

ii. The aforementioned internal ESG audit shall inter-alia include verifying the Scheme Information Documents, Stewardship Reporting and Responsible Investment Policy of the ESG Funds and any other relevant document, to ensure that what the statements made in these documents are factual.

iii. This certification shall be applicable with immediate effect. The board of directors of AMCs were to provide the certificate for FY 2022-23 by December 31, 2023.

Thereafter, the certification shall be disclosed in the Annual Reports of the schemes.

CHAPTER 4: RISK MANAGEMENT FRAMEWORK[116]

4.1 Risk Management Framework for Mutual Funds

4.1.1 With the overall objective of management of key risks involved in mutual fund operation, the Risk Management Framework (RMF) shall provide a set of principles or standards, which inter alia comprise the policies, procedures, risk management functions and roles & responsibilities of the management, the Board of AMC and the Board of Trustees.

4.1.2 The detailed RMF for mutual funds are placed at **Annexure 1**.

4.1.3 The elements of RMF, wherever applicable, have been segregated into 'mandatory elements' which should be implemented by the AMCs and 'recommendatory elements' which address other leading industry practices that can be considered for implementation by the AMCs, to the extent relevant to them.

4.1.4 AMCs shall perform a self-assessment of their RMF and practices and submit a report, thereon, to their Board along with the roadmap for implementation of the framework.

4.1.5 Compliance with the RMF should be reviewed annually by the AMC. Reports of such reviews shall be placed before the Board of AMC and Trustees for their consideration and appropriate directions, if any. Trustees may forward the findings and steps taken to mitigate the risk along with their comments to SEBI in the half-yearly trustee reports.

[116] SEBI Circular No. MFD/CIR/15/19133/2002 dated September 30, 2002 replaced by SEBI Circular No SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630 dated September 27, 2021 with effect from April 1, 2022, Refer SEBI email dated September 13, 2022.

4.2 *Stress Testing of Liquid Fund and Money Market Mutual Fund Schemes* [117]

4.2.1 As a part of risk management framework, Mutual Funds (MFs) carry out stress testing of their portfolio, particularly for debt schemes. In order to standardize this practice across industry, AMFI came out with Best Practice Guidelines dated September 12, 2014 on stress testing of Liquid Funds and Money Market Mutual Fund Schemes (MMMFs).

4.2.2 In order to further strengthen the risk management practices and to develop a sound framework that would evaluate potential vulnerabilities on account of plausible events and provide early warning on the health of the underlying portfolio of Liquid Fund and MMMF Schemes, it has been decided to stipulate the following guidelines:

4.2.2.1 As a part of the extant risk management framework, AMCs should have stress testing policy in place which mandates them to conduct stress test on all Liquid Fund and MMMF Schemes.

4.2.2.2 The stress test should be carried out internally at least on a monthly basis, and if the market conditions require so, AMC should conduct more frequent stress test.

4.2.2.3 The concerned schemes shall be tested on the following risk parameters, among others deemed necessary by the AMC:

a) Interest rate risk;
b) Credit risk;
c) Liquidity & Redemption risk.

[117] SEBI Circular No. CIR/IMD/DF/03/2015 dated April 30, 2015. Refer SEBI email dated February 27, 2024.

4.2.2.4 While conducting stress test, it will be required to evaluate impact of the various risk parameters on the scheme and its Net Asset Value (NAV). The parameters used and the methodology adopted for conducting stress test on such type of scheme, should be detailed in the stress testing policy, which is required to be approved by the Board of AMC.

4.2.2.5 Further, in the event of stress test revealing any vulnerability or early warning signal, it would be required to bring it to the notice of the Trustees and take corrective action as deemed necessary, to reinforce their robustness. Each AMC should also be required to have documented guidelines, to deal with the adverse situation effectively.

4.2.2.6 Such stress-testing policy shall be reviewed by the Board of AMC and Trustees, at least on an annual basis, in light of the evolving market scenarios and should cover the following aspects:

i. Adequacy of the documentation for various elements of the stress testing framework
ii. Scope of coverage of the stress testing policy and the levels of stress applied
iii. Integration of the stress testing framework in the day-to-day risk management processes
iv. Adequacy of the corrective actions and the efficacy of the systems for their activation.

4.2.2.7 Further, Trustees shall be required to report compliance with provisions of Paragraph 4.2 above and steps taken to deal with adverse situations faced, if any, in the Half Yearly Trustee Report submitted to SEBI.

4.2.3 [118]From December 01, 2020, all open ended Debt Schemes (except Overnight scheme) are mandated to conduct stress testing and AMC shall stipulate the guidelines to carry out stress testing in line with paragraph 4.2 of this Master Circular.

4.3 *Internal Credit Risk Assessment[119]:*

4.3.1 In order to ensure that mutual funds are able to carry out their own credit assessment of assets and reduce reliance on credit rating agencies, all AMCs are required to have an appropriate policy and system in place to conduct an in-house credit risk assessment/ due diligence of debt and money market instruments/ products at all points of time i.e. before investing in such instruments/ products and also on continuous basis in order to have proper assessment of the credit risk of the portfolio. Further, the internal policy should have adequate provisions to generate early warning signals (including yield based alerts) on deterioration of credit profile of the issuer. Based on the alerts generated, the AMCs shall take appropriate measures and report the same to trustees.

4.4 *Creation of segregated portfolio in mutual fund schemes[120,121]*

4.4.1 In order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk, it has been decided to permit creation of segregated portfolio of debt and money market instruments by mutual funds schemes.

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[118] SEBI Circular No.SEBI/HO/IMD/DF3/CIR/P/2020/229 dated November 06, 2020.
[119]SEBI Circular No. SEBI/HO/IMD/DF2/CIR/2016/42 dated March 18, 2016 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/2019/104 dated October 01, 2019.
[120] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2019/22447/1 dated August 29, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2019/28242/1 dated October 24, 2019
[121] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/127 dated November 07, 2019.

4.4.2 For this purpose,

4.4.2.1 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.

4.4.2.2 The term 'main portfolio' shall mean the scheme portfolio excluding the segregated portfolio.

4.4.2.3 The term 'total portfolio' shall mean the scheme portfolio including the securities affected by the credit event.

4.4.3 AMC may create segregated portfolio in a mutual fund scheme subject to the following:

4.4.3.1 Segregated portfolio may be created, in case of a credit event at issuer level i.e. downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

a. Downgrade of a debt or money market instrument to 'below investment grade', or
b. Subsequent downgrades of the said instruments from 'below investment grade', or
c. Similar such downgrades of a loan rating.

4.4.3.2 In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed at Paragraph 4.4.3.1 and implemented at the ISIN level.

4.4.3.3 Segregated portfolio of unrated debt or money market instruments may be created only in case of actual default of either the interest or principal amount. Actual default by the issuer of such

instruments shall be considered as credit event for creation of segregated portfolio.

4.4.3.4 AMCs shall inform AMFI immediately about the actual default by the issuer. Upon being informed about the default, AMFI shall immediately inform the same to all AMCs. Pursuant to dissemination of information by AMFI about actual default by the issuer, AMCs may segregate the portfolio of debt or money market instruments of the said issuer.

4.4.3.5 [Creation of segregated portfolio shall be optional and at the discretion of the AMC. It should be created only if the Scheme Information Document (SID) of the scheme has enabling provision for segregated portfolio with detailed disclosures made in Statement of Additional Information (SAI). All new schemes shall have the enabling provision included in the SID for creation of segregated portfolio.][122]

4.4.3.6 AMCs shall have a detailed written down policy on creation of segregated portfolio and the same shall be approved by the trustees.

4.4.4 **[123]Provisions for Segregation of Portfolio in SID of scheme having investment in instrument with special features:**

a) Debt schemes which have investment in instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption (Additional Tier I bonds and Tier

[122] Substituted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01, 2023. Prior to substitution, clause 4.4.3.5 read as under:
"Creation of segregated portfolio shall be optional and at the discretion of the AMC. It should be created only if the Scheme Information Document (SID) of the scheme has provisions for segregated portfolio with adequate disclosures. All new schemes116 shall have the enabling provisions included in the SID for creation of segregated portfolio."
[123] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021.

2 bonds issued under Basel III) or debt schemes that have provision to invest in such instruments shall ensure that the Scheme Information Document (SID) of the scheme has provisions for segregated portfolio. The provision to enable creation of segregated portfolio in the existing schemes shall be subject to compliance with Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

b) In case, the said instrument is to be written off or converted to equity pursuant to any proposal, the date of said proposal may be treated as the trigger date. However, if the said instruments are written off or converted to equity without proposal, the date of write off or conversion of debt instrument to equity may be treated as the trigger date.

c) On the said trigger date, AMCs may, at their option, create segregated portfolio in a mutual fund scheme subject to compliance with relevant provisions of Paragraph 4.4 of this Master Circular and any other relevant Regulations/Circulars/Guidelines issued from time to time.

d) Further, Asset Management Companies/Valuation Agencies shall ensure that the financial stress of the issuer and the capabilities of issuer to repay the dues/borrowings are reflected in the valuation of the securities from the trigger date onwards.

4.4.5 **Process for creation of segregated portfolio**

4.4.5.1 AMC shall decide on creation of segregated portfolio on the day of credit event. Once an AMC decides to segregate portfolio, it shall

i. seek approval of trustees prior to creation of the segregated portfolio.

ii. immediately issue a press release disclosing its intention to segregate such debt and money market instrument and its impact on the investors. The mutual fund should also disclose that the segregation shall be subject to trustee approval. Additionally, the said press release shall be prominently disclosed on the website of the AMC.

iii. ensure that till the time the trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.

4.4.5.2 Once trustee approval is received by the AMC,

i. Segregated portfolio shall be effective from the day of credit event

ii. AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.

iii. An e-mail or SMS should be sent to all unit holders of the concerned scheme.

iv. The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.

v. All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.

vi. No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and

also enable transfer of such units on receipt of transfer requests.

4.4.5.3 If the trustees do not approve the proposal to segregate portfolio, AMC shall issue a press release immediately informing investors of the same.

4.4.6 **Valuation and processing of subscriptions and redemptions**

4.4.6.1 Notwithstanding the decision to segregate the debt and money market instrument, the valuation should take into account the credit event and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI (Mutual Funds) Regulations, 1996 and Circular(s) issued thereunder.

4.4.6.2 All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the provisions on applicability of NAV as under:

i. Upon trustees' approval to create a segregated portfolio -
    a. Investors redeeming their units will get redemption proceeds based on the NAV of main portfolio and will continue to hold the units of segregated portfolio.
    b. Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
ii. In case trustees do not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.

4.4.7 **Disclosure Requirements**

In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:

4.4.7.1 A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.

4.4.7.2 Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the mutual fund and the scheme.

4.4.7.3 The Net Asset Value (NAV) of the segregated portfolio shall be declared on every business day.

4.4.7.4 The information regarding number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.

4.4.7.5 The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, shall be disclosed as a footnote to the scheme performance.

4.4.7.6 The disclosures at paragraphs 4.4.7.4 and 4.4.7.5 above regarding the segregated portfolio shall be carried out for a period of at least

3 years after the investments in segregated portfolio are fully recovered/ written-off.

4.4.7.7 The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.

4.4.8 **TER for the Segregated Portfolio**

4.4.8.1 AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.

4.4.8.2 The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.

4.4.8.3 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.

4.4.8.4 The costs related to segregated portfolio shall in no case be charged to the main portfolio.

4.4.9 **Monitoring by Trustees**

4.4.9.1 In order to ensure timely recovery of investments of the segregated portfolio, trustees shall ensure that:

i. The AMC puts in sincere efforts to recover the investments of the segregated portfolio.

ii. Upon recovery of money, whether partial or full, it shall be immediately distributed to the investors in proportion to their holding in the segregated portfolio. Any recovery of amount of the security in the segregated portfolio even after the write off shall be distributed to the investors of the segregated portfolio.

iii. An Action Taken Report (ATR) on the efforts made by the AMC to recover the investments of the segregated portfolio is placed in every trustee meeting till the investments are fully recovered/ written-off.

iv. The trustees shall monitor the compliance with the guidelines issued by SEBI regarding segregation of portfolio in mutual fund schemes and disclose in the half-yearly trustee reports filed with SEBI, the compliance in respect of every segregated portfolio created.

4.4.9.2 In order to avoid mis-use of segregated portfolio, trustees shall ensure to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in the investment process of securities under the segregated portfolio, mirroring the existing mechanism for performance incentives of the AMC, including claw back of such amount to the segregated portfolio of the scheme.

4.4.10 AMCs desirous of having a provision of segregated portfolio in existing scheme (schemes as on December 28, 2018) shall ensure that all

relevant disclosures are made in the SID of such schemes. The provision to enable creation of segregated portfolio in the existing scheme shall be subject to compliance with Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

4.4.11 The existence of the provisions for segregated portfolio should not encourage the AMCs to take undue credit risk in the scheme portfolio. Any mis-use of the provisions of segregated portfolio, would be considered serious and stringent action may be taken.

4.5 Risk management framework for liquid and overnight funds[124]

In order to augment the risk management framework for liquid and overnight funds, the following has been decided:

4.5.1 Liquid funds shall hold at least 20% of its net assets in liquid assets. For this purpose, 'liquid assets' shall include Cash, Government Securities, T-bills and Repo on Government Securities.

In case, the exposure in such liquid assets falls below 20% of net assets of the scheme, the AMC shall ensure compliance with the above requirement before making any further investments.

4.5.2 Liquid Funds and Overnight Funds shall not park funds pending deployment in short term deposits of scheduled commercial banks.

4.5.3 Liquid Funds and Overnight Funds shall not invest in debt securities having structured obligations (SO rating) and/ or credit enhancements (CE rating). However, debt securities with government guarantee shall be excluded from such restriction.

[124] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019.

4.5.4 Mutual Fund shall levy exit load on investors who exit the Liquid Fund within 7 days of their investment.

To ensure uniformity across the industry, AMFI had been advised to prescribe the minimum exit load in a liquid and overnight fund on a graded basis as specified above in consultation with SEBI.

4.6 Prudential Norms regarding holding of liquid assets in Open ended Debt Schemes[125]:

4.6.1 All open ended debt schemes (except Overnight Fund, Liquid Fund, Gilt Fund and Gilt Fund with 10-year constant duration) shall hold at least 10% of their net assets in liquid assets. For this purpose, 'liquid assets' shall include Cash, Government Securities, T-bills and Repo on Government Securities.

4.6.2 The liquid assets specified above shall not be included for determining the scheme characteristics of the open ended debt schemes as specified under Part IV of Chapter 2 of this Master Circular[126]. In this regards it is clarified that –

4.6.2.1 For all regulatory limit calculations other than Asset Allocation Limits (e.g. for Macaulay Duration, Risk-o-meter, investment restrictions pertaining to issuer, sector and group), the base to be considered is 100% of Net Assets

4.6.2.2 For asset allocation limits (applicable for Banking and PSU Bond Fund, Floater Fund, Credit Risk Fund and Corporate Bond Funds scheme categories in terms of Part IV of Chapter 2 on 'Categorization and Rationalization of Mutual Fund Schemes' of

[125] SEBI Circular No.SEBI/HO/IMD/DF3/CIR/P/2020/229 dated November 06, 2020. Refer SEBI letter No. SEBI/HO/IMD/IMD-POD-2/P/OW/2023/23603/1 dated June 08, 2023
[126] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/583 dated June 25, 2021

this Master Circular the base shall be considered as Net assets excluding the extent of minimum stipulated liquid assets i.e. 10%. Illustration is given below -

Name of scheme Current Asset	**Name of scheme Current Asset**	**Name of scheme Current Asset**
Banking and PSU Bond Fund	Minimum investment in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds – 80% of total assets	Minimum 72%** allocation to Banking & PSU Assets

**80% of (100% reduced to the extent of minimum stipulated liquid assets i.e. 10%), i.e. 80% of 90% of Net Assets.

4.6.3 In case, the exposure in such liquid assets / securities falls below the threshold mandated at paragraph 4.6.1 above, the AMCs shall ensure compliance with the above requirement before making any further investments.

4.6.4 AMFI has prescribed a suitable framework, in consultation with SEBI, for liquidity risk management for open ended debt schemes (except Overnight Fund, Gilt Fund and Gilt Fund with 10-year constant duration). The said framework has come into effect from December 01, 2021, for all existing open ended debt schemes (except Overnight Fund, Gilt Fund and Gilt Fund with 10-year constant duration) and schemes to be launched on or thereafter.

4.7 Cyber Security and Cyber Resilience Framework for Mutual Funds/ AMCs[127]

[127] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/12 dated January 10, 2019, Refer SEBI email dated February 17, 2021 & August 04, 2022. Refer SEBI letter No. SEBI/HO/IMD/IMD-TPD-1/P/OW/2023/16538 dated April 19, 2023 & SEBI letter No. SEBI/HO/IMD/IMD-SEC-3/P/OW/2023/22970/1 dated June 06, 2023.

4.7.1 With rapid technological advancement in securities market, there is greater need for maintaining robust cyber security and to have cyber resilience framework to protect integrity of data and guard against breaches of privacy.

4.7.2 As part of the operational risk management, the Mutual Funds / Asset Management Companies (AMCs) need to have robust cyber security and cyber resilience framework in order to provide essential facilities and services and perform critical functions in securities market.

4.7.3 Based on the recommendation of SEBI's High Powered Steering Committee - Cyber Security, it has been decided that the framework prescribed vide SEBI circular CIR/MRD/DP13/2015 dated July 06, 2015 on cyber security and cyber resilience also be made applicable to all Mutual Funds / AMC. Accordingly, all Mutual Funds / AMCs shall comply with the provisions of Cyber Security and Cyber Resilience as placed at **Annexure 6.**

4.7.4 The information/ reports mentioned under **Annexure 6** shall be shared through the dedicated e-mail ids: vapt_reports@sebi.gov.in and cybersecurity_amc@sebi.gov.in[128]

4.7.5 Further, the Mutual Funds/ AMCs are mandated to conduct comprehensive cyber audit at least 2 times in a financial year. Along with the cyber audit reports, henceforth, all Mutual Funds/ AMCs are directed to submit a declaration from the Managing Director (MD)/ Chief Executive Officer (CEO) certifying compliance by the Mutual Funds/ AMCs with all SEBI Circulars and advisories related to cyber security from time to time. [129]

[128] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF2/P/CIR/2022/81 dated June 09, 2022
[129] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF2/P/CIR/2022/81 dated June 09, 2022

4.7.6 Mutual Funds/ AMCs have been advised to take necessary steps to put in place systems for implementation of aforesaid requirement.

4.8 *Technology Committee for Mutual Funds/ AMCs*[130]

4.8.1 With rapid technological advancement in securities market, technology is playing a very important role in asset management business and have a major impact on the various processes and controls designed and implemented by AMCs. The role of technology related aspects has become even more critical in managing risks related to asset management business.

4.8.2 In order to deal with various technology related issues, AMCs are advised to constitute a Technology Committee comprising experts proficient in technology. Such committee shall have at least one independent external expert with adequate experience in the area of technology in Mutual Fund industry / BFSI.

4.8.3 The aforementioned committee shall, inter alia, review the cyber security and cyber resilience framework for Mutual Funds / AMCs in terms of Paragraph 7 of **Annexure 6** and also review the system audit related aspects of AMCs in terms of Paragraph 6.15.3 of this Master Circular on system audit framework for mutual funds / AMCs.

4.9 Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by Mutual Funds[131]

4.9.1 There is increasing usage of AI (Artificial Intelligence) and ML (Machine Learning) as product offerings by market intermediaries and

[130] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/058 dated April 11, 2019
[131] SEBI Circular No. SEBI/HO/IMD/DF5/CIR/P/2019/63 dated May 09, 2019

participants (e.g.: “robo advisors”) in investor and consumer facing products.

4.9.2 As most AI / ML systems are black boxes and their behavior cannot be easily quantified, it is imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation.

Scope definition

4.9.3 Any set of applications / software / programs / executable / systems (computer systems) – cumulatively called application and systems,

a. that are offered to investors (individuals and institutions) or used internally by Mutual Funds to facilitate investing and trading or for any other purpose,

OR

b. to disseminate investments strategies and advice,

OR

c. to carry out compliance / operations / activities,

where AI / ML is portrayed as a part of the public product offering or under usage for compliance or management purposes, is included in the scope of this Chapter. Here, “AI” / “ML” refers to the terms “Artificial Intelligence” and “Machine Learning” used as a part of the product offerings. In order to make the scope of this chapter inclusive of various AI and ML technologies in use, the scope also covers Fin-Tech and Reg-Tech initiatives undertaken by market participants that involves AI and ML.

4.9.4 Technologies that are considered to be categorized as AI and ML technologies in the scope of this chapter, are explained in **Annexure 7**.

Regulatory requirements

4.9.5 All registered Mutual Funds offering or using applications or systems as defined in the **Annexure 7**, should participate in the reporting process by completing the AI / ML reporting format[132].

4.9.6 All the registered Mutual Funds using AI / ML based application or system as defined in **Annexure 7**, are required to fill in the form as per the format[133] and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter to AMFI.

4.9.7 AMFI shall consolidate the information on AI / ML applications and systems reported by Mutual Funds on quarterly basis and submit to SEBI at email id AIML_MF@sebi.gov.in within 30 calendar days of the expiry of the quarter.

4.9.8 AMFI shall ensure that confidentiality is maintained regarding the information received by them from Mutual Funds.

4.10 Swing pricing framework for mutual fund schemes[134]

4.10.1 Swing pricing framework has been introduced for open ended debt mutual fund schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds).

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[132] Please see the formats section (SEBI Circular No. SEBI/HO/IMD/DF5/CIR/P/2019/63 dated May 09, 2019)

[133] Please see the format no. 9 under the section on formats (SEBI Circular No. SEBI/HO/IMD/DF5/CIR/P/2019/63 dated May 09, 2019)

[134] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631 dated September 29, 2021 and SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/24 dated February 25, 2022, Refer SEBI letter No. SEBI/HO/ IMD-II/DOF3/ OW/P/2022/5274/1 dated February 08, 2021

4.10.2 Under this framework, to begin with, the swing pricing framework will be made applicable only for scenarios related to net outflows from the schemes. The framework shall be a hybrid framework with:

4.10.2.1 a partial swing during normal times and

4.10.2.2 a mandatory full swing during market dislocation times for high risk open ended debt schemes.

4.10.3 **Swing pricing for normal times**

4.10.3.1 For normal times, the swing pricing framework is stipulated as under:

i. AMFI shall prescribe broad parameters for determination of thresholds for triggering swing pricing which shall be followed by the AMCs. AMFI shall also prescribe an indicative range of swing threshold to the industry for normal times.

ii. Additionally, AMC may be allowed to have other parameters, if it desires so, considering the nature and characteristics of the mutual fund scheme.

iii. For normal times, AMCs shall decide on the applicability of swing pricing and the quantum of swing factor depending on scheme specific issues.

iv. [Provision shall be disclosed by the AMC in Scheme Information Document (SID) with detailed disclosures made in Statement of Additional Information (SAI).][135]

[135] Substituted by SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01, 2023. Prior to substitution, clause 4.10.3.1 (iv) read as under:
"All of the above shall be disclosed by the AMC in its Scheme Information Document (SID)."

4.10.3.2 AMCs may, if they desire so, implement the swing pricing framework for normal period, after incorporating clauses pertaining to the same in their SIDs and the same shall be considered as a Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996.

4.10.4 **Swing pricing for market dislocation**

4.10.4.1 For the purpose of determining market dislocation, AMFI shall develop a set of guidelines/parameters/model for recommending the same to SEBI. SEBI will determine 'market dislocation' either based on AMFI's recommendation or suo moto. Once market dislocation is declared, it will be notified by SEBI that swing pricing will be applicable for a specified period.

4.10.4.2 Subsequent to the announcement of market dislocation, the swing pricing framework shall be mandated only for open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) in terms of Part IV of Chapter 2 on 'Categorization and Rationalization of Mutual Fund schemes', which:

i. have High or Very High risk on the risk-o-meter in terms of Paragraph 17.4 of this Master Circular (as of the most recent period at the time of declaration of market dislocation); and

ii. classify themselves in the cells A-III, B-II, B-III, C-I, C-II and C-III of Potential Risk Class (PRC) Matrix in terms of Paragraph 17.5 of this Master Circular as tabulated below.

4.10.4.3 A minimum swing factor as under shall be made applicable to the schemes mentioned at paragraph 4.10.4.2 above and the NAV will be adjusted for swing factor.

Table			
Minimum swing factor for open ended debt schemes*			
Max Credit Risk of scheme→	**Class A (CRV** >=12)**	**Class B (CRV >=10)**	**Class C (CRV <10)**
Max Interest Rate Risk of the scheme ↓			
Class I: (MD<=1 year)	Optional	Optional	1.5%
Class II: (MD<=3 years)	Optional	1.25%	1.75%
Class III: Any Macaulay duration	1%	1.5%	2%
*: Scheme can levy higher swing factor, based on pre-defined parameters, redemption pressure and current portfolio of the scheme subject to a cap on swing factor to be decided by AMC. **CRV: Credit Risk Value			

4.10.4.4 All the open ended debt schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds) mentioned at paragraph 4.10.4.2 above were advised to incorporate the

provision pertaining to mandatory swing factor as stipulated at Table above in their offer documents within a period of three months starting from September 29, 2021, and the same was not considered as a Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996. However, optional swing factor or higher than as specified in Table above shall be considered as Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996

4.10.5 **Other aspects pertaining to swing pricing**

4.10.5.1 When swing pricing framework is triggered and swing factor is made applicable (for normal time or market dislocation, as the case may be), both the incoming and outgoing investors shall get NAV adjusted for swing factor.

4.10.5.2 All AMCs shall make clear disclosures along with illustrations in the SIDs including information on how the swing pricing framework works, under which circumstances it is triggered and the effect on the NAV for incoming and outgoing investors.

4.10.5.3 Swing pricing shall be made applicable to all unitholders at PAN level with an exemption for redemptions upto Rs. 2 lacs for each mutual fund scheme for both normal times and market dislocation.

4.10.5.4 AMCs shall have laid down policies and procedures pertaining to swing pricing which are approved by board of AMC and Trustee.

4.10.5.5 The scheme performance shall be computed based on unswung NAV.

4.10.5.6 Disclosures pertaining to NAV adjusted for swing factor along with the performance impact shall be made by the AMCs in following format in their SIDs and in scheme wise Annual Reports and Abridged summary and the same may be disclosed on their website prominently only if swing pricing framework has been made applicable for the said mutual fund scheme:

Sr No.	**Period of applicability of swing pricing**	**Scheme name**	**Unswung NAV**	**Swing factor applied**	**Whether optional or Mandatory**

CHAPTER 5: DISCLOSURES & REPORTING NORMS

PART I – DISCLOSURES

5.1 Portfolio Disclosures[136]

5.1.1. Mutual Funds/ AMCs shall disclose portfolio (along with ISIN) as on the last day of the month / half-year for all their schemes on their respective website and on the website of AMFI within 10 days from the close of each month/ half-year respectively in a user-friendly and downloadable spreadsheet format. For debt schemes, such disclosure shall be done on fortnightly basis within 5 days of every fortnight. In addition to the current portfolio disclosure, yield of the instrument shall also be disclosed.

5.1.2. In case of unit holders whose e-mail addresses are registered, the Mutual Funds/ AMCs shall send via email both the monthly and half-yearly statement of scheme portfolio within 10 days from the close of each month/ half-year respectively.

5.1.3. Mutual Funds/ AMCs shall publish an advertisement every half-year disclosing the hosting of the half-yearly statement of its schemes portfolio on their respective website and on the website of AMFI and the modes such as SMS, telephone, email or written request (letter) through which a unit holder can submit a request for a physical or electronic copy of the statement of scheme portfolio. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi.

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136 SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 05, 2018 and SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/130 dated July 22, 2020, Refer SEBI email dated September 30, 2020, Refer SEBI Email dated November 17, 2022

5.1.4. Mutual Funds/ AMCs shall provide a physical copy of the statement of its scheme portfolio, without charging any cost, on specific request received from a unit holder.

5.1.5. The format[137] for disclosure of portfolio is placed at format section. The format for monthly portfolio disclosure shall be same as that of half yearly portfolio disclosures.

5.1.6. Mutual funds/AMCs may disclose additional information (such as ratios, etc.) subject to compliance with the Advertisement Code.

5.2 Disclosure of derivatives in Half Yearly Portfolios[138]

5.2.1 A format[139] for the purpose of uniform disclosure of investments in derivative instruments by Mutual Funds in half yearly portfolio disclosure, annual report or in any other disclosures is prescribed.

5.2.2 Further, while listing net assets, the margin amounts paid should be reported separately under cash or bank balances.

5.3 Unaudited Half Yearly Financials[140]

5.3.1 The publication of the unaudited half-yearly results shall be made in line with provisions of the Regulations[141], in the format prescribed in Twelfth Schedule. For the purpose of easy reference by the investors, all mutual funds shall display unaudited half yearly results on the website of AMFI before the expiry of 1 month before the close of each half year.

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[137] For formats on portfolio disclosure, please refer format no. 3.C under the section on formats
[138] SEBI Circular Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010
[139] For formats on disclosure of derivatives, please refer to format no. 3.C under the section on Formats
[140] SEBI Circular MFD/CIR/1/200/2001 dated April 20, 2001 & SEBI Circular No. IMD/CIR No.8/132968/2008 dated July 24, 2008
[141] Regulation 59 of SEBI (Mutual Funds) Regulations, 1996

5.3.2 The half yearly disclosures[142] of the unaudited financial results on respective website should be made in a user-friendly and downloadable format (preferably in a spreadsheet).

5.4 Providing Annual Report or Abridged Summary[143]

For providing annual report[144] or abridged summary thereof, the following shall be adhered

5.4.1 The scheme wise annual report shall be hosted on the website of the Mutual Funds/ AMCs and on the website of AMFI. The Mutual Funds/ AMCs shall display the link prominently on their websites and make the physical copies available to the unit holders, at their registered offices at all times.

5.4.2 Mutual Funds/ AMCs shall e-mail the scheme annual reports or abridged summary thereof to those unit holders, whose email addresses are registered with the Mutual Fund. [145]AMCs shall provide a feature wherein a link is provided to investors to their registered email to enable the investor to directly view/download only the portfolio of schemes subscribed by the said investor.

5.4.3 In case of unit holders whose email addresses are not registered with the Mutual Fund, the Mutual Funds/ AMCs shall undertake an exercise of communicating to the unit holders, through a letter enclosing self-addressed envelope enabling unit holders to 'opt-in'

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[142] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012

[143] SEBI Circular No. IMD/CIR No.8/132968/2008 dated July 24, 2008, Circular No. Cir/IMD/DF/16/2011 dated September 08, 2011 and SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 05, 2018, Refer SEBI letter No. SEBI/HO/IMD-II/DoF8/OW/P/05031/2022- dated February 07, 2022

[144] For format of abridged scheme wise report, please refer format no. 3.B under the section on formats

[145] SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/621 dated August 31, 2021

within 30 days, to continue receiving a physical copy of the scheme-wise annual report or abridged summary thereof.

5.4.4 To ensure that unit holders get sufficient opportunity to communicate their preference of 'opt-in' or 'opt-out' with respect to receiving the annual report or abridged summary thereof in physical copy, Mutual Funds/ AMCs shall conduct one more round of similar exercise for those unit holders who have not responded to the 'opt-in' communication as stated at paragraph 5.4.3 above, after a period of not less than 30 days from the date of issuance of the first communication. Further, a period of 15 days from the date of issuances of the second communication may be given to unit holders to exercise their option of 'opt-in' or 'opt-out'.

5.4.5 Mutual Funds/ AMCs shall publish an advertisement every year disclosing the hosting of the scheme wise annual report on their respective website and on the website of AMFI and the modes such as SMS, telephone, email or written request (letter), etc. through which unit holders can submit a request for a physical or electronic copy of the scheme wise annual report or abridged summary thereof. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi.

5.4.6 Mutual Funds/ AMCs shall provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on specific request received from a unit holder.

5.4.7 The 'opt-in' facility to receive physical copy of the scheme-wise annual report or abridged summary thereof shall be provided in the application form for new subscribers.

5.4.8 These websites should also be linked with AMFI website so that the investors and analyst(s) can access the annual reports of all mutual funds at one place[146].

5.5 Disclosure of large unit holdings[147]

5.5.1 The number of investors holding over 25 % of the NAV[148] in a scheme and their total holdings in percentage terms shall be disclosed in the Statement of Accounts issued after the NFO and also in the Half Yearly and Annual Results[149].

5.6 Asset Under Management (AUM) disclosure[150]

5.6.1 Wherever the AMCs discloses the AUM figures for the fund, disclosure on bifurcation of the AUM into debt/equity/ balanced etc, and percentage of AUM by geography (i.e. top 5 cities, next 10 cities, next 20 cities, next 75 cities and others) shall be made. The AMCs shall disclose the aforesaid data on their respective websites & to AMFI and AMFI shall disclose industry wide figures on its website.

5.6.2 AMCs shall disclose the following on monthly basis on their website and also share the same with Association of Mutual Funds in India (AMFI)[151]:

a. Monthly AAUM[152] from different categories of schemes such as equity schemes, debt schemes, etc.

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[146] SEBI Cir No – MFD/CIR/15/041/2002 dated March 14,2002
[147] SEBI Circular No. MFD/CIR No.3/211/2001 dated April 30, 2001.
[148] For further details, refer Part II – Scheme Governance in the Chapter 6 on 'Governance Norms'
[149] Please refer format no. 3.A & 3.B under the section on Formats
[150] SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011
[151] SEBI Circular No. CIR/IMD/DF/05/2014 dated March 24, 2014
[152] SEBI Circular No. CIR/IMD/DF/07/2014 dated April 2, 2014

b. Contribution to Monthly AAUM from B-30[153] cities (i.e. other than top 30 cities as identified by AMFI) and T-30 cities (Top 30 cities).
c. Contribution to Monthly AAUM from sponsor and its associates.
d. Contribution to Monthly AAUM from entities other than sponsor and its associates.
e. Contribution to Monthly AAUM from investors type (retail, corporate, etc.) in different scheme type (equity, debt, ETF, etc.).
f. Monthly AAUM garnered through sponsor group/ non-sponsor group distributors.
g. State-wise/Union Territory-wise contribution to Monthly AAUM.

5.6.3 In order to have a holistic picture, Mutual Fund wise and consolidated data on the above parameters shall also be disclosed on AMFI website. The above shall be disclosed as per the format[154].

5.6.4 AMCs shall disclose the above on their website (in spreadsheet format) and forward to AMFI within 7 working days from the end of the month. AMFI in turn shall disclose the consolidated data in this regard on its website (in spreadsheet format).

5.7 Commission disclosure[155]

5.7.1 Mutual Funds / AMCs shall disclose on their respective websites the total commission and expenses paid to distributors who satisfy one or

[153] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/16 dated February 02, 2018, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2019/26551/1 dated October 09, 2019.
[154] For formats, please refer to format 3.D under the section on Formats
[155] SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011

more of the following conditions with respect to non-institutional (retail and HNI) investors: -

5.7.1.1 Multiple point of presence (More than 20 locations)

5.7.1.2 AUM raised over Rs.100 crores across industry in the non-institutional category but including high net worth individuals (HNIs).

5.7.1.3 Commission received of over Rs.1 crore p.a. across industry

5.7.1.4 Commission received of over Rs.50 lakhs from a single Mutual Fund/AMC.

5.7.2 Mutual Fund / AMCs shall, in addition to the total commission and expenses paid to distributors, make additional disclosures[156] regarding distributor-wise gross inflows (indicating whether the distributor is an associate or group company of the sponsor(s) of the mutual fund), net inflows, average assets under management and ratio of AUM to gross inflows on their respective website on an yearly basis.

In case the data mentioned above suggests that a distributor has an excessive portfolio turnover ratio, i.e. more than two times the industry average, AMCs shall conduct additional due-diligence of such distributors.

5.7.3 Mutual Funds / AMCs shall also submit the data mentioned in 5.7.1 and 5.7.2 to AMFI and the consolidated data in this regard shall be disclosed on AMFI website.

5.8 Scheme Related Disclosures[157]

[156] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.
[157] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016

In order to improve transparency as well as ease of access to Mutual Fund (MF) scheme related information:

5.8.1 AMCs shall provide the following additional disclosures in the offer documents (Scheme Information Document (SID) / Key Information Memorandum (KIM)) of Mutual Fund scheme (for existing scheme / new scheme, as applicable):

5.8.1.1 The tenure for which the fund manager has been managing the scheme shall be disclosed, along with the name of scheme's fund manager(s);

5.8.1.2 [Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors) shall be disclosed by way of a functional web link where the said data shall be hosted;][158]

5.8.1.3 In case of FoF schemes, expense ratio of underlying scheme(s);

5.8.1.4 Scheme's portfolio turnover ratio.

5.8.2 Further, the following additional disclosures shall be provided in SID of the MF scheme:

5.8.2.1 [The aggregate investment in the scheme by Concerned Scheme's Fund Manager(s)

5.8.2.1A The following disclosures shall be provided in SAI of the MF scheme:

[158] Substituted vide SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 November 01, 2023. Prior to substitution, clause 5.8.1.2 read as under:
"Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors), along with a website link to obtain scheme's latest monthly portfolio holding;"

1. The aggregate investment in the scheme under the following categories:

a) AMC's Board of Directors and

b) Other key personnel][159]

5.8.2.2 Illustration of impact of expense ratio on scheme's returns (by providing simple example).

5.8.3 Separate SID / KIM for each MF scheme managed by AMC shall also be made available on MFs / AMCs website.

5.8.4 Each AMC is required to have a dashboard on their website providing performance and key disclosures pertaining to each scheme managed by AMC. The information should include scheme's AUM, investment objective, expense ratios, portfolio details, scheme's past performance, among others. Such information shall be provided in a comparable, downloadable (spreadsheet) and machine readable format.

5.9 Disclosure of scheme performance[160]

AMCs shall disclose the performance of all schemes on the website of AMFI. AMFI shall facilitate the disclosure in the following manner:

5.9.1 In case of all schemes, the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed in terms of CAGR for various periods viz. 1 year, 3 year, 5 year, 10 year and since inception.

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[159] Substituted by SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01, 2023. Prior to substitution, clause 5.8.2.1 read as under:
"The aggregate investment in the scheme under the following categories:
a) AMC's Board of Directors
b) Concerned scheme's Fund Manager(s) and
c) Other key personnel"

[160] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/137 dated October 22, 2018

Such disclosure of performance (since inception) shall be made since the date of allotment of the units in the scheme[161].

Provided[162] that all schemes that are in existence for less than one year, other than overnight fund, liquid fund, ultrashort duration fund, low duration fund, and money market fund as defined in Part IV of Chapter 2 on 'Categorization and Rationalization of Mutual Fund Schemes', shall be exempted from the aforesaid disclosure.

5.9.2 In addition to the above, in case of schemes falling in categories such as overnight fund, liquid fund, ultrashort duration fund, low duration fund, and Money Market Fund as defined in Part IV of Chapter 2 on 'Categorization and Rationalization of Mutual Fund Schemes', scheme performance is also to be disclosed for a period of 7 days, 15 days, 1 month, 3 months and 6 months.

5.9.3 The said disclosure should be made for all plans and shall be updated daily based on previous day NAV.

5.9.4 The said disclosure should be in investor friendly format with filtering feature based on scheme-type, plan-type, etc. and sorting feature based on return periods.

5.9.5 [163]The disclosure should include other important fields such as scheme AUM (excluding overnight and liquid scheme) and previous day NAV. In case of AUM of overnight and liquid schemes, the closing AUM and the AAUM of the previous month has to be disclosed on AMFI website on daily basis.

[161] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[162] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019
[163] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019

However, the day the AUM movement (both upward and downward) of both overnight and liquid scheme is more than 10% cumulatively from the previous disclosed AUM, the AUM of that day has to be disclosed. Such disclosed AUM becomes the reference AUM for future disclosure of AUM for the month.

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

5.9.6 Trustees and AMCs shall ensure compliance of the provisions mentioned at paragraph 5.9 above and trustees shall confirm the same to SEBI in the half yearly trustee report.

5.10 Annual report of the AMC[164]

5.10.1 The annual report containing accounts of the AMC should be displayed on the websites of the mutual funds immediately after approval in Annual General Meetings within a period of four months, from the date of closing of the financial year. It should also be mentioned in the annual report of mutual fund schemes that the unitholders, if they so desire, may request for the annual report of the AMC. Further, the annual report of AMCs shall be displayed on their websites in machine readable format.

5.11 Submission of bio data of key personnel[165]

[164]MFD/CIR/9/120/2000 dated November 24, 2000 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

[165] IIMARP/CIR /08/845/97 dated May 7,1997, IIMARP/MF/CIR/05/788/97 date April 28,1997

5.11.1 AMCs are required to submit the bio data of all key personnel to Trustees and the Board[166].

5.11.2 [167]The term "Key Personnel" is defined as under:

"Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Chief Information Security Officer (CISO), Chief Operation Officer (COO), Fund Manager(s), Compliance Officer, Sales Head, Investor Relation Officer(s) (IRO), heads of other departments, Dealer(s) of the AMC and such other persons as deemed fit and identified as such by the AMC and the Trustees."

5.12 Disclosure Of Executive Remuneration[168]

With the underlying objective to promote transparency in remuneration policies so that executive remuneration is aligned with the interest of investors, MFs /AMCs shall make the following disclosures pertaining to a financial year on the MF/AMC website under a separate head – 'Remuneration':

5.12.1 Name, designation and remuneration of Chief Executive Officer (CEO), Chief Investment Officer (CIO) and Chief Operations Officer (COO) or their corresponding equivalent by whatever name called.

5.12.2 Name, designation and remuneration received by top ten employees in terms of remuneration drawn for that financial year.

5.12.3 Name, designation and remuneration of every employee of MF/AMC whose:

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[166] For format of bio-data of key personnel, please refer format no. 1 under the section on Formats

[167] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

[168] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016 and SEBI/HO/IMD/DF2/CIR/P/2017/35 dated April 28, 2017

5.12.3.1 Annual remuneration was equal to or above one crore and two lakh rupees for that financial year;

5.12.3.2 Monthly remuneration in the aggregate was not less than eight lakh and fifty thousand rupees per month, if the employee is employed for a part of that financial year.

5.12.4 The ratio of CEO's remuneration to median remuneration of MF/AMC employees.

5.12.5 MF's total AAUM, debt AAUM and equity AAUM and rate of growth over last three years.

For this purpose, remuneration shall mean remuneration as defined in clause (78) of section 2 of the Companies Act, 2013. The AMCs/MFs shall disclose this information within one month from the end of the respective financial year (effective from FY 2016-17).

5.13 Disclosure of investor complaints with respect to Mutual Funds[169]

5.13.1 Mutual Funds shall disclose[170] on their websites, on the AMFI website as well as in their Annual Reports, details of investor complaints received by them from all sources. The said details in the annual report should be vetted and signed off by the Trustees of the concerned Mutual Fund. [171] Mutual Funds shall disclose the details of investor complaints on their respective websites as well as on AMFI website on a monthly basis, as per the format. The information shall be made available within 7th of succeeding month.

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[169] SEBI Circular No. Cir /IMD/DF/2/2010 dated May 13, 2010. Refer SEBI letter No. SEBI/HO/OW/IMD/IMD-SEC1/P/2024/10975/1 dated March 19, 2024

[170] For disclosure format please refer format no. 7.D under the section on Formats.

[171] SEBI Circular No. SEBI/HO/IMD-II/IMD-II_DOF10/P/CIR/2021/00677 dated December 10,2021

5.13.2 The AMCs are advised to:

5.13.2.1 Include the report in their annual reports, as part of the Report of the Trustees.

5.13.3 Further, in order to facilitate awareness of investors about various activities which an investor deals with, SEBI has prepared an Investor Charter for Mutual Funds[172], inter-alia, detailing the services provided to Investors, Rights of Investors, various activities of Mutual Funds with timelines, DOs and DON'Ts for Investors and Grievance Redressal Mechanism.

5.13.4 In this regard, Mutual Funds are advised to bring the Investor Charter for Mutual Funds to the notice of their unit holders (existing as well as new unit holders) through disclosing the Investor Charter on their websites, making them available at prominent places in the office, etc.

5.13.5 Further, Mutual Funds are advised to display link/option to lodge complaint with them directly on their websites and mobile apps. Additionally, link to SCORES website/ link to download mobile app (SEBI SCORES) shall also be provided on their website.

5.14 Brokerage and commission paid to associates[173]

5.14.1 Regulations[174] govern payment of brokerage or commission if any, to the sponsor or any of its associates, employees or their relatives.

5.14.2 Disclosures on brokerage and commission paid to associates/related parties/group companies of sponsor/Asset Management Company in

[172] For Investor Charter for Mutual Funds, please refer format no. 12 under the section on formats
[173] SEBI Circular No. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010
[174] Regulation 25 (8) of SEBI (Mutual Funds) Regulations, 1996

the unaudited half yearly financial results, the abridged scheme wise annual report and the SAI, shall be made in the format as prescribed[175].

5.15 Updating contact details

5.15.1 AMCs shall make continuous efforts to update email ID and mobile number of all unit holders. The said contact details shall be used for sending e-mails and SMS.[176]

5.16 Risk-O-Meter related disclosures

5.16.1 [177]Mutual Funds/AMCs shall disclose the following in all disclosures, including promotional material or that stipulated by SEBI:

5.16.1.1 risk-o-meter of the scheme wherever the performance of the scheme is disclosed

5.16.1.2 risk-o-meter of the scheme and benchmark wherever the performance of the scheme vis-à-vis that of the benchmark is disclosed.

[5.16.1A AMCs shall disclose risk-o-meter of the Benchmark on:

a. Front page of initial offering application form, Scheme Information Document (SID) and Key Information Memorandum (KIM); and
b. Common application form – along with the information about the scheme.][178]

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[175] Please refer format no. 7.B on Brokerage and Commission Paid to Associates under section on Formats
[176] SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 05, 2018
[177] SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/621 dated August 31, 2021
[178] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01, 2023

5.16.2 The disclosure requirement of the risk-o-meter of benchmark is applicable for primary benchmark which is specified in the Scheme Information Document.

5.16.3 For international benchmarks, risk-o-meter score may be assigned in line with risk-o-meter score assigned to foreign securities as specified in Paragraph 16.4 of this Master Circular.

5.16.4 AMCs shall enter into arrangements with their selected Index providers to provide the risk-o-meter for their benchmarks to the AMCs latest by the fifth day subsequent to the end of the month.

5.17 Details of Portfolio

5.17.1 Mutual Funds/ AMCs shall send the details of the scheme portfolio while communicating the fortnightly, monthly and half-yearly statement of scheme portfolio via email only for the schemes in which the unitholders are invested. [179]Further the portfolio disclosure shall also include the scheme risk-o-meter, name of benchmark and risk-o-meter of benchmark.

[179] SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/621 dated August 31, 2021

PART II – REPORTS

5.18 Monthly Cumulative Report (MCR)[180]

5.18.1 Date and Mode of Submission:

5.18.1.1 MCR shall be submitted to the Board by 3rd working day of each month by way of an email (to Email ID: mfdata@sebi.gov.in).

5.18.1.2 In line with Part IV of Chapter 2 on "Categorization and Rationalization of Mutual Fund Schemes", the format of MCR[181] has been revised.

5.18.1.3 As per the existing provision, a Mutual Fund scheme is permitted to invest certain percentage of its AUM in schemes of same Mutual Fund or other Mutual Funds. In order to avoid such investments being considered by both the investee and investing scheme, it is clarified that the investing scheme shall exclude the same while reporting the data on AUM in the MCR[182].

5.18.2 Other Guidelines:

5.18.2.1 Details of the new schemes launched shall be reported in the MCR for the month in which the allotment is done. For example, if an NFO closes in the month of July and the allotment is done in the month of August, then, the details of the new scheme shall be

[180] SEBI circular MFD/CIR/07/206/2001 dated July 19, 2001, SEBI circular No IMD/Cir No.15/87045/2007 dated February 22, 2007, SEBI circular SEBI/IMD/CIR No 3/124444/08 dated April 30, 2008, SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016, SEBI/HO/IMD/DF3/CIR/P/2019/020 dated January 22, 2019 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

[181] For format of Monthly Cumulative Report, please refer to format no. 2.D under the section on formats

[182] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2019/020 dated January 22, 2019

reported in the MCR for the month of August that will reach SEBI by 3rd of September.

5.18.2.2 Further, additional report on overseas investment[183] by Mutual Funds in ADRs/GDRs, foreign securities and overseas exchange traded funds (ETFs) shall also be provided as per the prescribed format[184].

5.18.2.3 Compliance officers of all the Mutual Funds are advised to take due care while forwarding the MCR data to SEBI. Compliance Officers shall confirm that the data forwarded is correct and does not require any revision.

5.19 New Scheme Report (NSR)[185]

5.19.1 All Mutual Funds shall submit the NSR to SEBI complete in all respects within 10 working days from the date of allotment in the prescribed format[186]. Mutual funds should confirm compliance with the provisions of Regulation 28(3) of SEBI (Mutual Funds) Regulations, 1996 while filing the New Scheme Report[187].

5.20 Quarterly Compliance Test Reports[188]

[183] SEBI Circular No. SEBI/IMD/CIR NO 15/87045/07 dated February 22,2007
[184] Please refer to format no. 2.D under the section on formats
[185] SEBI Circular No. SEBI/IMD/CIR NO 13/118899/08 dated February 29, 2008, SEBI Circular No MFD/CIR/12/16588/2002 dated August 28, 2002, SEBI Circular No. MFD/CIR/09/247/2002 dated July 23, 2002, SEBI Circular No. IIMARP/10772/93 dated July 14,1993,
[186] Please refer to format no. 2.A under the section on formats
[187] SEBI Circular No. SEBI/IMD/CIR No.9/74364/06 dated August 14, 2006
[188] SEBI Circular No. SEBI/IMD/CIR NO 6/98057/07 dated July 5, 2007, SEBI Circular No MFD/CIR/11/36222/2005 dated March 16, 2005, SEBI Circular No IIMARP/MF/CIR/10/1076/97 dated June 05,1997 & SEBI Circular No.MFD/CIR/5/360/2000 dated July 4, 2000, Refer SEBI email dated July 09, 2021

5.20.1 The CTRs[189] should be submitted by the AMC to the Board on a quarterly basis, by 21st calendar day of succeeding month for the quarters ending March, June, September and December. As a compliance of SEBI Regulations is a continuous process, AMCs are advised to incorporate the modifications/additions under the relevant sections of the format, based on amendments to the Regulations/guidelines issued in the future from time to time.

5.21 Half Yearly Trustee Report by Trustees to SEBI (HYTR)[190]

5.21.1 The Trustees shall submit HYTR to SEBI, containing the broad coverage of report as prescribed in the format. The Trustees shall submit corrective steps taken with respect to the non-compliance reported in the HYTR. Trustees shall submit the report for Half year ending September and March within two months from the end of the half year.

5.22 Quarterly Report by AMC to Trustees (QR)[191]

5.22.1 The AMC shall submit QR to the trustees, as required in sub-regulation (4) of Regulation 25 of MF Regulations, on its activities and the compliance with MF Regulations and various circulars issued thereunder. The format of QR is prescribed at the format section. The same shall be submitted by AMC to Trustees by 21st calendar day of succeeding month for the quarters ending March, June, September and December.

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[189] Please refer to format no. 2.B under the section on Formats
[190] SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021 & For HYTR format, please refer to format no. 2.C under the section on Formats
[191] SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021 & For QR format, please refer to format no. 2.G under the section on Formats

5.23 Annual Statistical Report (ASR)[192]

5.23.1 AMC should submit the annual statistical report to SEBI in the prescribed format[193] by 30th of April each year. The ASR shall be submitted to the Board through email only (to email ID: mfdata@sebi.gov.in)[194].

5.24 Daily Transaction Report[195]

5.24.1 All Mutual Funds shall submit details of transactions in secondary market on daily basis in the prescribed format[196]. Accordingly, AMCs are advised to make necessary arrangements with their custodians for the submission of reports on a daily basis. As it is clear in the format, the information is required of total repurchases/ sales of equity/ debt and not of each scrip. Further, the information on total purchases/sales of sensitive index scrips need not be sent.

5.24.2 It must be ensured by the compliance officers of the custodians as well as that of Mutual Funds that the information submitted is correct and reaches the Board by 3.00 p.m. on the following working day (T+1).

5.25 Responsibilities of AMC(s) and Trustees[197]

5.25.1 All information and documents relating to the compliance process shall be authenticated and/or adopted by the Board of the AMC(s) to strengthen the compliance mechanism.

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[192] IIMARP/CIR /08/845/97 dated May 7,1997, MFD/CIR/02/110/02 dated April 26,2002
[193] For format of ASR, please refer to format no. 2.E under the section on Formats
[194] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[195] SEBI Circular No. MFD/CIR/07/384/99 dated December 17, 1999 and MFD/CIR/08/23026/99 dated December 23, 1999
[196] For format of daily transaction report, please refer to format no. 2.F under the section on formats
[197] SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000

5.25.2 The Trustee(s) shall also review all information and documents received from the AMC(s) as required under the compliance process.

5.25.3 AMC(s) shall develop a suitable Management Information System for reporting to the Trustees. The report shall contain specific comments on all issues related to the operation of the Mutual Fund as undertaken by the AMC including those provided in the format for reporting by AMC to Trustees[198].

5.25.4 The half-yearly report on the activities of the mutual fund to be submitted by the trustees to the Board under the Mutual Funds Regulations[199] shall cover all issues mentioned in the prescribed format as well as any other issue relevant to the operation of the Mutual Fund[200]. The Trustees may mention in their report, if they so desire, that they have relied on the reports obtained from the independent auditor or internal/ statutory auditors or the Compliance Officer as the case may be. The report shall mention that the Trustees have satisfied themselves about the adequacy of compliance systems in the Mutual Fund.

5.25.5 AMC(s) and the Trustees shall update the reporting formats including relevant provisions of amendments made to the Mutual Funds Regulations and/or guidelines and/or circulars issued by the Board and shall specifically comment on their compliance.

5.25.6 To comply with the requirement of sub-regulation (16) of regulation 18 of the SEBI (Mutual Funds) Regulations, 1996, the trustees shall call for the details of transactions in securities by the key personnel

[198] Please refer to format no. 2.G under the section on formats
[199] Regulation 18(23)(a) of SEBI (MF) Regulations, 1996
[200] For format of Trustee Report, please refer format no. 2.C under the section on formats.

of the asset management company in their own name or on behalf of the AMC on a quarterly basis[201].

5.26 Filing of Annual Information Return by Mutual Funds[202]

5.26.1 Mutual funds are required to submit the Annual Information Return (AIR) under section 285 BA of the Income Tax Act, and various guidelines notified by Central Board of Direct Taxes (CBDT). As per this requirement, Trustees of Mutual Funds or such other person managing the affairs of the Mutual Funds (as may be duly authorized by the trustees in this behalf) have to report specified financial transactions through electronic medium to Income Tax Department giving PAN of the transacting parties in an Annual Information Return (AIR).

5.27 Reporting of offsite inspection data to SEBI[203]

5.27.1 As a part of off-site inspection and surveillance of Mutual Funds and to monitor the compliance of the SEBI (Mutual Funds) Regulations, 1996 and circulars issued therein, SEBI has framed the data structure and all the Mutual Funds along with RTAs associated with them are required to furnish the data to SEBI. The standard format for submission of data by Mutual Funds is given under formats section of this Master Circular.

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[201] SEBI Circular No- IIMARP/MF/CIR/01/294/98 dated February 4, 1998, SEBI Circular No- SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/550 dated April 12, 2021
[202] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

[203] For formats on reporting of off-site inspection, please refer to format no. 13 under the section on formats

5.27.2 Mutual Funds shall submit the daily data in monthly file as per the specified formats on quarterly basis within 10 calendar days from end of the quarter. RTAs shall submit the said data on an ongoing basis.

5.27.3 Details of the requirements prescribed under various paragraphs of this Master Circular which are covered through the reporting formats, as mentioned in the paragraph 5.27.1 above, are specified under formats section of this Master Circular[204].

5.27.4 Any change in the prescribed formats shall be communicated by the Board from time to time.

[204] Refer to section D of format no. 13 under the section on formats

CHAPTER 6: GOVERNANCE NORMS

PART I - FUND GOVERNANCE

6.1 Formation of Audit and Valuation Committees by the Trustees and/or AMC[205]

6.1.1 **Audit Committee of Trustees**

6.1.1.1 Trustees shall constitute an audit committee, comprising of the Trustees and chaired by an Independent Trustee to review the internal audit systems and recommendations of the internal and statutory audit reports and ensure that the rectifications as suggested by internal and external auditors are acted upon.

6.1.2 **Audit Committee of Asset Management Companies**[206]

AMCs of mutual funds shall be required to constitute an Audit Committee. The role, responsibility, membership and other features of the Audit Committee of AMC are –

6.1.2.1 **Role:** The Audit Committee of the AMC shall be responsible for oversight of financial reporting process, audit process, company's system of internal controls, compliance to laws and regulations and other related process, with specific reference to operation of its Mutual Fund business. In this regard, the Audit Committee shall, inter-alia, have the following mandates:

a) To review the financial reporting processes, the system of internal controls and the audit processes for the Mutual Fund operations of the AMC;

[205] SEBI Circular No. MFD/CIR No.010/024/2000 dated January 17, 2000.
[206] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/17 dated February 09, 2022 which is applicable from August 1, 2022.

b) To ensure that the rectifications, if any, suggested by internal and external auditors, etc. are acted upon.

6.1.2.2 Membership:

a. The Audit Committee of AMC shall have minimum three directors as members.
b. At least two-third members of the Audit Committee shall be independent directors of AMC. If two-third of the total strength results into fraction, then higher number after rounding up shall be considered.
c. The members of the Audit Committee will be appointed by the Board of Directors of AMC.
d. All members of Audit Committee shall be persons with ability to read and understand the financial statement and at least one member shall have experience and background in finance and accounts.
e. The Chairperson of the Committee shall be an independent director, with adequate experience in the areas of finance and financial services.

6.1.2.3 Meetings:

a. The Chairperson of the Audit Committee shall call the meeting as and when required. However, atleast four meetings shall be called in a financial year and not more than one hundred and twenty days shall elapse between two meetings.
b. The quorum for meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two independent directors.

If one-third of the total strength results into fraction, then higher number after rounding up shall be considered for the quorum.

6.1.2.4 Reporting:

a. The internal auditor shall submit its report to the Audit Committees of AMC and the Board of AMC;

The Audit Committee of AMC shall forward their observations on internal audit report, if any, to the Trustees.

6.1.2.5 Powers and Responsibility:

I. Financial Reporting

a. Oversight of the Mutual Fund Schemes' and AMC's financial reporting process.
b. Considering and recommending for approval of AMC Board, all accounting policy issues for the Schemes and the AMC, including any proposed changes to the accounting policies and practices for transactions with related parties, etc.
c. Review of audit opinion issued by the statutory auditors.
d. Considering and recommending to the AMC Board, adoption of financial statements including half yearly unaudited financial results prepared for the Scheme and the financial statements of the AMC.
e. Any other relevant matters.

II. Audit (Internal and Statutory) and Internal Controls

a. Considering and recommending for approval, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor of the Mutual Fund, Internal Auditor of the Mutual Fund, etc. and the fixation of fees for audit and any other services rendered by the Statutory Auditors with respect to the Mutual Fund.

b. Reviewing the scope of Internal Auditors and recommending for approval of the Board of AMC.
c. Reviewing the Internal Audit Reports of the Schemes of Mutual Fund (Including Internal Audit Report of critical activities outsourced by the AMC such as Custodian, Fund Accounting, the Registrar and Transfer Agent activity, etc.).
d. Discussions with internal and statutory auditors on any significant findings and follow up there on.
e. Reviewing the findings of any internal investigations by the AMC / internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature or issues highlighted or referred through whistle blower complaints, etc.
f. Reviewing Regulatory Inspection Reports.
g. Reviewing implementation status of all outstanding action points arising out of Internal Audit Reports, Statutory Audit Reports, Systems Audit Reports, Inspection Reports etc.
h. Reviewing the adequacy of the internal control systems, including defining metrics for measuring internal controls, seeking comments of the internal auditors about Internal Control Systems, etc. and the steps taken towards improving the effectiveness of internal control system including through automation.
i. Interacting with the statutory and internal auditors of the Mutual Fund, at least once annually without engagement of management of the AMC. Besides the mandatory requirement specified, such interactions may be held whenever felt necessary by the independent directors of the Audit Committee.
j. The Audit Committee of the AMC should interact with the Audit Committee of the Trustees at least once annually.

III. Regulatory Compliance and other Functions

a. Evaluating various internal control measures in terms of applicable SEBI (Mutual Funds) Regulations and various circulars issued thereunder.
b. Reviewing periodic report on compliance with applicable laws and regulations, including the details of non-compliance along with the corrective actions, as applicable.
c. Reviewing the Annual Compliance Report in relation to the "Policy on Prohibition of Insider Trading" of the AMC.
d. Assess that the AMC has been managing the mutual fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the asset management company.

IV. In addition to the above responsibilities, AMC Board from time to time may also assign such other responsibilities to the Audit Committee, as deemed fit.

6.1.2.6 The Audit Committee of AMC shall comply with these guidelines in addition to the requirements of The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as applicable.

6.1.3 **Valuation Committee**

6.1.3.1 The AMC shall constitute an in-house valuation committee consisting of senior executives including personnel from accounts, fund management and compliance departments. This committee shall, on a regular basis review the systems and practices of valuation of securities.

6.2 Review and Reporting of Transactions[207]

6.2.1 **Reporting of transactions**

6.2.1.1 Transaction(s) by directors of the AMC

a. Directors of the AMC shall file with the trustees on a quarterly basis details of transactions in securities exceeding Rs.1 lac[208].

6.2.1.2 Trustee(s) Directors

a. Trustees are required to report to Mutual Funds only those transactions in securities that exceed [209]INR Five lakhs in value[210]. The same shall be filed by the trustees within one month from the end of respective quarters (March, June, September and December).

6.2.2 **Review of transactions**

6.2.2.1 Trustees shall review all transactions of the Mutual Fund with the associates on a regular basis and ensure that Regulations[211] are complied with.

6.3 Role of Independent Director on the Board of the AMC and Independent Trustees[212]

6.3.1 An Independent Trustee shall not be associated in any manner with the Sponsor(s)[213]. The independent directors on the Board of the AMC

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[207] SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000, SEBI Circular No. MFD/CIR No.010/024/2000 dated January 17, 2000, SEBI Circular No. SEBI/MFD/CIR/10/039/2001 dated February 9, 2001.

[208] SEBI Circular No. SEBI/MFD/CIR/10/039/2001 dated February 9, 2001.

[209] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021.

[210] Regulation 18(11) of SEBI (MF) Regulations, 1996 and SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000.

[211] Regulations 18(6) and 18(7) of SEBI (Mutual Funds), Regulations, 1996

[212] SEBI Circular No. MFD/CIR/11/354/2001 dated December 20, 2001, SEBI Circular No. MFD/CIR/13/16799/2002 dated August 29, 2002, SEBI Circular No. MFD/CIR/17/21105/2002 dated October 28, 2002.

[213] Regulation 16(5) of the SEBI (Mutual Funds) Regulations, 1996.

shall not be associate of, or associated in any manner with, the sponsor or any of its subsidiaries or the trustees[214].

6.3.2 An 'associate' shall be defined as:

6.3.2.1 Relatives[215] of Sponsor(s) or directors of the Sponsor Company or relatives of Associate Directors of the AMC(s) and Trustee.

6.3.2.2 Persons providing any type of professional service to the Mutual Funds, the AMC and the Trustees and the Sponsor(s). Also, persons having a material pecuniary relationship with the above mentioned entities that may, in the judgment of the Trustees, affect their independence.

6.3.2.3 Nominees of the companies who are stakeholders in the Sponsor company or AMC(s) (even if they are not deemed sponsors by virtue of holding less than 40% of net worth of AMC(s)).

6.3.3 Cooling off Period

6.3.3.1 An "Associate"[216] as defined above cannot be appointed as Independent Director even after he/she ceases to be an "Associate" unless a cooling off period of three years has elapsed from the date of his disassociation.

6.3.3.2 For the sake of clarity and to avoid any ambiguity, an example is given here. Supposing an employee of the sponsor or their associate companies or AMC or trustee company resigns on December 1, 2021, then he cannot be appointed as an independent director till December 1, 2024. During this intervening period, he can be appointed only as associate director. However, once he is taken as an associate director, say on December 2, 2021, he cannot be considered as "independent" from

[214] Regulation 21(d) of the SEBI (Mutual Funds) Regulations, 1996
[215] As defined under Section 2(77) of the Companies Act 2013
[216] Regulation 2(c) of the SEBI (Mutual Funds) Regulations, 1996

December 2, 2024. There must be a cooling off period of 3 years from the date he ceases to be an associate director.

6.3.4 The clarifications at Paragraphs 6.3.1, 6.3.2 and 6.3.3.1 shall be followed in case of directors of trustee companies and AMCs.

6.3.5 Mutual Funds are required to have a minimum of 50 per cent and two-third independent directors on the Board of the AMC(s) and Trustees respectively[217]. In case the composition of the directors does not meet these requirements, Mutual Funds are required to inform the Board along with the steps proposed to ensure compliance.

6.3.6 AMC(s) or Trustees shall appoint Independent Directors in place of the resigning director(s) within a period of 3 months from the date of resignation. Where Mutual Funds are unable to meet this time limit, they shall report to the Board explaining the reasons for non-compliance. Mutual Funds may maintain a panel of eligible persons who can be appointed as Independent Directors[218] as and when required. They may also consider appointing more than the required minimum number of Independent Directors to enhance the standards of corporate governance and also to meet the regulatory requirements in case of resignation of an independent director.

6.3.7 On appointment of new directors of the AMC or Trustee, their bio-data[219] shall be filed with the Board for information or approval respectively.

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[217] Regulation 21(d) and Regulation 16(5) of the SEBI (Mutual Funds) Regulations, 1996
[218] For bio data of directors (AMC and Trustee), please refer to format no. 1 under the section on Formats
[219] For bio data of directors (AMC and Trustee), please refer to format no. 1 under the section on Formats

6.4 Tenure of independent trustees and independent directors[220]

6.4.1 Regulation 16 (5) and Regulation 21 (1) (d) of SEBI (Mutual Funds) Regulations, 1996 mandate appointment of independent trustees of MFs ("independent trustees") and independent directors of AMCs ("independent directors") respectively. With respect to tenure of independent trustees and independent directors, it has been decided that:

6.4.1.1 An independent trustee and independent director shall hold office for a maximum of 2 terms with each term not exceeding a period of 5 consecutive years.

6.4.1.2 No independent trustee or independent director shall hold office for more than two consecutive terms, however such individuals shall be eligible for re-appointment after a cooling-off period of 3 years. During the cooling-off period, such individuals should not be associated with the concerned MF, AMC & its subsidiaries and / or sponsor of AMC in any manner whatsoever.

6.4.1.3 Existing independent trustees and independent directors shall hold office for a maximum of 10 years (including all preceding years for which such individual has held office). In this respect, the following may be noted:

a. Individuals who have held office for less than 9 years (as on November 30, 2017) may continue for the residual period of service.
b. Individuals who have held office for 9 years or more (as on November 30, 2017) to continue in their respective position for a maximum of 2 additional years.[221]

[220] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/125 dated November 30, 2017.
[221] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/19 dated February 07, 2018.

c. Such individuals shall subsequently be eligible for re-appointment after a cooling-off period of 3 years, in terms of Paragraph 6.4.1.1 and Paragraph 6.4.1.2 above.

6.5 Auditors of Mutual Funds[222]:

6.5.1 The auditor of a mutual fund, appointed in terms of Regulation 55 (1) of MF Regulations shall be a firm, including a limited liability partnership, constituted under the LLP Act, 2008[223].

6.5.2 Period of appointment: With respect to appointment of auditors in terms of Regulation 55 (1) of SEBI (MFs) Regulation, 1996, it has been decided that:

6.5.2.1 No MF shall appoint an auditor for more than 2 terms of maximum five consecutive years. Such auditor may be re-appointed after cooling off period of 5 years.

6.5.2.2 Further, during the cooling-off period of five years, the incoming auditor may not include:

a. Any firm that has common partner(s) with the outgoing audit firm

b. Any associate[224] firm(s) of the outgoing audit firm which are under the same network of audit firms wherein the term "same network" includes the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.

6.5.2.3 Existing auditors may be appointed for a maximum of 10 years (including all preceding years for which an auditor has been appointed in terms of Regulation 55 (1) of SEBI (Mutual Funds) Regulation, 1996). In this respect, the following may be noted:

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[222] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/125 dated November 30, 2017.
[223] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[224] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

a. Auditors who have conducted audit of the Mutual Fund for less than 9 years (as on November 30, 2017) may continue for the residual period of service.
b. Auditors who have conducted audit of the Mutual Fund for 9 years or more (as on November 30, 2017) may continue till the end of F.Y. 2018-19[225].
c. Such auditors shall subsequently be eligible for re-appointment after a cooling-off period of 5 years, in terms of Paragraph 6.5.2.1 and Paragraph 6.5.2.2.

6.6 Investment and/or for / Trading in Securities by the employees of the AMC(s) and Trustee(s)[226]

The guidelines enumerated below specify the minimum requirements that have to be followed. The AMC(s) and Trustees are free to set more stringent norms for investment and/or trading in securities by their employees. The Board of the AMC and Trustees shall ensure compliance with these Guidelines on a continuous basis and shall report any violations and remedial action taken by them in the periodical reports submitted to the Board[227].

6.6.1 Guidelines for Investment and/or Trading in Securities by Employees of AMC(s) and Trustees:

6.6.1.1 **Applicability**

[225] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/19 dated February 07, 2018.
[226] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/654 dated October 28, 2021 modified provisions of SEBI Circular No. MFD/CIR No.4/216/2001 dated May 8, 2001, SEBI Cir MFD/CIR/05/432/2002 June 20, 2002, SEBI Circular No. SEBI/IMD/CIR No.7/13391/03 dated July 11, 2003, SEBI Circular No. SEBI / IMD / CIR No 14 / 187175/ 2009 dated December 15,2009, SEBI/IMD/DF/10/2014 dated May 22, 2014, SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/124 dated November 17, 2016 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021. SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/654 dated October 28, 2021
[227] Regulation 25(9) of SEBI (Mutual Funds) Regulations, 1996

a. These Guidelines shall be applicable to all employees of AMC(s) and Trustees and shall form a part of the Code of Conduct for employees adopted by the AMC(s) and/or Trustees. New employees shall be bound by these Guidelines from the date of joining the AMC(s) and/or Trustees.

b. These Guidelines shall cover transactions for sale or purchase of securities made:

    i. In the name of employees, either individually or jointly,

    ii. In the name of the employees' spouse,

    iii. As a member of HUF,

    iv. In the name of parent, sibling or child of the employee or of the spouse of such employee, any of whom is either dependent financially on such employee or spouse of employee, or consults such employee or spouse of employee in taking decisions relating to trading in securities.

6.6.1.2 **The objectives and principles of these Guidelines are:**

a. To ensure that all securities transactions made by employees in their personal capacity are conducted in consonance with these Guidelines and in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.

b. To ensure that the employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not take undue advantage of any sensitive

information that they may have about any company or its securities or about the AMC's schemes or its units.

Explanation: Access Person for the purpose of these Guidelines shall mean the Head of the AMC (designated as CEO/Managing Director/President or by any other name), Executive Directors, Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as decided by the AMC(s) and/or Trustees. Non-Executive Directors of the AMC/trustee company or trustees who are in possession of / have access to any non-public information which could materially impact the price of the securities, NAV of the schemes or interest of the unitholders shall also be deemed as Access Persons

c. To guide employees of AMC(s) and Trustees in maintaining a high standard of probity that one would expect from an employee in a position of responsibility.

6.6.2 **General**

6.6.2.1 Investments Covered:

a. These Guidelines cover transactions for purchase or sale of any securities such as shares, debentures, bonds, warrants, derivatives and units of schemes floated by Mutual Funds / AMCs where the concerned persons (in terms of the applicability stated at 6.6.1.1.a above) are employed.

b. These Guidelines do not apply to the following investments by the employees:

1. Investments in fixed deposits with banks/financial institutions/companies, life insurance policies, provident funds (including public provident fund) or Investment in savings schemes such as National Savings Certificates, National Savings Schemes, Kisan Vikas Patra, or any other similar investment.

2. Investments of a non-financial nature such as gold etc., where there is no likely conflict between the Mutual Fund's interest and the employees' interest.

3. Investments in government securities, overnight schemes and schemes floated by other Mutual Funds.

6.6.2.2 No employee shall pass on information to anybody inducing him to buy/sell securities which are being bought and/or sold by the Mutual Fund of which the AMC is the investment manager.

6.6.2.3 Prior approval of personal investment transactions:

a. All access persons except Compliance Officer shall apply in the form prescribed by the AMC(s) and/or Trustees to the Compliance Officer for prior approval of transactions for sale or purchase of securities other than those expressly stated to be exempt under these guidelines. The Compliance Officer shall apply to the Head of the AMC(s). The decision of the Compliance Officer shall be final and binding on the employee.

b. In these Guidelines, in the case of the Compliance Officer's own transactions for purchase or sale of securities or disclosure or any other related matter, the term

"Compliance Officer" wherever it appears, shall be read as "Head of the AMC."

c. The Compliance Officer may coordinate with the Fund Management Department of the Mutual Fund, wherever necessary, to clear requests of investment and/or trading in securities by the employees.

d. The approval of Compliance Officer for carrying out a transaction of sale or purchase of a security by the access person shall not be valid for more than 7 trading days from the date of approval.

e. If a transaction approved by Compliance Officer has not been effected within seven trading days from the date of its approval, the access person shall be required to obtain approval once again from Compliance Officer prior to effecting the transaction.

f. All employees shall refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 30 calendar days from the date of their personal transaction. However, in cases where it is done, the employee shall provide a suitable explanation to the Compliance Officer, which shall be reported to the Board of the AMC and the Trustees at the time of review.

This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions Paragraph 6.10 of this Master Circular.

6.6.3 **Investments in Shares and/or Debentures and/or Bonds and/or Warrants and/or Derivatives**

Investments in securities shall broadly be classified into investments through (a) primary markets and (b) secondary markets.

6.6.3.1 Investments through the primary markets:

a. An employee including access person is permitted to apply to a public issue of shares and/or debentures and/or bonds and/or warrants of any company, as long as the application is made in the normal course of the public issue. Such an application may be made without seeking the clearance from the Compliance Officer. Employees of AMC(s) and Trustees are prohibited from applying in any reserved quota such as promoters' quota, employees' quota etc. Employees may participate in private placement of equity by any company subject to there being no conflict with the interest of investors of the mutual fund and disclosure of such investments to the Compliance Officer immediately.

b. Notwithstanding anything stated in 6.6.3.1.a above, an employee of an AMC(s) and/or Trustees may apply for shares and/or debentures and/or bonds and/or warrants in a preferential offer, in cases where such a preferential offer is being made by a company that belongs to the same industrial group as the company in which the employee already has an investment, provided that such a preferential offer is made to all shareholders and/or debenture holders of such companies. Details of such applications made shall be intimated to the Compliance Officer.

c. The employees of the AMC(s) and/or Trustees including access person may apply for any rights offer of any company in which they are already shareholders. Applications for additional

rights (over and above the normal rights entitlement) shares may be made by the employees including access person without getting the clearance from the Compliance Officer. An employee including access person may also sell and/or renounce his rights entitlement without getting the clearance from the Compliance Officer. However, if an access person wishes to purchase the "Rights renunciations" he shall get the clearance of the Compliance Officer for the same. Such purchases shall be done only at market prices. Details of any applications made in any rights issue, whether in the normal course, or through purchase of rights renunciations, shall be intimated to the Compliance Officer.

d. The employees of AMC and Trustees may avail discretionary Portfolio Management Services (PMS) subject to compliance with all applicable SEBI Regulations and circulars. AMCs and Trustees shall adhere to the guidelines issued by AMFI in this regard.

6.6.3.2 Investments through the secondary markets:

a. An access person who wishes to make a secondary market transaction shall submit a written application to that effect to the Compliance Officer. Such an application shall specify the name of the company whose securities the employee wishes to buy and/or sell, type of security, and the number of shares and/or debentures and/or bonds and/or warrants and/or derivatives that the access person wishes to buy/sell.

b. The Compliance Officer shall clear these requests if the following conditions are met:

1. If the shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the access person are not held by any scheme of the Mutual Fund of which the AMC is the investment manager;

2. If the shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the employee are held by any Scheme of the Mutual Fund of which the AMC is the investment manager, there should be a "cooling off" period of 15 calendar days. The Compliance Officer shall ensure that the last transaction in that particular security was done by the Mutual Fund at least 15 calendar days prior to the date of the written application by the access person. In other words, an application for a purchase /sale transaction on a personal basis would be cleared only if the Mutual Fund has not transacted in that particular security for at least 15 calendar days.

3. However, trades executed pursuant to a trading plan submitted by the employees in terms of SEBI (PIT) Regulations, 2015, shall be exempt from the requirement of a “cooling off” period, provided that such trading plan:
   i. Is in compliance with the norms prescribed in SEBI (PIT) Regulations, 2015.
   ii. Is publicly disclosed on the website of the concerned Mutual Fund

   The Compliance Officer shall also properly monitor trades of the MF scheme and that of the access person, as per the trading plan, in order to ensure that such trading plan does not entail trading in securities for market abuse.

4. Provisions of the "cooling off" period may be relaxed for Access Persons, subject to the following:

   i. Such relaxation shall be given by Compliance Officer for not more than 2 times in a financial year per Access Person.

   ii. Such relaxation shall be applicable only for sale of securities.

   iii. Such relaxation shall be applicable only for securities held by the Access Person for not less than a period of one year.

   iv. Access Person may apply anytime during the financial year for such relaxation to the Compliance Officer. Compliance Officer shall decide on the said application within 5 days of receipt of such application.

   v. Access Person may sell the securities within 10 trading days from the date of clearance by the Compliance Officer.

   vi. Roll over of unexecuted portion, if any, shall not be allowed. However, a second request can be made within the financial year as stated at (i) above.

   vii. The Access Person shall ensure that from the time of making an application under clause (iv) till the conclusion of the sale of the concerned securities, he/she is not in possession of / does not have access to any non-public information which could materially impact the price of the concerned securities. Compliance Officer shall not grant clearance for such transaction, where the Asset Management Company is in possession of / has access to any non-public

information which could materially impact the price of the concerned securities.

viii. The Compliance Officer shall maintain all other regulatory checks and obtain necessary undertakings from the Access Person.

5. In case of pre-existing pledges / encumbered arrangements (i.e., securities pledged prior to becoming an Access Person), the provisions of "cooling off" period shall not be applicable in the event of sale of securities by lenders due to shortfall of margin, subject to the following:

   i. Access person shall, on the date of applicability of these provisions or on the date of joining the AMC or on the date of being designated as such, declare to the Compliance Officer (i) details of all the pre-existing pledges / encumbered arrangements in which the securities held by him/her are pledged or encumbered and (ii) details of ESOPs bought with borrowed funds, along with the agreement with such lender.

   ii. Any instances of sale of securities by lender shall be promptly intimated to the Compliance Officer. The Access Person shall ensure the following and submit a self-declaration to the following effect:

      a. that the Access Person has not engaged directly or indirectly in front-running, self-dealing, trading while in possession of non-public information which could materially impact the price of the concerned securities or any other prohibited activities.

b. that the sale by the lender was due to shortfall of margin as per the terms of agreement with the lender and he had not entered into any other arrangement with the lender in this regard.

iii. Access Person shall also submit the margin notice received for the said shortfall of margin to the compliance officer.

c. The Compliance Officer shall keep a track of the transactions of the employees and transactions of the Mutual Fund to ensure that there is no conflict of interest between them i.e. the Compliance Officer should track whether the Mutual Fund has transacted in the same securities either before or after the employee's transaction(s).

d. The Compliance Officer shall maintain a record of all requests for pre clearance regarding the purchase or sale of a security, including the date of the request, the name of the access person, the details of the proposed transaction and whether the request was approved or denied and waivers given, if any, and its reasons.

e. No employee shall purchase any security (including derivatives) on a "Carry Forward" basis or indulge in "Short Sale" of any security (including derivatives) i.e. employees who effect any purchase transaction(s) shall ensure that they take delivery of the securities purchased, before selling them.

f. Any transaction of Front Running by any employee directly or indirectly is strictly prohibited. For this purpose, "Front Running" means any transaction of purchase and/or sale of a security carried by any employee whether for self or for any other person, knowing fully well that the AMC also intends to purchase and/or

sell the same security for its Mutual Fund operations. To ascertain that the employee had no prior knowledge of the Mutual Fund's intended transactions, the Compliance Officer may take a declaration in this regard from the employee. Such declaration may be included in the application form itself.

g. Any transaction of self-dealing by any employee either directly or indirectly, whether alone or in concert with another person is prohibited. For this purpose, “Self Dealing’ means trading in the securities based on price sensitive information to which the employee has access by virtue of his office. Declaration to this effect may be taken from the employee while clearing the proposals for investment.

h. The employees shall not insist or suggest to the concerned brokers to charge reduced brokerage, or accept any contract with a clause on reduced brokerage charge.

6.6.4 **Investments in units of Mutual Fund Schemes**

6.6.4.1 Access persons as well as other employees do not require prior clearance of the Compliance Officer for purchase or sale of units of Mutual Fund schemes. However, details of each such transaction, excluding transactions in overnight schemes shall be reported by them to the Compliance Officer within 7 calendar days from the date of transaction.

This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per provisions of Paragraph 6.10 of this Master Circular.

6.6.4.2 In case of investments in SIP of any Mutual Fund scheme, the employees may report only at the time of making the first installment of the SIP.

6.6.4.3 Notwithstanding anything mentioned earlier, employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not purchase or sell or repurchase or redeem units of any scheme, including overnight scheme of their Mutual Fund, where any information available to the Mutual Fund is not yet communicated to the unitholders and which could materially impact the NAV or interest of unitholders, including scenarios where there is a likelihood of:

a. a change in the investment objectives of the concerned Mutual Fund Scheme(s);

b. a change in the accounting policy;

c. a material change in the valuation of any asset, or class of assets;

d. conversion of a close ended scheme to an open-ended scheme or an open-ended scheme to a close ended scheme;

e. restrictions on redemptions, winding up of scheme(s);

f. creation of segregated portfolio;

g. material change in the liquidity position of the concerned Mutual Fund Scheme(s);

h. default in the underlying securities which is material to the concerned Mutual Fund Scheme(s) etc.

6.6.5 **Periodic Disclosures**

6.6.5.1 All access persons shall submit, in the form prescribed by the Mutual Fund of which the AMC is the investment manager, details of their personal transactions of purchase or sale of securities to the Compliance Officer. The details to be submitted are as follows:

a. Details of transactions effected for purchase and/or sale of securities including transactions in rights entitlements through the secondary market within 7 calendar days from the date of transaction;

b. Details of allotment received against application for public and rights issues within 7 calendar days from the date of receipt of the allotment advice;

c. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.

6.6.5.2 All employees other than access persons shall submit, in the form prescribed by the Mutual Fund, to the Compliance Officer:

a. Details of each of their transactions for purchase or sale of securities including allotment in public and rights issues within 7 calendar days.

b. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.

c. A declaration shall also be included in the reporting form on the lines of Paragraph 6.6.3.2.(f) and 6.6.3.2.(g) regarding Front Running and Self-Dealing.

6.6.6 **Review by the Board of Directors of AMC and the Trustee(s)**

6.6.6.1 The Board of the AMC and the Trustees shall review the compliance of these Guidelines in their periodic meetings. They shall review the existing procedures and recommend changes in procedures based on the AMCs experience, industry practices and/or developments in applicable laws and regulations. They shall report compliance and any violations and remedial action taken by them in their reports submitted to the Board.

6.6.7 **Applicability of Insider Trading Regulations**

6.6.7.1 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be followed strictly by the Trustees, Asset Management Companies and their employees and directors.

6.7 Responsibilities of AMC & Trustees[228]

6.7.1 For effective discharge of their responsibilities under the Mutual Funds Regulations, the AMC(s) shall provide infrastructure and administrative support to the Trustees. The Trustees of Mutual Funds may decide to appoint independent auditors and/or may have separate full-fledged administrative set up for the Trustees. However, the expenditure incurred in this regard shall be within the limits as specified in Regulation 52(6) of the Mutual Funds Regulations. AMC(s) shall place correspondence and reports submitted to SEBI before the Trustees.

[228] MFD/CIR/09/014/2000 dated January 5, 2000

6.7A Core responsibilities of the Trustees[229]

6.7A.1 As per the extant regulatory framework, the Trustees hold the property of the Mutual Fund in trust for the benefit of the unit holders and their primary role is to ensure that AMCs appointed by them act in the best interests of the unitholders. Accordingly, any conflict between interests of unitholder and that of AMCs' stakeholders needs to be addressed by the Trustees. While MF Regulations provide for restrictions to address certain scenarios of conflict of interest, there are other areas of conflict which require specific attention from the Trustees.

6.7A.2 At the same time, as an AMC is responsible for managing the funds of the schemes, the board of directors of the AMC is also accountable to ensure that the interests of the unitholders are protected.

6.7A.3 SEBI had constituted a Working Group with a view to streamline the responsibilities at the level of the Trustees and AMCs, to deliberate and make recommendations for ensuring that Trustees can devote their attention to the fiduciary obligations and supervisory role cast upon them. Based on the recommendations of the Working Group and deliberations in the MFAC, it has been decided to specify the "core" responsibilities for the Trustees of a Mutual Fund. Accordingly, amendments were carried out in MF Regulations. The amendments were notified on June 27, 2023 (link).

6.7A.4 As per Regulation 18(25)(C) of MF Regulations, the Trustees shall exercise due diligence on such matters as may be specified by the SEBI from time to time. In terms of the said Regulation 18 (25)(C), the

[229] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023

Trustees shall exercise independent due diligence on certain "core responsibilities", which are specified as under:

a) The Trustees shall ensure the fairness of the fees and expenses charged by the AMCs.

b) The Trustees shall review the performance of AMC in its schemes vis-a-vis performance of peers or the appropriate benchmarks.

c) The Trustees shall ensure that the AMCs have put in place adequate systems to prevent mis-selling to increase assets under their management and valuation of the AMCs.

d) The Trustees shall ensure that operations of AMCs are not unduly influenced by the AMCs Sponsor, its associates and other stakeholders of AMCs.

e) The Trustees shall ensure that undue or unfair advantage is not given by AMCs to any of their associates/group entities.

f) The Trustees shall be responsible to address conflicts of interest, if any, between the shareholders/stakeholders/associates of the AMCs and unitholders.

g) The Trustees shall ensure that the AMC has put in place adequate systems to prevent misconduct including market abuse/misuse of information by the employees, AMC and connected entities of the AMCs.

6.7A.5 The Trustees shall take steps to ensure that there are system level checks in place at AMCs' end to prevent fraudulent transactions

including front running by employees, form splitting/ mis-selling by distributors etc. The Trustees shall review such checks periodically.

6.7A.6 The Trustees and their resource persons shall independently evaluate the extent of compliance by AMCs vis-à-vis the identified key areas and not merely rely on AMCs' submissions /external assurances.

6.7A.7 AMCs shall put in place suitable mechanisms/systems to generate system based information/data/reports for evaluation and effective due diligence by the Trustees. AMCs shall provide alerts based automated reports to the Trustees as may be required by the Trustees.

6.7A.8 The Trustees shall ensure that suitable mechanisms/systems are put in place by the AMCs to generate system based information/data/reports for evaluation and effective due diligence by the Trustees. The Trustees shall also ensure that the AMCs periodically review such systems.

6.7A.9 AMCs shall submit exception reports/analytical information to the Trustees, that add value to the process of exercising their oversight role. The Trustees shall evaluate the nature and adequacy of the alerts and the manner of dealing with such alerts by AMCs.

6.7A.10 The Trustees shall require the AMCs to furnish, in a true and fair manner, reports and alerts based on pre-decided parameters including but not limited to the areas specified as core responsibilities at para 6.7A.4 above, for taking appropriate action.

6.7A.11 The Trustees shall periodically review the steps taken by AMCs for folios which do not contain all the Know Your Client (KYC) attributes /

updated KYC attributes and ensure that the AMCs take remedial steps necessary for updating the KYC attributes especially pertaining to bank details, PAN, mobile phone number.

6.7B Third Party Assurances[230]

In order to enable Trustees to focus on the core responsibilities, for responsibilities other than the core responsibilities mentioned at para 6.7A, the Trustees may rely on professional firms such as Audit Firms, Legal Firms, Merchant Bankers, etc (collectively referred to as "third party fiduciaries") for carrying out due diligence on behalf of the Trustees.

6.7B.1 The responsibilities other than core responsibilities, for which the Trustees may avail services of third party fiduciaries, include the following:

a) Overseeing that AMCs manage the operations of Mutual Fund schemes independently from other activities.

b) Discharging their role as a custodian of assets on behalf of unitholders in accordance with MF Regulations and the trust deed.

c) Reviewing the networth of the AMC on a periodic basis to ensure compliance with prescribed threshold.

d) Ensuring that the transactions of the Mutual Funds are in accordance with the provisions of the trust deed.

[230] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023

6.7C Unit Holder Protection Committee[231]

6.7C.1 As per Regulation 25(24) of MF Regulations, the AMC is required to constitute a Unit Holder Protection Committee ("UHPC") in the form and manner and with a mandate, as may be specified by SEBI.

6.7C.2 In this regard, it is decided that the UHPC shall be responsible for:

a) protection of interest of unit holders of Mutual Fund schemes vis-a-vis all products and services provided by the AMC.

b) ensuring adoption of sound and healthy market practices in terms of investments, sales, marketing, advertisement, management of conflict of interests, redressal of unit holder's grievances, investor awareness.

c) compliance with laws and regulations and other related processes with specific reference to operation of the Mutual Fund business.

6.7C.3 The UHPC shall, inter-alia, have the following mandates:

a) To review the various compliance issues relating to protection of the interests of the unit holders.

b) To keep the unit holders well informed of and educated about mutual fund products, investor charter and compliant handling procedures.

6.7C.4 The UHPC shall report its findings to the board of directors of AMC along with recommendations for action.

[231] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023

6.7C.5 The UHPC shall make recommendations relating to protection of interest of investors as well as monitor its implementation.

6.7C.6 The detailed guidelines regarding UHPC are specified at **Annexure 15** to this master circular. AMC shall ensure that UHPC is constituted and operates in compliance with the said guidelines.

6.7C.7 In addition to the above functions and responsibilities, the board of directors of AMCs, from time to time may also assign such other responsibilities to the UHPC, as deemed fit.

6.7D Appointment of the Trustee Company[232]

6.7D.1 As per Regulation 16 (7) of MF Regulations, in case a company is appointed as the Trustee of a Mutual Fund, the Chairperson of the board of directors of that Trustee company shall be an independent director. Further, a Trustee company, which has already been appointed as the Trustee of a Mutual Fund shall comply with this requirement within a period as may be specified by SEBI from time to time.

6.7D.2 Accordingly, it is decided that the Trustee company, which has already been appointed as the Trustee of a Mutual Fund, shall ensure compliance with the requirement of appointment of independent director as Chairperson of the board of directors of Trustee company, within a period of six months from January 01, 2024.

6.7E Meetings between the Trustee Company and the AMC[233]

[232] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023
[233] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023

6.7E.1 As per Regulation 25A of MF Regulations, the board of directors of the Trustee company and the board of directors of the AMC, including any of their committees, shall meet at such frequency as may be specified by SEBI from time to time.

6.7E.2 Accordingly, the board of directors of the AMCs and the board of directors of the Trustee Company shall meet at least once a year to discuss the issues concerning the Mutual Fund, if any, and future course of action, wherever required.

6.8 Resources for Trustees of Mutual Funds: [234]

6.8.1 Trustees shall appoint a dedicated officer having professional qualification and minimum 5 years of experience in finance and financial services related field.

6.8.1.1 The officer so appointed shall be employee of Trustees and directly report to Trustees.

6.8.1.2 The scope of the work of the said officer shall be specified by the Trustee from time to time to support the role and responsibilities of the Trustees. The officer shall accordingly assist the Trustees and discharge the activities assigned to him.

6.8.1.3 The said officer shall be treated as access person in terms of Paragraph 6.6.1.2.b of this Master Circular.

6.8.2 Further, Trustees shall have standing arrangements with independent firms for special purpose audit and/or to seek legal advice in case of any requirement as identified and whenever considered necessary;

[234] SEBI Cir. No. SEBI/HO/IMD/DF4/CIR/P/2020/151 dated August 10, 2020, SEBI Circular no. SEBI/HO/IMD/DF4/CIR/P/2020/178 dated September 23, 2020.

6.8.3 The expenditure incurred for the above shall be charged under the clause 52(b)(iv) "fees and expenses of trustees" of SEBI (Mutual Funds) Regulations, 1996.

6.8.4 Notwithstanding the above, the Trustees shall however continue to be liable for discharge of various fiduciary responsibilities as cast upon them in the SEBI (Mutual Funds) Regulations, 1996.

6.9 [235] [236]Alignment of interest of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes

6.9.1 In terms of sub-regulation 16(A) in Regulation 25 of SEBI (Mutual Funds) Regulations,1996 ('MF Regulations'), asset management companies ('AMCs') are required to invest such amount in such scheme(s) of the mutual fund, based on the risk associated with the scheme.

6.9.2 Accordingly, based on the risk value assigned to the scheme(s), in terms of Paragraph 17.4 of this Master Circular, AMCs shall invest minimum amount as a percentage of assets under management ('AUM') in their scheme(s) as provided below –

Risk Value	**Risk Level as Per Risk-O-Meter**	**Minimum percentage of AUM to be invested in scheme**
≤ 1	Low	0.03
> 1 to ≤ 2	Low to Moderate	0.05
> 2 to ≤ 3	Moderate	0.07
> 3 to ≤ 4	Moderately High	0.09
> 4 to ≤ 5	High	0.11
> 5	Very High	0.13

[235] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2020/100 Dated June 12, 2020 – provisions stand rescinded in terms of SEBI Circular SEBI/HO/IMD/IMD-IDOF5/P/CIR/2021/624 dated September 2, 2021, Refer SEBI letter No. SEBI/HO/IMD/DF5/OW/P/2021/24745/1 dated September 20, 2021

[236] SEBI Circular SEBI/HO/IMD/IMD-IDOF5/P/CIR/2021/624 dated September 2, 2021.

6.9.3 For the above purpose,

6.9.3.1 The risk value of the scheme as per the risk-o-meter of the immediate preceding month shall be considered.

6.9.3.2 The investment shall be maintained at all points of time till the completion of tenure of the scheme or till the scheme is wound up.

6.9.3.3 AMCs shall, except in case of close ended scheme(s), conduct a quarterly review to ensure compliance with the requirement of investment of minimum amount in the scheme(s) which may change either due to change in value of the AUM or in the risk value assigned to the scheme. Further, based on review of quarterly average AUM, shortfall in value of the investment in scheme(s), if any, shall be made good within 7 days of such review. AMC shall have the option to withdraw any excess investment than what is required pursuant to such review.

6.9.3.4 AMCs may invest from their net worth or the sponsor may fund the AMC to fulfil the aforesaid obligations, if required. However, the AMCs shall be required to make good the shortfall in the minimum networth to comply with the requirement of the MF Regulations in case of sustenance of temporary Mark to Market loss for two consecutive quarters. AMC shall ensure that such temporariness of the Mark to Market loss is certified by the statutory auditor.

6.9.3.5 AMCs shall not be required to invest in ETFs, Index Funds, Overnight Funds, Funds of Funds scheme(s) and in case of close ended funds wherein the subscription period has closed as on date of coming into force of MF Amendment Regulations.

6.9.4 The mandatory contribution already made by the AMCs in compliance with the applicable MF Regulations shall not be withdrawn. However, such contribution can be adjusted against the investment required by the AMC as per Paragraph 6.9 of this Master Circular.

6.9.5 The compliance of the Paragraph 6.9 of this Master Circular shall be ensured by the AMCs and monitored by the Trustees. Any non-compliance in this regard, shall be reported in the Quarterly CTR and half-yearly Trustee Report.

6.9.6 Details of investment by AMCs in each of their mutual fund scheme(s) shall be disclosed on the website of AMCs and AMFI.

6.10 [237]Alignment of interest of [238]Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes:

6.10.1 In order to align the interest of the Designated Employees of the AMCs with the unitholders of the mutual fund schemes, it has been decided that, a part of compensation of the Designated employees of the AMCs shall be mandatorily invested in units of the scheme(s), as under:

6.10.1.1 A minimum of 20% of the salary/ perks/ bonus/ non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e. PF and NPS) of the Designated Employees of the AMCs shall be mandatorily invested in units of Mutual Fund schemes in which they have a role/oversight. However, for junior employees, the above provision shall be

[237] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 Dated April 28, 2021, Refer SEBI Letter No. SEBI/HO/IMD/DF5/OW/P/2021/24745/1 dated September 20, 2021, Refer SEBI letter No. SEBI/HO/IMD/DF5/OW/P/2021/30715/1 dated October 29, 2021

[238] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/629 Dated September 20, 2021 read with SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/582 dated June 25, 2021.

implemented in phased manner, i.e. 10% during October 01, 2021 to September 30, 2022 and 15% during October 01, 2022 to September 30, 2023. Thus from October 01, 2023 all junior employees shall mandatorily invest 20% while other designated employees shall comply with the provision from October 01, 2021. The phased implementation for junior employees shall cease to apply from the date such employee attains the age of 35 years. For this purpose, a designated employee of the AMC below the age of 35 years (excluding CEO, head of any department and Fund Managers), shall be deemed as "junior employee".

6.10.1.2 The contribution of the Designated Employees in close ended schemes launched on or after October 1, 2021 shall be made in the units of any open ended schemes having (a) risk value equivalent to or higher than and (b) underlying portfolio of similar nature as, the mandated close ended schemes.

6.10.1.3 Similarly, for interval schemes, schemes having restrictions on individual investments or lump-sum investments or having temporary suspensions on subscription or solution oriented schemes (retirement fund, children's fund etc.) or schemes having lock-in period of more than 3 years, investments required under the relevant provisions of Paragraph 6.10 above shall be made in the units of any open ended schemes having (a) risk value equivalent to or higher than and (b) underlying portfolio of similar nature as, the aforesaid schemes

6.10.1.4 The compensation mandatorily invested in units, as mentioned above, shall be:

a. proportionate to the AUM of the schemes in which the Designated Employee has a role/oversight. For this purpose,

Exchange Traded Funds (ETFs), Index Funds, Overnight Funds and existing (i.e. as on September 30, 2021) close ended schemes shall be excluded.

b. paid proportionately over 12 months on the date of payment of such salary/ perks/ bonus/ non-cash compensation. In all cases of deferred compensation including Employee Stock Options, the AMC shall decide whether the deduction of 20% of such deferred compensation (perquisite value less taxes), should be on the date of grant or exercise. However, the policy should be same for all Designated Employees of the AMC, in a given financial year.

c. locked-in for a minimum period of 3 years or tenure of the scheme whichever is less.

d. invested in 'Growth option' of the mutual fund schemes. For schemes where growth option is not available, the investment shall be made in the 'Reinvestment of Income Distribution cum capital withdrawal option'. For schemes where both the above options are not available, investment shall be made in the 'Payout of Income Distribution cum capital withdrawal option'

6.10.1.5 Further, with a view to allow the Designated Employees to diversify their unit holdings, in case of dedicated fund managers managing only a single scheme / single category of schemes, 50% of the aforementioned compensation shall be by way of units of the scheme/category managed by the fund manager and the remaining 50% can, if they so desire, be by way of units of those schemes whose (a) risk value as per the risk-o-meter is equivalent or higher than and (b) whose underlying portfolio is of similar

nature as, the scheme managed by the fund manager. This is also applicable to dedicated fund managers of overseas funds.

6.10.1.6 Investment in units of the scheme, shall be made on the day of payment of salary.

6.10.1.7 The previous month's closing AUM shall be taken for apportioning the investment across eligible schemes.

6.10.1.8 All non-cash benefits and perks shall be accounted for in CTC at the perquisite value as per the Form 16 under Income Tax Act, 1961. However, superannuation benefits and Gratuity paid at the time of death/retirement, shall not be included in the CTC.[239]

6.10.1.9 The perquisite value of interest on loan availed by the Designated Employees against the units from the AMC as specified in Paragraph 6.10.2.1 of this Master Circular shall not be included in the CTC.

6.10.1.10 Any unconditional compensation in any form which was granted before April 28, 2021, but is unpaid as on April 28, 2021 shall not be included in the CTC.

6.10.1.11 Designated Employees may set off their existing investments as on July 01, 2021, if any, against the fresh investments as required in the same schemes.

6.10.1.12 Designated Employees may set off their units, for which the required lock-in period of 3 years is expired, against the fresh investments required to be made in the same schemes as per Paragraph 6.10 of this Master Circular. In such cases, AMC shall

[239] Refer SEBI Letter No. SEBI/HO/IMD/DF5/OW/ P/2021/ 30715/1 dated October 29, 2021

ensure that such units are locked in for the further period of 3 years or tenure of the scheme, whichever is less.

6.10.2 Redemption of units:

6.10.2.1 No redemptions of the said units shall be allowed during the lock-in period. However, AMC may decide to have a provision of borrowing from the AMC by Designated Employees against such units in exigencies such as medical emergencies or on humanitarian grounds, as per the policy laid down by the AMC.

6.10.2.2 No redemption of such units shall be allowed within the lock-in period in case of resignation or retirement before attaining the age of superannuation as defined in the AMC service rules. However, in case of retirement on attaining the superannuation age, such units shall be released from the lock-in and the Designated Employee shall be free to redeem the units, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over.

6.10.2.3 Liquid Schemes: Units of Designated Employee invested in terms of the above would get automatically redeemed on expiry of the mandatory lock-in period.

6.10.2.4 Open Ended Schemes: After the expiry of the mandatory lock-in period, designated employee can redeem their units in open ended schemes twice in a financial year, with the prior approval of the Compliance Officer by following the procedure prescribed below:

a. Any time after the expiry of the mandatory lock-in period, the designated employee may make application to the Compliance Officer for redemption of the units. The

Compliance Officer shall decide on the said application within 5 days of receipt of such application;

b. If approved, the designated employee may submit request for redemption of such units within 10 trading days from the date of grant of such approval;

c. The unexecuted portion, if any, shall not be rolled over on the expiry of the period mentioned at (b) above. However, a second application can be made within the year as stated above. The Compliance Officer shall maintain all other regulatory checks and obtain necessary confirmation from the concerned designated employee;

d. Where the concerned Designated Employee is in possession of any material information, which is not yet communicated to investors and which could materially impact the NAV / interest of unitholders, such Designated Employee shall not make application for redemption or submit redemption request during such period; and

e. Where the Asset Management Company is in possession of any material information, which is not yet communicated to investors and which could materially impact the NAV / interest of unitholders, Compliance Officer shall not grant approval for such application.

6.10.2.5 In case of request for redemptions made by the Compliance Officer, the competent person to approve the same shall be "Chief Executive Officer".

6.10.3 In the Fund of Funds schemes, only Fund Managers of such schemes shall be required to invest.

6.10.4 Fund of Funds schemes investing only in a single ETF shall also be covered in the exclusions mentioned in the paragraph 6.10.1.4 (a) of this Master Circular.

6.10.5 Units, allotted in terms of the Paragraph 6.10 of this Master Circular, shall be released from the mandatory lock-in period in case of death of the Designated Employee.

6.10.6 AMC shall ensure that necessary audit trail is maintained to verify compliance with the provisions of Paragraph 6.10 of this Master Circular.

6.10.7 Clawback:

6.10.7.1 Units allotted to the Designated Employees shall be subject to clawback in the event of violation of Code of Conduct, fraud, gross negligence by them, as determined by SEBI. Upon clawback, the units shall be redeemed and amount shall be credited to the scheme.

6.10.8 Oversight:

6.10.8.1 The compliance with Paragraph 6.10 of this Master Circular shall be ensured by the AMCs and monitored by the Trustees. Any non-compliance in this regard, shall be reported in the quarterly CTR and half yearly trustee report.

6.10.8.2 For the purpose of Paragraphs 6.10.1.2, 6.10.1.3 and 6.10.1.5, the risk value based on the risk-o-meter of the immediate preceding month shall be considered. Further, AMCs and Trustees shall have a policy in place to ensure that such open ended schemes are similar to the mandated scheme in terms of the nature of the underlying portfolio

6.10.8.3 Every scheme shall disclose the 'compensation, in aggregate, mandatorily invested in units to the Designated Employees', under the provisions of this Master Circular, on the website of the AMC. The disclosure shall be at monthly aggregate level showing the total investment across all relevant employees in that specific scheme.

6.10.9 Designated employees

Designated Employees of the AMCs shall include:

6.10.9.1 Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Chief Information Security Officer (CISO), Chief Operation Officer (COO), Fund Manager(s), Compliance Officer, Sales Head, Investor Relation Officer(s) (IRO), heads of other departments, Dealer(s) of the AMC;

6.10.9.2 Direct reportees to the CEO (excluding Personal Assistant/Secretary);

6.10.9.3 Fund Management Team and Research team;

6.10.9.4 Other employees as identified & included by AMCs and Trustees

6.10.10 These provisions shall not be applicable to Designated Employees having role/ oversight only over ETFs, Index Funds, Fund of Funds schemes investing only in a single ETF, Overnight Funds and existing (i.e. as on September 30, 2021) close ended schemes.

PART II -SCHEME GOVERNANCE

6.11 Minimum Number of investors[240]

6.11.1 Applicability for an open-ended scheme

6.11.1.1 The Scheme/Plan shall have:

a. a minimum of 20 investors and

b. no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s).

6.11.1.2 If either/both of such limit(s) is breached during the NFO of the Scheme, it shall be ensured that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions.

6.11.1.3 In case the Scheme / Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation[241] would become applicable automatically without any reference from SEBI and accordingly the Scheme / Plan(s) shall be wound up and the units would be redeemed at applicable NAV.

6.11.1.4 The average net assets of the scheme would be calculated daily and any breach of the 25 % holding limit by an investor would be determined. At the end of the quarter, the average of daily holding by each such investor is computed to determine whether that investor has breached the 25 % limit over the quarter. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter

[240] SEBI Circular No. SEBI/IMD/CIR No.10/22701/03 dated December 12, 2003, SEBI Circular No. SEBI/IMD/CIR No.1/42529/05 dated June 14, 2005.

[241] Regulation 39(2)(c) of the SEBI (MF) Regulations, 1996

the investor who is in breach of the rule shall be given 15 days' notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period.

6.11.1.5 The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI.

6.11.1.6 The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

6.11.2 Applicability for a Close ended scheme/Interval scheme

6.11.2.1 The Scheme(s) and individual Plan(s) under the Scheme(s) shall have:

a. A minimum of 20 investors and
b. No single investor shall account for more than 25% of the corpus of the Scheme(s)/Plan(s).

6.11.2.2 These conditions will be complied with immediately after the close of the NFO itself i.e. at the time of allotment.

6.11.2.3 In case of non-fulfillment with the condition of minimum 20 investors, the Scheme(s)/Plan(s) shall be wound up in accordance with Regulation[242] automatically without any reference from SEBI.

6.11.2.4 In case of non-fulfillment with the condition of 25% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 25% limit would be

[242] Reg. 39 (2) (c) of SEBI (MF) Regulations, 1996

liable to be rejected and the allotment would be effective only to the extent of 25% of the corpus collected. Consequently, such exposure over 25% limits will lead to refund within 6 weeks of the date of closure of the New Fund Offer.

6.11.2.5 For interval scheme the aforesaid provision will be applicable at the end of NFO and specified transaction period.

6.11.2.6 Requisite disclosure in this regard shall be made in the SID.

6.11.3 Determination of breach:

6.11.3.1 The average shall be calculated, at the end of each quarter, on the basis of number of investors at the end of the business hours of the scheme on a daily basis.

6.11.3.2 To determine breach of 25% holding limit by an investor, net assets under the scheme shall be calculated daily and the daily holding limit shall be determined accordingly. At the end of the quarter, average daily holding by each investor shall be calculated and any breach of the 25% holding limit will be accordingly determined.

6.11.4 Applicability

6.11.4.1 These Guidelines are applicable at the Portfolio level.

6.11.4.2 These Guidelines are not applicable to Exchange Traded Funds (ETFs).

6.11.5 Redemptions

6.11.5.1 Redemptions effected pursuant to these Guidelines shall be completed within 10 days from the day of winding up of the scheme(s) and/or plan(s).

6.11.6 Reporting to the Board

6.11.6.1 Compliance with these Guidelines shall be reported in Compliance Test Reports (CTRs) and Half Yearly Trustee Reports (HYTRs).

6.12 Minimum Assets under Management (AUM) of Debt Oriented Schemes [243]

6.12.1 It has been observed that many debt oriented schemes are operating with a very low AUM. In the interest of investors, it is important that debt oriented schemes have an adequate corpus to ensure adherence to the investment objectives as stated in Scheme Information Document and compliance with investment restrictions specified under SEBI (Mutual Funds) Regulations, 1996.

6.12.2 In this regard, it has been decided that:

6.12.2.1 The minimum subscription amount of debt oriented and balanced schemes at the time of new fund offer shall be at least 20 crore and that of other schemes shall be at least 10 crore, except for following:

i. Minimum subscription amount at the time of New Fund Offer (NFO) for Debt ETFs/ Index Funds and other ETFs/ Index Funds shall be INR 10 Cr. and INR 5 Cr. respectively.[244]

6.12.2.2 An average AUM of 20 crore on half yearly rolling basis shall be maintained for open ended debt oriented schemes.

[243] SEBI Circular No. Cir/IMD/DF/15/2014 dated June 20, 2014
[244] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022

6.12.2.2A [In case of breach of para 6.12.2.2 above, the AMC shall scale up the AUM of such scheme within a period of six months so as to comply with para 6.12.2.2 above, failing which the provisions of Regulation 39(2)(c) of MF Regulations would become applicable.][245]

6.12.2.3 The confirmation on compliance of the above shall be reported to SEBI in the Half Yearly Trustee Reports.

6.12.2.4 Alternative to launch of NFO for ETFs, the AMC may contribute the initial fund for unit creation. Subsequently, the AMC can transfer the units of such ETFs to Market Makers or other investors, subject to compliance with all applicable provisions for launch of ETFs. [246]

6.13 Scheme Performance Review

6.13.1 AMCs and Trustees shall review the performance of their schemes on periodic basis[247]. Such review can take place by comparing the performance of the schemes with benchmark indices as well as in light of the performance of the entire Mutual Funds industry by relying on data published from time to time by independent research agencies and financial newspapers and journals. Corrective action if required may be taken in case of unsatisfactory performance. Its compliance should be reported in the quarterly[248] CTRs of AMCs and half-yearly reports of the Trustees to SEBI (while reporting compliance of Regulation 25(2) on exercise of due diligence in investment decisions).

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[245] SEBI Circular No. SEBI Circular No. Cir/IMD/DF/15/2014 dated June 20, 2014
[246] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022
[247] SEBI Circular No. dated July 27, 2000 & SEBI Cir 16/400/02 dated March 26, 2002.
[248] SEBI Circular SEBI/HO/IMD/DF3/CIR/P/2018/04 dated January 04, 2018. Also refer Paragraph 1.9 of this Master Circular

6.14 Benchmarking of Scheme's performance to Total Return Index[249]

6.14.1 Total Return variant of an Index (TRI) takes into account all dividends/ interest payments that are generated from the basket of constituents that make up the index in addition to the capital gains. Hence, TRI is more appropriate as a benchmark to compare the performance of mutual fund schemes.

6.14.2 With an objective to enable the investors to compare the performance of a scheme vis-a-vis an appropriate benchmark, it has been decided that -

6.14.2.1 Selection of a benchmark for the scheme of a mutual fund shall be in alignment with the investment objective, asset allocation pattern and investment strategy of the scheme.

6.14.2.2 The performance of the schemes of a mutual fund shall be benchmarked to the Total Return variant of the Index chosen as a benchmark as stated in paragraph 6.14.2.1 above.

6.14.2.3 (i) Mutual funds shall use a composite CAGR figure of the performance of the PRI benchmark (till the date from which TRI is available) and the TRI (subsequently) to compare the performance of their scheme in case TRI is not available for that particular period(s).

(ii) The calculation of composite CAGR is elaborated with an example in the following paragraph.

[249] SEBI circular no. HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021

For instance, ABC scheme had been launched on August 2, 1995. The benchmark PRI values are available from the date of inception of the fund. The benchmark TRI values are available from June 30, 1999. The calculation of a composite benchmark performance return in CAGR terms would be as given below:

$$\left(\frac{\text{Benchmark PRI value as on date of introduction of TRI value}}{\text{Benchmark PRI value as on date of inception of the scheme}} \times \frac{\text{Benchmark TRI value as on last day of the month preceding the date of advertisement}}{\text{Benchmark TRI value as on date of introduction of TRI value}}\right)^{\frac{1}{\text{(Time period from the last day of the month preceding the date of advertisement – date of inception of the scheme)}}} - 1$$

The aforesaid is explained with an example:

Example: Consolidated Benchmark CAGR (PRI and TRI)		
Date	Benchmark PRI values	Benchmark TRI values
02/08/1995	1007.57	
30/06/1999	1187.70	1256.38
30/11/2017	10226.55	13966.58
CAGR		12.20%

Thus, in the above example (for advertisements in the month of December, 2017 the last of the preceding month would be November 30, 2017),

CAGR= [(1187.70/1007.57)*(13966.58/1256.38) ^ (1/22.3452)]-1

[1 year= 365 days]

CAGR= 12.20%

(iii) Mutual funds shall use the composite CAGR as explained above, subject to making the following disclosure:

*As TRI data is not available since inception of the scheme, benchmark performance is calculated using composite CAGR of XYZ (name of the benchmark index) PRI values from date.... to date... and TRI values

since date...."

PART III -SYSTEMS AUDIT FRAMEWORK FOR MUTUAL FUNDS / AMCs[250]

6.15 Systems audit framework for Mutual Funds/ AMCs

6.15.1 Considering the importance of systems audit in technology driven asset management activity and to enhance and standardize the systems audit, guidelines in this regard are placed at **Annexure 8**. These guidelines are indicative and not exhaustive in nature.

6.15.2 The aforementioned audit should be encompassing audit of systems and processes, inter alia, related to examination of integration of front office system with the back office system, fund accounting system for calculation of net asset values, financial accounting and reporting system for the AMC, Unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface.

6.15.3 Trustees of Mutual Fund / AMCs are advised to conduct systems audit on an annual basis by an independent CISA / CISM qualified or equivalent auditor to check compliance of provisions of Paragraph 6.15 of this Master Circular.

6.15.4 AMCs are further advised to take necessary steps to put in place systems for implementation of these provisions. The exception report as per the format[251] provided should be placed before the Technology Committee for review. The Technology Committee after review shall place the same before the AMC & Trustee Board. Thereafter, exception observation report along with trustee comments starting from the financial year April 2019 – March 2020 should be communicated to SEBI within six months of the respective financial

[250] SEBI Circular No SEBI/HO/IMD/DF2/CIR/P/2019/57dated April 11, 2019
[251] For format, please refer to format no. 10 under the section on formats

year. Further, System Audit Reports shall be made available for inspection.

PART IV – ROLE OF MUTUAL FUNDS IN CORPORATE GOVERNANCE OF PUBLIC LISTED COMPANIES[252]

6.16 Role of Mutual Funds in Corporate Governance of Public Listed Companies:

6.16.1 MFs should play an active role in ensuring better corporate governance of listed companies.

6.16.2 AMCs shall disclose their general policies and procedures for exercising the voting rights in respect of shares held by them on the website of the respective AMC as well as in the annual report distributed to the unit holders from the financial year 2010-11[253].

6.16.3 AMCs are required to disclose on the website of the respective AMC as well as in the annual report distributed to the unit holders from the financial year 2010-11, the actual exercise of their proxy votes in the AGMs/EGMs of the investee companies in respect of the following matters.

- Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions
- Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
- Stock option plans and other management compensation issues;
- Social and corporate responsibility issues.
- Appointment and Removal of Directors.

[252] SEBI Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, Refer SEBI Letter No. SEBI/HO/IMD-II/IMD-II_DOF11/P/OW/2022/52316/1 dated October 14, 2022

[253] Refer SEBI emails dated June 23, 2011

- Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.

6.16.4 AMCs shall be required to record and disclose specific rationale supporting their voting decision (for, against or abstain) with respect to each vote proposal[254].

6.16.5 AMCs shall additionally be required to publish summary of the votes cast across all its investee company and its break-up in terms of total number of votes cast in favor, against or abstained from.

6.16.6 [255]AMCs shall be required to make disclosure of votes cast on their website (in machine readable spreadsheet format) on a quarterly basis, within 10 working days from the end of the quarter as per the format enclosed[256]. A detailed report in this regard along with summary thereof shall also be disclosed on their website. The format for disclosure of vote cast by Mutual Funds in respect of resolutions passed in general meetings of the investee companies and the format for presenting summary of votes cast by Mutual Funds is as per format enclosed[257]. Further, AMCs shall provide the web link in their annual reports regarding the disclosure of voting details.

6.16.7 Further, on an annual basis, AMCs shall be required to obtain certification on the voting reports being disclosed by them. Such certification shall be obtained from a "scrutinizer" in terms of Rule 20 (3) (ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof. The

[254] SEBI Circular No. CIR/IMD/DF/05/2014 dated March 24, 2014
[255] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/024 dated March 04, 2021
[256] Refer format no. 7.C under the section on Formats.
[257] Refer format no. 7.C under the section on Formats.

same shall be submitted to the trustees and also disclosed in the relevant portion of the Mutual Funds' annual report & website.[258]

6.16.8 Board of AMCs and Trustees of Mutual Funds shall be required to review and ensure that AMCs have voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation to the same, along with any adverse comments made by auditors, shall have to be reported to SEBI in the half yearly trustee reports.

6.16.9 The format[259] for disclosure of voting by mutual funds in general meetings of listed companies is provided.

6.16.10 [260]Mutual Funds including their passive investment schemes like Index Funds, Exchange Traded Funds etc. shall be required to cast votes compulsorily in respect of the following resolutions with effect from April 1, 2021:

i. Matters mentioned at Paragraph 6.16.3 of this Master Circular i.e.:
   a) Corporate governance matters, including changes in the state of incorporation. merger and other corporate restructuring, and anti-takeover provisions.
   b) Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
   c) Stock option plans and other management compensation issues.
   d) Social and corporate responsibility issues.
   e) Appointment and Removal of Directors.

[258] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016
[259] For disclosure of voting by mutual funds in general meetings of listed companies, please refer to the section on formats
[260] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021

f) Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.

ii. Related party transactions of the investee companies (excluding own group companies). For this purpose, "Related Party Transactions" shall have same meaning as assigned to them in clause (zc) of Sub-Regulation (1) of Regulation (2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

6.16.11 Further, for all remaining resolutions which are not covered above, Mutual Funds shall also compulsorily be required to cast their votes with effect from April 01, 2022.

6.16.12 In case of the Mutual Funds having no economic interest on the day of voting, it may be exempted from compulsorily casting of votes.

6.16.13 The vote shall be cast at Mutual Fund Level. However, in case Fund Manager/(s) of any specific scheme has strong view against the views of Fund Manager/(s) of the other schemes, the voting at scheme level shall be allowed subject to recording of detailed rationale for the same.

6.16.14 Fund Managers/Decision makers shall submit a declaration on quarterly basis to the Trustees that the votes cast by them have not been influenced by any factor other than the best interest of the unit holders. Further, Trustees in their Half Yearly Trustee Report to SEBI, shall confirm the same.

6.16.15 All Mutual Funds shall mandatorily follow the Stewardship Code as placed at **Annexure 10**, in relation to their investment in listed equities. [261]

[261] SEBI Circular No. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/55 dated March 30, 2020.

CHAPTER 7: SECONDARY MARKET ISSUES

7.1 Non Applicability of Listing Deposit[262]

7.1.1 The requirement of collecting listing deposit as specified under Circular No. SE/2936 dated April 6, 1992 shall not be applicable to Mutual Funds in respect of the schemes floated by them for public subscription which are sought to be listed on the stock exchanges.

7.2 Listing of Mutual Fund Schemes under process of winding up[263]*:*

7.2.1 As per MF Regulations, there are several steps envisaged with respect to winding up of Mutual Fund schemes before the scheme ceases to exist. During this process, such units can be listed and traded on a recognized stock exchange, which may provide an exit to investors;

7.2.2 The units of Mutual Fund schemes which are in the process of winding-up in terms of Regulation 39(2)(a) of MF Regulations, shall be listed on recognized stock exchange, subject to compliance with listing formalities as stipulated by the stock exchange;

7.2.3 Trading on stock exchange mechanism will not be mandatory for investors, rather, if they so desire, may avail an optional channel to exit provided to them.

7.2.4 Initially, trading in units of such a listed scheme that is under the process of winding up, shall be in dematerialised form;

7.2.5 AMCs shall enable transfer of such units which are held in form of Statement of Account (SoA) / unit certificates.

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[262] SEBI Circular No. SMD-II(N)/2113/94 dated April 12, 1994. Further, in this regard, circulars issued by SEBI from time to time may be considered.

[263] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/086 dated May 20, 2020

7.2.6 The AMC, its sponsor, employees of AMC and Trustee shall not be permitted to transact (buy or sell) in the units of such schemes that are under the process of being wound up. The compliance of the same shall be monitored both by the Board of AMC and Trustee.

7.2.7 Detailed operational modalities for trading and settlement of units of MF schemes that are under the process of winding up, shall be finalized by the stock exchanges where units of such schemes are being listed, in consultation with SEBI. The operational modalities shall include the following:

a) Mechanism for order placement, execution, payment and settlement;
b) Enabling bulk orders to be placed for trading in units;
c) Issue related to suspension of trading, declaration of date for determining the eligibility of unitholders etc. in respect of payments to be made by the AMC as part of the winding up process;
d) Disclosures to be made by AMCs including disclosure of NAV on daily basis and scheme portfolio periodically etc.

7.2.8 The stock exchange shall develop a mechanism along with RTA for trading and settlement of such units held in the form of SoA/ Unit Certificate.

7.3 Payment of Margins[264]

7.3.1 The applicable margins shall be paid as per the guidelines issued by SEBI and as directed by stock exchanges from time to time.

[264] SEBI Circular No. MFD/CIR/9/230/2001 dated August 14, 2001

7.4 Unique Client Codes[265]

7.4.1 Mutual Funds are not permitted to operate in the securities market without furnishing a valid Unique Client Code (UCC).[266] Mutual Funds are required to obtain UCC from the Bombay Stock Exchange Ltd. (BSE) or The National Stock Exchange Ltd. (NSE) whenever a new scheme(s) or plan(s) (wherever the portfolio of the plans is different) is launched[267]. Such UCC should be obtained before commencing the trading on behalf of the scheme(s)/plan(s). At the time of entering an order, the UCC pertaining to the parent Mutual Fund shall be provided and the allocation to individual schemes shall be done in the post closing session.[268] The UCC can be shared with the unit holders to facilitate tax benefits linked to payment of Securities Transaction Tax (STT).

7.5 Trading in Exchange Traded Derivatives Contracts[269]

7.5.1 For trading in Exchange Traded Derivatives Contracts, following should be observed:

7.5.1.1 Mutual Fund schemes can participate in derivatives market as per the guidelines issued by SEBI in this regard from time to time.

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[265] SEBI Circular No. MFD/CIR No.8/290/01 dated July 30, 2001, SEBI Circular No. SEBI/SMD/SE/11/2003/31/03 dated March 31, 2003, SEBI Circular No. SEBI/IMD/CIR No.01/1756/04 dated January 27, 2004, SEBI Circular No. MRD/DoP/SE/Cir-35/2004 dated October 26, 2004, SEBI Circular No. SEBI/IMD/CIR No.2/46603/05 dated August 10, 2005. Further, in this regard, circulars issued by SEBI from time to time may be considered

[266] SEBI Circular No. SMDRP/Policy/Cir-39/2001 dated July 18, 2001.

[267] SEBI Circular No. SEBI/IMD/CIR No.01/1756/04 dated January 27, 2004.

[268] SEBI Circular No. MRD/DoP/SE/Cir-35/2004 dated October 26, 2004.

[269] SEBI Circular No. DNPD/Cir-29/2005 dated September 14, 2005; SEBI Circular No. DNPD/Cir-30/2006 dated January 20, 2006, SEBI Circular No. SEBI/DNPD/Cir-31/2006 dated September 22, 2006.

7.5.1.2 The Mutual Funds shall be treated at par with a registered FII in respect of position limits in index futures, index options, stock options and stock futures contracts. The Mutual Funds will be considered as trading members like registered FIIs and the schemes of Mutual Funds will be treated as clients like sub-accounts of FIIs[270].

7.5.1.3 Appropriate disclosures shall be made in the offer document regarding the extent and manner of participation of the schemes of the Mutual Funds in derivatives and the risk factors, which should be explained by suitable numerical examples.

7.5.1.4 The combined futures and options position limit of Mutual Funds for stock derivatives contracts shall be 20% of the applicable Market Wide Position Limit (MWPL). [271]

7.5.1.5 Existing schemes of Mutual Funds, whose SIDs do not envisage investments in derivatives, may participate in derivatives market subject to the following conditions[272]:

a) The extent and the manner of the proposed participation in derivatives shall be disclosed to the unit holders.
b) The risks associated with such participation shall be disclosed and explained by suitable numerical examples.
c) Prior to commencing participation in derivatives, the scheme shall comply with the provisions of Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996 and all unit holders shall

[270] SEBI Circular No. DNPD/Cir-29/2005 dated September 14, 2005.
[271] SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2016/143 dated December 27, 2016.
[272] Please refer SEBI Circular No SEBI/HO/IMD/DF2/CIR/P/2017/13 dated February 20, 2017 'Participation in derivatives market by Mutual Funds.'

be given at least 30 days to exercise option to exit at prevailing NAV without charging of exit load.

7.5.1.6 Positions limits as specified by SEBI for Mutual Funds and its schemes from time to time shall be applicable[273].

7.6 Trading in Interest Rate Derivatives[274]

7.6.1 Mutual Fund schemes are permitted to undertake transactions in Forward Rate Agreements and Interest Rate Swaps with banks, PDs & FIs as per applicable RBI Guidelines[275], mutual funds can also trade in interest rate derivatives through the Stock Exchanges subject to requisite disclosures in the SID[276].

7.6.2 The following position limits[277] in IRF shall be applicable for Mutual Fund level and scheme level:

a. Mutual Funds shall have position limits as applicable to trading members presently.

b. Schemes of Mutual Funds shall have position limits as applicable to clients presently.

7.7 Transactions of mutual funds in Government Securities in dematerialised form[278]

7.7.1 According to Regulation[279], the Mutual Funds having an aggregate of securities worth Rs.10 crore or more are required to settle their

[273] Please refer SEBI Circular No DNPD/Cir – 29/2005 Dated September 14, 2005 for position limits and subsequent circulars issued in this regard from time to time.
[274] SEBI Circular No. SEBI/MFD/CIR No.03/158/03 dated June 10, 2003.
[275] RBI Circular dated November 1, 1999.
[276] SEBI Circular No. SEBI/MFD/CIR No.03/158/03 dated June 10, 2003.
[277] SEBI Circular No. CIR/MRD/DRMNP/26/2014 dated September 15, 2014
[278] SEBI Circular No. MFD/CIR/05/432/2002 dated June 20, 2002
[279] Regulation 44(1A) of SEBI (Mutual Funds) Regulations, 1996

transactions only through dematerialised securities. All Mutual Funds should enter into transactions relating to government securities only in dematerialised form.

CHAPTER 8: NET ASSET VALUE[280]

8.1 Disclosure of Net Asset Value[281]

8.1.1 Mutual Funds/ AMCs shall prominently disclose the NAVs of all schemes under a separate head on their respective website and on the website of Association of Mutual Funds in India (AMFI). Further, Mutual Funds/ AMCs shall extend facility of sending latest available NAVs to unit holders through SMS, upon receiving a specific request in this regard.

8.1.2 NAV of all Mutual Fund schemes except for Fund of Fund Schemes shall be updated on AMFI's website and the Mutual Funds' websites by 11:00 p.m. of the same day[282].

8.1.3 Fund of Fund Schemes shall have an extended time up to 10 a.m. the following business day in this regard[283].

8.1.4 Delay beyond 10 a.m. of the following business day in case of Fund of Fund schemes and 11:00 p.m. on the same day for all other schemes shall be explained in writing to AMFI. Mutual Funds shall report in the quarterly Compliance Test Reports (CTRs)[284] the number of days when mutual funds were not able to adhere to the above mentioned time limit for uploading their NAVs on the AMFI website with reasons

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[280] Regulation 48 of SEBI (Mutual Funds) Regulations, 1996
[281] SEBI Circular No. IIMARP/MF/CIR/07/844/97 dated May 5, 1997, SEBI Circular No. MFD/CIR No.11/171/01 dated February 9, 2001, SEBI Circular No. MFD/CIR/13/087/2001 dated March 28, 2001; SEBI Circular No. SEBI/IMD/CIR No.5/63714/06 dated March 29, 2006, SEBI Circular No. SEBI/IMD/CIR No.5/96576/2007 dated June 25, 2007, SEBI Cir No. SEBI/IMD/Cir No.12/147132/08 dated December 11,2008 and SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 05, 2018
[282] SEBI Circular No. SEBI/IMD/CIR No.5/63714/06 dated March 29, 2006 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.
[283] SEBI Circular No. SEBI/IMD/CIR No.5/96576/2007 dated June 25, 2007.
[284] For format of CTR, please refer to format no. 2.B. under the section on formats

thereof and the corrective action taken by the AMC to reduce the number of such occurrences[285].

8.1.5 [286] Mutual Funds/ AMCs shall explain the methodology of calculating the sale and repurchase price of unit with the help of a simple numerical example at all relevant places such as on their respective website, AMFI website and Scheme Information Documents, etc.

8.1.6 In case the NAVs are not available before the commencement of business hours on the following day due to any reason, Mutual Funds shall issue a press release giving reasons for the delay and explain when they would be able to publish the NAVs[287].

8.2 Review of time limit for disclosure of NAV of Mutual Fund schemes investing overseas[288]

8.2.1 To address the difficulties being faced in calculation of NAV for schemes investing overseas due to differences in time zones and market hours, partial modification with regard to timelines for declaration of NAV is prescribed depending on investment objective and asset allocation of schemes, which is tabulated below:

(Timelines in Business days)

SR	Scheme type	Existing timeline	New timeline
1	All schemes other than those mentioned below	11 PM on T day	
2	For schemes having exposure to ETCDs	9 AM on T+1 day	
3	Fund of Funds (FoFs) schemes	10 AM on T+1 day	

[285] SEBI Circular No. SEBI/IMD/CIR No.5/63714/06 dated March 29, 2006.
[286] SEBI/HO/IMD/DF2/CIR/P/2018/92 dated June 05, 2018
[287] SEBI Circular No. SEBI/IMD/CIR No.5/63714/06 dated March 29, 2006.
[288] SEBI Circular No. SEBI/HO/IMD/IMD-I POD2/P/CIR/2023/48 dated March 29, 2023

4	Schemes investing atleast 80% of total assets in permissible overseas investments	11 PM on T day	10 AM on T+1 day
5	Index funds and ETFs investing atleast 80% of total assets in permissible overseas investments		
6	Schemes unable to disclose NAV as per timeline mentioned above due to inability in capturing same day valuation of underlying investments	11 PM on T day Or 10 AM on T+1 day	Such time as per disclosure made in SID along with reasons for such delayed disclosure

8.2.2 While complying with the new timelines for declaration of NAV, AMCs as a principle shall ensure that NAV of schemes is disclosed based on the value of underlying securities/ Funds as on the T day (i.e. date of investment in MF units in India).

8.2.3 Provisions regarding revised timelines for disclosure of NAV as mentioned at Paragraph 8.2.1 & Paragraph 8.2.2 above shall come into force with effect from July 01, 2023. Pursuant to applicability of revised timelines for disclosure of NAV (i.e. from July 01, 2023), relevant provisions regarding disclosure of NAV as mentioned in this Master Circular shall stand modified to that extent.

8.3 Rounding of NAVs[289]

8.3.1 To ensure uniformity, AMCs shall round off NAV up to four decimal places for index funds and all types of debt oriented schemes.

[289] SEBI Circular No. MFD/CIR/08/514/2002 dated July 22, 2002, SEBI Circular No. MFD/CIR/11/16159/2002 dated August 22, 2002

8.3.2 For all equity oriented and balanced fund schemes, AMCs shall round off NAVs up to two decimal places. However, Mutual Funds can round off the NAVs up to more than two decimal places in case of equity oriented and balanced fund schemes also, if they so desire[290]. Relevant disclosure in this regard shall be made in the SID/SAI[291].

8.4 Uniform Cut off Timings for applicability of Net Asset Value of Mutual Fund scheme(s) and/ or plan(s)[292]

8.4.1 AMCs should follow the Guidelines enumerated below with respect to uniform Cut -off Timings:

8.4.2 Definitions:

8.4.2.1 In these Guidelines, unless the context otherwise requires:

a. 'Cut-off Timing', in relation to an investor making an application to a Mutual Fund for purchase or sale of units, shall mean, the outer limit of timing within a particular day which is relevant for determination of the NAV applicable for his transaction;

b. 'International scheme' means a Mutual Fund scheme having substantial investments in foreign securities valued as per time zones other than Indian Standard Time zone;

c. 'Liquid fund & Overnight fund schemes and plans' shall mean the schemes and plans of a Mutual Fund as specified in the guidelines issued by SEBI in this regard[293].

8.4.3 Applicability

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[290] SEBI Circular No. MFD/CIR/11/16159/2002 dated August 22, 2002.
[291] SEBI Circular No. MFD/CIR/08/514/2002 dated July 22, 2002.
[292] SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2006.
[293] SEBI Circular No.SEBI/IMD/CIR No.13/150975/09 dated January 19, 2009 & SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017

8.4.3.1 The Guidelines on Cut off Timings for applicability of Net Asset Value of Mutual Fund scheme(s) and/ or plan(s) shall be applicable to all schemes and plans of Mutual Funds except:

a. International schemes and

b. Transactions in Mutual Fund units undertaken on a recognized Stock Exchange.

8.4.4 Fixation of uniform Cut-off Timings

8.4.4.1 AMCs shall reckon the Cut-off Timings for their schemes and plans in compliance with these Guidelines and the same shall be uniformly implemented for all investors.

8.4.4.2 AMCs shall ensure that each payment instrument for subscription or purchase of units is deposited in a bank expeditiously by utilization of the appropriate banking facility, so as to comply with the requirement in Paragraph 8.4.4.1 above.

8.4.4.3 AMCs shall compensate any loss occasioned to any investor or to the scheme and/or plan on account of non-compliance with Paragraph 8.4.4.2 above.

8.4.5 Cut-off Timings for liquid fund & overnight fund schemes and plans For determining the applicable NAV[294]:

8.4.5.1 The following cut-off timings shall be observed by an AMC in respect of purchase of units in liquid fund & overnight fund schemes and their plans, and the following NAVs shall be applied for such purchase:

[294] SEBI Circular No SEBI/IMD/DF/19/2010 dated November 26, 2010, SEBI Circular No SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019

a. where the application is received up to 1.30 p.m. on a day and funds are available for utilization before the cut-off time without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the day of receipt of application;

b. where the application is received after 1.30 p.m. on a day and funds are available for utilization on the same day without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the next business day; and

c. irrespective of the time of receipt of application, where the funds are not available for utilization before the cut-off time without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the day on which the funds are available for utilization.

8.4.5.2 For allotment of units in respect of purchase in liquid fund & overnight fund schemes, it shall be ensured that:

a. Application is received before the applicable cut-off time.

b. Funds for the entire amount of subscription/purchase as per the application are credited to the bank account of the respective liquid & overnight schemes before the cut-off time.

c. The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the respective liquid & overnight schemes.

8.4.5.3 For allotment of units in respect of switch-in to liquid fund & overnight fund schemes from other schemes, it shall be ensured that:

a. Application for switch-in is received before the applicable cut-off time.

b. Funds for the entire amount of subscription/purchase as per the switch-in request are credited to the bank account of the respective switch-in liquid schemes before the cut-off time.

c. The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the respective switch-in schemes.

8.4.5.4 The following Cut-off Timings shall be observed by AMCs with respect to repurchase of units in liquid fund & overnight fund schemes and plans and the following NAVs shall be applied for such repurchase:

a. Where the application is received up to 3.00 pm – the closing NAV of day immediately preceding the next business day; and

b. Where the application is received after 3.00 pm – the closing NAV of the next business day.

Explanation: "Business Day" does not include a day on which the Money Markets are closed or otherwise not accessible.

8.4.5.5 [295]AMCs shall calculate NAV for each calendar day for their liquid fund & overnight fund schemes and plans.

8.4.6 Cut-off Timings for schemes and plans other than liquid fund & overnight fund schemes and plans

[295] SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2006

8.4.6.1 An AMC shall reckon only prospective NAV, in accordance with this clause, in respect of all their schemes and plans i.e. for other than liquid fund & overnight fund schemes and plans

8.4.6.2 In respect of purchase of units of mutual fund schemes (except liquid and overnight schemes), closing NAV of the day on which the funds are available for utilization shall be applicable irrespective of the size and time of receipt of such application[296].

8.4.6.3 For allotment of units in respect of purchase in income/debt oriented mutual fund schemes/plans other than liquid & overnight schemes, it shall be ensured that[297]:

8.4.6.3.1 Application is received before the applicable cut-off time (i.e. 3.00 pm).

8.4.6.3.2 Funds for the entire amount of subscription/purchase as per the application are credited to the bank account of the respective schemes before the cut-off time (i.e. 3.00 pm).

8.4.6.3.3 The funds are available for utilization before the cut-off time (i.e. 3.00 pm) without availing any credit facility whether intra-day or otherwise, by the respective scheme.

8.4.6.4 For allotment of units in respect of switch-in to income/debt oriented mutual fund schemes/plans other than liquid fund and overnight fund schemes from other schemes, it shall be ensured that:

8.4.6.4.1 Application for switch-in is received before the applicable cut-off time.

[296] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/2020/175 dated September 17, 2020
[297] SEBI Circular No. SEBI/IMD/DF/19/2010 dated November 26, 2010

8.4.6.4.2 Funds for the entire amount of subscription/purchase as per the switch-in request are credited to the bank account of the respective switch-in income/debt oriented mutual fund schemes/plans before the cut-off time.

8.4.6.4.3 The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the respective switch-in income/debt oriented mutual fund schemes/plans.

8.4.6.5 The following Cut-off Timings shall be observed by AMCs in respect of repurchase of units in its other schemes and their plans, and the following NAVs shall be applied for such repurchase:

8.4.6.5.1 Where the application is received up to 3.00 pm – closing NAV of the day on which the application is received; and

8.4.6.5.2 An application received after 3.00 pm – closing NAV of the next business day.

8.4.7 Switch and Sweep Transactions

8.4.7.1 Paragraphs 8.4.5 and 8.4.6 of this Master Circular shall apply to 'switch in' transactions as if they were purchase transactions and to 'switch out' transactions as if they were repurchase transactions.

8.4.7.2 Paragraphs 8.4.5 and 8.4.6 of this Master Circular shall apply to 'sweep' transactions as if they were purchase transactions and to 'reverse sweep' transactions as if they were repurchase transactions.

8.4.7.3 In case of 'switch' transactions from one scheme to another, the allocation shall be in line with redemption payouts.

8.4.8 Time Stamping

8.4.8.1 Application from investors shall be received by Mutual Funds only at official points of acceptance, addresses of which shall be disclosed in the SID and on Mutual Funds' websites.

8.4.8.2 Cut off timings as prescribed under Paragraphs 8.4.5 and 8.4.6 of this Master Circular shall apply with reference to the point of time at which the applications are received at such official points of acceptance.

8.4.8.3 Time stamping machines at all official points of acceptance shall be in compliance with the requirements mentioned in Paragraph 8.5 of this Master Circular.

8.4.9 Compliance Reporting

8.4.9.1 Status of compliance with these Guidelines shall be reported to the Board in the CTR(s)[298] of the AMC(s) and the Half Yearly Trustee Reports[299].

8.4.9.2 The Half Yearly Trustee Reports shall contain a declaration on whether the Trustees are satisfied with the systems and procedures of the Mutual Fund designed for the purpose of compliance with these Guidelines.

8.4.9.3 Further, the substance of these Guidelines shall be disclosed to investors in the SID or in any addendum thereto.

8.4.9.4 **Encumbrance of the scheme property[300]**

[298] For CTR format, please refer format no. 2.B. under the section on formats
[299] For Trustee report, please refer format no. 2.C under the section on formats
[300] SEBI Circular No. SEBI/IMD/DF/19/2010 dated November 26, 2010

Regulations[301] provides that the AMC shall not acquire any of the assets out of the scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the scheme property in any way. AMC's are advised to strictly adhere to the said provision.

8.5 Requirements with respect to time stamping machines [pursuant to Paragraph 8(4)][302]

8.5.1 For every machine, running serial number shall be stamped from the first number to the last number as per its capacity before repetition of the cycle.

8.5.2 Every application for purchase shall be stamped on the face and the corresponding payment instrument shall be stamped on the back indicating the date and time of receipt and running serial number. The application and the payment instrument shall contain the same serial number.

8.5.3 Every application for redemption shall be stamped on the face thereof and on the investor's acknowledgment copy (or twice on the application if no acknowledgment is issued) indicating the date and time of receipt and running serial number.

8.5.4 Different applications shall not be bunched together with the same serial number.

8.5.5 Blank papers shall not be time stamped. Genuine errors, if any, shall be recorded with reasons and the corresponding applications requests shall also be preserved.

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[301] Fourth Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996

[302] SEBI Circular No. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006

8.5.6 The time stamping machine shall have a tamper proof seal and the ability to open the seal for maintenance or repairs must be limited to vendors or nominated persons of the AMCs, to be entered in a proper record.

8.5.7 Breakage of seal and/or breakdown of the time stamping process shall be duly recorded and reported to the Trustees.

8.5.8 Every effort should be made to ensure uninterrupted functioning of the time stamping machine. In case of breakdown, the AMCs shall take prompt action to rectify the situation. During the breakdown period, AMCs shall adopt an alternative time stamping method that has already been approved by the Board of the AMC and the Trustee(s). An audit trail shall be available to check and ensure the accuracy of the time stamping process during the said period.

8.5.9 Any alternate mode of application that does not have any physical or electronic trail shall be converted into a physical piece of information and time stamped in accordance with these Guidelines.

8.5.10 AMCs shall maintain and preserve all applications/ requests, duly time stamped as aforesaid, at least for a period of eight years[303] to be able to produce them as and when required by the Board or auditors appointed by the Board.

8.6 Uniformity in calculation of sale and repurchase price[304]

8.6.1 The following method is being prescribed

[303] Regulation 50(2) of SEBI (Mutual Funds) Regulations, 1996
[304] SEBI Circular No. MFD/CIR/08/514/2002 dated July 22, 2002 & SEBI Circular No. SEBI/IMD/CIR No. 4/ 168230/09 dated June 30, 2009

8.6.1.1 To streamline the calculation of sale and repurchase price of mutual fund units[305],

8.6.1.2 To avoid variation in the amounts payable to investors and/or number of units allotted to them, and

8.6.1.3 To make the calculations more comprehensible to the investors.

8.6.2 [306]Exit loads shall be charged as a percentage of the NAV i.e. applicable load as a percentage of NAV will be subtracted from the NAV to calculate the repurchase price. [307]The provisions of Regulation 49(3) of MF Regulations applies on all open ended mutual fund schemes wherever exit load is applicable.

8.6.3 The formula for the same is as follows:

8.6.3.1 Sale Price = Applicable NAV

8.6.3.2 Repurchase Price = Applicable NAV *(1 – Exit Load, if any)

8.7 Intra-day NAV for transacting in units of Exchange Traded Funds directly with AMCs [308]

8.7.1 For transactions in units of Exchange Traded Funds (ETFs) by Authorized Participants / large investors directly with the AMCs intra-day NAV, based on the executed price at which the securities representing the underlying index or underlying commodity(ies) are purchased / sold, shall be applicable.

[305] Regulation 49(3) of the SEBI (Mutual Funds) Regulations, 1996.
[306] Refer SEBI email dated July 07, 2010
[307] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021.
[308] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/0606 dated July 30, 2021

8.7.2 Appropriate disclosure in this regard shall be provided in the Scheme Information Document, Key Information Memorandum and Common application form.

CHAPTER 9: VALUATION[309]

9.1 Definitions[310]

9.1.1 Non Traded Securities[311]

9.1.1.1 When a security (other than Government Securities, money market and debt securities) is not traded on any Stock Exchange for a period of thirty days prior to the valuation date, the scrip shall be treated as a non-traded security.

9.1.1.2 A money market or debt security shall be considered as non-traded when, on the date of valuation, there are no trades (in marketable lots) in such security on any recognized Stock Exchange or no trades (in marketable lots) have been reported on trade reporting platform of recognized stock exchanges or the Clearing Corporation of India Ltd. (CCIL).

9.1.2 Thinly Traded Securities

9.1.2.1 Thinly traded equity/ equity related securities:[312]

a. When trading in an equity and/or equity related security (such as convertible debentures, equity warrants etc.) in a month is both less than Rs.5 lacs and the total volume is less than

[309] Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2020/12151/1 dated July 31, 2020 read with Email dated August 12, 2020

[310] SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000, SEBI Circular No. MFD/CIR/14/088/2001 dated March 28, 2001, SEBI Circular No. MFD/CIR/14/442/2002 dated February 20, 2002 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.

[311] SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 & SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.

[312] SEBI Circular No. MFD/CIR/14/088/2001 dated March 28, 2001.

50,000 shares, the security shall be considered as thinly traded security and valued accordingly.

b. In order to determine whether a security is thinly traded or not, the volumes traded in all recognized Stock Exchanges in India may be taken into account.

c. For example, if the volume of trade is 1,00,000 and value is Rs.4,00,000, the shares do not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rs.6,00,000, the shares do not qualify as thinly traded.

d. Where a Stock Exchange identifies the thinly traded securities by applying the above parameters for the preceding calendar month and publishes or provides the required information along with the daily quotations, the same can be used by the Mutual Funds.

e. If the shares are not listed on the Stock Exchanges which provide such information, then AMCs shall make their own analysis in line with the above criteria to check whether such securities are thinly traded or not and then value them accordingly.

9.1.3 Traded money market / debt security[313]:

9.1.3.1 A money market or debt security shall be considered as traded when, on the date of valuation, there are trades (in marketable lots) in that security on any recognized Stock Exchange or there are trades reported (in marketable lots) on the trade reporting platform

[313] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

of recognized stock exchanges or The Clearing Corporation of India Ltd. (CCIL). In this regard, the marketable lots shall be defined by AMFI, in consultation with SEBI.

9.1.4 Below investment grade and default[314]:

9.1.4.1 A money market or debt security shall be classified as "below investment grade" if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3.

9.1.4.2 A money market or debt security shall be classified as "Default" if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to "Default" grade by a CRA. In this respect, AMCs shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security.

9.2 Valuation of Securities

9.2.1 Traded Securities (other than money market and debt securities):[315]

9.2.1.1 When a security (other than Government security, money market and debt securities) is not traded on any Stock Exchange on a particular valuation day, the value at which it was traded on the selected Stock Exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to valuation date.

[314] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019
[315] SEBI Circular No. MFD/CIR/14/442/2002 dated February 20, 2002 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

9.2.2 Non-Traded /and/or Thinly Traded Equity Securities:[316]

9.2.2.1 AMCs shall value non traded and/or thinly traded securities "in good faith" based on the Valuation norms prescribed below:

9.2.2.2 Based on the latest available Balance Sheet, Net Worth shall be calculated as follows:

a. Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares.

b. Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 per cent. Of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts shall be considered for this purpose.

c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent for illiquidity so as to arrive at the fair value per share.

d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

[316] SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

e. In case where the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

f. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent. of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation[317].

g. In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC(s) or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.

9.2.3 Debt and Money Market Securities[318]

a. Valuation of money market and debt securities with residual maturity of upto 30[319] days:

1. Amortization based valuation is permitted for money market and debt securities including floating rate securities, with

[317] SEBI Circular No. MFD/CIR/14/088/2001 dated March 28, 2001
[318] Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/24760 dated September 20, 2019
[319] SEBI Circular No. SEBI/IMD/CIR No.16/ 193388/2010 dated February 02, 2010 Cir/IMD/DF/4/2010 dated June 21, 2010, SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012, SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

residual maturity of upto 30 days. Further, the amortized price shall be compared with the reference price which shall be the average of the security level price of such security as provided by the agency(ies) appointed by AMFI for said purpose (hereinafter referred to as "valuation agencies"). The amortized price shall be used for valuation only if it is within a threshold of ±0.025% of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ±0.025% of the reference price.

2. It is further clarified that in case of floating rate securities with floor and caps on coupon rate and residual maturity of upto 30 days then those shall be valued on amortization basis taking the coupon rate as floor.

3. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued on amortization basis on the date of allotment / purchase.

4. Further, with effect from April 01, 2020 onwards, amortization based valuation shall be dispensed with and irrespective of residual maturity, all money market and debt securities shall be valued in terms of paragraph b below.

b. <u>Valuation of money market and debt securities with residual maturity of over 30[320] days:</u>

[320] SEBI Circular No. SEBI/IMD/CIR No.16/ 193388/2010 dated February 02, 2010, Cir/IMD/DF/4/2010 dated June 21, 2010, SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012, SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

1. All money market and debt securities including floating rate securities, with residual maturity of over 30 days shall be valued at average of security level prices obtained from valuation agencies.

2. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield on the date of allotment / purchase.

c. Methodology: [321]

For arriving at security level pricing, a waterfall approach shall be followed for the valuation of money market and debt securities.

1. AMFI shall ensure that valuation agencies have a documented waterfall approach for valuation of money market and debt securities. The said waterfall approach shall be documented in consultation with SEBI.

2. The following broad principles should be adopted as part of the aforesaid waterfall approach, for arriving at the security level prices:

[321] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019

i. All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.

ii. Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last one hour) shall be done on the basis of VWAY of all trades during the day.

iii. An indicative list of exceptional events shall form part of the documented waterfall approach mentioned above. In case of any exceptional events on a day, only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

iv. All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (excluding Inter-scheme transfers), should be considered for valuation on that day. Towards this end, the timing for disclosure of Net Asset Value (NAV) on website of respective AMCs and AMFI, stands extended as per paragraph 8.1.2 (paragraph 8.2 from July 01, 2023) of this Master Circular.

v. Considering the importance of polling in the valuation process[322], guidelines shall be issued by AMFI on polling

[322] Refer SEBI letter No. SEBI/HO/IMD/IMD-I PoD-1/P/ON/2022 dated September 27, 2022

by valuation agencies and on the responsibilities of Mutual Funds in the polling process, as part of the aforesaid waterfall approach. These guidelines shall inter-alia include the following:

(a) Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded and made available during SEBI inspections.

(b) The minimum number of polls to be considered for valuation along-with the operational modalities of polling, shall be specified.

(c) AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials responsible for polling.

(d) AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence

the valuation of securities. The officials of the AMC who are responsible for polling in terms of paragraph (c) above, shall also be personally liable for any mis-use of the polling process.

(e) AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

3. The aforesaid waterfall approach shall form part of the valuation policy of individual AMCs which is uploaded on their respective websites. AMFI shall ensure that the said waterfall approach is also available on the website of the valuation agencies.

d. <u>Deviation from valuation guidelines</u>:[323]

1. As per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, AMCs are responsible for true and fairness of valuation and correct NAV. Considering the same, in case an AMC decides to deviate from the valuation price given by the valuation agencies, the detailed rationale for each instance of deviation shall be recorded by the AMC.

2. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.

[323] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

3. The rationale for deviation along-with details as mentioned under paragraph 9.2.3.d.2 above shall be disclosed immediately and prominently, under a separate head on the website of AMC.

4. Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements, AMCs shall also provide the exact link to their website for accessing the information mentioned at paragraph 9.2.3.d.3 above.

e. Valuation of money market and debt securities which are rated below investment grade[324]:

1. In order to have uniformity and consistency across the Mutual Fund industry on valuation of money market and debt securities rated below investment grade, the following has been decided:

i. All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies.

ii. Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment

[324] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

grade and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts.

iii. Consideration of traded price for valuation:

(a) In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMCs shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies.

(b) In case of trades after the valuation price is computed by the valuation agencies as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

(c) The trades referred above shall be of a minimum size as determined by valuation agencies.

iv. AMCs may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies subject to the following:

(a) The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.

(b) The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.

(c) The rationale for deviation along-with details as mentioned at Paragraph (b) above shall also be disclosed to investors. In this regard, all AMCs shall immediately disclose instances of deviations under a separate head on their website. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.

v. Treatment of accrued interest, future interest accrual and future recovery[325]:

(a) The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below:

[325] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019. Further, the Guidelines for Identification and Provisioning for Non-Performing Assets (Debt Securities) have been deleted vide SEBI Circular No. SEBI/HO/IMD/DF4/ CIR/P/2019/102 dated September 24, 2019.

1. The indicative haircut that has been applied to the principal should be applied to any accrued interest.

2. In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made.

(b) The following shall be the treatment of how any future recovery should be accounted for in terms of principal or interest:

1. Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV.

2. Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

9.3 Valuation of securities with Put/Call Options:[326]

9.3.1 The option embedded securities would be valued as follows:

9.3.1.1 Securities with call option

a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and

[326] SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

9.3.1.2 Securities with Put option

a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

9.3.1.3 Securities with both Put and Call option on the same day

a. Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis:

1. Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price.

2. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price.

3. In case no Put Trigger Date or Call Trigger Date ('Trigger Date") is available, then valuation would be done to maturity price. In

case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date.

9.3.2 If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.

9.3.3 [327]In respect of valuation of securities with multiple put options present ab-initio wherein put option is factored into valuation of the security by the valuation agency, If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme;

1. A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.

2. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.

9.3.4 The put option shall be considered as 'in favour of the scheme' if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.

[327] SEBI Circular No. SEBI/HO/IMD/DF4/P/CIR/2021/593 dated July 9, 2021 effective from October 1, 2021

9.4 Valuation of Perpetual Bonds: [328]

9.4.1 Valuation of bonds with call and/or put options shall be in line with Paragraph 9.3. above irrespective of the nature of issuer.

9.4.2 The maturity of all perpetual bonds shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.

9.4.3 The deemed residual maturity for the purpose of valuation of existing as well as new bonds issued under Basel III framework shall be as below:

Time Period	**Deemed Residual Maturity of Basel III AT-1 bonds (Years)**	**Deemed Residual Maturity of Basel III Tier 2 Bonds (Years)**
Till March 31, 2022	10	10 years or Contractual Maturity whichever is earlier
April 01, 2022 – September 30, 2022	20	Contractual Maturity
October 01, 2022 – March 31, 2023	30	Contractual Maturity
April 01, 2023 onwards	100*	Contractual Maturity

*100 years from the date of issuance of the bond.

[328] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/034 dated March 22, 2021, Refer SEBI letter No. IMD/DoF4/OW/P/6697/1 dated March 22, 2021

9.4.4 Macaulay Duration for bonds issued under Basel III framework shall be calculated based on the deemed residual maturity as mentioned in the above table.

9.4.5 If the issuer does not exercise call option for any ISIN then the valuation and calculation of Macaulay Duration shall 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. In addition to the above, if the non-exercise of call option is due to the financial stress of the issuer or if there is any adverse news, the same shall be reflected in the valuation.

9.4.6 AMFI to issue detailed guidelines with respect to valuation of bonds issued under Basel III framework.

9.5 Valuation of Government Securities[329]

9.5.1 Irrespective of the residual maturity, Government Securities (including T-bills) shall be valued on the basis of security level prices obtained from valuation agencies.

9.6 Valuation of other money market / debt securities, short-term deposits with banks (pending deployment) and OTC derivatives: [330]

9.6.1 The valuation of bills purchased under rediscounting scheme shall be as per the guidelines mentioned for valuation of money market instruments, at paragraphs 9.2.3.a and 9.2.3.b, as the case may be.

9.6.2 Investments in short-term deposits with banks (pending deployment) and repurchase (repo) transactions (including tri-party repo i.e.

[329] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated February 20, 2002, SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019
[330] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

TREPS) with tenor of upto 30 days, shall be valued on cost plus accrual basis.

9.6.3 In order to have uniformity in valuation methodology, prices for all OTC derivatives and market linked debentures shall be obtained from valuation agencies.

9.7 Illiquid Securities[331]

9.7.1 Aggregate value of "illiquid securities" under a scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15 per cent of the total assets of the scheme and any illiquid securities held above 15 per cent of the total assets shall be assigned zero value.

9.7.2 All AMCs shall disclose as on March 31 and September 30 the scheme wise total illiquid securities in value and percentage of the net assets while disclosing Half Yearly Portfolios to the unit holders. In the list of investments, an asterisk mark shall be given against all such investments which are recognised as illiquid securities.

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[331] SEBI Circular No. MFD/CIR/8/92/2000 dated September 18, 2000.
Provided that in case any scheme has illiquid securities in excess of 15% of total assets as on September 30, 2000 then such a scheme shall within a period of two years bring down the ratio of illiquid securities within the prescribed limit of 15 per cent. in the following time frame:
All the illiquid securities above 20 per cent. of total assets of the scheme shall be assigned zero value on September 30, 2001.
All the illiquid securities above 15 per cent. of total assets of the scheme shall be assigned zero value on September 30, 2002.
In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15 per cent. and 20 per cent. applicable to open ended funds should be increased to 20 per cent. and 25 per cent respectively.
Where a scheme has illiquid securities as at September 30, 2001 not exceeding 15% in the case of an open-ended fund and 20% in the case of closed fund, the concessions of giving time period for reducing the illiquid security to the prescribed limits would not be applicable and at all time the excess over 15% or 20% shall be assigned nil value

9.7.3 AMC of Mutual Fund shall not be allowed to transfer illiquid securities among their schemes.

9.8 Investment in Unlisted Equity Shares[332]

9.8.1 To ensure uniformity in calculation of NAV the following guidelines are issued:

9.8.1.1 Methodology for Valuation - unlisted equity shares of a company shall be valued "in good faith" as below:

a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:

1. Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares.

2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [Share Capital + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options.

[332] SEBI Circular No. MFD/CIR/03/526/2002 dated May 9, 2002

3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below.

b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent. i.e. only 25 per cent of the industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose.

c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15 per cent for illiquidity so as to arrive at the fair value per share.

9.8.1.2 The above valuation methodology shall be subject to the following conditions:

a. All calculations shall be based on audited accounts.

b. If the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

c. If the Net Worth of the company is negative, the share would be marked down to zero.

d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

e. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 per cent of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation.

9.8.2 At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.

9.8.3 Due Diligence

9.8.3.1 Mutual Funds shall not make Investment in unlisted equity shares at a price higher than the price obtained by using the aforesaid methodology. However, this restriction is not applicable for investment made in the Initial Public Offers (IPOs) of the companies or firm allotment in public issues where all the regulatory requirements and formalities pertaining to public issues have been complied with by the companies and where the Mutual Funds are required to pay just before the date of public issue.

9.8.3.2 The Board of the AMC and Board of Trustees shall lay down the parameters for investing in unlisted equity shares. They shall pay specific attention as to whether due diligence was exercised while making such investments and shall review the performance of such investments in their periodical meetings[333].

9.8.4 Reporting of Compliance

[333] SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000.

9.8.4.1 Comments on compliance of these Guidelines shall be indicated by the AMCs and Trustees in their CTRs[334] and Half Yearly Reports[335] filed with the Board.

9.9 Valuation of securities not covered under the current valuation policy[336]:

9.9.1 In case of securities purchased by AMCs do not fall within the current framework of the valuation of securities then such AMCs shall report immediately to AMFI regarding the same. Further, at the time of investment AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

9.9.2 AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from mutual fund.

9.9.3 In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the AMCs shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

9.10 Use of own trade for valuation[337]

9.10.1 Various instances have come to notice wherein Mutual Funds have used their own trades of relatively small quantity in order to value the entire holding of such security. In order to address possible mis-use as mentioned above, Mutual Funds shall not use their own trades for

[334] For CTR format please refer to format no. 2.B under the section on formats
[335] For Half Yearly Reports, please refer to format no. 2.C under the section on formats
[336] SEBI/IMD/CIR No.16/193388/2010 dated February 02, 2010 and Cir/IMD/DF/4/2010 dated June 21, 2010
[337] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

valuation of debt and money market securities and for Inter-scheme transfers.

9.11 Inter-scheme transfers (IST) [338]:

With respect to Inter-scheme transfers, it has been decided that:

9.11.1 AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies.

9.11.2 AMFI, in consultation with valuation agencies shall decide a turn-around-time (TAT), within which IST prices shall be provided by the agencies.

9.11.3 If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing.

9.11.4 If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing.

9.11.5 If prices are not received from any of the valuation agencies within the agreed TAT, AMCs may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

9.12 Changes in Terms of Investment [339]

While making any change to terms of an investment, AMCs shall adhere to the following conditions:

[338] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019
[339] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

9.12.1 Any changes to the terms of investment, including extension in the maturity of a money market or debt security, shall be reported to valuation agencies and SEBI registered Credit Rating Agencies (CRAs) immediately, along-with reasons for such changes. [340]

9.12.2 Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation.

9.12.3 If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation.

9.12.4 Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.

9.13 Dissemination of information:

9.13.1 All AMCs shall provide transaction details, including inter scheme transfers, of money market and debt securities on daily basis to the agency entrusted for providing the benchmark yield/ matrix of spread over risk free benchmark yield. Submission of data[341] would help in daily matrix generation and would improve uniformity and accuracy of valuation in the mutual funds industry.

9.13.2 The AMCs shall also disclose all details of debt and money market securities transacted (including inter scheme transfers) in its schemes portfolio on its website and the same shall be forwarded to AMFI for

[340] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/126 dated November 06, 2019
[341] SEBI Circular No.MFD/CIR/23 /066 / 2003 dated March 7, 2003 & SEBI Circular No. SEBI/IMD/CIR No.16/ 193388/2010 dated February 02, 2010. For disclosure of transaction details, please refer to the section on Formats

consolidation and dissemination as per format[342]. These disclosures shall be made settlement date wise on daily basis with a time lag of 15 days. The above disclosure shall be in a comparable, downloadable (spreadsheet) and machine readable format[343].

9.13.3 All AMCs shall provide transaction details of various types of debt securities like NCDs, Mibor linked floaters and CPs on daily basis in the prescribed format enclosed at **Annexure 2** to the agency recommended by AMFI.[344].

9.14 Valuation and disclosure of upfront fees[345]:

9.14.1 Guidelines for valuation of any upfront fee (or any other consideration, by whatever name called) received in a Mutual Fund scheme, shall be issued by AMFI, in consultation with SEBI.

9.15 Guidelines for investments in partly paid debentures[346]

9.15.1 Guidelines for investment by Mutual Funds in partly paid debentures shall be issued by AMFI, in consultation with SEBI.

9.16 Guidelines to be issued by AMFI[347]:

9.16.1 The guidelines to be issued by AMFI, in consultation with SEBI under paragraphs 9.1.3.1, 9.2.3.c.1, 9.4.5, 9.14 and 9.15 above shall necessarily be followed by all Mutual Funds / AMCs. Any future

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[342] Please refer to format no. 8 under the section on formats
[343] SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 and SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2020/163 dated September 01, 2020
[344] SEBI Circular No. MFD/CIR.No 23 / 066 /2003 dated March 7,2003
[345] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019
[346] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF4/OW/P/2019/29520 dated November 07, 2019
[347] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

changes to these guidelines shall be made by AMFI in consultation with SEBI, prior to implementation.

9.17 Consistency

9.17.1 All AMC's shall ensure that similar securities held under its various schemes shall be valued consistently.

CHAPTER 10: LOADS, FEES, CHARGES AND EXPENSES

10.1 Limits on fees and expenses charged to schemes[348]

10.1.1 AMC of Mutual Fund may charge certain expenses to a scheme, as specified under Regulations.[349] Apart from the these expenses, any other expense as may be approved by SEBI under clause (xiii) of Sub Regulation 52(4) can also be charged to the Mutual Fund schemes. Other expenses directly attributable to a scheme may be charged with the approval of trustees within the overall limits as provided in the Regulation 52(6).[350]

10.1.2 Trustees and Asset Management Companies are advised to take proper care and exercise due diligence to ensure that all expenses charged to the scheme are clearly identified and disclosed in the offer document and they are strictly in conformity with the Regulation.[351]

10.1.3 Additional TER[352] can be charged up to 30 basis points on daily net assets of the scheme as per Regulation 52[353], if the new inflows from retail investors[354] from beyond top 30 cities[355] are at least (a) 30% of gross new inflows in the scheme or (b) 15% of the average assets under management (year to date) of the scheme, whichever is higher.

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[348] SEBI Circular No. IIMARP/MF/CIR/01/428/97 dated February 28, 1997, SEBI Circular No. IIMARP/MF/CIR/07/826/98 dated April 15, 1998, SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, Refer SEBI letter No. SEBI/IMD/DF2/OW/P/2020/11099/1 dated June 29, 2020
[349] Regulation 52(4) of the Mutual Funds Regulations,1996
[350] SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000.
[351] SEBI Circular No. IIMARP/MF/CIR/01/428/97 dated February 28, 1997
[352] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, Refer SEBI letter No. SEBI/HO/IMD/IMD-SEC-3/P/OW/2023/5823/1 dated February 24, 2023
[353] Regulation 52(6A)(b) of the Mutual Funds Regulations,1996
[354] SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2018/137 dated October 22, 2018, SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019
[355] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/16 dated February 02, 2018.

Inflows of amount upto Rs.2,00,000/-[356] per transaction, by individual investors shall be considered as inflows from "retail investor".

In case inflows from beyond top 30 cities from retail investors is less than the higher of (a) or (b) above, additional TER on daily net assets of the scheme shall be charged as follows:

$$\frac{\text{Daily net assets} \times 30 \text{ basis points} \times \text{New inflows from retails investors from beyond top 30 cities}}{365^{*} \times \text{Higher of (a) or (b) above}}$$

* 366, wherever applicable.

The top 30 cities shall mean top 30 cities based on Association of Mutual Funds in India (AMFI) data on 'AUM by Geography – Consolidated Data for Mutual Fund Industry' as at the end of the previous financial year.

10.1.4 The additional TER on account of inflows from beyond top 30 cities so charged shall be clawed back in case the same is redeemed within a period of 1 year from the date of investment.

Accordingly, format no. 3.D. on 'Disclosure of Monthly Average Assets Under Management' under the section on formats has been suitably revised.

10.1.5 The additional commission for B 30 cities shall be paid as trail only. [357]

10.1.6 Trustees and AMCs shall ensure compliance of the provisions mentioned above at Paragraphs 10.1.3 and 10.1.5 of this Master

[356] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019
[357] SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2018/137 dated October 22, 2018

Circular and trustees shall confirm the same to SEBI in the half yearly trustee report.

10.1.7 [358]Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996, allows an AMC to charge additional expenses, incurred towards different heads mentioned under Regulation 52 (2) and Regulation 52 (4), not exceeding 0.05[359] per cent of daily net assets of the scheme.

In this respect, Mutual Fund schemes including close ended schemes, wherein exit load is not levied / not applicable, the AMCs shall not be eligible to charge the above mentioned additional expenses for such schemes.

Further, existing Mutual Fund schemes including close ended schemes (schemes as on February 02, 2018), wherein exit load is not levied / not applicable, shall discontinue, with effect from February 02, 2018, the levy of above mentioned additional expenses, if any.

10.1.8 **Total Expense Ratio – Change and Disclosure[360]**

(a) 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.[361]

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[358] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/15 dated February 02, 2018

[359] Regulation 52(6A)(c) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/91 dated June 05, 2018, Refer SEBI Letter No. SEBI/HO/IMD/DF2/OW/P/2019/4263/1 dated February 21, 2019 and email dated February 23, 2023

[360] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/18 dated February 5, 2018, SEBI/HO/IMD/DF2/CIR/P/2018/91 dated June 05, 2018 and SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2018/13813/1 dated May 09, 2018, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2018/22825/1 dated August 13, 2018

[361] Please refer to format no. 7.E under the section on Formats.

(b) Any change in the base TER (i.e. TER excluding additional expenses provided in Regulation 52(6A)(b), 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996 and Goods and Services Tax on investment and advisory fees) in comparison to previous base TER charged to any scheme/plan shall be communicated to investors of the scheme/plan through notice via email or SMS at least three working days prior to effecting such change. (For example, if changed TER is to be effective from January 8, 2018, then notice shall be given latest by January 2, 2018, considering at least three working days prior to effective date). Further, the notice of change in base TER shall be updated in the aforesaid section of website at least three working days prior to effecting such change.

[362]Provided that any increase or decrease in TER in a mutual fund scheme due to change in AUM and any decrease in TER in a mutual fund scheme due to various other regulatory requirements would not require issuance of any prior notice to the investors.

10.1.9 [363] The above change in the base TER in comparison to previous base TER charged to the scheme shall be intimated to the Board of Directors of AMC along with the rationale recorded in writing.

10.1.10 The changes in TER shall also be placed before the Trustees on quarterly basis along with rationale for such changes.

10.1.11 Mutual funds/AMCs shall make complete disclosures in the half yearly report of Trustees to SEBI regarding the efforts undertaken by them to increase geographical penetration of mutual funds and the

[362] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019
[363] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/18 dated February 05, 2018

details of opening of new branches, especially at locations beyond top 30 cities.

10.1.12 **Transparency in TER[364]**

In order to bring transparency in expenses, reduce portfolio churning and mis-selling in mutual fund (MF) schemes, the following shall be adhered to:

(a) In terms of Regulation 52(1) of SEBI (Mutual Funds) Regulations, 1996, 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 the Asset Management Companies (AMC), its associate, sponsor, trustee or any other entity through any route.

Provided[365] that the expenses that are very small in value but high in volume may be paid out of AMC's books. Such expenses can be paid out of AMC's books at actuals or not exceeding 2 bps of respective scheme AUM, whichever is lower. A list of such miscellaneous expenses may be provided by AMFI in consultation with SEBI. Such expenses incurred by AMC should be properly recorded and audited in the books of account of AMC at year end.

(b) MFs/ AMCs shall adopt full trail model of commission in all schemes, without payment of any upfront commission or upfronting of any trail commission, directly or indirectly, in

[364] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/137 dated October 22, 2018. Refer SEBI letter No. SEBI/HO/IMD/SEC4/OW/P/2024/1451/1 dated January 11, 2024
[365] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019

cash or kind, through sponsorships, or any other route. However, upfronting of trail commission will be allowed only in case of inflows through Systematic Investment Plans (SIPs).

(c) In respect of inflows through SIPs into MF schemes, a carve out has been considered only for new investors to the MF industry (to be identified based on PAN). The upfronting of trail commissions, based on SIP inflows, shall be up to 1% payable yearly in advance, for a maximum period of three years.

(d) The payment of upfront trail commission would be subject to the following [366]:

i. The upfronting of trail commission may be for SIP of upto Rs. 3,000 per month, per scheme, for an investor who is investing for the first time in Mutual Fund schemes.

ii. For a new investor, as identified above, only the first SIP(s) purchased by the investor shall be eligible for up-fronting. In this regard, if multiple SIP(s) are purchased on different dates, the SIP(s) in respect of which the instalment starts on the earliest date shall be considered for upfronting.

iii. The upfront trail commission shall be paid from AMC's books.

iv. The said commission shall be amortized on daily basis to the scheme over the period for which the payment has been made. A complete audit trail of upfronting of trail commissions from the AMC's books and amortization of

[366] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019

the same to scheme(s) thereafter shall be made available for inspection.

v. The said commission should be charged to the scheme as 'commissions' and should also account for computing the TER differential between regular and direct plans in each scheme.

vi. The commission paid shall be recovered on pro-rata basis from the distributors, if the SIP is not continued for the period for which the commission is paid.'

(e) In case of misuse of the carve out for SIPs, the same would be discontinued and appropriate action would be taken against the errant participants. Further, the need of this carve out would be reviewed by SEBI as and when required.

(f) All fees and expenses charged in a direct plan (in percentage terms) under various heads including the investment and advisory fee shall not exceed the fees and expenses charged under such heads in a regular plan.

(g) No pass back, either directly or indirectly, shall be given by MFs/ AMCs/Distributors to the investors.

(h) Training sessions and programmes conducted for distributors should continue and should not be misused for providing any reward or non-cash incentive to the distributors.

10.1.13 Trustees and AMCs shall ensure compliance of the provisions mentioned at Paragraph 10.1.12 above and trustees shall confirm the same to SEBI in the half yearly trustee report.

10.1.14 [367]Brokerage and transaction cost[368] incurred for the purpose of execution of trade shall be charged to the schemes as provided under Regulation 52 (6A) (a) upto 12 bps and 5 bps for cash market transactions and derivatives transactions respectively. Any payment towards brokerage and transaction costs, over and above the said 12 bps and 5 bps for cash market transactions and derivatives transactions respectively may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52[369].

10.1.15 Soft-dollar arrangement refers to an arrangement between AMCs and brokers in which the AMC executes trades through a particular broker and in turn the broker may provide benefits such as free research, hardware, software or even non-research-related services, etc., to the AMC. It may be noted that such arrangements between AMCs and brokers should be limited to only benefits (like free research report, etc.) that are in the interest of investors and the same should be suitably disclosed[370].

10.1.16 Investor Education and Awareness[371]:

(a) AMCs shall annually set apart at least 2 basis points on daily net assets within the maximum limit of TER as per regulation

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[367] Refer SEBI letter No. IMD/DF2/HB/18172/2016 dated June 27, 2016
[368] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012 & SEBI Circular No. CIR/IMD/DF/24/2012 dated November 19, 2012 stands replaced by SEBI SEBI/HO/IMD-II/DOF8/P/CIR/2022/12 dated February 4, 2022.
[369] Regulation 52 of the SEBI (Mutual Funds) Regulations, 1996
[370] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016
[371] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, Refer SEBI letter No. IMD/DF2/RS/813/2016 dated January 08, 2016, Refer SEBI letter No. IMD/DF2/RS/201712507/1 dated May 31, 2017, Refer SEBI letter No. SEBI/HO/IMD/DoF4/0W/P/2019/9576/1 dated April 12, 2019, Refer SEBI letter No. SEBI/HO/IMD2/OW/P/27647/2019 dated October 29, 2019, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2019/34582/1 dated December 24, 2019, Refer SEBI Letter No. SEBI/HO/IMD-II/IMD-II_DOF11/P/OW/2022/60035/1 dated November 30, 2022, Refer SEBI Letter No. SEBI/HO/IMD/IMD-SEC-1/P/OW/2023/9455/1 dated March 03, 2023

52 of the Regulations for investor education and awareness initiatives, except the following[372]:

i. The charges applicable for investor education and awareness initiatives from ETFs/ Index Funds shall be 1bps of daily net assets of the scheme.

ii. Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds shall not be required to set aside 2bps of the daily net assets towards investor education and awareness initiatives.

(b) AMCs and AMFI shall carry out focused investor education and awareness initiatives for passive funds.

(c) Trustees of Mutual Funds shall make complete disclosures in the half yearly trustee report to SEBI regarding the investor education and awareness initiatives undertaken.

(d) [373]Certain portion of the 2 basis points of daily net assets is being set aside by Mutual Funds/AMCs for investor education and awareness initiatives at industry level.

(e) In this respect, for the purpose of increasing awareness of Mutual Funds as a financial product category it has been decided to permit celebrity endorsements[374] at industry level, subject to the following conditions:

i. Celebrity endorsement shall be allowed only at industry level, for the purpose of increasing awareness of Mutual

[372] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022
[373] SEBI Circular No. CIR/IMD/DF/23/2017 dated March 15, 2017
[374] Refer SEBI letter No. SEBI/HO/IMD/IMD-PoD-2/P/OW/2022/59612/1 dated November 28, 2022

Funds as a financial product category. Such celebrity endorsements should not promote a scheme of a particular Mutual Fund or be used as a branding exercise of a Mutual Fund house/ AMC.

ii. Expenses towards such celebrity endorsements for increasing awareness of Mutual Funds shall be limited to the amounts that are aggregated by Mutual Funds at industry level for the purpose of conducting investor education and awareness initiatives, in terms of Paragraph 10.1.16.(a) of this Master Circular.

iii. Prior approval of SEBI shall be required for issuance of any endorsement of Mutual Funds as a financial product, which features a celebrity for the purpose of increasing awareness of Mutual Funds.

10.1.17 [375]The following expenses cannot be charged to the schemes of Mutual Funds:

a. Penalties and fines for infraction of laws.
b. Interest on delayed payment to the unit holders.
c. Legal, marketing, publication and other general expenses not attributable to any scheme(s).
d. Fund Accounting Fees.
e. Expenses on investment management/general management.
f. Expenses on general administration, corporate advertising and infrastructure costs.
g. Depreciation on fixed assets and software development expenses.

[375] SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000

h. Such other costs as may be prohibited by the Board.

10.1.18 The expenditure and/or fee payable by Mutual Funds to the Depositories may either be capitalized or included as part of recurring expenditure within the limits prescribed under Regulation 52(6) of the Mutual Funds Regulations[376].

10.1.19 Further, each item of expenditure accounting for more than 10% of total expenditure shall be disclosed in the accounts or the notes thereto of the schemes[377].

10.1.20 Provision of charging of additional management fees by the Asset Management Companies in case of schemes launched on no load basis[378].

a. AMC shall not collect any additional management fees referred to in Regulation[379].
b. Mutual Fund Schemes to be launched including those for which observation letter have been issued under Regulation[380] would be required to carry out the changes in SID and file the same with SEBI before the launch.

10.2 Restriction on paying brokerage or commission[381]

10.2.1 In case of investments made by the Sponsor(s), no brokerage or commission shall be paid.

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[376] SEBI Circular No. IIMARP/MF/CIR/07/826/98 dated April 15, 1998.
[377] SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000.
[378] SEBI Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010
[379] Regulation 52(3) of SEBI Mutual Funds Regulation, 1996
[380] Regulation 29 of SEBI (Mutual Funds) Regulations, 1996
[381] SEBI Circular No. MFD/CIR No.3/211/2001 dated April 30, 2001, SEBI Circular No. MFD/CIR No.5/153/2001 dated May 24, 2001.

10.3 Restriction on charging Goods & Service Tax [382]

10.3.1 AMC(s) can charge Goods & Service Tax, as per applicable Taxation Laws, to the scheme(s) within the limits prescribed under Regulations[383]

10.3.2 Mutual funds /AMCs may charge Goods & Service Tax on investment and advisory fees to the scheme in addition to the maximum limit of TER as prescribed in Regulation 52[384].

10.3.3 Goods & Service Tax on other than investment and advisory fees, if any, shall be borne by the scheme within the maximum limit of TER as per Regulation 52[385].

10.3.4 Goods & Service Tax on exit load, if any, shall be paid out of the exit load proceeds and exit load net of Goods & Service Tax, if any, shall be credited to the scheme.

10.3.5 Goods & Service Tax on brokerage and transaction cost[386] paid for execution of trade, if any, shall be within the limit prescribed under regulation 52 of the Regulations.

10.4 Empowering investors through transparency in payment of commission and load structure[387]

[382] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021.
[383] Reg.52(6) of the SEBI (Mutual Funds) Regulations, 1996.
[384] Regulation 52 of SEBI (Mutual Funds) Regulations, 1996
[385] Regulation 52 of SEBI (Mutual Funds) Regulations, 1996
[386] SEBI Circular No. CIR/ IMD/ DF/ 24/2012 dated November 19, 2012, Refer SEBI letter No. IMD/DF2/HB/18172/2016 dated June 27, 2016
[387] SEBI Circular No SEBI/IMD/CIR No. 4/ 168230/09 dated June 30, 2009

10.4.1 In order to empower investors in deciding the commission paid to distributors in accordance with the level of service received, it has been mandated that:

a. There shall be no entry load[388] for all Mutual Fund schemes.

b. The scheme application forms shall carry a suitable disclosure to the effect that the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.

c. The load balances are maintained as 'liabilities' in the books of the scheme and are not included in the net asset value (NAV). The usage[389] of the load account shall be subject to the following:

   i. The load balance shall be segregated into two accounts in the books of accounts of the scheme - one to reflect the balance as on July 31, 2009 and the other to reflect accretions since August 01, 2009.

   ii. However, not more than one-third of load balance as on July 31, 2009 shall be used in any financial year. It is clarified though the unutilized balances can be carried forward, yet in no financial year the total spending can be more than one third of the load balances on July 31, 2009.

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[388] Waiver of load for direct applications - Vide SEBI Circular No. SEBI/IMD/CIR No.10/112153/07 dated December 31, 2007, SEBI mandated w.e.f January 4,2009 no entry load shall be charged for applications received directly by the AMC(s) through internet or submitted directly to the AMC(s) or Collection Center/Investor Service Centre and not routed through any distributor or agent or broker. This waiver was applicable to both additional purchases under the same folio and 'switch in' to a scheme from other schemes also done directly by the investor. AMCs shall follow the provisions pertaining to informing the unitholders upon a change in load structure as per clause 3(d) of standard observations.

[389] SEBI Circular No. CIR/IMD/DF/4/2011 dated March 9, 2011

The accretions after July 31, 2009 can be used by mutual funds for marketing and selling expenses including distributor's/agent's commissions without any restrictions mentioned in Paragraph (ii) above.

d. The exit load charged[390], if any, after the commencement of SEBI (Mutual Funds) (Second Amendment) Regulations, 2012, shall be credited to the scheme.

e. The distributors should disclose all the commissions (in the form of trail commission or any other mode) payable to them for the different competing schemes of various Mutual Funds from amongst which the scheme is being recommended to the investor.

10.4.2 The above guidelines became applicable for:

a. Investments in mutual fund schemes (including additional purchases and switch-in to a scheme from other schemes) w.e.f August 1, 2009
b. Redemptions from mutual fund schemes (including switch-out from other schemes) w.e.f August 1, 2009
c. New mutual fund schemes launched on or after August 1, 2009
d. All Systematic Investment Plans (SIP) including SIPs registered prior to August 1, 2009[391].

10.5 Transaction Charges[392]

[390] Regulation 51A of SEBI (Mutual Funds) Regulations, 1996.
[391] SEBI Circular No. CIR/IMD/df/21/2012 dated September 13, 2012, SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019
[392] SEBI Circular no. CIR/IMD/DF/13/2011 dated August 22, 2011

10.5.1 A transaction charge per subscription of Rs. 10,000/- and above be allowed to be paid to the distributors of the Mutual Fund products. However, there shall be no transaction charges on direct investments. The transaction charge shall be subject to the following:

a. For existing investors in a Mutual Fund, the distributor may be paid Rs.100/- as transaction charge per subscription of Rs. 10,000/- and above.

b. As an incentive to attract new investors, the distributor may be paid Rs.150/- as transaction charge for a first time investor in Mutual Funds.

c. The terms and conditions relating to transaction charge shall be part of the application form in bold print.

d. The transaction charge, if any, shall be deducted by the AMC from the subscription amount and paid to the distributor; and the balance shall be invested.

e. The statement of account shall clearly state that the net investment as gross subscription less transaction charge and give the number of units allotted against the net investment.

f. Distributors shall be able to choose to opt out of charging the transaction charge. However, the 'opt-out' shall be at distributor level and not investor level i.e. a distributor shall not charge one investor and choose not to charge another investor. Further, Distributors shall have also the option to either opt in or opt out of levying transaction charge based on type of the product[393].

[393] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012

g. The AMCs shall be responsible for any malpractice/mis-selling by the distributor while charging transaction costs.

h. There shall be no transaction charge on subscription below Rs. 10,000/-

i. In case of SIPs, the transaction charge shall be applicable only if the total commitment through SIPs amounts to Rs. 10,000/- and above. In such cases the transaction charge shall be recovered in 3-4 installments.

j. There shall be no transaction charge on transactions other than purchases/ subscriptions relating to new inflows.

10.5.2 AMCs shall institute systems to detect if a distributor is splitting investments in order to enhance the amount of transaction charges and take stringent action including recommendations to AMFI to take appropriate action.

10.5.3 Mutual Funds/ AMCs shall carry out an exercise of de-duplication of folios across all Mutual Funds within a period of 6 months from August 22, 2011[394].

10.6 No Load on Bonus Units and Units allotted on Reinvestment of Dividend[395]

10.6.1 AMC(s) shall not charge entry and/or exit load on bonus units and units allotted on reinvestment of dividend. Necessary disclosures in this regard shall be made in the SID filed with the Board

[394] Refer SEBI letter No. IMD/DF2/DS/24539/2017 dated October 10, 2017
[395] SEBI Circular No. SEBI/IMD/CIR No. 14/120784/08 dated March 18, 2008

10.7 Filing fees[396]

10.7.1 Filing fees[397] as per the Second Schedule of SEBI (Mutual Funds) Regulations, 1996 shall be applicable for offer documents and placement memoranda.

10.8 Exit load parity[398]

10.8.1 While charging exit loads, no distinction among unit holders should be made based on the amount of subscription[399]. While complying with the same, AMCs should ensure that "any imposition or enhancement in the load shall be applicable on prospective investments only.[400]

10.8.2 Further, the parity among all classes of unit holders in terms of charging exit load shall be made applicable at the portfolio level.[401]

10.9 *Borrowing Costs[402]*

10.9.1 With regard to the cost of borrowings in terms of Regulation 44(2) of SEBI (Mutual Funds) Regulations, 1996, it has been decided that for a given scheme, the same shall be adjusted against the portfolio yield of the scheme and borrowing costs in excess of portfolio yield, if any, shall be borne by the AMC.

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396 SEBI Circular No. SEBI Cir No. SEBI / IMD/ CIR No. 5 / 169030 / 2009 dated July 8, 2009, Refer SEBI Letter No. IMD/SG/8668/06 dated October 13, 2006

397 Gazette Notification No. LAD-NRO/GN/20014-15/03/1089on SEBI (Payment of Fees) (Amendment) Regulations, 2014 dated 23 May, 2014, Second Schedule of SEBI (Mutual Funds) Regulations, 1996

398 Refer SEBI email dated July 07, 2010, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2019/271771/1 dated October 15, 2019

399 SEBI Circular No. SEBI / IMD / CIR No. 6 /172445/ 2009 dated August 7,2009 All Mutual Funds shall ensure compliance with this circular on or before August 24, 2009

400 SEBI Circular No - SEBI / IMD / CIR No. 7 /173650 / 2009 dated August 17,2009 and SEBI circular No. SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008

401 SEBI Circular No - SEBI / IMD / CIR No. 7 /173650 / 2009 dated August 17,2009

402 SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/42 dated March 25, 2019

CHAPTER 11: DIVIDEND DISTRIBUTION PROCEDURE[403,404]

11.1 All the existing (i.e. schemes as on October 05, 2020) and proposed Schemes of Mutual Funds shall name / rename the Dividend option(s) in the following manner:

Option / Plan	**Name**
Dividend Payout	Payout of Income Distribution cum capital withdrawal option
Dividend Re-investment	Reinvestment of Income Distribution cum capital withdrawal option
Dividend Transfer Plan	Transfer of Income Distribution cum capital withdrawal plan

11.2 Offer documents shall clearly disclose that the amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. Further, AMCs shall ensure that the said disclosure is made to investors at the time of subscription of such options/plans.

11.3 AMCs shall ensure that whenever distributable surplus is distributed, a clear segregation between income distribution (appreciation on NAV) and capital distribution (Equalization Reserve) shall be suitably disclosed in the Consolidated Account Statement provided to investors.

11.4 [405]The payment of dividend to the unitholders shall be made within seven working days from the record date.

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[403] SEBI Circular No. SEBI/IMD/CIR No.1/64057/06 dated April 4, 2006, SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020.

[404] For details on advertisement on dividend please refer to Chapter No. 14 on 'Advertisements'

[405] Regulation 53(a) of the SEBI (Mutual Funds) Regulations, 1996 & SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022

11.5 Regulations[406] permit Mutual Funds to distribute returns including dividend. To introduce uniform practices in dividend distribution, the following guidelines should be followed:

11.6 These guidelines are applicable to all Mutual Fund schemes/plans which intend to declare the dividend irrespective of their dates of launch.[407]

11.6.1 Unlisted Scheme(s)/ Plan(s)

11.6.1.1 The Trustees shall decide the quantum of dividend and the record date in their meeting[408]. Dividend so decided, shall be paid, subject to availability of distributable surplus.

11.6.1.2 Record date shall be the date which will be considered for the purpose of determining the eligibility of investors whose names appear on the register of unit holders for receiving dividends. The NAV shall be adjusted to the extent of dividend distribution and statutory levy, if applicable, at the close of business hours on record date.

11.6.1.3 [409]Within one calendar day of the decision by the trustees, AMC shall issue notice to the public communicating the decision including the record date. The record date shall be two working days[410] from the date of publication in at least one English newspaper or in a newspaper published in the language of the region where the Head Office of the mutual fund is situated, whichever is issued earlier.

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[406] Regulation 53(a) of the SEBI (Mutual Funds) Regulations, 1996
[407] SEBI Circular No SEBI/IMD/CIR No. 3/65370/06 dated April 21,2006
[408] Clause 20 of Third Schedule of SEBI (Mutual Funds) Regulations, 1996
[409] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[410] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022

11.6.1.4 Before the issue of such notice, no communication whatsoever indicating the probable date of dividend declaration shall be issued by any Trustees of Mutual Funds, AMCs or its distributors of its products.

11.6.1.5 The notice shall, in font size 10, bold, categorically state that pursuant to dividend distribution, NAV of the scheme would fall to the extent of payout and statutory levy (if applicable).

11.6.2 Liquid / Debt Schemes with frequent dividend distribution

11.6.2.1 The requirement of giving notice is not mandatory for scheme(s)/ plan(s)/ option(s) with dividend distribution frequency ranging from daily up to monthly distribution if requisite disclosures in this regard are made in the SID.

11.6.3 [411]With respect to declaration of dividends upto monthly frequency, the trustees can delegate to the officials of AMC to declare and fix the record date as well as decide the quantum of dividend, subject to the following;

I. Record date is specified in the offer document and the same is adhered to.

II. Such delegation to AMC officials shall mandatorily include CEO of AMC and making him responsible for such declaration of dividends, subject to adhering to the policy framework as approved by Trustees.

III. The policy shall specify appropriate parameters or factors (for example Growth in NAV from the last dividend declared, or availability of adequate distributable surplus, or minimum reserves to be maintained, etc.) to be considered prior to deciding the quantum.

[411] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

IV. Actual dividend declared to be ratified by the Trustees in its immediately following Board meeting.

11.6.4 Listed Schemes/Plans

11.6.4.1 Listed scheme(s)/ plan(s) shall follow the requirements stipulated in the Listing Agreement for dividend declaration and distribution.

11.7 *Non availability of Unit Premium Reserve for dividend distribution*[412]

11.7.1 Regulations[413] provide the accounting policies to be followed for determining distributable surplus and accounting the sale and repurchase of units in the books of the Mutual Fund. The format for Scheme Balance Sheet (including Abridged) provides for disclosure of Unit Premium Reserve.

11.7.2 Unit Premium Reserve, which is part of the sales price of units that is not attributable to realized gains, cannot be used to pay dividend. Therefore:

11.7.2.1 When units of an open-ended scheme are sold, and sale price is higher than face value of the unit, part of sale proceeds that represents unrealized gains shall be credited to a separate account (Unit Premium Reserve) and shall be treated at par with unit capital and the same shall not be utilized for the determination of distributable surplus.

11.7.2.2 When units of an open-ended scheme are sold, and sale price is less than face value of the unit, the difference between the sale price and face value shall be debited to distributable reserves and the

[412] SEBI circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010
[413] Ninth and Eleventh Schedule of SEBI (Mutual Funds) Regulations, 1996

dividend can be declared only when distributable reserves become positive after adjusting the amount debited to reserves as per Regulations[414].

[414] Clause 2(a) (ix) of Eleventh Schedule of SEBI (Mutual Funds) Regulations, 1996

CHAPTER 12: INVESTMENT BY SCHEMES

12.1 Investment in Listed and Unrated Debt Instruments[415]

12.1.1 Mutual fund scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.

However, mutual fund schemes may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10% of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.

12.1.2 ***Clarification on existing grandfathered unlisted NCDs***[416]

The existing investments of mutual fund schemes in unlisted debt instruments, including NCDs, may be grandfathered till maturity date (as stands as on October 01, 2019) of such instruments. The grandfathering of the identified NCDs (existing grandfathered unlisted NCDs) is applicable across the mutual fund industry. Accordingly, mutual funds can transact in such identified NCDs and the criteria specified in Paragraph 12.1.1 above is not applicable. However, investments in such identified NCDs shall continue to be subject to compliance with investment due diligence and all other applicable investment restrictions.

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[415] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2019/138/1 dated January 01, 2019

[416] SEBI circular No. EBI/HO/IMD/DF2/CIR/P/2020/75 dated April 28, 2020

12.1.3 For the purpose of the provisions of paragraph 12.1, listed debt instruments shall include listed and to be listed debt instruments.

12.1.4 All fresh investments by mutual fund schemes in CPs would be made only in CPs which are listed or to be listed.

12.1.5 Further, investment in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. by mutual fund schemes shall be subject to the following:

a. Investments should only be made in such instruments, including bills re-discounting, usance bills, etc., that are generally not rated and for which separate investment norms or limits are not provided in SEBI (Mutual Fund) Regulations, 1996 and various circulars issued thereunder.

b. Exposure of mutual fund schemes in such instruments, shall not exceed 5% of the net assets of the schemes.

c. All such investments shall be made with the prior approval of the Board of AMC and the Board of trustees.

d. The existing investments of mutual fund schemes in such instruments in excess of the aforesaid limit of 5% may be grandfathered till maturity date (as stands as on October 01, 2019) of such instruments.

e. [417]The single issuer limit and the group exposure limit shall be calculated at the issuing bank level as BRDS are issued with recourse to the issuing bank.

[417] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2021/683 dated December 10, 2021

f. Investment in BRDS by debt schemes of mutual funds shall be considered as exposure to financial services sector for the purpose of sector exposure limits.

12.2 [418]Investment in Instruments having Special Features

12.2.1 Mutual Funds invest in certain debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption. Additional Tier I bonds and Tier 2 bonds issued under Basel III framework are some instruments which may have above referred special features. The debt instruments having such special features, which otherwise are Non-Convertible Debentures, may be treated as debt instruments until converted to equity.

12.2.2 The investment limits of mutual funds in such instruments shall be as under:

a) No Mutual Fund under all its schemes shall own more than 10% of such instruments issued by a single issuer;

b) A Mutual Fund scheme shall not invest
   i. more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
   ii. more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer.

The above investment limit for a mutual fund scheme shall be within the overall limit for debt instruments issued by a single issuer as specified at clause 1 of the Seventh Schedule of SEBI

[418] SEBI circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021

(Mutual Fund) Regulations, 1996, and other prudential limits with respect to the debt instruments.

12.2.3 The investments of mutual fund schemes in such instruments in excess of the limits specified under paragraph above as on March 10, 2021 may be grandfathered and such mutual fund schemes shall not make any fresh investment in such instruments until the investment comes below the specified limits.

12.3 Restrictions on Investment in debt instruments having Structured Obligations / Credit Enhancements:[419]

12.3.1 The investment of mutual fund schemes in the following instruments shall not exceed 10% of the debt portfolio of the schemes and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the schemes:

a. Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and

b. Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.

For the purpose of this provision, 'Group' shall have the same meaning as defined in Paragraph 12.9.3.3 of this Master Circular.

12.3.2 Investment limits as mentioned in Paragraph 12.3.1 above shall not be applicable on investments in securitized debt instruments, as defined in SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations 2008.

[419] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019

12.3.3 Investment in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a minimum cover of 4 times considering the market value of such shares.

AMCs may ensure that the investment in debt instruments having credit enhancements are sufficiently covered to address the market volatility and reduce the inefficiencies of invoking of the pledge or cover, whenever required, without impacting the interest of the investors. In case of fall in the value of the cover below the specified limit, AMCs should initiate necessary steps to ensure protection of the interest of the investors.

12.3.4 The existing investments by mutual fund schemes in debt instruments that are not in terms of the provisions of Paragraph 12.3 above may be grandfathered till maturity date (as stands as on the October 01, 2019) of such debt instruments.

12.3.5 Details of investments in debt instruments having structured obligations or credit enhancement features should be disclosed distinctively in the monthly portfolio statement of mutual fund schemes.

12.4 Transactions in Corporate Bonds/Commercial Papers through Request for Quotes ("RFQ") platform: [420] [421]

12.4.1 In order to increase the liquidity on exchange platform:

12.4.1.1 On monthly basis, Mutual Funds shall undertake minimum 25% of their total secondary market trades by value (excluding Inter Scheme Transfer trades) in Corporate Bonds by placing/seeking

[420] SEBI circular No. SEBI/HO/IMD/DF3/CIR/P/2020/130 dated July 22, 2020, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/2021/1467/1 dated January 18, 2021
[421] SEBI circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/641 dated October 6, 2021

quotes through one-to-many mode on the Request for Quote (RFQ) platform of stock exchanges and

12.4.1.2 On monthly basis, Mutual Funds shall now undertake minimum 10% of their total secondary market trades by value (excluding Inter Scheme Transfer trades) in Commercial Papers by placing/seeking quotes through one-to-many mode on the Request for Quote (RFQ) platform of stock exchanges

12.4.1.3 The percentage as specified shall be reckoned on the average of secondary trades by value in immediate preceding three months on rolling basis.

For example, for the month of October 2020, Mutual Funds shall undertake 10% (by value) of their average secondary market trades (excluding IST) done in immediate preceding three months i.e. July 2020, August 2020 and September 2020 for Corporate bonds by placing/seeking quotes through RFQ platform for Stock exchanges.

12.4.1.4 All transactions in Corporate Bonds and Commercial Papers wherein Mutual Fund is on both sides of the trade shall be executed through RFQ platform of stock exchanges in one-to-one mode.

12.4.1.5 Any transaction entered by mutual fund in Corporate Bonds in one to many mode and gets executed with another mutual fund shall also be counted for the aforesaid 10% requirement.

12.4.1.6 Mutual Funds are permitted to accept the Contract Note from the brokers for transactions carried out in One to One (OTO) and One to Many (OTM) modes of RFQ platform.

12.5 Investments by Index Funds:[422]

12.5.1 Investments by index funds shall be in accordance with the weightage of the scrips in the specific index as disclosed in the SID[423] In case of sector or industry specific scheme, the upper ceiling on investments may be in accordance with the weightage of the scrips in the representative sectoral index or sub index as disclosed in the SID or 10% of the NAV of the scheme, whichever is higher.

12.6 Investments by Liquid Schemes and plans[424]

12.6.1 The 'liquid fund schemes and plans' shall make investment in /purchase debt and money market securities with maturity of upto 91 days only with effect from May 1, 2009[425]. This shall also be applicable in case of inter scheme transfer of securities [426]

12.6.1.1 Explanation:

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

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[422] SEBI Circular No - MFD/CIR/09/014/2000 dated January 5, 2000, Refer SEBI letter No. SEBI/H0/0W/IMD-II/DOF3/P/24098/2022 dated June 10, 2022

[423] See Clause 10, Seventh Schedule of Mutual Funds Regulations.

[424] SEBI Circular No - SEBI/IMD/CIR No.13/150975 / 09 dated January 19, 2009

[426] Transition provision: Inter-scheme transfers of securities having maturity upto 365 days and held in other schemes as on February 01, 2009 shall be permitted till October 31, 2009. With effect from November 1, 2009 the requirements stated at paragraph 12.3.1 above shall apply to such inter-se scheme transfers also.

b. In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 91 days[427]

c. In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.

12.6.2 The above requirements shall be disclosed in the SID and shall form part of the investment allocation pattern. Any deviation from these requirements shall be viewed as violation of investment restrictions.

12.7 Investments by close ended debt schemes[428]:

12.7.1 Close ended debt schemes shall invest only in such securities which mature on or before the date of the maturity of the scheme[429]

12.7.2 Close ended debt schemes shall not invest in perpetual bonds.[430]

12.8 Introduction of credit risk based single issuer limit for investment by mutual fund schemes in debt and money market instruments[431]

12.8.1 As per Regulation 44(1) read with clause 1 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulation"), a mutual fund scheme shall not invest more than 10% of its NAV in debt instruments, issued by a single issuer, comprising money market securities and non-money market securities rated investment grade

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[427] Applicable with effect from May 01, 2009.
[428] Refer SEBI letter No. SEBI/HO/IMD/IMD-RAC-2/P/OW/2023/26266/1 dated June 28, 2023
[429] SEBI Circular No IMD/CIR No 12/147132/08 dated December 11, 2008. Also refer Regulations 32, 33, 52(4)(xiid), 18(4)(h), 48(2) for other provisions pertaining to close-ended schemes.
[430] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021
[431] SEBI Circular No. SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2022/164 dated November 29, 2022

or above by a Credit Rating Agency (CRA). This overall investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustees and Board of Directors of the Asset Management Company.

12.8.2 In order to avoid inconsistency in investment by mutual funds in debt instruments of an issuer, irrespective of the scheme being actively or passively managed, it has been decided to introduce a credit rating based single issuer limit for actively managed mutual fund schemes.

12.8.3 Accordingly, within the limits specified in the clause 1 of Seventh Schedule[432], following prudential limits shall be followed, for schemes other than Credit risk funds:

12.8.3.1 A Mutual Fund scheme shall not invest more than:

a) 10% of its NAV in debt and money market securities rated AAA; or

b) 8% of its NAV in debt and money market securities rated AA; or

c) 6% of its NAV in debt and money market securities rated A and below issued by a single issuer

The above instrument limits may be extended by up to 2% of the NAV of the scheme with prior approval of the Board of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of Seventh Schedule[433].

12.8.4 The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available

[432] SEBI (Mutual Funds) Regulations, 1996
[433] SEBI (Mutual Funds) Regulations, 1996

for the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating. Exposure to government money market instruments such as TREPS on G-Sec/ T-bills shall be treated as exposure to government securities.

12.8.5 The above provisions shall be applicable for all the new schemes to be launched with effect from November 29, 2022. Existing schemes (as on November 29, 2022) shall be grandfathered from these guidelines till the maturity of the underlying debt and money market securities.

12.9 Prudential limits and disclosures on portfolio concentration risk in debt oriented mutual fund schemes[434] [435]

12.9.1 [436]Mutual Funds/AMCs shall ensure that total exposure of debt schemes of mutual funds in a particular sector (excluding investments in Bank CDs, triparty repo on Government securities or treasury bills[437], G-Secs, TBills, short term deposits of Scheduled Commercial Banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme;

Provided that an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net assets of the scheme shall be allowed only by way of increase in exposure to Housing Finance Companies (HFCs); Further, an additional exposure of 5% of the net assets of the scheme has been allowed for investments

[434] SEBI Circular No. CIR/IMD/ DF/ 21/ 2012 dated September 13, 2012 and SEBI Circular No. CIR/IMD/DF/24/2012 dated November 19, 2012 SEBI/ HO/ IMD/ DF2/CIR/P/2016/35 dated February 15, 2016 and SEBI Circular No. SEBI/ HO/ IMD/ DF2/CIR/P/2016/68 dated August 10, 2016
[435] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019
[436] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/14 dated February 22, 2017
[437] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio.

However, the overall exposure in HFCs shall not exceed the sector exposure limit of 20% of the net assets of the scheme.

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 20% of the net assets of the scheme.

12.9.2 Further, appropriate disclosures in this regard shall be made in Scheme Information Document (SID) and Key Information Memorandum (KIM) of debt schemes.

12.9.3 **Group Exposure –**

12.9.3.1 Mutual Funds/ AMCs shall ensure that total exposure of debt schemes of mutual funds in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees.

12.9.3.2 The investments by debt mutual fund schemes in debt and money market instruments of group companies of both the sponsor and the asset management company shall not exceed 10% of the net assets of the scheme. Such investment limit may be extended to 15% of the net assets of the scheme with the prior approval of the Board of Trustees. [438]

[438] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/104 dated October 1, 2019

12.9.3.3 For this purpose, a group means a group as defined under regulation 2 (mm) of SEBI (Mutual Funds) Regulations, 1996 (Regulations) and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

12.9.3.4 The investments of mutual fund schemes in debt and money market instruments of group companies of both the sponsor and the asset management company of the mutual fund in excess of the limits specified therein, made on or before October 1, 2019 may be grandfathered till maturity date of such instruments. The maturity date of such instruments shall be as applicable on October 1, 2019.

12.9.3.5 All AMCs shall publish on their respective website a list of their group companies and those of their sponsor(s).[439]

12.9.3.6 AMFI shall publish on its website a list of all group companies along with names and identifier of the respective group that are considered for calculation of group exposure by mutual fund schemes and also the sector to which each company belongs. [440]

12.9.3.7 The disclosures at Paragraphs 12.9.3.5 and 12.9.3.6 above shall be made on 1st working day of each calendar quarter starting from January 1, 2020.[441]

12.9.4 Trustee shall review exposure of a mutual fund, across all its schemes, towards individual issuers, group companies and sectors. Trustee should satisfy themselves on the levels of exposure and confirm the same to SEBI in the half-yearly trustee report starting from the half-year ending March 31, 2016.

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[439] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/152 dated December 10, 2019
[440] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/152 dated December 10, 2019
[441] SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2019/152 dated December 10, 2019

12.9.5 The revised investment restrictions at issuer level, sector level and group level shall be applicable to all new schemes and fresh investments by existing schemes from February 15, 2016.

12.9.6 Existing mutual fund schemes shall comply with the revised investment restrictions at issuer level, sector level and group level within a period of one year from February 15, 2016. Existing close ended schemes shall not be required to sell their investments to comply with the restrictions. However, if existing close ended schemes sell their investments then their fresh investments shall be subject to the restrictions.

12.10 [442]Investment in Non-Convertible Preference Shares(NCPSs):

12.10.1 NCPSs shall be treated as debt instruments and investment restrictions as applicable on debt instruments as specified in MF Regulations & circulars issued thereunder shall also be applicable to NCPSs.

12.11 Stock Lending Scheme[443]

12.11.1 The following guidelines are issued to facilitate lending of securities by Mutual Funds through intermediaries approved by the Board in accordance with the Stock Lending & Borrowing Scheme.[444] Existing schemes (schemes existing as on June 6, 2008) may engage in short selling of securities as well as lending and borrowing of securities after making additional disclosures

[442] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[443] SEBI/IMD/CIR No.6/127947/08 dated June 6, 2008 read with SEBI Circular No MFD/CIR/01/047/99 dated February 10, 1999.
[444] Regulation 44(4) of the SEBI (Mutual Funds) Regulations, 1996.

including risk factors in the SID in accordance with Paragraph 1.2.2 of this Master Circular, as amended from time to time.

12.11.2 Disclosure Requirements

12.11.2.1 The following information shall be disclosed in the SID to enable the investors and unit holders to take an informed decision:

a. Intention to lend securities belonging to a particular Mutual Fund scheme in accordance with the guidelines on securities lending and borrowing issued by SEBI from time to time.[445]

b. Exposure limit with regard to securities lending, both for the scheme as well as for a single intermediary.

c. Risks factors such as loss, bankruptcy etc. associated with such transactions.

12.11.3 Reporting Requirement

12.11.3.1 The AMC(s) shall report to the Trustees on a quarterly basis about the level of lending, in terms of value, volume and intermediaries and also earnings and/or losses, value of collateral security etc.

12.11.3.2 The Trustees shall periodically review the securities lending contract and take reasonable steps to ensure that the same is not, in any way, detrimental to the interests of the unit holders of the scheme.

12.11.3.3 The Trustees shall offer their comments on the above aspects in the Half Yearly Trustee Report filed with the Board.[446]

[445] SEBI Circular No - SEBI / IMD / CIR No 14 / 187175/ 2009 dated December 15,2009
[446] Regulation 18(23)(a) of the Mutual Funds Regulations. Further, for format of Half Yearly Trustee Report, please refer to format no. 2.C under the section on Formats.

12.11.4 Existing schemes

12.11.4.1 In case an existing SID does not provide for lending of securities, AMCs may still lend securities belonging to the scheme, in accordance with the SEBI Guidelines, provided approval is obtained from the Trustees and the intention to lend securities is conveyed to the unit holders.

12.12 Approval for Investment in Unrated Debt Instruments[447]

12.12.1 AMCs may, for the purpose of operational flexibility, constitute committees to approve investment proposals in unrated instruments. However, detailed parameters for investment in unrated debt instruments have to be approved by the Board of the AMC and Trustees. Details of such investments shall be communicated by the AMCs to the Trustees in their periodical reports, along with clear indication as to how the parameters set for investments have been complied with. Prior approval of the Board of the AMC and Trustees shall be required in case investment is sought to be made in an unrated security falling outside the prescribed parameters.

12.13 Investments in Units of Venture Capital Funds[448]

12.13.1 Mutual Fund schemes can invest in units of Venture Capital Funds within the prescribed investment limits as applicable.[449]

12.14 Investment limits for Government guaranteed debt securities[450]

[447] SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000.
[448] SEBI Circular No. MFD/CIR/9/230/2001 dated August 14, 2001.
[449] Clauses 10 and 11, Seventh Schedule of SEBI (Mutual Funds), Regulations, 1996.
[450] SEBI Circular No. SEBI/IMD/CIR No.8/18944/03 dated October 6, 2003.

12.14.1 Prudential investment norms as per Regulations stipulating limits for investments in debt securities[451] issued by a single issuer are applicable to all debt securities issued by public bodies or institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either State / Central Government. Government securities issued by Central and/or State Government or on its behalf, by the RBI are however exempt from these limits.

12.15 Investment Restrictions for Securitised Debt[452]

12.15.1 For investments made in Securitised Debt (mortgage backed securities and asset backed securities), restrictions as per Clause 1 of Seventh Schedule[453] shall not apply at the originator level.

12.16 Investments in Short Term Deposits (STDs) of Scheduled Commercial Banks - pending deployment[454]

12.16.1 The guidelines for deployment of funds in short term deposits of commercial banks for schemes are as under:

12.16.1.1 "Short Term" for parking of funds by Mutual Funds shall be treated as a period not exceeding 91 days.

12.16.1.2 Such deposits shall be held in the name of the concerned scheme.

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[451] Clauses 1 and 1A, Seventh Schedule of SEBI (Mutual Funds), Regulations, 1996.

[452] SEBI Circular No. SEBI/IMD/CIR No.6/63715/06 dated March 29, 2006, Refer SEBI email dated August 25, 2010

[453] Clause I of Schedule VII of SEBI (Mutual Fund), Regulations, 1996

[454] SEBI Circulars No. SEBI/IMD/CIR No.9/20306/03 dated November 12, 2003, SEBI Circular No. SEBI/IMD/Cir No.1/91171/07 dated April 16, 2007, SEBI and Clause 8 of Seventh Schedule of Mutual Funds Regulations, 1996.

12.16.1.3 No mutual fund scheme shall park more than 15% of their net assets in short term deposits of all scheduled commercial banks put together. This limit however may be raised to 20% with prior approval of the Trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of the total deployment by the Mutual Fund in short term deposits.

12.16.1.4 No mutual fund scheme shall park more than 10% of the net assets in short term deposits with any one scheduled commercial bank including its subsidiaries.

12.16.1.5 Trustees/AMCs shall ensure that no funds of a scheme is parked in Short Term Deposit of a bank which has invested in that scheme. Trustees/AMCs shall also ensure that the bank in which a scheme has STD do not invest in the said scheme until the scheme has STD with such bank.[455]

12.16.1.6 Asset Management Company (AMC) shall not be permitted to charge investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks.[456]Half Yearly portfolio statements shall disclose all funds parked in short term deposit(s) under a separate heading. Details shall also include name of the bank, amount of funds parked, percentage of NAV.

12.16.1.7 Trustees shall, in the Half Yearly Trustee Reports certify that provisions of the Mutual Funds Regulations pertaining to parking of funds in short term deposits pending deployment are

[455] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/093 dated August 16, 2019.
[456] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019.

complied with at all points of time. The AMC(s) shall also certify the same in its CTR(s).

12.16.1.8 Investments made in short term deposits pending deployment of funds[457] shall be recorded[458] and reported to the Trustees including the reasons for the investment especially comparisons with interest rates offered by other scheduled commercial banks.[459]

12.16.1.9 Except for Paragraph 12.16.1.7 above, the above guidelines shall not apply to term deposits placed as margins for trading in cash and derivatives market[460]. All term deposits placed as margins shall be disclosed in the half yearly portfolio statements under a separate heading. Details such as name of bank, amount of term deposits, duration of term deposits, percentage of NAV may be disclosed[461].

12.17 Reconciliation Procedure for Investment in Government Securities[462]

12.17.1 According to the RBI guidelines[463] issued to all SGL account holders, to make transactions in government securities transparent, a monthly reconciliation system has been introduced

[457] Clause 8, Schedule Seven, SEBI (Mutual Funds), Regulations, 1996.
[458] SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000.
[459] SEBI Circular No. SEBI/IMD/CIR No.9/20306/03 dated November 12, 2003.
[460] SEBI Circular No. SEBI/IMD/Cir No.7/129592/08 dated June 23, 2008.
[461] SEBI Circular No. SEBI/IMD/Cir No.7/129592/08 dated June 23, 2008
[462] SEBI Circular No. MFD/CIR/19/22474/2002 dated November 20, 2002.
[463] RBI Circular No.P.D.O.SGL.CIRR/1945/2002-2003 dated November 1, 2002.

between RBI and Mutual Funds maintaining SGL/CSGL accounts with respect to Government Securities on an ongoing basis.

12.17.2 AMCs shall reconcile the balances reported in the monthly statements furnished by RBI with the transactions undertaken by them.

12.17.3 The reconciliation procedure shall be made part of internal audit and the auditors shall on a continuous basis, check the status of reconciliation and submit a report to the Audit Committee. These reports shall be placed in the meetings of the Board of the AMC and Trustees. AMCs shall submit, on a quarterly basis to the RBI, a certificate confirming compliance with these requirements and any other guidelines issued by the RBI from time to time in this regard. Compliance shall also be reported to the Board in the CTRs of AMC(s) and Half Yearly Trustee Reports.

12.18 Participation of mutual funds in repo in corporate debt securities[464]

12.18.1 Mutual funds can participate in repos in corporate debt securities as per the guidelines issued by RBI from time to time, subject to the following conditions:

12.18.1.1 The gross exposure of any mutual fund scheme to repo transactions in corporate debt securities shall not be more than 10 % of the net assets of the concerned scheme.

12.18.1.2 The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt and derivatives shall not exceed 100% of the net assets of the concerned scheme.

[464] SEBI Circular No. CIR/IMD/DF/19/2011 dated November 11, 2011

12.18.1.3 [Mutual funds shall participate in repo transactions on following corporate debt securities:

a) Listed AA and above rated corporate debt securities

b) Commercial Papers (CPs) and Certificate of Deposits (CDs)][465]

12.18.1.3A [For the purpose of consideration of credit rating of exposures on repo transactions for various purposes including for Potential Risk Class (PRC) matrix, liquidity ratios, Risk-o-meter etc., the same shall be as that of the underlying securities, i.e., on a look through basis.

12.18.1.3B For transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits.][466]

12.18.1.4 In terms of Regulation 44 (2) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, mutual funds shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.

12.18.1.5 The Trustees and the Asset Management Companies shall frame guidelines about, *inter alia*, the following in context of these transactions keeping in mind the interest of investors in their schemes:

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[465] Substituted vide SEBI Circular No. SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/85 dated June 8, 2023. Prior to substitution, clause read as under:
"Mutual funds shall participate in repo transactions only in AA and above rated corporate debt securities."
[466] Inserted vide SEBI Circular No. SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/85 dated June 8, 2023.

a. Category of counterparty

b. Credit rating of counterparty

c. Tenor of collateral

d. Applicable haircuts

12.18.1.6 AMCs shall ensure compliance with the Seventh Schedule of the Mutual Funds Regulations about restrictions on investments, wherever applicable, with respect to repo transactions in corporate debt securities.

12.18.1.7 The details of repo transactions of the schemes in corporate debt securities, including details of counterparties, amount involved and percentage of NAV shall be disclosed to investors in the half yearly portfolio statements and to SEBI in the half yearly trustee report.

12.18.1.8 To enable the investors in the mutual fund schemes to take an informed decision, the concerned Scheme Information Document shall disclose the following:

a. The intention to participate in repo transactions in corporate debt securities in accordance with directions issued by RBI and SEBI from time to time;

b. The exposure limit for the scheme; and

c. The risk factors associated with repo transactions in corporate bonds.

12.19 Overseas Investment[467] [468]

12.19.1 Applicable limits:

12.19.1.1 [469]Mutual Funds can make overseas investments subject to a maximum of US $ 1 billion per Mutual Fund, within the overall industry limit of US $ 7 billion.

12.19.1.2 Mutual Funds can make overseas investments in Exchange Traded Fund (ETF(s)) subject to a maximum of US $ 300 million per Mutual Fund, within the overall industry limit of US $ 1 billion.

12.19.1.3 The allocation methodology of the aforementioned limits shall be as follows:

a. In case of overseas investments specified at Paragraph 12.19.1.1 above, US $ 50 million would be reserved for each mutual fund individually, with in the overall industry limit of US $ 7 billion.

b. New Fund Offers ("NFOs"): Mutual Funds launching new schemes intending to invest in Overseas securities / Overseas ETFs shall ensure that the scheme documents shall disclose the intended amount that they plan to invest in Overseas securities / Overseas ETFs subject to maximum limits specified at Paragraph 12.19.1, as the case maybe. Such limits disclosed in scheme documents will be valid for a period of six months from the date of

[467] SEBI Circular No. SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007 & SEBI Circular No. SEBI/IMD/CIR No.2/122577/08 dated April 8, 2008, Refer SEBI letter No. SEBI/HO/IMD/IMDII/DOF3/P/OW/2021/11530/1 dated June 4, 2021, Refer SEBI emails dated January 28, 2022, March 19, 2024 and March 20, 2024.

[468] SEBI Circular No.SEBI/HO/IMD/DF3/CIR/P/2020/225 dated November 05, 2020.

[469] SEBI Circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/571 dated June 03, 2021.

closure of NFO. Further investments should follow the norms for ongoing schemes.

c. Ongoing Schemes: For all ongoing schemes that invest or are allowed to invest in Overseas securities / Overseas ETFs, an investment headroom of 20% of the average AUM in Overseas securities / Overseas ETFs of the previous three calendar months would be available to the Mutual Fund for that month to invest in Overseas securities / Overseas ETFs subject to maximum limits specified at Paragraph 12.19.1 above, as the case maybe.

d. [470]The above disclosure Paragraph 12.19.1.3.(b) and 12.19.1.3.(c) would be soft limits for the purpose of reporting only by Mutual Funds on monthly basis in the prescribed format[471].

12.19.1.4 Further, Mutual Funds shall report the utilization of overseas investment limits on monthly basis, within 10 days from end of each month. The format for reporting is enclosed at formats section[472]

12.19.2 Permissible Investments:

12.19.2.1 ADR(s) and/or GDR(s) issued by Indian or foreign companies.

12.19.2.2 Equity of overseas companies listed on recognized Stock Exchanges overseas.

12.19.2.3 Initial and Follow on Public Offerings for listing at recognized Stock Exchanges overseas.

[470] SEBI Circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/571 dated June 03, 2021.
[471] Please refer Format no. 2.I under the section on formats
[472] Please refer Format no. 2.I under the section on formats

12.19.2.4 Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/ registered credit rating agencies.

12.19.2.5 Money Market Instruments rated not below investment grade.

12.19.2.6 Repos in form of investment, where the counterparty is rated not below investment grade; repo shall not however involve any borrowing of funds by Mutual Funds.

12.19.2.7 Government securities where the countries are rated not below investment grade.

12.19.2.8 Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities.

12.19.2.9 Short term deposits with banks overseas where the issuer is rated not below investment grade.

12.19.2.10 Units / securities issued by overseas Mutual Funds or unit trusts registered with overseas regulators and investing in

a. Aforesaid Securities

b. Real Estate Investment Trusts listed on recognized Stock Exchanges overseas or

c. Unlisted overseas securities, not exceeding 10% of their net assets

12.19.3 Other Conditions: Apart from SEBI (Mutual Funds) Regulations, 1996 and guidelines issued from time to time, the AMCs shall adhere to the following specific guidelines while making overseas investments:

12.19.3.1 Appointment of a Dedicated Fund Manager:

a. A dedicated fund manager shall be appointed for making the above overseas investments stipulated under Paragraph 12.19.2.1 to 12.19.2.9.

12.19.3.2 Due Diligence:

a. The Board of the AMC and Trustees shall exercise due diligence in making investment decisions and record the same.[473] They shall make a detailed analysis of risks and returns of overseas investment and how these investments would be in the interest of investors. Investment shall be made in liquid actively traded securities /instruments.

b. The Board of the AMC and Trustees may prescribe detailed parameters for making such investments which may include identification of countries, country rating, country limits etc. They shall satisfy themselves that the AMC has experienced key personnel, research facilities and infrastructure for making such investments. Other specialized agencies and service providers associated with such investments e.g. custodian, bank, advisors etc. shall also have adequate expertise and infrastructure facilities. Their past track record of performance and regulatory compliance record, if they are registered with foreign regulators, should also be considered. Necessary agreements may be entered into with them as required.

12.19.3.3 Mandatory Disclosure Requirements for Mutual Fund schemes proposing overseas investments:

[473] SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000.

a. Intention to invest in foreign securities and/or ETF(s) shall be disclosed in the SID. The attendant risk factors and returns ensuing from such investments shall be explained clearly in the SID. AMCs shall also disclose as to how such investments will help in the furtherance of the investment objectives of the scheme(s). Such disclosures shall be in a language comprehensible to an average investor.

b. AMCs shall disclose the name of the Dedicated Fund Manager for making overseas investments as stipulated under Paragraph 12.19.3.1.a above.

c. AMCs shall disclose exposure limits i.e. the percentage of assets of the scheme they would invest in foreign securities / ETF(s).

d. Such investments shall be disclosed while disclosing Half Yearly portfolios in the prescribed format under a separate heading "Foreign Securities and/or overseas ETF(s)." Scheme wise percentage of investments made in such securities shall be disclosed while publishing Half Yearly Results in the prescribed format[474] as a footnote.

12.19.3.4 Investment by Existing Schemes*:*

a. Existing schemes of Mutual Funds where the SID provides for investment in foreign securities and attendant risk factors but which have not yet invested, may invest in foreign securities, consistent with the investment objectives of the schemes, provided a Dedicated Fund Manager has been appointed as stipulated in Paragraph 12.19.3.1 above.

[474] For Half Yearly Results, please refer to format no. 3.A under the section on Formats

Additional disclosures specified above shall be included by way of addendum and unit holders will be informed accordingly.

b. In case the SID of an existing scheme does not provide for overseas investment, the scheme, if it so desires, may make such investments in accordance with these Guidelines, provided that prior to the overseas investments for the first time, the AMC shall ensure that a written communication about the proposed investment is sent to each unit holder 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. The communication to unit holders shall also disclose the risk factors associated with such investments.

12.19.3.5 Detailed periodic reporting to Trustees by AMC(s) shall include:

a. Performance of overseas investments

b. Amount invested in various schemes and any breach of the exposure limit laid down in the SID.

12.19.3.6 Review of Performance:

a. The Board of the AMC and Trustees shall review the performance of schemes making overseas investments with appropriate benchmark(s) as disclosed in the SID.

12.19.3.7 Reporting to the Board:

a. The Trustees shall offer their comments on the compliance of these guidelines in the Half Yearly Reports filed with the Board.

12.19.3.8 Prudential Investment Norms:

a. Investment restrictions specified in Schedule Seven of the Mutual Funds Regulations are applicable to overseas investments stipulated under Paragraphs 12.19.2.1-12.19.2.10 above.

b. However, Clause 4 of the Seventh Schedule of the Mutual Funds Regulations that restricts investments in Mutual Fund units up to 5% of net assets and prohibits charging of fees, shall not be applicable to investments in Mutual Funds in foreign countries made in accordance with these Guidelines.

c. Management fees and other expenses charged by the Mutual Funds in foreign countries along with the management fee and recurring expenses charged to the domestic Mutual Fund scheme shall not exceed the total limits on expenses as prescribed under Regulation 52(6) of the Mutual Funds Regulations. Where the scheme is investing only a part of the net assets in overseas Mutual Funds, the same principle shall be applicable for that part of investment. Details of calculation for charging such expenses shall be reported to the Board of the AMC and the Trustees and shall also be disclosed in the Annual Report of the scheme.

d. The application[475] for seeking approval for investing in foreign securities, ADR/GDR/overseas ETF(s) shall be made in advance of making investments. On receipt of approval from the Board, intimation may be sent by the AMC(s) to Overseas Investment Division, Foreign Exchange Department, RBI.

12.20 Investments in Indian Depository Receipts (IDRs) [476]

12.20.1 Mutual funds can invest in Indian Depository Receipts[477] [Indian Depository Receipts as defined in Companies (Issue of Indian Depository Receipts) Rules, 2004] subject to compliance with SEBI (Mutual Funds) Regulations 1996 and guidelines issued there under, specifically investment restrictions as specified in the Seventh Schedule of the Regulations.

12.21 Investments in units of REITs / InvITs[478]

12.21.1 The investment restrictions mentioned at Clause 13 in the Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996 shall be applicable to all fresh investments by all schemes, including an existing scheme.

12.21.2 Any existing scheme intending to invest in units of REITs/InvITs shall abide by the provisions of Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996.

12.21.3 For investment in units of REITs / InvITs by an existing Mutual Fund scheme, unit holders of the scheme shall be given a time

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[475] Please refer to format no. 4 under the section on formats for format of proposal for investments in foreign securities and ETFs
[476] SEBI Circular No. IMD/CIR. No.1/165935/2009 dated June 09, 2009
[477] Regulation 43(1) of SEBI (Mutual Funds) Regulations, 1996
[478] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/17 dated February 28, 2017

period of at least 15 days for the purpose of exercising the exit option.

12.22 Investment Restrictions[479]

12.22.1 All investment restrictions as contained in the Regulations[480] shall be applicable at the time of making investment.

12.23 Recording of Investment Decisions[481]

12.23.1 AMC(s) shall exercise due diligence and care in all investment decisions as would be exercised by other persons engaged in the same business.[482] Further AMC(s) shall maintain records in support of each investment decision which will indicate data, facts and opinion leading to that decision. While broad parameters for investments can be prescribed by the Board of Directors of the AMC, the basis for taking individual scrip wise investment decision in equity and debt securities shall be recorded. A detailed research report analyzing various factors for each investment decision taken for the first time shall be maintained and the reasons for subsequent purchase and sales in the same scrip shall also be recorded. The contents of the research reports may be decided by the AMC(s) and the Trustees.

12.23.2 The Board of the AMC shall develop a mechanism to verify that due diligence is being exercised while making investment decisions especially in cases of investment in unlisted and privately placed

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[479] SEBI Circular No. MFD/CIR/09/014/2000 dated January 5, 2000, Refer SEBI letter No. SEBI/HO/IMD-II/DoF8/OW/P/05031/2022- dated February 07, 2022

[480] Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

[481] SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000, Refer SEBI letter No. SEBI/HO/IMD II/DoF4/OW/P/3503/2021 dated February 09, 2021

[482] Regulation 25(2) of the SEBI (Mutual Funds) Regulations, 1996.

securities, unrated debt securities, securities classified as below investment grade or default[483], transactions where associates are involved and instances where the performance of the scheme(s) is poor.

12.23.3 AMC(s) shall report compliance with these requirements in their periodical reports to the Trustees and the Trustees shall report the same to the Board in the Half Yearly Trustee Reports[484]. Trustees shall also check compliance with these Guidelines through independent auditors or internal and/or statutory auditors or other systems developed by them.

12.24 Cumulative Gross Exposure Limits[485]:

12.24.1 The cumulative gross exposure through equity, debt, derivative positions (including commodity and fixed income derivatives), repo transactions and credit default swaps in corporate debt securities, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme.

12.25 Norms for investment and disclosure by Mutual Funds in derivatives[486]

12.25.1 Mutual Funds shall not write options or purchase instruments with embedded written options except for the covered call strategy[487].

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[483] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019.
[484] For Half Yearly Trustee Report please refer to format no. 2.C under the section on Formats
[485] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[486] SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, Refer SEBI letter No. SEBI/HO/ IMD-II/DOF3/OW/P/2021/31487/1 dated November 3, 2021
[487] Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019

12.25.2 The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.

12.25.3 Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.

12.25.4 Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:

a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.

b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Paragraph 12.24.1 above.

c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.

d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.

12.25.5 [488]Mutual Funds may enter into plain vanilla Interest Rate Swaps (IRS) for hedging purposes. The value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.

[488] SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/580 dated June 18, 2021

12.25.6 In case of participation in IRS is through over the counter transactions, the counter party has to be an entity recognized as a market maker by RBI and exposure to a single counterparty scheme in such transactions should not exceed 10% of the net assets of the scheme. However, if mutual funds are transacting in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.

12.25.7 Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in Paragraph 12.24.1.

12.25.8 **Writing of Covered Call Options by Mutual Fund Schemes[489]:**

Mutual funds have been permitted to write call options under a covered call strategy as prescribed below:

i. Mutual Fund schemes (except Index Funds and ETFs) may write call options only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

   a. The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.

   b. The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares

[489] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019

of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.

c. At all points of time the Mutual Fund scheme shall comply with the provisions at Paragraphs 12.25.8.(i).(a) and 12.25.8.(i).(b) above. In case of any passive breach of the requirement at Paragraph 12.25.8.(i).(a), the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.

d. In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with Paragraphs 12.25.8.(i).(a) and 12.25.8.(i).(b) above while selling the securities.

e. In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.

f. The premium received shall be within the requirements prescribed in terms of Paragraph 12.25.2 above i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.

g. The exposure on account of the call option written under the covered call strategy shall not be considered as exposure under Paragraph 12.24.1 above.

h. The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

ii. For schemes intending to use covered call strategy, the risks and benefit of the same, must be disclosed in the Scheme Information Document.

iii. Format for the purpose of uniform disclosure of investments in derivative instruments by Mutual Funds in half yearly portfolio disclosure, annual report or in any other disclosures is prescribed[490]. Further, the call options written shall be disclosed in the format[491] prescribed.

iv. For existing schemes (schemes as on January 16, 2019), writing of call options shall be permitted subject to appropriate disclosure and compliance with Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996.

12.25.9 ***Hedging of Interest Rate Risk[492]***

12.25.9.1 To reduce interest rate risk in a debt portfolio, mutual funds may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below:

[490] Please refer format no. 3.C under the section on formats
[491] Please refer format no. 7.F under the section on formats
[492] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017

(Portfolio Modified Duration * Market Value of the Portfolio)
(Futures Modified Duration * Futures Price / PAR)

12.25.9.2 In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging.

12.25.9.3 Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, up to maximum of 20% of the net assets of the scheme, subject to the following:

i. Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio.

ii. Mutual Funds are permitted to resort to imperfect hedging, without it being considered under the gross exposure limits, if and only if, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is at least 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Paragraph 12.24.1 above. The correlation should be calculated for a period of last 90 days.

Explanation: If the fund manager intends to do imperfect hedging up to 15% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with:

(a) The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or

(b) The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 15% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9.

iii. At no point of time, the net modified duration of part of the portfolio being hedged should be negative.

iv. The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Paragraph 12.24.1 above.

12.25.9.4 The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration.

Explanation: In case of long term bond fund, after hedging the portfolio based on the modified duration of the portfolio, the net modified duration should not be less than the minimum modified duration of the portfolio as required to consider the fund as a long term bond fund.

12.25.9.5 The interest rate hedging of the portfolio should be in the interest of the investors.

12.25.9.6 Mutual Fund schemes may imperfectly hedge their portfolio or part of their portfolio using IRFs, subject to the following conditions:

i. Prior to commencement of imperfect hedging, existing schemes (schemes as on September 27, 2017) shall comply with the provisions of Regulation 18 (15A) of SEBI (Mutual Funds) Regulations, 1996 and all unit holders shall be given a time-period of at least 30 days to exercise the option to exit at prevailing NAV without charging of exit load.

The risks associated with imperfect hedging shall be disclosed and explained by suitable numerical examples in the offer documents and also needs to be communicated to the investors through public notice or any other form of correspondence.

ii. In case of new schemes (schemes launched on or after September 27, 2017), the risks associated with imperfect hedging shall be disclosed and explained by suitable numerical examples in the offer documents.

12.25.10 **Disclosure of Derivative Positions**

In addition to the existing provisions, the mutual funds shall also make the following disclosures

12.25.10.1 Separately disclose the hedging positions through IRF (both perfectly and imperfectly) in respective debt portfolios as per the prescribed format[493].

12.25.10.2 Investment in interest rate derivatives (both IRS/IRF) shall also be disclosed in the monthly portfolio disclosure in terms of Paragraph 5.1 of this Master Circular.

[493] Please refer format no. 3.C & 7.F under the section on formats.

12.25.10.3 Disclosure of the details of interest rate derivatives (both IRS/IRF) used for hedging along with debt and money market securities transacted on its website and also forwarded to AMFI as per Paragraph 9.13 of this Master Circular.

12.25.11 **Definition of Exposure in case of Derivative Positions**

12.25.11.1 Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option bought	Option Premium Paid * Lot Size * Number of Contracts.

12.25.11.2 The provisions shall be applicable for all new schemes launched post August 18, 2010. For all existing schemes (as on August 18, 2010), compliance with the guidelines shall be effective from October 01, 2010.

12.26 Participation of mutual funds in Exchange Traded Commodity Derivatives (ETCDs)[494]*:*

12.26.1 Mutual funds are permitted to participate in ETCDs in India, except in commodity derivatives on 'Sensitive Commodities'[495].

[494] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/65 dated May 21, 2019
[495] SEBI circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017

12.26.2 ETCDs having gold as the underlying, shall also be considered as 'gold related instrument' for Gold Exchange Traded Funds (Gold ETFs).

12.26.3 [496]No Mutual fund schemes shall invest in physical goods except in 'gold' through Gold ETFs. Further, as mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts, in that case mutual funds shall dispose of such goods from the books of the scheme, at the earliest, not exceeding the timeline prescribed below:

a) For Gold and Silver: - 180 days from the date of holding of physical goods,
b) For other goods (except for Gold and Silver):
    1) By the immediate next expiry day of the same contract series of the said commodity.
    2) However, if Final Expiry Date (FED) of the goods falls before the immediate next expiry day of the same contract series of the said commodity, then within 30 days from the date of holding of physical goods.

12.26.4 No mutual fund scheme shall have net short positions in ETCDs on any particular good, considering its positions in physical goods as well as ETCDs, at any point of time.

12.26.5 Mutual funds are permitted to participate in ETCDs through the following schemes:

a. Hybrid schemes[497] including multi asset scheme and
b. Gold ETFs.

[496] SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2020/96 dated June 05, 2020, Refer SEBI letter No. SEBI/HO/IMD/DF3/OW/P/2019/31579/1 dated November 28, 2019
[497] SEBI Circular No.SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017

12.26.6 The following exposures shall not be considered in the cumulative gross exposure for the purpose of Paragraph 12.24.1 above [498]:

a. Short position in Exchange Traded Commodity Derivatives (ETCDs) not exceeding the holding of the underlying goods received in physical settlement of ETCD contracts
b. Short position in ETCDs not exceeding the long position in ETCDs on the same goods.
c. Further, the mutual funds shall not write options, or purchase instruments with embedded written options in goods or on commodity futures.

12.26.7 In case of existing schemes (schemes existing as on May 21, 2019), as mentioned in Paragraph 12.26.5 above, prior to commencement of participation in ETCDs, the scheme shall comply with the provisions of Regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996, as this will lead to change in fundamental attributes of the scheme and all unitholders shall be given a time period of at least 30 days to exercise the option to exit at prevailing NAV without charging of exit load, if any.

12.26.8 Prior to participation in ETCDs, the AMCs shall adhere to the following:

a. Appoint a dedicated fund manager with requisite skill and experience in commodities market (including commodity derivatives market).
b. Appoint a custodian registered with the Board for custody of the underlying goods, arising due to physical settlement of contracts.
c. Have written down investment policy for participation in ETCDs approved by the Board of the Asset Management Company and the Board of Trustees.

[498] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2021/10 dated January 15, 2021

d. Have written down valuation policies approved by the Board of the AMC and the Board of Trustees for valuation of commodity derivatives and the underlying goods, arising due to physical settlement of contracts. The approved valuation policies should be subject to the principles of fair valuation of the assets of mutual funds schemes.

12.26.9 Mutual fund schemes may participate in the ETCDs as 'clients' and shall be subject to all the rules, regulations and instructions, position limit norms, etc. as may be applicable to clients, issued by SEBI and Exchanges from time to time. The position limits at mutual fund level be as applicable to 'Trading Members'.

12.26.10 Schemes investing in ETCDs shall be benchmarked against an appropriate benchmark.

12.26.11 AMCs shall not on board Foreign Portfolio Investors (FPIs) in schemes investing in ETCDs until FPIs are permitted to participate in ETCDs.

12.26.12 **Investment Limits in ETCDs:** Participation of mutual funds in ETCDs shall be subject to the following investment limits:

a. Mutual fund schemes shall participate in ETCDs of a particular goods (single), not exceeding 10% of net asset value of the scheme. However, the limit of 10% is not applicable for investments through Gold ETFs in ETCDs having gold as underlying.

b. In case of multi assets allocation schemes, the exposure to ETCDs shall not be more than 30% of the net asset value of the scheme.

c. In case of other hybrid schemes excluding multi assets allocation scheme, the participation in ETCDs shall not exceed 10% of net asset value of the scheme.

12.26.13 In case of mutual fund schemes investing in ETCDs, the AMC shall adhere to the following:

a. The NAVs of those schemes shall be updated on each business day by the AMCs on their website and on the website of AMFI by 09:00 a.m. of the following calendar day.

b. The format of monthly and half yearly portfolio may be modified to reflect the investment in ETCDs.

c. The total exposure to ETCDs shall be disclosed as a line item in the Monthly Cumulative Report (MCR) submitted by mutual funds.

12.27 Interval Schemes/Plans[499]

12.27.1 Certain SIDs provide that the subscription to the scheme can be made during a specific period (known as specified transaction period) and the repurchase of units is permitted on all business days subject to applicable loads (except for redemption during specified transaction period when no load is charged). These schemes are generally referred to as 'interval schemes'.

12.27.2 For all interval schemes/plans:

12.27.2.1 The units shall be mandatorily listed.

12.27.2.2 No redemption/repurchase of units shall be allowed except during the specified transaction period (the period during which

[499] SEBI Circular No. CIR/IMD/DF /19/2010 dated November 26, 2010

both subscription and redemption may be made to and from the scheme). The specified transaction period shall be of minimum 2 working days.

12.27.2.3 Minimum duration of an interval period in an interval scheme/plan shall be 15 days.

12.27.2.4 Investments shall be permitted only in such securities which mature on or before the opening of the immediately following specified transaction period.

Explanation: In case of securities with put and call options the residual time for exercising the put option of the securities shall not be beyond the opening of the immediately following transaction period.

12.28 CDS – mutual funds as users (protection buyers)[500]

12.28.1 Mutual funds have been permitted to participate in CDS market, as per the guidelines issued by RBI from time to time, subject to the following conditions:

12.28.1.1 Mutual funds shall participate in CDS transactions only as users (protection buyer). Thus, mutual funds are permitted to buy credit protection only to hedge their credit risk on corporate bonds they hold. They shall not be allowed to sell protection and hence not permitted to enter into short positions in the CDS contracts. However, they shall be permitted to exit their bought CDS positions, subject to Paragraph 12.28.1.4 below.

[500] SEBI Circular No. CIR/IMD/DF/23/2012 dated November 15, 2012 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021.

12.28.1.2 Mutual funds can participate as users in CDS for the eligible securities as reference obligations, constituting from within the portfolio of only Fixed Maturity Plans (FMP) schemes having tenor exceeding one year.

12.28.1.3 Mutual funds shall buy CDS only from a market maker approved by the RBI and enter into Master Agreement with the counterparty as stipulated under RBI Guidelines. Exposure to a single counterparty in CDS transactions shall not exceed 10% of the net assets of the scheme.

12.28.1.4 The cumulative gross exposure through equity, debt, derivative positions (including commodity and fixed income derivatives), repo transactions and credit default swaps in corporate debt securities, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme.

12.28.1.5 The total exposure related to premium paid for all derivative positions, including CDS, shall not exceed 20% of the net assets of the scheme.

12.28.1.6 Before undertaking CDS transactions, AMCs shall put in place a written policy on participation in CDS approved by the Board of the Asset Management Company and the Trustees as per the guidelines specified by RBI and Securities and Exchange Board of India (SEBI). The policy shall be reviewed by AMCs, at least once a year.

12.28.1.7 To enable the investors in the mutual funds schemes to take an informed decision, the concerned Scheme Information Document

(SID) shall disclose the intention to participate in CDS transaction in corporate debt securities in accordance with directions issued by RBI and SEBI from time to time, and related information as appropriate in this regard.

12.28.1.8 AMCs shall also disclose the details of CDS transactions of the scheme in corporate debt securities in the monthly portfolio statements as well as in the half yearly trustee report, as per the format[501]. Further, AMCs shall disclose the scheme wise details of CDS transactions in the notes to the accounts of annual report of the mutual fund as per the format[502] .

12.28.2 AMCs participating in CDS transactions, as users, shall be required to comply with the guidelines issued by RBI, vide notification no. IDMD.PCD. No.5053/14.03.04/2010-11 dated May 23, 2011 and subsequent guidelines issued by RBI and SEBI from time to time.

12.29 Trade execution and Allocation[503]:

12.29.1 AMCs shall put in place a written down policy which inter-alia, detail the specific activities, role and responsibilities of various teams engaged in fund management, dealing, compliance, risk management, back-office etc. with regard to order placement, execution of order, trade allocation amongst various schemes and other related matters.

12.29.2 The aforesaid policy shall ensure that all the schemes and its investors are treated in a fair and equitable manner. Further, the policy shall be approved by the Board of AMC and the Trustees and they shall ensure compliance with following:

[501] Please refer to format no. 2.C, 3.C & 7.G.A under the section on Formats
[502] Please refer to format no. 7.G.B under the section on Formats
[503] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2020/175 dated September 17, 2020

12.29.3 For orders pertaining to equity and equity related instruments:

a. AMCs shall use an automated Order Management System (hereinafter referred to as 'OMS'), wherein the orders for equity and equity related instruments of each scheme shall be placed by the fund manager(s) of the respective schemes. [504]However, a fund manager may authorise an employee of the AMC for order placement on his behalf, subject to adherence to the following:

   I. The order instructions to such employee by the fund manager shall be through electronic mode i.e. either through e-mail or other electronic utility, wherein scheme wise audit trail of such orders starting from the instruction of the fund manager is maintained along with time stamping of each stage of the process.

   II. The employee placing the order shall be bound by the same requirements of maintaining confidentiality and the code of conduct as applicable to the fund manager in this regard i.e. in respect of order placement.

b. Further, the orders in case of arbitrage transactions, stock lending and borrowing transactions, passive schemes (such as Index Funds and ETFs) and schemes investing primarily based on pre-defined rules and models, where the discretion of the fund manager is not required for placement of order, is not mandated to be placed through OMS, subject to the following:

   I. The AMC shall document and demonstrate that no judgement and discretion of the fund manager is required for placement of such orders;

[504] SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2020/253 dated December 31, 2020

II. The AMCs shall ensure that orders in breach of applicable regulatory limits and allocation limits as specified in Scheme Information Documents (SIDs), should not be placed and executed;

III. The fund manager shall provide the scheme wise details as required for order placement such as value of transaction(s), nature of transaction(s), etc. to the dealer;

IV. The scheme wise audit trail of placement of orders (including the information provided by the fund manager), order execution and trade allocation shall be maintained along with time stamping of each stage of the process.

c. At all points of time, the responsibility associated with order placement shall continue to vest with the fund manager.

d. In case a fund manager is managing multiple schemes, the fund manager shall necessarily place scheme wise order.

e. All regulatory limits and allocation limits as specified in SID shall be in-built in the OMS to ensure that orders in breach of such limits are not accepted by the OMS. AMCs may further place soft limits for internal control and risk management based on its internal policy. Further, any change in limits specified in OMS shall be subject to the approval of Compliance and Risk Officer.

f. All orders of fund manager(s) shall be received by dedicated dealer(s) responsible for order placement and execution. However[505], in case order(s) for arbitrage transactions, stock lending and borrowing transactions, passive schemes (such as

[505] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2020/253 dated December 31, 2020

Index Funds and ETFs) and schemes investing primarily based on pre-defined rules and models the requirement of a dedicated dealer shall not be mandatory.

g. The internal policy of AMC may also provide certain scenarios within the regulatory limits, wherein, prior approval of Compliance or Risk Officer would be required through OMS before the order is received by the dealer

12.29.4 Requirements with respect to investment in all instruments[506]

a. AMC shall ensure that the dealing desk is suitably staffed and comply with the following:
   I. All conversations of the dealer shall be only through the dedicated recorded telephone lines
   II. No mobile phones or any other communication devices other than the recorded telephone lines shall be allowed inside the dealing room
   III. Restricted access to internet facilities on computers and other devices inside the dealing room. It shall be used for activities related to trade execution only
   IV. No sharing of information by dealer through any mode, except for trade execution under the approved internal policy

b. Orders by dealer can be placed either for each scheme individually or pooled on the basis of orders from multiple schemes. The trade allocation policy of the AMCs shall inter-alia detail (i) specific situations (not generic) wherein the orders by dealers shall be placed for each scheme individually or pooled

[506] Refer SEBI email dated July 16, 2010

from multiple schemes, (ii) the timeline to be considered for pooling of orders in case of multiple schemes.

c. In case of pooled orders, post allocation of trades shall be on pro-rata basis as per the size of the order placed. The said allocation shall be based on weighted average price. The policy shall clearly include scenarios / situations (e.g. redemption pressure) in which deviation from the allotment of units on pro-rata basis would be permissible, if at all. Further, the deviations shall be on account of exigency only and require prior written approval of Chief Investment Officer, Risk Officer and the Compliance Officer with detailed rationale for such deviation.

d. In case of scenarios, wherein, the mutual funds are required to place certain margins /collaterals in order to execute certain transactions, the policy shall include details on how such margins / collaterals shall be segregated / placed from amongst various schemes, without affecting the interest of investors of any scheme.

12.29.5 Monitoring of Compliance:

a. AMC shall have a system based monitoring mechanism to ensure compliance with the requirements under Paragraphs 12.29.3 and 12.29.4 above.

b. [507]Audit trail of activities as detailed in Paragraph 12.29.3 above related to order placement, trade execution and allocation shall be available in the system. Further, there should be time stamping with respect to order placed by fund manager (or the order placed by the employee of the AMC authorized by the fund

[507] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2020/253 dated December 31, 2020

manager), order placed by dealer, order execution and trade allocation in the OMS. The audit trail and time stamping of all other orders (including orders through RFQ platform) not placed through OMS shall also be adequately maintained.

c. Any non-compliance and all material information in this regard shall be reported to trustees on quarterly basis. Trustees shall inform the same to SEBI in their half yearly trustee report.

12.30 [508]Inter Scheme Transfer of Securities ("IST"):

12.30.1 Transfers of securities from one scheme to another scheme in the same mutual fund is allowed only if such transfers are done at the prevailing market price for quoted instruments on spot basis and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made.

12.30.2 In order to ensure that such Inter Schemes Transfers (ISTs) of securities are in conformity with the above objective, the following additional safeguards have been prescribed:

12.30.2.1 In case of Close Ended Schemes, IST purchases would be allowed within "three" business days of allotment pursuant to New Fund Offer (NFO) and thereafter, no ISTs shall be permitted to/from Close Ended Schemes.

12.30.2.2 In case of Open Ended Schemes, ISTs may be allowed in the following scenarios:

a. For meeting liquidity requirement in a scheme in case of unanticipated redemption pressure:

[508] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2020/202 dated October 08, 2020

AMCs shall have an appropriate Liquidity Risk Management (LRM) Model at scheme level, approved by trustees, to ensure that reasonable liquidity requirements are adequately provided for. Recourse to ISTs for managing liquidity will only be taken after the following avenues for raising liquidity have been attempted and exhausted:

I. Use of scheme cash & cash equivalent
II. Use of market borrowing
III. Selling of scheme securities in the market

IV. After attempting all the above, if there is still a scheme level liquidity deficit, then out of the remaining securities, outward ISTs of the optimal mix of low duration paper with highest quality shall be effected.

The use of market borrowing before ISTs will be optional and Fund Manager may at his discretion take decision on borrowing in the best interest of unitholders. The option of market borrowing or selling of security as mentioned at Paragraphs 12.30.2.2.a.II & 12.30.2.2.a.III above may be used in any combination and not necessarily in the above order. In case option of market borrowing and/or selling of security is not used, the reason for the same shall be recorded with evidence.

b. For Duration/Issuer/Group rebalancing:

I. ISTs shall be allowed only to rebalance the breach of regulatory limit.

II. ISTs can be done where any one of duration, issuer, sector and group balancing is required in both the transferor and transferee schemes. Different reasons cannot be cited for transferor and transferee schemes except in case of transferee schemes is being a Credit Risk scheme.

III. In order to guard against possible mis-use of ISTs in Credit Risk scheme, trustees shall ensure to have a mechanism in place to negatively impact the performance incentives of Fund Managers, Chief Investment Officers (CIOs), etc. involved in process of ISTs in Credit Risk scheme, in case the security becomes default grade after the ISTs within a period of one year. Such negative impact on performance shall mirror the existing mechanism for performance incentives of the AMC.

12.30.2.3 No ISTs of a security shall be allowed, if there is negative news or rumors in the mainstream media or an alert is generated about the security, based on internal credit risk assessment in terms of Paragraph 4.3 of this Master Circular during the previous four months.

12.30.2.4 AMC shall ensure that Compliance Officer, Chief Investment Officer and Fund Managers of transferor and transferee schemes have satisfied themselves that ISTs undertaken are in compliance with the regulatory requirements. Prescribed "Template"[509] and documentary evidence in this regard shall be maintained by the AMC for all ISTs.

[509] Please refer to format no. 11 under the section on formats

12.30.2.5 If security gets downgraded following ISTs, within a period of four months, Fund Manager of buying scheme has to provide detailed justification /rationale to the trustees for buying such security.

CHAPTER 13: ADVERTISEMENTS[510]

13.1 Advertisement shall be in terms of Sixth Schedule[511].

13.2 In addition to the provisions of the Sixth Schedule, AMCs shall comply with the following:[512]

13.2.1 While advertising pay out of dividends, all advertisements shall disclose the dividends declared or paid in rupees per unit along with the face value of each unit of that scheme and the prevailing NAV at the time of declaration of the dividend.

13.2.2 Further, for pay out of dividends at maturity of closed-ended scheme(s)/ at completion of the interval period of interval scheme(s), AMC shall advertise that "the entire distributable surplus at the time of maturity or at the completion of the interval period shall be distributed

13.2.3 Pay out of Dividend/ Bonus: While advertising pay outs, all advertisements shall disclose, immediately below the pay out figure (in percentage or in absolute terms) that the NAV of the scheme, pursuant to pay out would fall to the extent of payout and statutory levy (if applicable).

13.3 Disclosing performance related information in Mutual Fund advertisements*[513]*

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[510]SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011 and SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 and SEBI Circular No. SEBI/IMD/CIR No.1/64057/06 dated April 04, 2006, Refer SEBI email dated May 03, 2017, Refer SEBI letter No. IMD/DF2/RS/2017/10751 dated May 12, 2017, Refer SEBI letter No. IMD/SEC4/OW/P/2023/9448/1 dated March 03, 2023

[511] Sixth Schedule of SEBI (Mutual Funds) Regulations, 1996

[512] SEBI Circular No. Cir/IMD/DF/6/2012 dated February 28, 2012 and Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, Refer SEBI email dated June 02, 2010

[513] SEBI Circular No. Cir/IMD/DF/23/2017 dated March 15, 2017

13.3.1 In performance advertisements of Mutual Fund schemes:

13.3.1.1 Performance of the Mutual Fund scheme shall be advertised in terms of CAGR for the past 1 year, 3 years, 5 years and since inception.

13.3.1.2 In order to provide ease of understanding to retail investors, point-to-point returns on a standard investment of Rs. 10,000/- shall also be provided in addition to CAGR of the scheme.

13.3.1.3 Performance advertisements of Mutual Fund schemes should provide information based on period computed from the last day of month-end preceding the date of advertisement.

13.3.1.4 It should be specifically mentioned whether performance so disclosed, is of regular or direct plan of the Mutual Fund scheme along-with a footnote mentioning that different plans have a different expense structure.

13.3.1.5 If a Mutual Fund scheme has not been managed by the same fund manager for the full period of the information being published in the advertisement, the same should be disclosed in a footnote

13.3.2 Where the scheme has been in existence for less than six months past performance shall not be provided. Further, if the scheme has been in existence for more than six months but less than one year, then simple annualized growth rate of the scheme for the past 6 months from the last day of month-end preceding the date of advertisement shall be provided[514].

[514] SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011 and SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

13.3.3 [515]In case of Overnight funds, Liquid funds and Money Market funds, wherein investors have very short investment horizon, the performance can be advertised by simple annualisation of yields if a performance figure is available for at least 7 days, 15 days and 30 days provided it does not reflect an unrealistic or misleading picture of the performance or future performance of the scheme.

13.3.4 For the sake of standardization, a similar return in INR and by way of CAGR must be shown for the following apart from the scheme benchmarks:

Sr.No.	**Category of Schemes**	**Additional Benchmark**
1	*All Equity Scheme*	*Sensex/ Nifty*
2	*All Debt Schemes having duration / maturity upto 1 year and Arbitrage Funds*	*1-year T-Bill*
3	*All Debt Schemes which are not covered in Point 2*	*10 year dated GOI Security*
4	*Conservative Hybrid Fund*	*10 year dated GOI Security*
5	*Balanced Hybrid Fund / Aggressive Hybrid Fund / Dynamic Asset Allocation or Balanced Advantage / Multi Asset Allocation*	*Sensex / Nifty*
6	*Equity Savings*	*10 year dated GOI Security*
7	*Retirement Fund / Children's Fund*	*Sensex/Nifty*
8	*Index Funds / ETFs & FoFs (Overseas/ Domestic)*	*Appropriate benchmark based on the underlying asset*

[515] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

		allocation as per above

These disclosures shall form a part of the Statement of Additional Information and all advertisements of Mutual Funds.

13.3.5 Any disclosure regarding quarterly/ half yearly/ yearly performance shall pertain to respective calendar quarterly/ half yearly/ yearly only.

13.3.6 [516]When the performance of a particular Mutual Fund scheme is advertised, the advertisement shall also include the performance data of all the other schemes managed by the fund manager/s of that particular scheme. Such performance data of the other schemes managed by the fund manager shall be provided as follows:

13.3.6.1 Performance of other schemes managed by the fund manager, along-with their respective scheme's benchmark, shall be provided in terms of CAGR for a period of 1 year, 3 years and 5 years. The period referred here shall be computed in the same manner as that of the scheme being advertised.

13.3.6.2 In case the number of schemes managed by a fund manager is more than six, then the AMC may disclose the total number of schemes managed by that fund manager along with the performance data of top 3 and bottom 3 schemes (in addition to the performance data of the scheme for which the advertisement is being made) managed by that fund manager in all performance related advertisements. However, in such cases, AMCs shall ensure that true and fair view of the performance of the fund manager is communicated by providing additional disclosures, if required.

[516] SEBI Circular No. Cir/IMD/DF/23/2017 dated March 15, 2017

13.3.6.3 If a Mutual Fund scheme has not been managed by the same fund manager for the full period of information being published in the advertisement, the same should be disclosed in a footnote.

13.3.6.4 Further, for advertisement published in internet-enabled media, Mutual Funds shall be permitted to provide an exact website link to such summarized information of performance of other schemes managed by the concerned fund manager.

13.3.6.5 An indicative format[517] of disclosure of performance of other schemes managed by the concerned fund manager is provided.

13.4 *Disclosure of Performance of Schemes post-merger[518] :*

13.4.1 Disclosure of performance of schemes post-merger shall be as given below

13.4.1.1 When two schemes, for example, Scheme A (Transferor Scheme) & Scheme B (Transferee Scheme), having similar features, get merged and the merged scheme i.e., surviving scheme also has the same features, the weighted average performance of both the schemes needs to be disclosed.

13.4.1.2 When Scheme A (Transferor Scheme) gets merged into Scheme B (Transferee Scheme) and the features of Scheme B are retained, the performance of the scheme whose features are retained needs to be disclosed.

13.4.1.3 When Scheme A (Transferor Scheme) gets merged into Scheme B (Transferee Scheme) and the features of Scheme A (Transferor

[517] Please refer to format no. 7.A under the section on Formats
[518] SEBI Circular No- SEBI/HO/IMD/DF3/CIR/P/2018/69 dated April 12, 2018

scheme) are retained, the performance of the scheme whose features are retained needs to be disclosed.

13.4.1.4 When Scheme A (Transferor Scheme) gets merged with Scheme B (Transferee Scheme) and a new scheme, Scheme C emerges after such consolidation or merger of schemes, the past performance need not be provided.

13.4.2 In addition to disclosing the performance of the scheme as mentioned above, past performance of such scheme(s) whose features are not retained post-merger may also be made available on request with adequate disclaimer.

13.5 *Filing* of Advertisements[519]

13.5.1 Regulation 30 of SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) on Advertisement material, requires Mutual Funds to submit to SEBI, the advertisements issued by them, within 7 days from the date of issue.

13.5.2 In continuation to the various Go Green initiatives in Mutual Funds, the AMCs are advised to submit links to access the advertisements to be filed under the MF Regulations by sending the same through e-mail to SEBI at mf_advertisement@sebi.gov.in. However, advertisement materials like pamphlets may be submitted as attachment along with e-mail, if the size of the attachment does not exceed 250 KB.

13.5.3 AMCs shall however, maintain copy of advertisements for future references.

[519] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/34 dated March 08, 2019, Refer SEBI email dated March 29, 2010

13.5.4 While sending the e-mail, the compliance officer of respective Mutual Fund shall expressly confirm that the advertisement is in compliance with the Advertisement code specified in the sixth schedule of the MF Regulations.

13.6 Indicative portfolios and yields in mutual funds schemes[520]

13.6.1 Mutual Funds, AMCs and distributors shall not offer any indicative portfolio and indicative yield. No communication regarding the same in any manner whatsoever shall be issued by any Mutual Funds, AMCs or distributors of its products. The compliance of the same shall be monitored by the AMC and Trustees of Mutual Funds and reported in their respective reports to SEBI.

13.6.2 **Indicative portfolio or yield in close ended debt oriented mutual fund schemes[521]**

Mutual Funds (MFs)/AMCs may make following additional disclosures in the SID/SAI and KIM without indicating the portfolio or yield, directly or indirectly:

13.6.2.1 MFs/AMCs shall disclose their credit evaluation policy for the investments in debt securities.

13.6.2.2 MFs/AMCs shall also disclose the list of sectors they would not be investing.

13.6.2.3 AMCs shall disclose the type of instruments which the schemes propose to invest viz. CPs, CDs, Treasury bills etc.

13.6.2.4 AMCs shall disclose the floors and ceilings within a range of 5% of the intended allocation (in %) against each sub asset

[520] SEBI Circular No. IMD/CIR No. 14/151044/09 dated January 19, 2009
[521] SEBI Circular No. CIR/IMD/DF/12/2011 dated August 01, 2011

class/credit rating. For example, it may be disclosed that x-y % would be in AAA rated bank CD as per the sample matrix below:

Credit Rating / Instruments	AAA	AA	A	BBB
CDs				
CPs				
NCDs				
Securitized debt				
Any Other				

13.6.2.5 After the closure of NFO, the AMCs will report in the next meeting of AMCs and Trustees the publicized percentage allocation and the final portfolio. Variations between indicative portfolio allocation and final portfolio will not be permissible.

CHAPTER 14: INVESTOR RIGHTS & OBLIGATIONS

PART I – INVESTOR RIGHTS

14.1 Transfer of Redemption or Repurchase Proceeds[522]

14.1.1 The transfer of redemption or repurchase proceeds to the unitholders shall be made within three working days from the date of redemption or repurchase.

14.1.2 Paragraph 12.19.2 of this Master Circular prescribes a list of permissible investments for the purpose of overseas investments. For schemes investing at least 80% of total assets in such permissible overseas investments, the transfer of redemption or repurchase proceeds to the unitholders shall be made within five working days form the date of redemption or repurchase.

14.1.3 AMFI, in consultation with SEBI, has published a list of exceptional circumstances for schemes unable to transfer redemption or repurchase proceeds to investors within time as stipulated at Paragraph 14.1.1 and 14.1.2 above, along with applicable time frame for transfer of redemption or repurchase proceeds to the unitholders in such exceptional circumstances. The said list is available on AMFI website.

14.2 Payment of interest for delay in dispatch of redemption and/or repurchase proceeds and/or dividend[523]

14.2.1 In the event of failure to dispatch:

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[522] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022

[523] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022 & SEBI Circular No. SEBI/MFD/CIR/2/266/2000 dated May 19, 2000.

a. Redemption or repurchase proceeds within three[524] working days from the date of receipt of such requests and/ or

b. Dividend within the stipulated seven working days[525] period[526],

Interest for the period of delay in transfer of redemption or repurchase or dividend shall be payable to unitholders at the rate of 15% per annum along with the proceeds of redemption or repurchase or dividend, as the case may be. Such Interest shall be borne by AMCs. The details of such payments shall be sent to SEBI as part of Compliance Test Reports in the prescribed format. Investors shall also be informed about the rate and amount of interest paid to them.

14.3 Unclaimed Redemption and Dividend Amount[527]

14.3.1 [528]The unclaimed redemption and dividend amounts, that are currently allowed to be deployed only in call money market or money market instruments, shall also be allowed to be invested in a separate plan of Overnight scheme / Liquid scheme/ Money Market Mutual Fund scheme floated by Mutual Funds specifically for deployment of the unclaimed amounts.

Provided that such schemes where the unclaimed redemption and dividend amounts are deployed shall be only those Overnight scheme/ Liquid scheme / Money Market Mutual Fund schemes which are

[524] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022
[525] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022
[526] Regulation 53(a), SEBI Circular No. SEBI / IMD / CIR No 14 / 187175/ 2009 dated December 15,2009
[527]SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000 & SEBI/HO/IMD/DF2/CIR/P/2016/37 dated February 25, 2016
[528]SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/608 dated July 30, 2021

placed in A-1 cell (Relatively Low Interest Rate Risk and Relatively Low Credit Risk) of Potential Risk Class matrix.

14.3.2 AMCs shall not be permitted to charge any exit load in this plan and TER (Total Expense Ratio) of such plan shall be capped as per the TER of direct plan of such scheme or at 50 bps, whichever is lower.

14.3.3 Further, for the Unclaimed redemption and dividend amounts deployed by Mutual Funds in Call Money Market or Money Market instruments, the investment management and advisory fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.

14.3.4 Investors who claim the unclaimed amounts during a period of three years from the due date shall be paid initial unclaimed amount along-with the income earned on its deployment. Investors, who claim these amounts after 3 years, shall be paid initial unclaimed amount along-with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education.

14.3.5 The AMC shall make a continuous effort to remind the investors through letters to take their unclaimed amounts.

14.3.6 Further, to ensure Mutual Funds play a pro-active role in tracing the rightful owner of the unclaimed amounts:

a. AMCs shall be required to provide on their website, the list of names and addresses of investors in whose folios there are unclaimed amounts.

b. AMFI shall also provide on its website, the consolidated list of investors across Mutual Fund industry, in whose folios there are unclaimed amounts. The information provided herein shall

contain name of investor, address of investor and name of Mutual Fund/s with whom unclaimed amount lies.

c. Information at Paragraph (a) & (b) above may be obtained by investor only upon providing his appropriate credentials (like PAN, date of birth, etc.) along-with adequate security control measures being put in place by Mutual Fund / AMFI.

d. The website of Mutual Funds and AMFI shall also provide information on the process of claiming the unclaimed amount and the necessary forms / documents required for the same.

e. Further, the information on unclaimed amount along-with its prevailing value (based on income earned on deployment of such unclaimed amount), shall be separately disclosed to investors through the periodic statement of accounts / Consolidated Account Statement sent to the investors.

14.3.7 Disclosures on above provisions shall be made in the SAI /SID. Disclosure on the unclaimed amounts and the number of such investors for each scheme shall be made in the Annual Report also.[529]

14.4 Dispatch of Statement of Accounts[530]

14.4.1 AMCs shall allot the units to the applicant whose application has been accepted and also send confirmation specifying the number of units allotted to the applicant by way of email and/or SMS's to the applicant's registered email address and/or mobile number as soon as possible but not later than five working days from the date of

[529] Please refer to Schedule XI of SEBI (Mutual Funds) Regulations, 1996

[530]SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, SEBI Circular No. IMD/CIR/12/80083/2006 dated November 20, 2006 and SEBI Circular No. Cir/IMD/DF/16/2011 dated September 08, 2011

closure of the initial subscription list and/or from the date of receipt of the request from the unitholders.

14.4.2 Option to hold units in demat form[531]

a. Mutual Funds/AMCs are advised to invariably provide an option to the investors to mention demat account details in the subscription form, in case they desire to hold units in demat form while subscribing to any scheme (open ended/close ended/Interval).

b. Mutual Funds/AMCs shall ensure that above mentioned option is provided to the investors in all their schemes (existing and new).

c. Mutual Funds/AMCs are advised to obtain ISIN for each option of the scheme and quote the respective ISIN along with the name of the scheme, in all Statement of Account/Common Account Statement (CAS) issued to the investors.

d. Dematerialization of existing units held by investors

In case investors desire to convert their existing physical units (represented by statement of account) into dematerialized form, mutual funds / AMCs shall take such steps in coordination with Registrar and Transfer Agents, Depositories and Depository participants (DPs) to facilitate the same.

e. Where investor desires to hold units in dematerialised form, demat statement given by depository participant would be

[531] SEBI circular no. CIR/IMD/DF/9/2011, dated May 19, 2011

deemed to be adequate compliance with requirements for account statement prescribed by SEBI[532].

14.4.3 Consolidated Account Statement[533]

14.3.3.1 As per Regulation[534], AMCs shall ensure that the consolidated account statement for each calendar month, is issued [535]on or before fifteenth day of the succeeding month.

14.3.3.2 [536]The AMC shall ensure that the CAS for the half year is issued on or before twenty first day of the succeeding month.

14.3.3.3 As per Regulation[537], the asset management company shall ensure that a consolidated account statement every half yearly (September/ March) is issued, detailing holding at the end of the six month, across all schemes of all mutual funds, to all such investors in whose folios no transaction has taken place during that period.

14.3.3.4 Further, in order to increase transparency of information to investors, it has been decided that[538]

a. Each CAS issued to the investors shall also provide the total purchase value / cost of investment in each scheme.

b. Further, CAS issued for the half-year (ended September/ March) shall also provide.

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[532] For details on dispatch of statement of accounts. refer to Chapter 15- Investor Rights and Obligations
[533] SEBI Circular No. Cir/IMD/DF/16/2011 dated September 08, 2011
[534] Regulation 36(4) of SEBI (Mutual Funds) Regulations, 1996
[535] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[536] SEBI Circular No SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[537] Regulation 36(4) of SEBI (Mutual Funds) Regulations, 1996
[538] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016 and SEBI/HO/IMD/DF2/CIR/P/2016/89 dated September 20, 2016

i. The amount of actual commission paid by AMCs/Mutual Funds (MFs) to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme. The term 'commission' here refers to all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/MFs to distributors. Further, a mention may be made in such CAS indicating that the commission disclosed is gross commission and does not exclude costs incurred by distributors such as service tax (wherever applicable, as per existing rates), operating expenses, etc.

ii. The scheme's average Total Expense Ratio[539] (in percentage terms) along with the break up between Investment and Advisory fees, Commission paid to the distributor and Other expenses for the period for each scheme's applicable plan (regular or direct or both) where the concerned investor has actually invested in."

iii. Trustees and AMCs shall ensure compliance of the provisions mentioned above at Paragraph 14.3.3.4.(b).(ii) above and trustees shall confirm the same to SEBI in the half yearly trustee report.

c. Such half-yearly CAS shall be issued to all MF investors, excluding those investors who do not have any holdings in MF schemes and where no commission against their investment has been paid to distributors, during the concerned half-year period.

[539] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/137 dated October 22, 2018

d. Further, an indicative format[540] providing guidance on the key components which shall be reflected in half-yearly CAS may be referred.

14.4.4 Transferability of Mutual Fund units[541]

a. Regulations[542] states that "a unit unless otherwise restricted or prohibited under the scheme, shall be freely transferable by act of parties or by operation of law." The spirit and intention of this regulation is not to prohibit transferability of units as a general rule or practice.

b. All AMCs shall clarify by way of an addendum that units of all mutual fund schemes held in demat form shall be freely transferable from the date of the issue of said addendum. However, restrictions on transfer of units of ELSS schemes during the lock-in period shall continue to be applicable as per the ELSS Guidelines.

14.5 AMC's Annual Reports for unitholders[543]

14.5.1 The annual report containing accounts of the AMCs should be displayed on the website of Mutual Fund. It should also be mentioned in the Annual Report of Mutual Funds schemes that the unitholders, if they so desire may request for the Annual Report of the AMC.

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[540] Please refer to Format no. 3.F under the section on Formats
[541] SEBI Circular No - CIR/IMD/DF/10/2010 dated August 18, 2010, Refer SEBI email dated February 02, 2011
[542] Regulation 37(1) of SEBI (Mutual Fund) Regulations, 1996
[543] SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000

14.6 Treatment and disposal of illiquid securities or securities classified as default at the time of maturity / closure of schemes[544] [545]

14.6.1 In case of close-ended schemes, some of the investments made by Mutual Funds may become default at the time of maturity of schemes. Further, at the time of winding up of a scheme, some of the investments made by Mutual Funds may become default or illiquid. In due course of time i.e. after the maturity or winding up of the schemes, such investments may be realised by the Mutual Funds. It is advised to distribute such amount, if it is substantial, to the concerned investors. In case the amount is not substantial, it may be used for the purpose of investor education. The decision as to the determination of substantial amount shall be taken by the Trustees of Mutual Funds after considering the relevant factors including number of investors, amount recovered, cost of transferring funds to investors; among others.

14.7 Change of Mutual Fund Distributor[546]

14.7.1 In case an investor wishes to change his distributor or wishes to go direct, Mutual Funds/AMC's shall 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 'No Objection Certificate' from the existing distributor.[547]

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[544] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019
[545] SEBI Circular No. MFD/CIR/05/432/2002 dated June 20, 2002.
[546] Refer SEBI email dated August 12, 2010
[547] SEBI Circular No -SEBI/IMD/CIR No./ 13/187052 /2009 December 11, 2009

14.8 Additional mode of payment through Applications Supported by Blocked Amount (hereinafter referred to as "ASBA") in Mutual Funds[548]

14.8.1 ASBA facility which investors have been using for subscription to public issue of equity capital of companies has been extended to the investors subscribing to New Fund Offers (NFOs) of mutual fund schemes. It shall co-exist with the current process, wherein cheques/ demand drafts are used as a mode of payment.

14.8.2 The banks which are in SEBI's list shall extend the same facility in case of NFOs of mutual fund schemes to all eligible investors in Mutual Fund units.

14.8.3 AMCs shall ensure that adequate arrangements are made by Registrar and Transfer Agents for the implementation of ASBA. Mutual Funds/AMCs shall make all relevant disclosures in this regard in the SAI.

14.8.4 SEBI circulars[549] related to ASBA shall be followed to the extent applicable.

14.8.5 The Mutual Funds/AMCs have to compulsorily provide ASBA facility to the investors for all NFOs launched.

14.9 Instant Access Facility (IAF) [550]

14.9.1 IAF facilitates credit of redemption proceeds in the bank account of the investor on the same day of redemption request. In order to further

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[548] SEBI Circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010

[549] SEBI Circular No. SEBI/CFD/DIL/DIP/31/2008/30/7 dated July 30, 2008, SEBI/CFD/DIL/2008/25/09dated September 25, 2008, SEBI/CFD/DIL/MB/IS/5/2009/05/08 dated August 5, 2009 and SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009 and CIR/CFD/DIL/7/2010 dated July 13, 2010, Cir / IMD / DF / 6 / 2010 dated July 28, 2010

[550] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/39 dated May 08, 2017

enhance the reach of Mutual Funds (MFs) towards the retail investors, it has been decided to issue guidelines for extending IAF. MFs/AMCs may offer IAF subject to the following conditions:

a. **Eligibility** -IAF shall be allowed through online mechanism and only for resident individual investors.

b. **Applicability**

i. **NAV**: While observing the extant cut-off timings with respect to repurchase (i.e. Redemption), under IAF the following NAVs shall be applied:

- where the IAF application is received up to 3.00pm–the lower of (i) NAV of previous calendar day and (ii) NAV of calendar day on which application is received;
- where the IAF application is received after 3.00 pm –the lower of (i) NAV of calendar day on which such application is received, and (ii) NAV of the next calendar day.

ii. **Scheme**[551]–MFs/ AMCs can offer Instant Access Facility (IAF) only in Overnight and Liquid Schemes of the MF.

iii. **Monetary Limit**-The monetary limit under IAF shall be INR 50,000/-or 90% of latest value of investment in the scheme, whichever is lower. This limit shall be applicable per day per scheme per investor.

c. **Liquidity**

i. Liquidity for IAF has to be provided out of the available funds with the scheme and MFs/ AMCs should put in place a

[551] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/608 dated July 30, 2021

mechanism so that adequate balance is available in the bank account of the scheme to meet liquidity/ redemption requirements under IAF. Such mechanism may be based on historical trends of instant access. For example, AMCs offering IAF may set aside in cash at least 3 times of –the higher of, last one month's or three month's daily average of redemptions under instant access on a rolling day basis. AMCs should also lay down robust processes for continuous monitoring and for funding the redemptions under the IAF.

ii. MFs/ AMCs cannot borrow to meet the redemption requirements under IAF.

d. **Disclosures**

i. AMCs shall make appropriate disclosures in the scheme related documents about IAF and ensure that no mis-selling is done on the pretext of instant availability of funds to the investors.

ii. Appropriate disclosures shall be made to the investors mentioning the scenarios under which IAF may be suspended and that IAF request would be processed as a normal redemption request in such circumstances.

e. **Approvals and Controls**

i. MFs/ AMCs shall offer IAF only after obtaining approvals from the AMC Board and the Trustees and keep in place adequate safeguards in the system to implement this facility.

ii. IAF shall also be considered while carrying out stress testing of the schemes.

14.10 Use of e-wallet for investment in MFs [552]

14.10.1 With an objective to promote digitalization, MFs/AMCs can accept investment by an investor through e-wallets (Prepaid Payment Instruments (PPIs)) subject to the following:

a. MFs/ AMCs shall ensure that extant regulations such as cut-off timings, time stamping, etc., are complied with for investment in MFs using e-wallets.

b. MFs/ AMCs shall enter into an agreement / arrangement with issuers of PPIs for facilitating payment from e-wallets to MF schemes.

c. Redemption proceeds should be made only to the bank account of the investor/ unit holder.

d. MFs/ AMCs shall ensure that total subscription through e-wallets for an investor is restricted to INR 50,000/-per MF per financial year. Further, the limit of INR 50,000/-would be an umbrella limit for investments by an investor through both e-wallet and/or cash, per Mutual Fund per financial year.

[552] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2017/39 dated May 08, 2017

e. In context of e-wallets, it should be ensured that all e-wallets are fully compliant with KYC norms as prescribed by Reserve Bank of India.[553]

f. MFs/ AMCs shall ensure that e-wallet issuers shall not offer any incentives such as cashback, vouchers, etc., directly or indirectly for investing in MF schemes.

g. MFs/ AMCs shall ensure that only amounts loaded into e-wallet through cash or debit card or net banking, can be used for subscription to MF schemes.

h. MFs/ AMCs shall ensure that amount loaded into e-wallet through credit card, cash back, promotional scheme etc. should not be allowed for subscription to MF schemes.

i. MFs/ AMCs shall also comply with the requirement of no third party payment norm for investment made using e-wallets.

[553] Paragraph 14.10.1.(e) is applicable with effect from May 01, 2023, SEBI Circular No. SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/40 dated March 23, 2023,

PART II – INVESTOR'S OBLIGATIONS

14.11 Mandatory mentioning of PAN Number[554]

14.11.1 For the requirement of mentioning PAN Number by investors of mutual fund schemes, the applicable SEBI guidelines may be referred.[555]

14.12 Mandatory mentioning of Bank Account by Investors[556]

14.12.1 It shall be mandatory for the investors of the Mutual Funds schemes to mention their bank account numbers in their applications/request for redemption. For this purposes Mutual Funds shall provide space in applications and redemption request forms.

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[554] SEBI Circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007, SEBI Circular No. MRD/DoP/Cir-08/2007 dated June 25, 2007, SEBI Circular No. MRD/DoP/MF/Cir-08/2008 dated April 3, 2008, SEBI Circular No. MRD/DoP/Cir-20/2008 dated June 30, 2008, Refer SEBI Letter No. MRD/Policy/PAN/AT/97151/2007 dated June 25, 2007, Refer SEBI letter No. SEBI/HO/IMD/DF2/OW/P/2016/6768/1 dated March 08, 2016, Refer SEBI letter No. IMD/DF2/MSD/OW/P/2016/ 20426/1 dated July 20, 2016, Refer SEBI letter No. SEBI/HO/OW/IMD /PoD/P/2022/48112 /1 dated September 12, 2022

[555] SEBI Circular No. MRD/DoP/MF/Cir`-08/2008 dated April 3, 2008, SEBI Circular No. SEBI/IMD/CIR No. 6/ 4213/04 dated March 1, 2004, Refer SEBI letter No. OW/ 16541 /2012 dated July 24, 2012

[556] SEBI Circular No. IIMARP/MF/CIR/07/826/98 dated April 15, 1998. Refer SEBI letter No. SEBI/HO/OW/IMD/IMD-SEC1/P/2024/7541/1 dated February 09, 2024

PART III– INVESTOR EDUCATION

14.13 SEBI Investors Education Programme – Investments in Mutual Funds[557]

14.13.1 SEBI has prepared a brochure in question-answer format explaining the fundamental issues pertaining to mutual funds. The same is available on SEBI website https://www.sebi.gov.in under the "FAQs" section. The details for accessing the same are enclosed at **Annexure 4**.

14.13.2 AMCs are advised to circulate copies of the brochure among their distributors and agents (including brokers, banks, post offices) and the investors.

14.13.3 AMCs may publish the same as small booklets. In such a case, while the booklets must bear SEBI name and logo, AMC may give their name as publisher. This may also be displayed prominently on their websites

14.13.4 AMFI may consider including the brochure as a part of study material for their training programmes for investors and for their certification programme conducted for agents and distributors.

14.13.5 SEBI may be kept informed about the steps taken by the AMCs in this regard from time to time.

14.14 Financial Inclusion[558]*:*

14.14.1 In context of Mutual Funds, financial inclusion implies that the concept of Mutual Fund products is understood by all and are accessible to anyone who wishes to make an investment in them.

[557] SEBI Cir No. MFD/CIR NO -13/370/02 dated January 16,2002
[558] SEBI Cir No. CIR/IMD/DF/05/2014 dated March 24, 2014

Also, investors should be capable of figuring out which Mutual Fund scheme is appropriate for their financial objectives. Towards this, it has been decided that:

a. AMCs shall mandatorily also make available printed literature on mutual funds in regional languages for investor awareness and education.

b. AMCs to introduce Investor awareness campaign in regional languages both in print and electronic media

CHAPTER 15: CERTIFICATION AND REGISTRATION OF INTERMEDIARIES[559, 560]

15.1 No AMC shall deal with any intermediary (i.e. distributors, agents, brokers, sub brokers or called by any other name, whether individuals or belonging to any other organization structure) in relation to selling and marketing of Mutual Fund units unless they have cleared the certification examination[561].

15.2 Exemption for Senior Citizens: Senior citizens with experience in distributing Mutual Funds units are exempt from the mandatory certification examination if they have completed 50 years of age and have experience of at least 5 years as on September 30, 2003. They are also required to follow the guidelines prescribed by the Board and AMFI. They had to attend a mutual fund training programme and a certificate to that effect endorsed by a mutual fund should be submitted to AMFI.

15.3 No AMC shall engage/employ employee(s) interacting with investors (i.e. those working in investors relations, call centers, employees engaged in sales and marketing etc.) unless they have cleared the certification examination.

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[559] SEBI Circular No. MFD/CIR No.10/310/01 dated September 25, 2001, SEBI Circular No. MFD/CIR/20/23230/2002 dated November 28, 2002, SEBI Circular No. SEBI/MFD/CIR No.01/6693/03 dated April 3, 2003, SEBI Circular No. SEBI/IMD/CIR No.2/254/04 dated February 4, 2004, SEBI Circular No. MFD/CIR/06/210/2002 dated June 26, 2002.

[560] Exemption for Senior Citizens: Senior citizens with experience in distributing Mutual Funds units are exempt from the mandatory certification examination if they have completed 50 years of age and have experience of at least 5 years as on September 30, 2003. They are also required to follow the guidelines prescribed by the Board and AMFI. They had to attend a mutual fund training programme and a certificate to that effect endorsed by a mutual fund should be submitted to AMFI.

[561] Refer SEBI letter No.– OW / 14970 / 2012 dated July 5, 2012

15.4 Further, such intermediaries and employees shall also adhere to the Guidelines specified by the Board and AMFI.[562]

15.5 Distributors of Mutual Fund products[563]

15.5.1 The AMCs shall regulate the distributors by putting in place a due diligence process as follows:

15.5.1.1 The due diligence of distributors is solely the responsibility of mutual funds/AMCs. This responsibility shall not be delegated to any agency. However, mutual funds/AMCs may take assistance of an agency of repute while carrying out due diligence process of distributors.[564]

15.5.1.2 The due diligence process shall be initially applicable for distributors satisfying one or more of the following criteria:

a. Multiple point presence (More than 20 locations)

b. AUM raised over Rs.100 Crore across industry in the non-institutional category but including high net worth individuals (HNIs)

c. Commission received of over Rs.1 Crore p.a. across industry

d. Commission received of over Rs.50 Lakh from a single Mutual Fund

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[562] SEBI Circular No. MFD/CIR No.10/310/01 dated September 25, 2001, SEBI Circular No. MFD/CIR/20/23230/2002 dated November 28, 2002, Refer SEBI email dated September 22, 2020 & October 14, 2020

[563] SEBI Circular No. CIR/IMD/DF/13/2011 dated August 22, 2011, Refer SEBI email dated February 17, 2011.

[564] SEBI Circular No. Cir/IMD/DF/7/2012 dated February 28, 2012, Refer SEBI letter no. IMD/RB/35057/2011 dated November 16, 2011

15.5.1.3 At the time of empaneling distributors and during the period i.e. review process, Mutual Funds/AMCs shall 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 to various customer risk categories.

15.5.1.4 In this respect, customer relationship and transactions shall be categorized as:

a. Advisory - where a distributor represents to offer advice while distributing the product, it will be subject to 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 shall be made.

b. Execution Only - in case of transactions that are not booked as 'advisory', it shall still require:

   i. The distributor has information to believe that the transaction is not appropriate for the customer, a written communication be made to the investor regarding the unsuitability of the product. The communication shall have to be duly acknowledged and accepted by investor.

   ii. A customer confirmation to the effect that the transaction is 'execution only notwithstanding the advice of in-appropriateness from that distributor be obtained prior to the execution of the transaction.

   iii. That on all such 'execution only' transactions, the customer is not required to pay the distributor anything other than the standard flat transaction charge.

c. There shall be no third categorization of customer relationship / transaction.

d. While selling Mutual Fund products of the distributors' group/ [565]associates, the distributor shall make disclosure to the customer regarding the conflict of interest arising from the distributor selling of such products.

15.5.1.5 Compliance and risk management functions of the distributor shall include review of defined management processes for:

a. The criteria to be used in review of products and the periodicity of such review.

b. The factors to be included in determining the risk appetite

[565] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

of the customer and the investment categorization and periodicity of such review.

c. Review of transactions, exceptions identification, escalation and resolution process by internal audit.
d. Recruitment, training, certification and performance review of all personnel engaged in this business.
e. Customer on boarding and relationship management process, servicing standards, enquiry / grievance handling mechanism.
f. Internal/ external audit processes, their comments / observations as it relates to MF distribution business.
g. Findings of ongoing review from sample survey of investors.

15.5.1.6 Mutual Funds/AMCs may implement additional measures as deemed appropriate to help achieve greater investor protection.

15.6 Code of Conduct[566]:

15.6.1 AMCs are required to monitor the activities of their distributors, agents, brokers to ensure that they do not indulge in any malpractice or unethical practice while selling or marketing Mutual Funds units. Any noncompliance with the Mutual Funds Regulations and Guidelines pertaining to Mutual Funds especially guidelines on advertisements and/ or sales literature and/or Code of Conduct shall be reported in the periodic meetings of the Board of the AMC and the Trustee(s) and shall also be reported to the Board by the AMC(s) in their CTR(s) and by the Trustees in their Half Yearly Reports.

[566] Refer SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/2463/1 dated March 21, 2022 & SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/14567/1 dated April 04, 2022

15.6.2 AMFI has prescribed a Code of Conduct for Mutual Fund intermediaries which is available on AMFI Website[567]. All intermediaries shall follow the Code of Conduct strictly and not indulge in any practice contravening it directly or indirectly[568].

15.6.3 Noncompliance with the Code of Conduct shall be reported by the AMC of Mutual Fund to the Board and AMFI. Further, no Mutual Fund shall deal with intermediaries contravening the prescribed Code of Conduct.

15.7 Empanelment of Intermediaries by Mutual Funds[569]

15.7.1 Empanelment of intermediaries by AMCs, payment of commissions, brokerage and/or sub-brokerage etc. shall be in accordance with parameters and guidelines specified by the Board and AMFI from time to time. AMCs shall monitor the compliance of these guidelines and Code of Conduct by their intermediaries in terms of business done across all Mutual Funds. In case of non-compliance, AMCs shall suspend further business and payment of commissions, etc. until full compliance by the empaneled intermediary.

15.8 Certification Programme for sale and/ or distribution of mutual fund products[570]

15.8.1 With effect from June 01, 2010, the certification examination for distributors, agents or any other persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund

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[567] Also refer SEBI Circulars - MFD/CIR/ 06/210/2002 dated June 26, 2002; MFD/CIR/20/23230/02 dated November 28, 2002 and SEBI/IMD/08/174648/2009 dated August 27, 2009.
[568] Refer SEBI letter No. SEBI/HO/OW/IMD/SEC-DIV-3/P/2022/44787/1 dated August 24, 2022
[569] Refer SEBI letter No. IMD/SM/10 dated June 02, 2010
[570] SEBI Circular No. Cir/IMD/DF/5/2010 dated June 24, 2010

products, would be conducted by the National Institute of Securities Markets (NISM)[571]. The text of notification in this regard is enclosed herewith as **Annexure 5**.

15.8.2 Under the existing instructions, the agent/ distributor was exempted from the AMFI certification examination if he had completed fifty years of age and had at least five years of experience in distribution of mutual fund units. As per regulation 4(3) of the Certification Regulations, persons who have attained the age of fifty years or who have at least ten years' experience in the securities markets in the sale and/ or distribution of mutual fund products as on May 31, 2010, will be given the option of obtaining the certification either by passing the NISM certification examination or qualifying for Continuing Professional Education (CPE) by obtaining such classroom credits as may be specified by NISM from time to time.

15.8.3 The Certification Regulations require the persons referred to in Paragraph 15.8.1 above to comply with the requirements for CPE as specified by NISM within the validity period of the certificate obtained by passing the certification examination.

15.8.4 An associated person holding a valid AMFI/NISM certification whose validity expires any time after December 31, 2010, would be required to comply with the CPE requirements as laid down by NISM under the relevant clauses of the Certification Regulations, prior to the expiry of the validity of the certification.

[571] For Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 please refer to section on Annexures)

15.8.5 The requirement of obtaining registration from AMFI after obtaining certification, as per Chapter 15 of this Master Circular, would continue.

15.9 New cadre of distributors[572]

15.9.1 A new cadre of distributors, such as postal agents, retired government and semi-government officials (class III 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, and other similar persons (such as Bank correspondents) as may be notified by AMFI/AMC from time to time, shall be allowed to sell units of simple and performing mutual fund schemes.

15.9.2 Simple and performing mutual fund schemes shall comprise of diversified equity schemes, fixed maturity plans (FMPs), index schemes, Retirement benefit schemes having tax benefits and Liquid schemes/ Money Market Mutual Fund schemes[573] and should have returns equal to or better than their scheme benchmark returns during each of the last three years.

15.9.3 These new cadre of distributors would require a simplified form of NISM certification and AMFI Registration.

15.10 Developing alternative distribution channels[574]

15.10.1 In order to increase penetration of Mutual Fund products and to energize the distribution network while protecting the interest of investors, SEBI had permitted additional expense ratio of 30 bps for

[572] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, Refer SEBI Letter No. IMD/OW/24/2013dated January 02, 2013
[573] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/37 February 25, 2016.
[574] SEBI Circular No. CIR/IMD/DF/05/2014 dated March 24, 2014

garnering funds from B-30 cities. This development would lead to setting up of distribution infrastructure by AMCs. However, in order to achieve participation from all parts of the country in Mutual Funds there is greater need for developing additional distribution channels. Therefore, it has been decided that:

a. **Distribution through PSU banks:** PSU banks which have wide bank branches network and have distribution reach in the nook and corner of the country, could play a key role in Mutual Funds distribution. In order to leverage the PSU banks infrastructure, Mutual Funds/ AMCs need to develop a system for active support to PSU banks to distribute Mutual Fund products through them. Such active support would also encourage PSU banks to distribute products of all Mutual Funds.

b. [575]**Online distribution:** Online distribution not only increases customer convenience, but also significantly improves distributor economics. The online phenomenon is increasing rapidly and it is observed that more and more people especially younger generation prefers online transactions. Therefore, it has been decided that all Mutual Funds should enhance the online investment facility and tap the internet savvy users to invest in Mutual Funds by providing an online investment facility on their websites. Mutual Funds also need to tap the burgeoning mobile-only internet users for direct distribution of Mutual Fund products.

15.11 Unique Identity Number

15.11.1 AMFI shall create a unique identity number of the employee/ relationship manager/ sales person of the distributor interacting

[575] Refer SEBI emails dated June 04, 2010 and July 28, 2010

with the investor for the sale of mutual fund products, in addition to the AMFI Registration Number (ARN) of the distributor.

15.11.2 The application form for mutual fund schemes shall have provision for disclosing the unique identity number of such sales personnel along with the ARN of distributor.

CHAPTER 16: TRANSACTION IN MUTUAL FUNDS UNITS

16.1 Maintenance of documents[576]

16.1.1 As per the requirements specified by Board in respect of "Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act, 2002 and Rules framed there-under"[577], maintenance of all documentation pertaining to the unitholders/ investors is the responsibility of the AMC.

16.1.2 Accordingly, AMCs were advised to confirm whether all the investor related documents were maintained/ available with the AMC. If not, and to the extent of and relating to such investor accounts/folios where investor related documentation was incomplete/inadequate/not available or was stated to be maintained by the distributors, then the Trustees were advised to ensure the following:

16.1.2.1 No further payment of any commissions, fees and / or payments in any other mode should be made to such distributors till full compliance/ completion of the steps enumerated herein.

16.1.2.2 Take immediate steps to obtain all investor/ unit holders documents in terms of the AML/ CFT, including KYC documents/ PoA as applicable.

16.1.2.3 Take immediate steps to obtain all supporting documents in respect of the past transactions.

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[576] SEBI Circular No - SEBI/IMD/CIR No.12 /186868 /2009 dated December 11, 2009, Refer SEBI letter No. IMD/AT/2868/10 dated April 27, 2010 and SEBI email dated August 20, 2010, Refer SEBI letter No. SEBI/HO/lMD2/DoF4/OW/P/19402/2019 dated July 30, 2019, Refer SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/27993/2022 dated July 08, 2022 and SEBI letter No. SEBI/HO/OW/IMD-II/DOF3/P/27989 dated July 08, 2022

[577] SEBI Circular No ISD/AML/CIR-1/2008 dated December 19, 2008

16.1.2.4 On a one-time basis, send statement of holdings and all transactions since inception of that folio in duplicate to the investor and seek confirmation from the unit holders on the duplicate copy.

16.1.2.5 Set up a separate customer services mechanism to handle/ address queries and grievance of the above mentioned unitholders.

16.1.3 Pending completion of documentation, exercise great care and be satisfied of investor bonafides before authorizing any transaction, including redemption, on such accounts/ folios.

16.1.4 The Trustees were required forthwith to confirm to Board that the steps had been taken to address the above and also send a status to the Board as and when process was completed to their satisfaction.

16.1.5 All mutual funds/ AMCs are directed that[578]:

16.1.5.1 All new folios/ accounts shall be opened only after ensuring that all investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature are available with AMCs/RTAs and not just with the distributor.

16.1.5.2 For existing folios, AMCs shall be responsible for updation of the investor related documents including account opening documents, PAN, KYC, PoA (if applicable), specimen signature.

[578] SEBI Circular No Cir /IMD/DF/9 / 2010 dated August 12, 2010, Refer SEBI email dated January 10, 2020

16.2 Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure[579]

16.2.1 Stock Exchange terminals can be used for facilitating transactions in mutual fund schemes. The Stock Exchange mechanism would also extend the present convenience available to secondary market investors to mutual fund investors.

16.2.2 Units of mutual fund schemes may be permitted to be transacted through registered stock brokers of recognized stock exchanges and such stock brokers will be eligible to be considered as official points of acceptance[580].

16.2.3 The respective stock exchange would provide detailed operating guidelines to facilitate the above.

16.2.4 In this regard, Mutual Funds/AMC are advised that:

16.2.4.1 Empanelment and monitoring of Code of Conduct for brokers acting as mutual fund intermediaries-

a. The stock brokers intending to extend the transaction in Mutual Funds through stock exchange mechanism shall be required to comply with the requirements of passing the AMFI certification examination[581].All such stock brokers would then be considered as empaneled distributors with mutual fund/AMC.

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[579] SEBI Circular No - SEBI /IMD / CIR No.11/183204/ 2009 dated November 13,2009, Refer SEBI letter No. SEBI/HO/IMD/DF5/OW/P/2020/11567/1 dated July 10, 2020, Refer SEBI letter no. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/8536/1 dated February 25, 2022

[580] SEBI Circular No. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006, Refer SEBI email dated February 07, 2011

[581] Please refer Chapter 16 on Certification and Registration of Mutual Funds intermediaries

b. These stock brokers shall also comply with Code of Conduct[582] for intermediaries of Mutual Funds, and applicable SEBI guidelines[583], applicable to intermediaries engaged in selling and marketing of mutual fund units.

c. It is clarified that, stock exchanges shall monitor the compliance of the code of conduct specified regarding empanelment of intermediaries by mutual funds[584].

16.2.4.2 Time stamping

a. Time stamping as evidenced by confirmation slip given by stock exchange mechanism to be considered sufficient compliance with clause for cut–off timing for liquid scheme and plans, cut-off timing for other schemes and plans and time stamping provisions mandated by the Board[585].

16.2.4.3 Investor grievance mechanism

a. Stock exchanges shall provide for investor grievance handling mechanism to the extent they relate to disputes between brokers and their client.

16.2.4.4 Know your client (KYC)

a. Where investor desires to hold units in dematerialised form, the KYC performed by DP in terms of SEBI requirements[586] would

[582] For Code of Conduct, please refer to AMFI website
[583] Please refer Chapter 16 on Certification and Registration of Mutual Funds intermediaries
[584] Please refer Chapter 16 on Certification and Registration of Mutual Funds intermediaries
[585] Please refer to Chapter 8 – Net Asset Value for details on cut off timing provisions
[586] SEBI Circular No - MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004 and SEBI/IMD/CIR No.11/183204/2009 dated November 13, 2009

be considered compliance with applicable requirements specified in this regard[587] by Mutual Funds/AMCs.

b. The Mutual Funds/AMC shall take necessary steps to do KYC requirements of all investors as per the prescribed guidelines[588].

16.2.4.5 Stock exchanges and mutual funds/AMCs, based on the experience gained may improve the mechanism in the interest of investors.

16.2.4.6 In addition to the existing facilities of purchasing and redeeming directly with the Mutual Funds and Stock Brokers, the following be noted[589]:

a. Units of mutual funds schemes may be permitted to be transacted through clearing members of the registered Stock Exchanges.

b. Permit Depository participants of registered Depositories to process only redemption request of units held in demat form.

16.2.4.7 The following be noted with respect to investors having demat account and purchasing and redeeming mutual funds units through stock brokers and clearing members for transactions up to June 30, 2022. (For transactions from July 1, 2022 refer Paragraph 16.3 below):

a. Investors shall receive redemption amount (if units are redeemed) and units (if units are purchased) through

[587] SEBI Circular No - ISD/AML/CIR-1/2008 dated December 19, 2008
[588] SEBI Circular No. MIRSD/SE/Cir-21/2011, dated October 5, 2011, SEBI Circular No. MIRSD/Cir-23/2011 dated December 2, 2011 and SEBI Circular No. MIRSD/Cir- 26 /2011 dated December 23, 2011
[589] SEBI Circular No CIR/IMD/DF/17/2010 dated November 9, 2010

broker/clearing member's pool account. Mutual Funds(MF)/ Asset management Companies(AMC) would pay proceeds to the broker/clearing member (in case of redemption) and broker/clearing member in turn to the respective investor and similarly units shall be credited by MF/AMC into broker/clearing member's pool account (in case of purchase) and broker/clearing member in turn to the respective investor.

b. Payment of redemption proceeds to the broker/clearing members by MF/AMC shall discharge MF/AMC of its obligation of payment to individual investor. Similarly, in case of purchase of units, crediting units into broker/clearing member pool account shall discharge MF/AMC of its obligation to allot units to individual investor.

16.2.4.8 The following may be noted in this regard:

a. Clearing members and Depository participants will be eligible to be considered as official points of acceptance[590] and conditions stipulated[591] Viz. AMFI /NISM certification, code of conduct prescribed by SEBI for Intermediaries of Mutual Fund, shall be applicable for such Clearing members and Depository participants as well.

b. Stock exchanges and Depositories shall provide investor grievance handling mechanism to the extent they relate to disputes between their respective regulated entity and their client and shall also monitor the compliance of code of conduct

[590] SEBI Circular No. SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006
[591] SEBI Circular dated November 13, 2009 for stock brokers

specified[592] regarding empanelment and code of conduct for intermediaries of Mutual Funds.

16.2.4.9 The respective stock exchanges and Depositories would provide detailed operating guidelines to facilitate the above and ensure that timelines prescribed[593] shall be adhered to with regard to allotment of units and receipt of redemption proceeds at the investor's level.

16.2.5 Stock exchanges and mutual funds/AMCs, based on the experience gained may further improve the mechanism in the interest of investors. Necessary clarifications, if any, would be issued at appropriate time by SEBI in this regard.

16.2.6 [594]SEBI Registered Investment Advisors (RIAs) has been allowed to use infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/Assets Management Companies on behalf of their clients, including direct plans.

16.2.7 [595]A mutual fund Distributor registered with Association of Mutual Funds in India (AMFI) and who has been permitted by the concerned recognised stock exchange, (MF distributor) shall be eligible to use recognised stock exchanges' infrastructure to purchases and redeem mutual fund units directly from Mutual Fund/Assets Management Companies.

[592]SEBI Circulars MFD/CIR/20/23230/02 dated November 28, 2002 and SEBI/IMD/08/174648/2009 dated August 27, 2009
[593] SEBI (Mutual Funds) Regulations, 1996
[594] SEBI Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/113 dated October 19, 2016
[595] SEBI Circular No. CIR/MRD/DSA/32/2013 dated October 04, 2013

16.2.8 The recognised stock exchange shall grant permission on a request made by a AMFI registered mutual fund distributor on the basis of criteria including fee, code of conduct, etc. as laid down by it.

16.2.9 The MF distributors shall not handle payout and pay in of funds as well as units on behalf of investor. The recognised stock exchange shall put necessary system in place to ensure that pay in will be directly received by recognised clearing corporation and payout will be directly made to investor account. In the same manner, units shall be credited and debited directly from the demat account of investors, where held in demat mode.

16.2.10 In order to broad base the reach of this platform, it is decided to permit non demat transactions also in the Mutual fund through stock exchange platform[596].

16.2.11 The respective recognised stock exchanges, recognised clearing corporations and depositories shall provide detailed operating guidelines for MF distributor to facilitate the above.

16.2.12 [597]Investors have been allowed to directly access infrastructure of the recognised stock exchanges to purchase and redeem mutual fund units directly from Mutual Fund/ Asset Management Companies.

16.3 Discontinuation of usage of pool accounts for transactions in units of Mutual Funds on the Stock Exchange Platforms[598]

[596] SEBI Circular No. CIR/MRD/DSA/33/2014 dated December 09, 2014
[597] SEBI Circular No. SEBI/HO/MRD1/DSAP/CIR/P/2020/29 dated February 26, 2020
[598] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635 dated October 4, 2021, Refer SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/10847/1 dated March 15, 2022

The following has been decided with respect to transactions on stock exchange platform for units of Mutual Funds:

16.3.1 Pooling of funds and/ or units by stock brokers / clearing members in any form or manner shall be discontinued for mutual fund transactions.

16.3.2 Similar to mechanisms for transactions in mutual fund units by MFDs and IAs, stock exchanges shall put necessary mechanisms in place for stock brokers / clearing members also, to ensure that funds pay-in is directly received by the clearing corporation from the investor account and funds pay-out is directly made to the investor account. Pay-in / pay-out of funds shall not be handled by the stock brokers / clearing members. In the same manner, for both demat and non-demat mode transactions, the units shall be credited and debited directly to/ from the investors' demat account/ folio account without routing it through the pool account of the stock brokers / clearing members. However, for redemption of units held in dematerialised mode, the practice of issuance of Delivery Instruction Slip ('DIS') (physical or electronic) to the Depository Participant to debit the units for delivery to clearing corporation may continue.

16.3.3 It is further clarified that stock brokers / clearing members facilitating mutual fund transactions shall:

16.3.3.1 not accept mandates for SIPs or Lumpsum transactions in their name;

16.3.3.2 accept cheque payments from investors issued in favor of the respective SEBI recognized Clearing Corporations or mutual fund scheme(s) only;

16.3.3.3 not accept or handle funds or units of investors in their proprietary accounts or pool accounts in any form or manner; and

16.3.3.4 not accept payment through one-time mandate or issuance of mandates/ instruments in their name for mutual fund transactions. However, one-time mandates in favour of SEBI recognized Clearing Corporations may be accepted. [599] In this regard, it is clarified that:

a. Existing mandates being used for Mutual Fund transactions can continue to remain in the name of the stock brokers / clearing members, subject to Stock Exchanges/ Clearing Corporations ensuring that Payment Aggregators ("PA") puts in place mechanisms wherein beneficiary of the mandate can only be an Approved Account (which shall only be the bank account of the Clearing Corporation) such that:

   i. PA shall directly credit the monies collected from the bank account of the investor only into an Approved Account; and

   ii. PA shall not act on instructions of the stock brokers / clearing members to alter or modify the list of Approved Accounts and in no case the monies shall be credited to the bank account of the stock brokers / clearing members.

b. With respect to processing mutual fund transactions under the above mentioned mandates, Stock Exchanges/ Clearing Corporations shall:

[599] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022

i. ensure that PA has put in place adequate checks and balances, inter alia, to ensure such Approved Account is that of a Clearing Corporation;

ii. enter into an agreement with the concerned PA to ensure that only those mutual fund transactions are processed through them which are in compliance with these guidelines.

iii. have adequate checks and balances to monitor and govern the receipt of payments through the PA, including by way of third party audits (at least on an annual basis), to verify the compliance with these provisions which shall form part of the agreement with the PA.

16.3.4 Stock Exchanges/ Clearing Corporations shall provide investor grievance redressal / arbitration mechanism to clients against stock brokers/ clearing members (as is applicable for other segment of Stock Exchange transactions), in case of breach of these conditions or misuse of funds by the PA appointed by the stock brokers/ clearing members or by the stock brokers/clearing members with respect to mandates accepted in respect of Mutual Fund transactions.

16.3.5 [600]On or after July 01, 2022, new mandates shall be accepted only in favor of SEBI recognized Clearing Corporations and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose.

16.3.6 The onus of compliance with PMLA provisions and not permitting transactions with third party bank account continues to lie with the

[600] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41 dated March 31, 2022

AMCs. AMCs may avail the services of SEBI recognized Clearing Corporations to validate the investors' source bank account information. In such cases, Clearing Corporation shall make the necessary source account details available to AMCs.

16.3.7 Further, to facilitate investor servicing and parity in information dissemination, Stock Exchanges, Depositories, AMCs, RTAs, and other entities involved in mutual fund transactions, shall ensure the following:

16.3.7.1 Relevant information shall be made available to all the stakeholders involved in the transactions, including the investor, banks, payment aggregators, stock brokers, clearing members, clearing corporations, RTAs and AMCs in line with the Operating Guidelines issued by the Stock Exchanges in this regard.

16.3.7.2 The information sharing as above, shall be system generated and adequately secured. Cost towards system development / improvement in this regard, if any, shall not be passed on to the investors.

16.3.8 Stock Exchanges and AMFI shall jointly, in consultation with SEBI, issue Operating Guidelines to stock brokers/ clearing members and AMCs respectively, to facilitate the mutual fund transactions on stock exchange platforms. The Operating Guidelines shall include, inter-alia, roles and responsibilities of various stakeholders, timelines with respect to activities specified in Paragraph 16.3 of this Master Circular, sharing of system generated information among various stakeholders at relevant stage of the transaction in a secured environment, sharing of relevant information with concerned entities to perform functional, tax and regulatory obligations, etc. All the

concerned intermediaries shall comply with the aforesaid Operating Guidelines[553].

16.3.9 It is reiterated that in terms of Regulation 4 (g) of SEBI (Investment Advisers) Regulations, 2013, stock brokers are required to comply with general obligations and responsibilities specified in Chapter III of SEBI (Investment Advisers) Regulations, 2013, which, inter-alia, provide that client level segregation of advisory and distribution activities needs to be ensured at the entity and group level.

16.3.10 For the purpose of provisions in this Chapter, the term:

"mandate" includes instrument, authorisation or order in any form, including electronic means, to effect a payment by a person for the purpose of mutual fund investment; and

"Payment Aggregators" includes Payment Aggregators authorized / permitted by RBI and scheduled commercial banks acting in the capacity of Payment Aggregators.

16.3.11 Timelines given by AMFI in consultation with various stakeholders to implement discontinuation of pooling of funds and/or units in mutual funds and Two Factor Authentication:

a) Stock Exchange ('SE') Platforms:

Parameters	Timeline
1. Discontinuation of Pooling of Funds and Units	1st July 2022
2. Other processes including Third Party Verification (TPV), Two Factor Authentication (2FA), and verification of key investor details as applicable to the SE platforms	1st July 2022
3. Standardizing the recipients and contents of information at various stages of transaction processing	1st July 2022

16.4 Discontinuation of usage of pool accounts by entities including online platforms other than stock exchanges for transactions in the units of Mutual Funds [601]

The following has been decided with respect to transactions in the units of Mutual Funds undertaken through service providers/platforms other than stock exchanges:

16.4.1 AMCs shall ensure that the transactions (financial/ non-financial) can be executed only if there is a service agreement between the AMC and the service provider / platform.

16.4.2 AMCs shall ensure that intermediate pooling of funds and/or units in any manner by MFDs, IAs, MFU, channel partners or any other service providers/ platforms, by whatsoever name called, are discontinued for MF transactions. However, this requirement shall not apply to the SEBI registered Portfolio Managers subject to compliance with SEBI (Portfolio Managers) Regulations, 2020 and circulars issued thereunder.

[601] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634 dated October 4, 2021, Refer SEBI letter No. SEBI/HO/IMD/IMD-I DOF5/P/OW/2022/10847/1 dated March 15, 2022.

16.4.3 AMCs shall put necessary systems in place to ensure the following:For subscription, funds should be credited directly from the investors' account into the MF scheme account without any intermediate pooling. For ease of transactions, funds can be routed through payment aggregators authorized by RBI or SEBI recognized clearing corporations, as the case may be.

b) For redemption, funds should be directly credited to the investor's registered bank account from the MF scheme account without any intermediate pooling.

c) For subscription, units should be directly credited into the investor's account by the mutual fund for both demat and non-demat modes without any intermediate pooling.

d) For redemption, units should be directly transferred from investor's account to the mutual fund without any intermediate pooling, in both demat and non-demat modes.

e) MFDs / IAs, MFU, channel partners and other entities (including online platforms) facilitating MF transactions shall not accept payment through one-time mandate or issuance of mandates/ instruments in their name for mutual fund transactions. [602] In this regard, it is clarified that:

i. Existing mandates being used for Mutual Fund transactions can continue to remain in the name of such OTM holders, subject to AMCs ensuring that the PA puts in place mechanisms wherein beneficiary of the mandate can only be an Approved Account (which shall only be the bank account of

[602] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022

a mutual fund pool account or mutual fund scheme account) such that:

I. PA shall directly credit the monies collected from the bank account of the investor only into an Approved Account, with the credit being made as per the mandate/ instruction given to the OTM holder by the client; and

II. PA shall not act on instructions of the OTM holder to alter or modify the list of Approved Accounts and in no case the monies shall be credited to the bank account of the OTM Holder.

ii. With respect to processing mutual fund transactions under the above mentioned mandates, AMCs shall:

I. ensure that PA has put in place adequate checks and balances, inter alia, such that Approved Account is that of a mutual fund scheme or mutual fund registered with SEBI;

II. enter into an agreement with the concerned PA to ensure that only those mutual fund transactions are processed through them which are in compliance with these provisions.

III. have adequate checks and balances to monitor and govern the receipt of payments through the PA, including by way of third party audits (at least on an annual basis), to verify the compliance with these provisions which shall form part of the agreement with the PA.

iii. AMCs shall be liable to the unit holders for breach of these conditions or misuse of funds by PA or OTM holder with respect to mandates covering Mutual Fund transactions.

iv. On or after April 01, 2022, new Mandates may be accepted in the name of the OTM holders, subject to compliance with conditions mentioned in Paragraph 16.4.3.e) above and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose.

f) Cheque payments from investor shall be made in favor of the respective MF Schemes only.

g) For better investor experience and faster transfer of funds, AMCs shall provide different methods of payment through RBI recognized modes of payment.

h) AMFI, in consultation with SEBI, shall issue guidelines for AMCs with regard to mitigating risks of co-mingling of funds at the level of Payment Aggregators/Payment Gateways involved in mutual fund transactions. It shall be mandatory for all AMCs to follow such guidelines.

i) AMCs shall ensure that for the purpose of investor servicing:

i. Detailed information at each stage of the relevant transaction, including rejection, shall be made available at the same time to all the stakeholders of the same category involved in the transactions, as applicable, including investors, Registrar and Transfer Agents ('RTAs'), MFDs, IAs, etc. Only payment related information required to ensure reconciliation and traceability shall be made available to the Payment Aggregators.

ii. Information sharing shall be system generated and adequately secured.

iii. [603]The information sharing with respect to direct plans of mutual fund schemes shall be in line with the clarifications issued by SEBI to AMFI vide letter dated September 6, 2021 (can be accessed from AMFI website at https://www.amfiindia.com/Themes/Theme1/downloads/circulars/SEBIClarificationw.r.t.transactionsunderDirectPlan.PDF)

iv. Cost towards system development / improvement in this regard, if any, shall not be passed on to the investors.

16.4.4 For the purpose of these provisions, the term:

a) "mandate" includes instrument, authorisation or order in any form, including electronic means, to effect a payment by a person for the purpose of mutual fund investment; and

b) "Payment Aggregators" includes Payment Aggregators authorized / permitted by RBI and scheduled commercial banks acting in the capacity of Payment Aggregators.

16.4.5 Timelines given by AMFI in consultation with various stakeholders to implement discontinuation of pooling of funds and/or units in mutual funds and Two Factor Authentication:

Non SE Platforms:

Parameters / Task	Timeline
1. All intermediate pooling will stop from 1st April 2022	--

[603] Refer SEBI letter No. SEBI/IMD1/DoF-1/SK/2021/25517/1 dated September 06, 2021

2. Signing of Agreements with Payment Aggregators (PAs) and Banks	1st May 2022
3. Verification / validation of email and mobile for new folios / new email IDs and mobile numbers. Validation of the entire existing database of email IDs and / or mobile numbers will be taken up progressively w.e.f. 1st May 2022	1st May 2022
4. Enhanced TPV with independent traceability of source bank account information	1st June 2022
5. 2FA for online redemptions	1st June 2022
6. Standardizing the recipients and contents of information at various stages of transaction processing	1st July 2022

16.5 Other measures to prevent third-party payments and to safeguard the interest of unitholders

16.5.1 For mitigation of the risk of third party payments:

16.5.1.1 The onus of compliance with PMLA provisions and not permitting usage of third party bank account payments continues to lie with the AMCs.

16.5.1.2 In order to ensure that the folio and source bank account belong to the same person, AMCs shall make sure that payment for MF transactions are accepted through only such modes where independent traceability of end investor can be ensured and source account details are available as audit trail without relying on any other intermediary's records. However, the investment in MF by way of cash/ through e-wallets (Prepaid Payment Instruments) shall be in compliance with Paragraph 16.7 (for cash) and Paragraph 14.10 (for e-wallets) of this Master Circular, respectively.

16.5.1.3 AMCs shall ensure that payment is credited directly to the registered and verified bank account of the investor mapped with

the concerned folio, after due verification. The process carried out by AMCs to verify bank account details i.e. investor name, bank account number, bank name, etc. shall be available as audit trail.

16.5.1.4 [604]In case of subscription[605] and redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used for authentication. One of the Factors for such Two-Factor Authentication for non demat transactions shall be a One-Time Password sent to the unit holder at his/her email/ phone number registered with the AMC/RTA. In case of demat transaction, process of Two-Factor authentication as laid down by the Depositories shall be followed[606]. It is also clarified that in case of mandates/systematic transactions the requirement of Two-Factor Authentication shall be applicable only at the time of registration of mandate/systematic transactions[607].

16.5.1.5 AMFI's best practice guidelines issued for AMCs with regard to Two-Factor authentication for redemption transactions of Mutual Funds shall be revised suitably to include subscription transactions of Mutual Funds. It shall be mandatory for all AMCs to follow such guidelines.

16.5.2 AMC would be liable to compensate for losses, if any, occurred to a unit holder, where unauthorised transaction(s) occur(s) in unit holder's folio due to fraud/ negligence/ deficiency on the part of the AMC, employee of AMC or persons/ entities whose services have been availed by the AMC including the platform providers, MFDs,

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[604] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29 dated March 15, 2022
[605] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/132 dated September 30, 2022
[606] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41 dated March 31, 2022
[607] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/132 dated September 30, 2022

RTAs, MFU, and channel partners, irrespective of whether or not the fraud is reported by the unit holder. For this purpose, it is clarified that any unauthorised transaction(s) performed by the Investment Advisors while providing services to the unit holder(s) would not be considered as a liability of the AMC.

16.5.3 To strengthen control with respect to verification of key details of investors like Bank account details, email id, mobile number and address etc., AMFI shall, in consultation with SEBI, issue guidelines. It shall be mandatory for all AMCs to follow such guidelines[558].

16.6 RTA inter-operable Platform for enhancing investors' experience in Mutual Fund transactions / service requests[608]

16.6.1 In order to make it more convenient to the existing and future investors to transact and avail services while invested in Mutual Funds and pursuant to discussions with various stakeholders including AMFI, Depositories and the RTAs, the following has been decided:

16.6.1.1 RTAs shall implement standardized practices, system interoperability amongst themselves to jointly develop a common industry wide platform that will deliver an integrated, harmonized, elevated experience to the investors across the industry. AMCs and Depositories shall facilitate the RTAs for development of the proposed platform

16.6.1.2 The aforesaid platform shall, inter alia in phases, enable a user-friendly interface for investors for execution of mutual fund transactions viz. purchase, redemption, switch etc., initiation and tracking of service requests viz. change of email id / contact

[608] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/604 dated July 26, 2021.

number / bank account details etc., initiation and tracking of queries and complaints, access investment related reports viz. mutual fund holdings (both in demat and standard Statement of Account), transactions reports (including historic transactions), capital gains/loss report, details of unclaimed dividend/redemption etc. Through this platform, investors will be able to access these services for all Mutual Funds in an integrated manner. In this regard, AMCs, RTAs and Depositories shall take necessary measures to provide data via APIs on a real time basis to the proposed platform. Additionally, RTAs and Depositories shall also share their respective data feeds between themselves for generation of investment related reports.

16.6.1.3 The platform may also over time, provide services to the distributors, registered investment advisors, AMCs, Stock Exchange platforms and digital platforms for transacting in mutual funds to further augment ease of investing and servicing of investors through the above stakeholders in consultation with SEBI.

16.6.1.4 AMCs, RTAs and Depositories shall review and agree to harmonize the processes across the industry to provide a single-window, integrated, simplified investment and service experience for the investors.

16.6.1.5 AMCs, RTAs, and Depositories shall adopt the data definitions and standards as provided / recommended by SEBI for data exchange amongst various participants.

16.6.1.6 The Platform should be scalable with robust cyber security protocols and supported through an API-based architecture. In this regard, the platform shall adopt the Cyber Security and Cyber

Resilience framework specified by SEBI from time to time to "MIIs" (Market Infrastructure Institutions such as Stock Exchanges, Depositories and Clearing Corporations) and "Qualified RTAs" (QRTAs). Further, on request basis, APIs could be exposed to other industry stakeholders such as distributors, registered investment advisors, Stock Exchange platforms and digital platforms etc. with due approval of the concerned Mutual Fund on mutually agreed terms[609].

16.6.1.7 The RTAs are jointly and severally responsible for compliance with all the applicable regulations including system audit and cyber security audit. Further, RTAs shall ensure that the platform complies with the guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) specified by SEBI from time to time to "MIIs".

16.6.1.8 All the stakeholders are advised to collaborate and work together towards the development and implementation of the proposed investor-friendly platform.

16.6.1.9 AMCs and Depositories shall facilitate and RTAs shall make the aforesaid platform operational in a phased manner (starting with non-financial transactions) and shall be fully operational by December 31, 2021.

16.6.1.10 AMCs, RTAs, Depositories, AMFI and key stakeholders are advised to create awareness about this initiative amongst the investors.

[609] Refer SEBI email dated April 28, 2015

16.6.1.11 Any RTA providing its services to Mutual Fund(s), shall follow the above guidelines or amendments thereto as may be intimated by SEBI from time to time.

16.7 Cash Investments in mutual funds[610]

16.7.1 In order to help enhance the reach of mutual fund products amongst small investors, who may not be tax payers and may not have PAN/bank accounts, such as farmers, small traders/businessmen/workers, cash transactions in mutual funds to the extent of 50,000/-[611] per investor, per mutual fund, per financial year shall be allowed subject to (i) compliance with Prevention of Money Laundering Act, 2002 and Rules framed there under; the SEBI Circular(s) on Anti Money Laundering (AML) and other applicable AML rules, regulations and guidelines and (ii) sufficient systems and procedures in place.

16.7.2 Repayment in the form of redemptions, dividend, etc. with respect to aforementioned investments shall be paid only through banking channel.

16.8 Usage of pool accounts by Mutual Funds[612]

16.8.1 Mutual Funds may use pool accounts, only for such transactions which are executed at mutual fund level owing to certain operational and regulatory requirements, subject to the following conditions:

16.8.1.1 AMCs shall have internal policies approved by the Board of AMC and Trustees to ensure that adequate operational processes and

[610] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.
[611] SEBI Circular No. CIR/IMD/DF/10/2014 dated May 22, 2014
[612] SEBI/HO/IMD/DF2/CIR/P/2021/683 dated December 10, 2021

internal controls are in place to segregate and ring-fence the assets and liabilities of each scheme along with segregation and ring-fencing of securities & bank accounts.

16.8.1.2 In such cases, at the end of day, the assets and liabilities of each scheme shall be segregated and ring-fenced from other schemes of the mutual fund; and bank accounts and securities accounts of each scheme shall be segregated and ring-fenced. The pool accounts for both securities and funds should have nil balance at end of the day.

Provided that if the funds lying in the pool bank account of the mutual fund are not identified, due to the reasons beyond the control of the AMC, the same shall be transferred to the respective scheme account not later than one business day from the day such transactions are identified.

16.8.1.3 At no point of time, the securities or funds of one schemes shall be used for other scheme(s) and there shall be any conflict of interest amongst investors of various schemes.

16.8.1.4 The responsibility to ensure segregation and ring-fencing of the assets and liabilities of each scheme along with segregation and ring-fencing of bank accounts & securities accounts shall lie with the Board of AMC and Trustees. Trustees in their Half Yearly Trustee Report (HYTR) to SEBI shall confirm that the assets and liabilities of each scheme along with their bank accounts & securities accounts are segregated and ring-fenced on daily basis, except the unidentified transactions of funds as mentioned in Paragraph 16.8.1.2 above, during the half-year period.

16.8.1.5 The whole mechanism shall be audited on half yearly basis by the auditor appointed by the trustees.

16.8.2 Further, with regard to the margin or collateral requirement for execution of certain transactions, which are carried out only at Mutual Fund level by various schemes, the following has been stipulated:

16.8.2.1 In terms of Clause (5) of the Fifth Schedule of MF Regulations, the AMC shall ensure that margins or collaterals for such transactions are placed from the assets of the respective schemes only, without co-mingling with the assets of other schemes.

CHAPTER 16A: CORPORATE DEBT MARKET DEVELOPMENT FUND (CDMDF)

16A.1 Framework for Corporate Debt Market Development Fund (CDMDF)[613]

16A.1.1 Chapter III-C has been inserted vide amendments to SEBI (Alternative Investment Funds) Regulations, 2012 vide Gazette notification no. SEBI/LAD-NRO/GN/2023/132 dated June 15, 2023 in order to facilitate constitution of an Alternative Investment Fund namely, Corporate Debt Market Development Fund ("CDMDF" or "the Fund"), to act as a Backstop Facility for purchase of investment grade corporate debt securities, to instil confidence amongst the participants in the Corporate Debt Market during times of stress and to generally enhance secondary market liquidity by creating a permanent institutional framework for activation in times of market stress.

16A.1.2 CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023, which includes the Framework for Corporate Debt Market Development Fund.

16A.1.3 In addition to the abovementioned scheme as mentioned at para 16A.1.2 above, CDMDF shall comply with following:

16A.1.3.1 The fund shall deal only in following securities during normal times:

- Low duration Government Securities
- Treasury bills

[613] Inserted by SEBI Circular No. SEBI/HO/IMD/PoD2/P/CIR/2023/128 dated July 27, 2023. Refer SEBI letter No. SEBI/HO/IMD/IMD-POD-2/P/OW/2023/20790/1 dated May 23, 2023

- Tri-party Repo on G-sec
- Guaranteed corporate bond repo with maturity not exceeding 7 days.

16A.1.3.2 The fees and expenses of the Fund shall be as follows:

- During Normal times: (0.15% + tax) of the Portfolio Value charged on daily pro-rata basis.
- During Market stress: (0.20% + tax) of the Portfolio Value charged on daily pro-rata basis.
- "Portfolio Value" means the aggregate amount of portfolio of investments including cash balance without netting off of leverage undertaken by the Fund.

Clarification:

i. The taxes as mentioned above shall include all kinds of taxes.

ii. Transaction costs on securities such as brokerage, clearing charges etc. shall be charged within the limit of fees and expenses.

iii. Financing charges pertaining to borrowings made by CDMDF (such as interest, guarantee fees, other fees like bank charges, processing fees etc.) may be separate from fees and expenses of the fund as provided above.

16A.1.3.3 Corporate debt securities to be bought by CDMDF during market dislocation include listed money market instruments. The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of CRAs

between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating.

16A.1.3.4 CDMDF shall follow the Fair Pricing document as placed at **Annexure 16A** while purchase of corporate debt securities during market dislocation.

16A.1.3.5 CDMDF shall follow the loss waterfall accounting, as prescribed at **Annexure 16B**.

16A.1.3.6 CDMDF shall disclose Net Asset Value (NAV) of the fund by 9:30 PM on all business days on website of its Investment Manager and AMFI. For times when CDMDF would have exposure to corporate debt, such NAV shall be disclosed by 11 PM on all business days.

16A.1.3.7 Purchase allocation and trade settlement of corporate debt securities bought by CDMDF during market dislocation:

- Keeping in view the prudential limits and various other guidelines as prescribed in scheme as mentioned at para 16A.1.2 above, AMFI has specified the detailed guidelines for purchase of securities by CDMDF in consultation with SEBI. Stock exchanges shall provide a separate window on the existing Request for Quote (RFQ) platform to facilitate the purchase as per AMFI issued guidelines.

- Clearing Corporations shall provide required infrastructure to facilitate the trade settlement of corporate debt trades by CDMDF during market dislocation, within 3 months of issuance of this circular.

16A.2 Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund[614]

16A.2.1 With the objective of development of the corporate debt market from the perspective of Mutual Funds, the Mutual Fund Advisory Committee (MFAC) of SEBI had constituted a Working Group consisting of representatives of various Mutual Funds, Clearing Corporation of India Limited (CCIL) and AMFI for detailed deliberation. The Working Group inter-alia recommended creation of an entity to buy corporate debt securities from MF schemes with support from Government of India.

16A.2.2 Based on consultation with various stakeholders and as proposed as part of the Union Budget 2021-22, Chapter III-C has been inserted in SEBI (Alternative Investment Funds) Regulations, 2012 vide Gazette notification no. SEBI/LAD-NRO/GN/2023/132 dated June 15, 2023 and regulation 43A has been inserted in SEBI (Mutual Funds) Regulations, 1996 vide Gazette notification no. SEBI/LAD-NRO/GN/2023/134 dated June 26, 2023 to facilitate constitution of Corporate Debt Market Development Fund ("CDMDF" or "the fund"), as a backstop facility for purchase of investment grade corporate debt securities, to instil confidence amongst the participants in the Corporate Debt Market during times of stress and to generally enhance secondary market liquidity by creating a permanent institutional framework for activation in times of market stress. Further, Guarantee Scheme for Corporate Debt (GSCD) was notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023, which includes the Framework for Corporate Debt Market Development Fund.

[614] Inserted by SEBI Circular No. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023

16A.2.3 CDMDF shall be launched as a close ended scheme with an initial tenure of 15 years (extendable) from the date of its initial closing (date on which contribution from all AMCs and specified schemes is received by CDMDF).

16A.2.4 Accordingly, the following has been decided:

16A.2.4.1 The units of CDMDF shall be subscribed by AMCs of Mutual Funds and "specified debt-oriented MF Schemes" (i.e., Open ended Debt oriented Mutual Fund schemes excluding Overnight funds and Gilt funds and including Conservative Hybrid funds). Contribution from specified debt-oriented MF schemes and AMCs, including the appreciations on the same, if any, shall be locked-in till winding up of the Fund. However, in case of winding up of contributing MF Schemes, inter-scheme transfers within the same Mutual Fund or across Mutual Funds may be undertaken.

Clarification: Specified debt-oriented MF schemes exclude Index funds and ETFs. Further, the Gilt funds as mentioned above shall mean both Gilt Fund and Gilt Fund with 10 year constant maturity.

16A.2.4.2 Specified debt-oriented MF Schemes shall invest 25 bps of their Assets Under Management (AUM) in the units of CDMDF. The specified MF schemes shall provide additional incremental contribution to CDMDF as their AUM increases, every six months to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. New schemes from existing MFs under the specified categories or such schemes of new MFs shall also contribute 25 bps of their respective AUM and make incremental contribution.

16A.2.4.3 AMCs shall make a one-time contribution equivalent to 2 bps of the AUM of specified debt-oriented MF Schemes managed by them. Further, AMCs of new Mutual Funds shall also make a one-time contribution equivalent to 2 bps of their specified debt-oriented MF schemes, based on the AUM at the end of the financial year following the one in which the specified scheme(s) are launched.

16A.2.4.4 The initial contribution, as mandated above shall be based on AUM of the specified MF schemes as on December 31, 2022.

16A.2.4.5 AMFI shall calculate and inform contribution to be made by each MF Scheme and AMC, to CDMDF and the AMCs. The initial contribution shall be made within 10 working days of request from CDMDF. The Half-yearly contributions shall start from December 2023 onwards, which shall be made within 10 working days from end of each half year.

16A.2.4.6 In case of delay in contribution by Mutual Fund Schemes and AMCs, the respective AMCs shall be liable to pay interest at fifteen percent (15%) per annum for the period of delay. Such interest shall be credited to the fund of CDMDF.

16A.2.4.7 In times of market dislocation, CDMDF shall purchase listed corporate debt securities from the specified debt-oriented MF schemes. The trigger and period for which the Backstop Facility will be open shall be as decided by SEBI.

Clarification: Corporate debt securities include listed money market instruments for the above purpose.

16A.2.4.8 During market dislocation, the securities purchased by CDMDF would be from secondary market, having investment grade credit rating and residual maturity not exceeding 5 years on the date of

purchase. CDMDF shall not buy any unlisted or below investment grade or defaulted debt securities or securities in respect of which there is a material possibility of default or adverse credit news or views. As a principle, CDMDF shall buy at a fair price (adjusted for liquidity risk, interest rate risk and credit risk) but not at distress price. The utilization of such facility by specified debt-oriented MF schemes shall be voluntary.

16A.2.4.9 The sellers of debt securities shall be paid 90% of the consideration in cash and 10% in terms of units of CDMDF. Such units paid as consideration (different class of units than units allotted in lieu of contribution made) shall bear the risk of first loss, if any to CDMDF, and can be redeemed during the tenure of scheme, subject to certain conditions.

16A.2.4.10 **Access to the fund:** The respective Mutual Funds shall have access to sell corporate debt securities during market dislocation, held in the portfolio of contributing schemes, to the CDMDF. Access to the Fund shall be in proportion to the contribution made to the Fund at a Mutual Fund level (i.e., in the ratio of total units of CDMDF held by all specified debt schemes of each Mutual Fund).

16A.2.5 Further, the following has been decided in respect to investment of Mutual Fund Schemes in CDMDF:

16A.2.5.1 Corporate debt securities sold by MF schemes to CDMDF during market dislocation shall be treated as trade executed on Request for Quote (RFQ) platform.

16A.2.5.2 In case Net Asset Value of CDMDF units is not available by 9:30 PM, NAV declaration timing for Mutual Fund Schemes holding

units of CDMDF shall be 10 am on next business day instead of 11 pm on same day.

16A.2.5.3 It is clarified that the CDMDF shall not be considered as an "associate" of any Mutual Fund and investment made in units of CDMDF in accordance with this circular shall not be considered as investment in associate or group company of any Mutual Fund.

16A.2.5.4 AMCs shall ensure that the net worth as prescribed under Regulation 21(1)(f) of SEBI (Mutual Funds) Regulations, 1996 shall be maintained over and above the contribution made towards CDMDF.

16A.2.5.5 The calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF. Further, the investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes.

16A.2.5.6 The relevant changes in the Scheme Information Document shall be incorporated by AMCs by way of issuing an addendum prior to contributing to CDMDF. Such changes shall not be considered as a Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Funds) Regulations, 1996.

CHAPTER 16B: EXECUTION ONLY PLATFORMS (EOP)[615]

16B.1 Execution Only Platforms for facilitating transactions in direct plans of schemes of Mutual Funds

16B.1.1 It was observed that various SEBI registered Investment Advisors/Stock Brokers provided execution services in direct plans of Mutual Fund schemes through their technology/digital platforms. Such platforms were often availed by investors who are not their clients in terms of SEBI (Investment Advisers) Regulations, 2013 or SEBI (Stock Brokers) Regulations, 1992.

16B.1.2 There was no specific framework available for technology/digital platforms (including platforms provided by Investment Advisers/Stock Brokers to non-clients) to provide execution-only services in direct plans of Mutual Fund schemes and to obtain data feeds with respect to such transactions. Thus, while the investors might have found it convenient to avail the services of such online platforms, investors who were not clients of such intermediaries under the above specified Regulations might not had recourse or protection for the risks associated with respect to such transactions. Therefore, a need was felt to strike a balance between investor convenience and investor protection.

16B.1.3 Pursuant to public consultation and discussions in the Mutual Funds Advisory Committee, it was decided to prescribe a framework for Execution Only Platforms for transacting in direct plans of schemes of Mutual Funds. In this regard, the SEBI (Stock Brokers) Regulations, 1992 were amended and notified on January 17, 2023.

[615] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/86 dated June 13, 2023

16B.2 Applicability and Scope

16B.2.1 An EOP for facilitating transactions in direct plans of schemes of Mutual Funds, shall mean:

"Any digital or online platform which facilitates transactions such as subscription, redemption and switch transactions in direct plans of schemes of Mutual Funds."

16B.2.2 The platforms provided by SEBI registered Investment Advisors and Stock Brokers to their advisory or broking clients shall not be covered under the EOP framework.

16B.2.3 No entity shall operate as an EOP without obtaining registration from SEBI or the AMFI, as the case may be and in the manner specified herein.

16B.2.4 The entity shall also facilitate non-financial transactions including change of email id or contact number or bank account details on its platform with respect to Mutual Funds.

16B.2.5 The entity shall not provide services related to regular plans of schemes of Mutual Funds on its platform.

16B.2.6 Any entity providing digital or online platform which facilitates transactions in direct plans of schemes of Mutual Funds, on or prior to September 01, 2023, shall apply for the relevant registration/membership, as the case may be, within 3 months from September 01, 2023.

16B.3 Categories of EOP

Any entity desirous of operating as an EOP shall obtain registration under one of the following two categories:

16B.3.1 **Category 1 EOP**

a) The entity shall obtain registration from AMFI.
b) The entity shall be a body corporate.
c) The entity shall act as an agent of AMCs and integrate its systems with AMCs and/or RTAs authorized by such AMCs, to facilitate transactions in Mutual Funds.
d) The entity may act as an aggregator of the transactions in direct plans of schemes of Mutual Funds and provide services to investors/other intermediaries.

16B.3.2 **Category 2 EOP**

a) The entity shall obtain registration as a Stock Broker in terms of the SEBI (Stock Brokers) Regulations, 1992 under the EOP segment of the Stock Exchanges.
b) The entity shall be a body corporate.
c) The entity shall operate as an agent of investor and operate only through the platforms provided by the Stock Exchanges.
d) The entity shall not act as an aggregator of the transactions in direct plans of schemes of Mutual Funds and shall provide services to investors directly.

16B.4 Eligibility Criteria

16B.4.1 Any entity desirous of obtaining registration as a Category 2 EOP shall ensure compliance with the following requirements, on a continuous basis:

16B.4.1.1 The entity has appointed a compliance officer.

16B.4.1.2 The entity has appointed at least two qualified key managerial personnel with experience of at least three years each in the securities market;

Explanation I. – For the purposes of this Chapter, "Key managerial personnel" shall have the same meaning as assigned to it in the Companies Act, 2013.

Explanation II. – For the purposes of this Chapter, a person shall be said to be 'qualified' if he/she possesses a professional qualification in finance, accountancy, law, engineering, company secretaryship or management from a university or an institution recognized by the Central Government or any State Government or a foreign university or post-graduation in the Securities Market from National Institute of Securities Markets (NISM) of a duration not less than one year.

16B.4.1.3 The entity shall fulfill the "fit and proper person" criteria as prescribed under Schedule II of the SEBI (Intermediaries) Regulations, 2008.

16B.4.1.4 The entity shall comply with the requirement of base net-worth applicable for Trading Member, as specified under Schedule VI of SEBI (Stock Brokers) Regulations, 1992

16B.4.2 As Category 1 EOP, the entity shall fulfill the criteria, as specified by AMFI.

16B.5 On-boarding and integration

16B.5.1 **On-boarding of investors**

16B.5.1.1 As Category 2 EOP, the entity shall:

a) comply with Know Your Client (KYC) requirements at the time of on-boarding investors on its platform and take necessary steps

including verifying the identity of its investors by requiring them to submit necessary documents.

b) have access to the KYC data of the investors available with the KYC Registration Agencies (KRAs) for on-boarding of investors.

c) carry out necessary due diligence and ensure that investor signs a "Rights and Obligation" document as specified by Stock Exchanges before availing its services.

16B.5.1.2 For Category 1 EOPs, the requirements with respect to on-boarding of investors shall be as specified by AMFI.

16B.5.1.3 The responsibility of ensuring compliance with KYC requirements, with respect to transactions executed through both categories of EOPs by investors in Mutual Funds, shall lie with the AMCs.

16B.5.2 **Rights and obligations**

16B.5.2.1 As Category 1 EOP, the entity shall enter into agreement(s) with the AMCs which should clearly define their rights and obligations relating to EOP services. Further the entity shall have an objective, fair and transparent policy for providing execution services for products of AMCs.

16B.5.2.2 As Category 2 EOP, the entity shall enter into necessary arrangements with the Stock Exchanges which should clearly define their rights and obligations relating to the EOP services.

16B.6 Transaction and on boarding fees

16B.6.1 As Category 1 EOP, the entity may levy a flat transaction fee (not ad-valorem), if any, which shall be borne by AMCs, within the upper limit as specified by AMFI. On-boarding fees, if levied, shall be borne by the AMCs.

16B.6.2 As Category 2 EOP, the entity may levy a flat transaction fee (not ad-valorem), if any, which shall be borne by the investors, within the upper limit as specified by the Stock Exchanges. Further, On-boarding fees, if levied, shall be borne by the AMCs and/or investors.

16B.6.3 AMCs shall not charge any fees/charges paid to the EOPs, to the schemes of the Mutual Funds.

16B.7 Operational Risk Management

16B.7.1 **The entities under both categories of EOPs shall:**

16B.7.1.1 ensure that they have a comprehensive risk management framework covering all aspects of their operations and shall also ensure that risks associated with their operations are identified and managed.

16B.7.1.2 ensure access control for their clients and prevent unauthorized access to their platform.

16B.7.1.3 ensure that all transactions on their platform, without exception, are dealt with in a fair, non-discriminatory and orderly manner.

16B.7.1.4 formulate data governance, protection and dissemination policy which is fair and non-discriminatory.

16B.7.1.5 facilitate only such transactions that are in compliance with the prevailing legal or regulatory requirements and shall establish appropriate controls to reduce the likelihood of erroneous transactions.

16B.7.1.6 maintain all data relating to their activities in an easily retrievable media. Also, maintain confidentiality and security of all data relating to their activities and strictly control access to such data.

16B.7.1.7 ensure data integrity and privacy.

16B.7.1.8 establish necessary systems and frame suitable policies, in writing, for onboarding of investors on their platform, execution of transactions, rights and obligations/terms and conditions for the investor and the EOP, risk management and control, liability framework for EOP in case of breach of the policies, restrictions or other requirements that may apply for accessing the platform.

16B.7.2 The entities under both categories of EOPs may share investors' data with their other departments/divisions, their group entities and/or with any third party, only with the specific consent of the investors.

16B.7.3 As Category 1 EOP, the entity shall ensure compliance with cyber security and cyber resilience requirements, as specified by AMFI. As Category 2 EOP, the entity shall ensure compliance with the cyber security and cyber resilience framework for Stock Brokers, as prescribed by SEBI from time to time.

16B.8 Grievance Redressal

16B.8.1 For Category 1 EOPs, the grievance redressal mechanism shall be as prescribed by AMFI.

16B.8.2 For Category 2 EOPs, the grievance redressal mechanism shall be as prescribed for Stock Brokers from time to time i.e., through SCORES, mediation and arbitration mechanism.

16B.9 Handing conflict of interest

The entities under both categories of EOPs shall ensure compliance with the following:

16B.9.1 Maintain arm's length relationship, if performing multiple activities within the same entity, so as to avoid conflict of interest.

16B.9.2 Maintain investor level segregation between EOP services and distribution services for Mutual Fund products, at the entity's group level. Thus, an investor at the EOP's group level may either avail EOP services for transacting in direct plans or distribu-tion services for regular plans of Mutual Funds.

16B.9.1.1 For this purpose, the family of the investor shall be reckoned as a single in-vestor. The definition of "group" shall have the same meaning as defined un-der SEBI (Investment Advisers) Regulations, 2013.

16B.9.1.2 The PAN of each investor shall be the control record for identification and in-vestor level segregation at the entity's end. In case of an individual investor, "family of investor" shall be reckoned as a single investor and PAN of all mem-bers in "family of investor" shall jointly and severally be the control record.

16B.9.1.3 "family of investor" shall include individual investor, dependent spouse, de-pendent children and dependent parents. The dependent family members shall be those members whose investments through EOP originates from in-come of a single entity i.e. earning individual investor in the family. The inves-tor shall provide an annual declaration or periodic updation as the case maybe in respect of such dependent family members.

16B.9.3 Use SEBI/AMFI registration as an EOP, as the case may be, only for the purpose of providing execution only services in direct plans of Mutual Fund schemes and not use the said registration for undertaking any unregulated activity

16B.9.4 Undertake services regulated or permitted by other sectoral regulators, only with specific disclosure regarding such services not being covered under the ambit of entity's registration as an EOP and also disclose the details of registration/permis-sions by other sectoral regulators in such cases.

16B.9.5 Undertake to identify and disclose on their platform, possible conflict(s) of interest, if any, including those arising from their transactions or dealings with related parties.

16B.10 Technology related requirements

16B.10.1 Execution of transactions

16B.10.1.1 The orders of investors placed through Category 1 EOPs shall be routed directly to the AMCs and/or RTAs authorized by such AMCs.

16B.10.1.2 The orders of investors placed through Category 2 EOPs shall be routed through the platforms provided by the Stock Exchanges.

16B.10.1.3 The order of the investors placed through both categories of EOPs shall be executed on immediate basis.

16B.10.2 The entities under both categories of EOPs shall

16B.10.2.1 maintain robust technology infrastructure with a high degree of reliability, availability, scalability and security in respect of their systems, data and network, to appropriately support their operations and manage the associated risks.

16B.10.2.2 have adequate and suitable systems in place to disseminate information to investors pertaining to orders placed on a real-time or a near real-time basis.

16B.10.2.3 have the organizational capabilities, technology and systems and safeguards for maintaining data privacy and preventing unauthorized sharing of data.

16B.10.2.4 establish appropriate safeguards and procedures to deal with exigencies including malfunctions or erroneous use of their systems, or other unforeseen situations

16B.10.2.5 make their platforms available for transactions at all times, on a continuous basis

16B.11 Disclosure related requirements

16B.11.1 **Display of advertisements**

16B.11.1.1 The entity under both categories of EOPs shall not display any advertisement regarding any Mutual Fund scheme on their platform. Further, they shall not display any proxy/surrogate/common brand related advertisement on their platform.

16B.11.1.2 With respect to advertisements of the EOPs on other websites/applications/portals/media/channels, the entity registered as Category 1 EOP shall ensure compliance with the advertisement code prescribed by AMFI and the entity registered as Category 2 EOP shall ensure compliance with the advertisement code prescribed by the Stock Exchanges.

16B.11.2 **Issuance of transaction receipt and alerts to the clients**

The entities under both categories of EOPs shall ensure the following:

16B.11.2.1 On placement of transactions by investors, issue or display without delay, an electronic order receipt which shall include details such as

date and time of order, quantity of units and/or amount proposed to be invested/redeemed.

16B.11.2.2 The status of transactions is provided to the investors on a continuous basis.

16B.11.3 **Access to transaction data**

16B.11.3.1 The entities under both categories of EOPs shall have access to the investors' transaction data feeds from AMCs or RTAs authorized by AMCs for the transactions executed through their platforms.

16B.11.4 **Disclosures regarding Mutual Fund schemes**

16B.11.4.1 The entities under both categories of EOPs shall comply with the following:

a) Display in a user-friendly manner, the factual information pertaining to Mutual Funds as available on public domain including past performance of Mutual Fund schemes and ensure compliance with the minimum disclosure requirements as specified at **Annexure 13A**.

b) Provide an interactive tool for the investors to screen or filter various schemes based on the criteria selected by the investor including past performance, AUM, etc. and ensure that there is no auto display of recommendation or ranking of any of the schemes. If the criteria for selection includes research reports or opinions, the same shall be only by SEBI registered intermediaries along with suitable disclosures regarding the source. Such research reports or opinions should disclose the methodology used for such recommendations. The aforesaid tool

shall not itself provide any research reports or opinions or perform any research based or investment advisory activity.

16B.11.4.2 As Category 1 EOPs, the entities shall submit information or reports as may be specified by AMFI.

16B.11.4.3 As Category 2 EOPs, the entities shall submit information or reports as may be specified by SEBI or Stock Exchanges.

16B.11.5 The entities under both categories shall keep the AMCs and Stock Exchanges or AMFI, as the case may be, informed of events resulting in disruption of activities or market abuse without undue delay.

16B.11.6 The Stock Exchanges or AMFI and AMCs (directly or through AMFI) shall ensure periodic monitoring of the EOPs under their supervision with respect to compliance with the requirements mentioned in this chapter and also bring to the notice of SEBI, any instances of non-compliance.

16B.11.7 As Category 1 EOP, the entity shall follow the code of conduct as specified by AMFI.

16B.12 Pooling of Funds

16B.12.1 The entities under both categories of EOPs shall ensure compliance with relevant provisions including Chapter 16 of this Master Circular regarding discontinuation of usage of pool accounts for transactions in units of Mutual Funds.

16B.13 Maintenance of books of accounts, records, etc.

16B.13.1 Regulation 17(1A) of the SEBI (Stock Brokers) Regulations, 1992 provides that a Stock Broker in the EOP segment shall keep and maintain the books of account, records and documents, as may be

specified by SEBI. Accordingly, as Category 2 EOP, the entity shall keep and maintain records as specified at **Annexure 13B** for a minimum period of five years. As Category 1 EOP, the entity shall keep and maintain the books of account, records and documents, in the form and manner specified by AMFI.

16B.14 Existing platforms

16B.14.1 Existing platforms which are providing services similar to Category 1 EOPs such as platforms viz, MF Utilities India Pvt. Ltd., MF Central, platforms provided by RTAs etc., shall obtain suitable registration under one of the categories of EOPs within 3 months from September 01, 2023.

16B.14.2 As regards the platforms by Market Infrastructure Institutions such as the Stock Exchanges, which are mandated by SEBI, although registration as an EOP shall not be mandatory, such platforms shall ensure compliance with the applicable requirements under the framework for EOP, within 3 months from September 01, 2023.

16B.15 Implementation

16B.15.1 The Stock Exchanges shall enact appropriate framework for EOP segment wherein the following requirements shall not be applicable for Category 2 EOP:

a) trading rules applicable for equity, equity derivative and other segments

b) Investor Protection Fund.

c) rules applicable for clearing and settlement of trades relating to equity, equity derivative and other segments.

d) pooling of client's funds by Trading Member.

e) membership and other related requirements as a Self-Clearing Member (SCM) or requirement of Trading Member – Clearing Member agreement.

f) risk management framework and settlement related polices applicable for equity, equity derivative and other segments where the Clearing Corporation provides novation and guarantee for settlement of trades.

g) issuance of contract notes and issuance of funds & securities statement.

16B.15.2 The Stock Exchanges desirous of providing an EOP segment had been directed to:

a) make necessary arrangements to their relevant bye-laws, rules and regulations for the implementation of the aforesaid directions and provide status of implementation regarding the same to SEBI on a monthly basis; and

b) monitor the operations carried out by EOPs who have obtained membership under EOP segment

16B.15.3 The AMFI had been directed to:

a) make necessary amendments for the implementation of the aforesaid directions and provide status of implementation regarding the same to SEBI on a monthly basis; and

b) issue necessary guidelines for Category 1 EOP before September 01, 2023.

c) monitor the operations carried out by EOPs registered with AMFI.

CHAPTER 17: MISCELLANEOUS

17.1 Online Registration Mechanism for Mutual Funds[616]

17.1.1 It has been decided to operationalize SEBI Intermediary Portal (**https://siportal.sebi.gov.in**) for the entities to submit the mutual funds registration applications online. For registration of mutual funds, the SEBI Intermediary Portal shall include online application for registration, processing of application, grant of in-principle approval, grant of final registration etc. Link for SEBI Intermediary Portal is also available on SEBI website - www.sebi.gov.in.

17.1.2 SEBI Intermediary Portal for application of registration of Mutual Funds has been made operational from June 01, 2017. Thereafter, all applications for registration of Mutual Fund is required to be made through SEBI Intermediary Portal only.

17.1.3 In case of any queries and clarifications with regard to the SEBI Intermediary Portal, intermediaries may contact on 022-26449364 or may write at portalhelp@sebi.gov.in.

17.2 Clarification[617] *to Regulation 24*[618]

17.2.1 The amended Regulation mandates that AMCs shall appoint separate fund manager for each separate fund managed by it unless the investment objectives and assets allocations are the same and the portfolio is replicated across all the funds managed by the fund manager.

17.2.2 The replication of minimum 70% of portfolio value shall be considered as adequate for the purpose of said compliance, provided that AMC

[616] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2017/52 dated June 01, 2017
[617] SEBI Circular No. Cir/IMD/DF/7/2012 dated February 28, 2012
[618] SEBI (Mutual Funds) Regulations, 1996

has in place a written policy for trade allocation and it ensures at all points of time that the fund manager shall not take directionally opposite positions in the schemes managed by him.

17.2.3 Wherein a fund manager is common across mutual fund schemes and schemes/products under other permissible activities of AMC, then the AMC shall:

17.2.3.1 Disclose on their websites, the returns provided by the said manager for all the schemes (mutual fund, pension funds, offshore funds etc.) on a monthly basis.

17.2.3.2 In case of any performance advertisement is issued by the AMC for any scheme, then the details of returns of all the schemes (mutual fund, pension funds, offshore funds etc.) managed by that fund manager shall be provided.

17.2.3.3 In case the difference between the annual returns provided by the schemes managed by the same fund manager is more than 10% then the same shall be reported to the trustee and explanation for the same shall be disclosed on the website of the AMC.

17.3 Management and advisory services by AMCs to Foreign Portfolio Investors[619]

17.3.1 AMCs may provide management and advisory services in terms of Regulation 24(b) of MF Regulations to FPIs falling under the following categories of FPIs as specified in FPI Regulations:

[619] SEBI Circular No. SEBI/HO/IMD/IMD-POD1/P/CIR/2023/005 dated January 06, 2023 & SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/155 dated December 16, 2019

17.3.1.1 Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s);

17.3.1.2 Appropriately regulated entities such as pension funds, insurance or reinsurance entities, banks and mutual funds;

17.3.1.3 Appropriately regulated FPIs wherein (a) or (b) above hold more than 50% of shares/ units.

17.3.2 As per above paragraph, AMCs may also provide management and advisory services to FPIs operating from International Financial Centres (IFSC) and regulated by International Financial Services Centres Authority (IFSCA) and falling under the aforesaid categories.

17.3.3 In consultation with IFSCA and based on the requests received from AMCs, it has been decided that, AMCs may also provide management and advisory services to FPIs operating from IFSC and regulated by IFSCA, not falling under the categories of FPIs specified under Paragraph 17.3.1 above, subject to the following:

17.3.3.1 Such FPIs shall be allowed to invest in Mutual Fund schemes other than the schemes in the category of “thematic” as defined in Part IV of Chapter 2 on “Categorization and Rationalization of Mutual Fund Schemes” of this Master Circular.

17.3.3.2 For investment in equity and equity derivative securities listed on recognized stock exchanges in India, such FPI shall not take contra-position for a period of six months from the date of purchase or sale of such securities.

17.3.4 The proviso to clause (vi) of regulation 24(b) of MF Regulations shall be applicable for the categories of FPIs as mentioned under Paragraph 17.3.1 above.

17.4 Product Labeling in Mutual Funds[620]

17.4.1 All the mutual funds shall 'Label' their schemes on the parameters as mentioned under:

a) Nature of scheme such as to create wealth or provide regular income in an indicative time horizon (short/ medium/ long term).

b) A brief about the investment objective (in a single line sentence) followed by kind of product in which investor is investing (Equity/Debt).

c) The depiction of risk shall be through pictorial meter named "Riskometer" and this meter would appropriately depict the level of risk in any specific scheme.

d) Risk-o-meter shall have following six levels of risk for mutual fund schemes:[621]

i. Low risk

ii. Low to Moderate risk

iii. Moderate risk

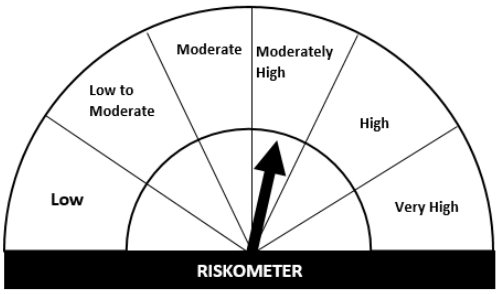
iv. Moderately High risk

[620] SEBI Circular No. CIR/IMD/DF/5/2013 dated March 18, 2013
[621] SEBI Circular No. CIR/IMD/DF/4/2015 dated April 30, 2015 and Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/197 Dated October 05, 2020

v. High - risk and

vi. Very High risk.

e) **Riskometer:** Risk level of a scheme shall be depicted by "Risk-o-meter", as shown below:



For example, the risk depicted in the above risk-o-meter is Moderately High

f) The detailed guidelines for evaluation of risk levels of a scheme along with few examples are provided at **Annexure 9**[622]**.** Pursuant to a calculation of risk value of the scheme portfolio based on the methodology specified in **Annexure 9**, risk level of a scheme as mentioned at Table 11 of **Annexure 9** shall be depicted by risk-o-meter shown above at Paragraph 17.4.1.(e).

g) Based on the scheme characteristics, Mutual Funds shall assign risk level for schemes at the time of launch of scheme/New Fund Offer.

h) Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme.

[622] SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/ 2020/197 dated October 05, 2020, Refer SEBI letter no. SEBI/HO/IMD-II/DOF3/OW/P/2021/1566/1 dated January 19, 2021

i) Risk-o-meter shall be evaluated on a monthly basis and Mutual Funds/AMCs shall disclose the Risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month.

j) Mutual Funds shall disclose the risk level of schemes as on March 31 of every year, along with number of times the risk level has changed over the year, on their website and AMFI website.

k) Mutual Funds shall publish the following table of scheme wise changes in Risk-o-meter in scheme wise Annual Reports and Abridged summary:

Scheme name	**Risk-o-meter level at start of the financial year**	**Risk-o-meter level at end of the financial year**	**Number of changes in Risk-o-meter during the financial year**

l) A disclaimer that investors should consult their financial advisers if they are not clear about the suitability of the product.

17.4.2 Risk value of commodities for risk-o-meter:[623]

17.4.2.1 For evaluation of risk value of commodities in which mutual funds are permitted to invest, in terms of Paragraph 17.4.1.(f) of this Master Circular, investment in commodities by mutual fund schemes shall be assigned a risk score corresponding to the annualized volatility of the price of the said commodity. The annualized volatility shall be computed quarterly based on past

[623] SEBI Circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/49 dated April 11, 2022

15 years' prices of benchmark index of the said commodity and risk score for the commodity shall be in terms of the following table:

Annualized volatility	Risk value on risk-o-meter (Risk)
<10%	3 (Moderate)
10-15%	4 (Moderately High)
15-20%	5 (High)
>20%	6 (Very high)

Illustration: If price of gold has annualized volatility of 18% based on price of gold of past 15 years, then Gold and gold related instruments will have risk value of 5 (High) on risk-o-meter.

17.4.3 Product label shall be disclosed in:

a. Front page of initial offering application forms, Key Information Memorandum (KIM) and Scheme Information Documents (SIDs).

b. Common application form – along with the information about the scheme.

c. The product label with respect to Paragraph 17.4.3.(a) & 17.4.3.(b) shall be placed in proximity to the caption of the scheme and shall be prominently visible.

d. Scheme advertisements-placed in manner so as to be prominently visible to investors.

17.4.4 Change in risk-o-meter will not be considered as a Fundamental Attribute Change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996

17.5 Potential Risk Class Matrix[624]

[624] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021

17.5.1 All the debt mutual funds shall be classified in terms of a Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration (MD) of the scheme) and maximum credit risk (measured by Credit Risk Value (CRV) of the scheme).

17.5.2 While the AMCs will continue to retain the same category of their schemes as per Part IV of Chapter 2 on 'Categorization and Rationalization of Mutual Fund schemes' they have full flexibility to place single/multiple schemes in any cell of the Potential Risk Class matrix (PRC).

17.5.3 For the purpose of alignment of the existing schemes with these provisions, each scheme shall be placed in one of the 9 cells specified at Table No. 2 under Paragraph 17.5.10 below, while retaining their existing scheme category as per Part IV of Chapter 2 of this Master Circular on 'Categorization and Rationalization of Mutual Fund Schemes'. This would not be considered as a change in fundamental attribute.

17.5.4 However, subsequently, once a PRC cell selection is done by the scheme, any change in the positioning of the scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of the scheme in terms of regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996.

17.5.5 Further, the Mutual Funds shall inform the unitholders about the abovementioned classification in one of the 9 cells and subsequent changes, if any, through SMS and by providing a link on their website referring to the said change.

17.5.6 For new debt schemes, the AMC shall choose the PRC cell at the time of filing of Scheme Information document (SID) with SEBI.

17.5.7 Each scheme will continue to comply with the requirements specified in Part IV of Chapter 2 of this Master Circular on 'Categorization of schemes'.

17.5.8 The thresholds for the values of the interest rate risk and the credit risk dimensions would progress in a flexible manner for drawing out the categorization matrix. The thresholds across the matrix would determine the maximum interest rate risk and the maximum credit risk which the scheme would be permitted to take but the scheme would have the flexibility to move downwards on the risk scale. The thresholds along with an illustration of the concept outlined above are given below:

Thresholds

i. Maximum Weighted Average Interest Rate Risk of the scheme (measured in terms of Macaulay Duration):
    1. Class I: MD<= 1 year;
    2. Class II: MD<=3 years;
    3. Class III: Any Macaulay duration

ii. Maximum Weighted Average Credit Risk of the scheme (measured in terms of Credit Risk Value as specified at Table 1 below):
    1. Class A: CRV >=12
    2. Class B: CRV >=10
    3. Class C: CRV <10[625]

[625] Investments by mutual funds are permitted only in investment grade securities in terms of regulation 44(1) read with Schedule VII of SEBI Mutual Fund Regulations, 1996

a. The Credit Risk Value of the scheme shall be the weighted average of the credit risk value of each instrument in the portfolio of the scheme, the weights based on their proportion to the AUM. Similarly, Macaulay Duration at the scheme level shall be the weighted average of the Macaulay Duration of each instrument in the portfolio with the weights being based on their proportion to the AUM. The value of the debt instrument to be considered for calculating AUM shall include the accrued interest i.e. dirty price of the instrument.

17.5.9 The debt securities of schemes are to be assigned a value for credit risk in the following manner:

TABLE 1	
Instrument	**CREDIT RISK VALUE (CRV)**
G-Sec/ State development loans/ Repo on Government Securities/TREPS / Cash	13
AAA	12
AA+	11
AA	10
AA-	9
A+	8
A	7
A-	6
BBB+	5
BBB	4
BBB-	3
Unrated	2
Below investment grade	1

a. For investment by mutual funds in instruments having short term ratings, the credit risk value shall be based on the lowest long term rating of an instrument of the same issuer as shown above (in order to follow a conservative approach) across credit rating agencies. However, if there is no long term rating of the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating.

17.5.10 For the purpose of nomenclature, the 3 x 3 matrix shall have the following syntax for each matrix cell:

TABLE 2			
Max Credit Risk of scheme→ **Max Interest Rate Risk of the scheme ↓**	**Class A(CRV >=12)**	**Class B (CRV >=10)**	**Class C (CRV <10)**
Class I: (MD<=1 year)	Relatively Low Interest Rate Risk and Relatively Low Credit Risk	Relatively Low interest rate risk and moderate Credit Risk	Relatively Low interest rate risk and Relatively High Credit Risk
Class II: (MD<=3 years)	Moderate interest rate risk and	Moderate interest rate risk and moderate Credit Risk	Moderate interest rate risk and Relatively

	Relatively Low Credit Risk		High Credit Risk
Class III: Any Macaulay duration	Relatively High interest rate risk and Relatively Low Credit Risk	Relatively High interest rate risk and moderate Credit Risk	Relatively High interest rate risk and Relatively High Credit Risk

17.5.11 For example, if an open ended Short Duration Fund wants to invest in securities such that its Weighted Average Macaulay Duration is less than or equal to 3 years and its Weighted Average Credit Risk Value is 10 or more, it would be classified as a scheme with 'Moderate Interest Rate Risk and Moderate Credit Risk'. The position of the scheme in the matrix shall be displayed by the AMCs as under:

TABLE 3			
Potential Risk Class			
Credit Risk → / **Interest Rate Risk↓**	**Relatively Low (Class A)**	**Moderate (Class B)**	**Relatively High (Class C)**
Relatively Low (Class I)			
Moderate (Class II)		B-II	
Relatively High (Class III)			

17.5.12 The maximum interest rate risk which the aforesaid scheme can take would be in terms of the Weighted Average Macaulay Duration of the scheme and the same shall be ≤ 3 years. The maximum Weighted Average Credit Risk which the aforesaid scheme can take would have Credit Risk Value of 10 or more. Both the maximum interest rate risk and maximum credit risk would be reflected in the above matrix. By virtue of its placement in this position, the scheme would have the flexibility to take interest rate risk and credit risk below the maximum risk as stated above in Table 2.

17.5.13 The type of the scheme shall be modified to include the above cell selection. For the above example, it shall be as under:

An open ended short term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years (please refer to page no.__)#. A moderate interest rate risk and moderate Credit Risk.

17.5.14 For a scheme placing itself in Class I (i.e. MD <=1 year), the maximum residual maturity of each instrument held by the scheme shall be three years. For a scheme placing itself in Class II (i.e. MD <=3 years), the maximum residual maturity of each instrument held by the scheme shall be seven years. A scheme placing itself in Class III can invest in instruments of any maturity. For securities issued by central government and state governments, the cap pertaining to maximum residual maturity of each instrument for Class I and Class II shall not be applicable.

17.5.15 With regards to existing holding of perpetual bonds by debt schemes as on June 07, 2021, (including debt instruments with special features viz. subordination to equity which absorbs losses before equity capital and /or convertible to equity upon trigger of a pre-

specified event for loss absorption, for instance Additional Tier I bonds issued under Basel III framework), it has been decided that AMCs shall:

a. Reckon such bonds as having residual maturity as outlined in Paragraphs 4.4.4, 9.4 & 12.2 of this Master Circular.

b. Grand-father existing investments in such instruments with the following provision:

    i. Calculation of Macaulay Duration of the scheme to follow the guidelines in terms of Paragraphs 4.4.4, 9.4 & 12.2 of this Master Circular.

    ii. If the scheme places itself in Class I or II, and the MD exceeds the stipulated level, then it would be treated as a passive breach and a suitable period may be permitted for regularizing the passive breach. Until regularization, the scheme cannot make any investments that would effectively increase the MD of the portfolio. Calculation of MD for this purpose shall be post exclusion of such instruments having special features. To clarify, if a scheme AUM is INR 100 crores, of which INR 10 crores is in such instruments with special features, the base for calculation of MD for the purpose of PRC will be INR 90 crores. The scheme will continue to maintain the threshold of the cell in which it is positioned on INR 90 crores in line with Class I &/or Class II categorization in line with these provisions.

17.5.16 AMCs shall update their SIDs to reflect the fact that placement of the scheme in one of the cells of PRC matrix does not reflect the scheme holdings pertaining to the aforementioned perpetual bonds with

respect to the MD and maturity thresholds specified above, till the time such bonds are held by the scheme, for pre-existing holding of aforementioned perpetual bonds by debt schemes as on June 07, 2021.

17.5.17 Fresh investments in perpetual bonds (including Additional Tier 1 bonds) can only be made in schemes that are in Class III.

17.5.18 For the debt instruments with call / put options, the deemed maturity will be in terms of Paragraph 9.3 of this Master Circular. For instruments with interest rate reset dates, the interest rate reset date shall not be treated as deemed maturity.

17.5.19 The dynamic aspect of the risk of each scheme would be separately reflected in the Risk-o-Meter of the scheme, which would be published on a monthly basis.

17.5.20 Mutual Funds shall publish the aforesaid matrix in their scheme wise Annual Reports and Abridged Summary.

17.5.21 The aforesaid matrix along with the mark for the cell in which the scheme resides shall be disclosed on:

a. front page of initial offering application form, Scheme Information Documents (SID) and Key Information Memorandum (KIM).

b. common application form – along with the information about the scheme.

the PRC matrix with appropriate mark with respect to Paragraphs 17.5.21.(a) & 17.5.21.(b) above shall be placed in proximity to the caption of the scheme and shall be prominently visible and in bold.

c. Scheme advertisements – placed in manner by the Mutual Fund and its distributors so as to be prominently visible to investors.

17.6 Investment in units of Mutual Funds in the name of minor through guardian and ease of process for transmission of units[626]

17.6.1 Process for Investments made in the name of a Minor through a Guardian

a. [Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian. For existing folios, the AMCs shall insist upon a Change of Pay-out Bank mandate before redemption is processed.][627]

aa. [Irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may hold with parent/legal guardian after completing all KYC formalities.] [628]

b. Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled original cheque leaf of the new account.

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[626] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2019/166 dated December 24, 2019. Refer SEBI letter No. SEBI/HO/IMD/IMD-POD-I/P/OW/2023/51245/1 dated December 19, 2023

[627] Substituted by SEBI Circular No. SEBI/HO/IMD/POD-II/CIR/P/2023/0069 dated May 12, 2023. Prior to substitution, clause 17.6.1(a) read as under:
"Payment for investment by means of Cheque, Demand Draft or any other mode shall be accepted from the bank account of the minor or from a joint account of the minor with the guardian only. For existing folios, the AMCs shall insist upon a Change of Pay-out Bank mandate before redemption is processed."

[628] Inserted vide SEBI Circular No. SEBI/HO/IMD/POD-II/CIR/P/2023/0069 dated May 12, 2023.

No further transactions shall be allowed till the status of the minor is changed to major.

c. AMCs shall build a system control at the account set up stage of Systematic Investment Plan (SIP), Systematic Transfer Plan (STP) and Systematic Withdrawal Plan (SWP) on the basis of which, the standing instruction is suspended when the minor attains majority, till the status is changed to major.

17.6.2 Process for transmission of Units

a. In order to improve the processing turnaround time for transmission requests, AMCs shall implement image based processing wherever the claimant is a nominee or a joint holder in the investor folio.

b. AMCs shall have a dedicated, Central Help Desk and a webpage carrying relevant information and instructions in order to provide assistance on the transmission process.

c. AMCs shall adopt a common Transmission Request Form (common fields) and NOC form. All such forms and formats shall be made available on the website of the AMCs, RTAs and AMFI.

d. AMCs shall implement a common set of document requirements for transmission of units to claimant who are nominees or joint holders in the investor account.

e. AMCs shall implement a uniform process for treatment of unclaimed funds to be transferred to the claimant including the unclaimed dividends.

f. AMCs shall not accept requests for redemption from a claimant pending completion of the transmission of units in his / her favor.

g. The Stamp duty payable by the claimant with respect to the indemnity bond and affidavit, shall be in accordance with the stamp duty prescribed by law.

h. AMCs and AMFI shall promote the importance of nomination as a part of its investor education and awareness programmes.

17.6.3 To ensure uniformity across the industry, AMFI is advised to prescribe the forms and formats referred in Paragraph 17.6.2.(c), common set of documents referred in Paragraph 17.6.2.(d) and uniform process for treatment of unclaimed funds referred in Paragraph 17.6.2.(e), and shall mandatorily be followed by all Mutual Funds/AMCs.

17.7 [629]Limited Purpose Clearing Corporation ("LPCC") by AMCs:

17.7.1 SEBI Board in its meeting held on September 29, 2020 approved a proposal to facilitate setting up a LPCC for clearing and settling repo transactions in corporate debt securities and accordingly Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations), have been amended vide gazette notification no. SEBI/LAD-NRO/GN/2020/32 dated October 08, 2020.

17.7.2 AMCs shall contribute INR 150 Cr. towards share capital of LPCC in proportion to the Asset Under Management (AUM) of open ended debt oriented mutual fund schemes (excluding overnight, gilt fund and gilt fund with 10 year constant duration but including conservative hybrid schemes) managed by them.

17.7.3 The contribution shall be based on Average AUM of debt oriented schemes as detailed above for the Financial Year (FY) 2020-21[630]. In

[629] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/17 dated February 2, 2021
[630] SEBI Circular No. SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/0548 dated April 6, 2021

this regard, AMFI shall calculate contribution per AMC based on the Average AUM of aforementioned schemes for the FY 2020-21 and inform all AMCs. Accordingly, it will be obligatory on the part of AMC(s) to contribute towards the share capital of LPCC.

17.7.4 The setting up of LPCC and making the aforesaid contribution shall be in compliance with the networth requirements, other conditions and timelines, if any, as per SECC Regulations and circulars issued thereunder from time to time.

17.7.5 AMCs shall ensure that the networth as prescribed under Regulation 21(f) of SEBI (Mutual Funds) Regulations, 1996 shall be maintained over and above the contribution made towards setting up of the LPCC.

17.8 [631]Procedure for change in control of AMC:

The procedure for change in control of the AMC is given below:

17.8.1 **Requirement of Regulations:**

According to Regulation 22(e) of MF Regulations, no change in the control of the AMC, directly or indirectly, can be made unless the following conditions are complied with:

I. Prior approval of the trustees and the Board is obtained;

II. A written communication about the proposed change is sent to each unitholder (for those unitholders whose e-mail IDs are registered with the mutual funds, the communication can be sent through e-mail) and an advertisement is given in one English daily newspaper having nationwide circulation and in a

[631] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, Refer SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/51980/1 dated October 12, 2022, Refer SEBI letter No. SEBI/HO/OW/IMD/RAC2/P/2022/ 58081/1 dated November 16, 2022

newspaper published in the language of the region where the Head Office of the mutual fund is situated; and

III. [The unitholders are given an option to exit on the prevailing Net Asset Value (NAV) without any exit load within a time period not less than 15 calendar days from the date of communication. However, in case of change in control resulting in consolidation or merger of schemes, the unitholders are given an option to exit on the prevailing Net Asset Value (NAV) without any exit load within a time period not less than 30 calendar days from the date of communication.][632]

17.8.2 **New Sponsor(s):**

In case the applicant proposing to take the control of an AMC is not an existing sponsor of a mutual fund registered with SEBI, it shall apply to the Board for approval of taking over control of an existing AMC under MF Regulations. The process for making such application is same as application for registration under MF Regulations. The entire procedure for registration as Mutual Fund is given on the SEBI website under the heading "How to get registered as a mutual fund" in the “Mutual Fund” section.

17.8.3 **Undertakings by new Trustee(s)/Sponsor(s):**

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 Board and to the unitholders:

[632] Substituted by SEBI Circular No. SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/142 dated August 11, 2023. Prior to substitution para 17.8.1.III read as under:
“The unitholders are given an option to exit on the prevailing Net Asset Value (NAV) without any exit load within a time period not less than 30 calendar days from the date of communication.”

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.

17.8.4 **Disclosures to Unitholders:**

While seeking the approval of the Board for change in the control of the AMC, the mutual fund handing over the control to another person, should also file the draft letter / email to be sent to the unitholders along with draft advertisement to be published in the newspaper. The draft letter / email to the unitholders should, *inter-alia*, include the following information:

I. The activities of the new sponsor and its financial track record and performance as prescribed in the standard offer document;

II. In case of taking over of the schemes by an existing mutual fund registered with SEBI, the draft letter should also include the condensed financial information of all the schemes in the format prescribed in the standard offer document;

III. The amount of unclaimed redemption and dividend and also the procedure for claiming such amount by the unitholders.

17.8.5 **Revision of all Standard Offer Documents:**

The information given in all the offer documents of existing schemes shall be revised and updated pursuant to the change in control of the AMC / mutual fund. Such addendum shall also be filed with the Board, as required under MF Regulations and various circulars issued thereunder.

17.8.6 **Other Situations:**

In case of any other situation like indirect change in control of the AMC or indirect change in the promoters of the sponsor(s), which was beyond the control of the sponsor(s), etc., the mutual fund should provide the full details of the information to the Board for further course of action.

17.8.7 **Change in control of the asset management company involving scheme of arrangement under Companies Act, 2013**[633]

To streamline the process of providing approval to the proposed change in control of an AMC involving scheme of arrangement which needs sanction of National Company Law Tribunal ("NCLT") in terms of the provisions of the Companies Act, 2013, following has been decided:

a) The application seeking approval for the proposed change in control of the AMC under Regulation 22(e) of MF Regulations shall be filed with SEBI prior to filing the application with the NCLT;

b) Upon being satisfied with compliance of the applicable regulatory requirements, an in-principle approval will be granted by SEBI;

[633] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/10 dated January 31, 2022

c) The validity of such in-principle approval shall be three months from the date of issuance, within which the relevant application shall be made to NCLT;

d) Within 15 days from the date of order of NCLT, applicant shall submit the following documents to SEBI for final approval:

i. Application for the final approval;

ii. Copy of the NCLT Order approving the scheme;

iii. Copy of the approved scheme;

iv. Statement explaining modifications, if any, in the approved scheme vis-â-vis the draft scheme and the reasons for the same; and

v. Details of compliance with the conditions/ observations mentioned in the in-principle approval provided by SEBI.

17.9 [634]Postal Ballot:

17.9.1 As per the existing provisions of MF Regulations and various circulars issued thereunder, wherever consent or approval of unitholders is required, an option should be given to unitholders. In this regard, it is clarified that the same can also be done through Postal Ballot mechanism;

17.9.2 For this purpose, voting through Postal Ballot shall mean voting by post or through any electronic mode

17.10 [635]Exit period for Unitholders:

[634] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[635] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

17.10.1 In order to bring uniformity, wherever exit option is required to be given to unitholders under MF Regulations and circulars issued thereunder, unitholders shall be given a time period of atleast 30 calendar days for the purpose of exercising the exit option.

17.11 [636]Rajiv Gandhi Equity Savings Scheme (RGESS):

17.11.1 Since, Rajiv Gandhi Equity Savings Scheme (RGESS) has been phased out from the assessment year 2018-19, the references of RGESS have become redundant from all places in MF Regulations and circulars issued thereunder and therefore all provisions related to RGESS issued through various circulars stands deleted.

17.11.2 However, for existing RGESS, if any, the rules and regulations pertaining to RGESS prior to deletion of the provisions shall be applicable.

17.12 [637]Mode of Payments and Despatch:

17.12.1 AMCs may also use instruments or payment channels such as RTGS, NEFT, IMPS, direct credit, etc. or any other mode allowed by Reserve Bank of India from time to time, for payments including refunds to unitholders in addition to the cheque, demand draft or dividend warrants;

17.12.2 Further, AMCs may also use modes of dispatch such as speed post, courier etc. for payments including refunds to unitholders in addition to the registered post with acknowledgement due.

17.13 [638]Maintenance of Current Accounts in multiple banks by Mutual Funds:

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[636] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[637] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021
[638] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/610 dated August 04, 2021

17.13.1 Mutual funds currently maintain current accounts in multiple banks including in banks having presence beyond the top 30 cities ("B-30 cities"), for receiving subscription amount and for payment of redemption proceeds / dividend / brokerage/ commission etc. This enables investors to transact with banks of their choice and facilitates faster transfer of funds.

17.13.2 Mutual fund industry has informed that the Reserve Bank of India ("RBI") has instructed that banks shall not open current accounts for customers who have availed credit facilities in the form of cash credit / overdraft from the banking system. On a review, however, RBI has provided an indicative list of accounts stipulated under various statutes and instructions of other regulators that can be opened without such restriction, including accounts for the purpose of New Fund Offerings ("NFOs")/ dividend payment/ share buyback, etc.

17.13.3 Mutual fund industry has represented that subscription in units of open ended mutual fund schemes is akin to continuous NFO and redemption of units of mutual fund schemes is akin to buy back or repurchase of shares. Considering the above, industry has requested SEBI to issue instructions for mutual funds in respect of maintenance of current accounts in multiple banks.

17.13.4 Based on the request of mutual fund industry, it is clarified that mutual funds should maintain current accounts in an appropriate number of banks for the purpose of receiving subscription amount and for payment of redemption / dividend / brokerage / commission etc. to facilitate financial inclusion, convenience of investors and ease of doing business.

17.14 [639]Guidelines on Accounting with respect to Indian Accounting Standards (IND AS):

SEBI vide notification dated January 25, 2022 amended SEBI (Mutual Funds) Regulations, 1996 (MF Regulations), which, inter-alia, mandated that the AMCs shall prepare the Financial Statements and Accounts of the Mutual Fund Schemes in accordance with IND AS with effect from April 01, 2023. Accordingly, the following requirements are specified:

17.14.1 Mutual Fund Schemes shall prepare the opening balance sheet as on date of transition and the comparatives as per the requirements of IND AS.

17.14.2 Perspective historical per unit statistics mentioned in Clause 6 of Eleventh Schedule of MF Regulations requires disclosure of scheme wise per unit statistics for the past 3 years. In this regard, Mutual Fund schemes may not be mandatorily required to restate the previous years published perspective historical per unit statistics as per requirement of IND AS for the first two years from first time adoption of IND AS. However, Mutual Fund schemes shall furnish following additional information in perspective historical per unit statistics:

a) Label the previous Generally Accepted Accounting Principles (GAAP) information prominently as not being prepared in accordance with IND AS; and

b) Disclose the nature of the adjustments that would be required to make it comply with IND AS. Mutual Funds schemes need not quantify those adjustments.

[639] SEBI circular no SEBI/HO/IMD-II/DOF8/P/CIR/2022/12 dated February 04, 2022

17.14.3 The Financial Statements of the Mutual Fund Schemes shall be prepared in the Format[640].

17.15 [641]Clearing and Settlement of OTC trades in Commercial Paper (CPs) & Certificates of Deposit (CDs):

17.15.1 All SEBI regulated entities shall settle their OTC trades in CDs and CPs on the lines of the process for settlement of OTC trades in corporate bonds, through National Securities Clearing Corporation Limited (NSCCL) and Indian Clearing Corporation Limited (ICCL). All transactions cleared and settled in this regard, will be subject to such norms as may be specified by NSCCL and ICCL.

17.16 Nomination for Mutual Fund unit holders[642]

17.16.1 In order to bring uniformity in practices across all constituents in securities market, the following is decided in case of nomination for eligible Mutual Fund Unit Holders:

17.16.1.1 Investors subscribing to mutual fund units on or after October 01, 2022[643], shall have choice of:

a) Providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996 (or)

b) Opting out of nomination through a signed declaration form as provided in **Annexure 11.**

17.16.1.2 AMC shall provide an option to the unit holder(s) to submit either the nomination form or the declaration form for opting out of nomination in physical or online as per the choice of the

[640] For format, please refer format no. 3.E under the Section on Formats.
[641] SEBI circular no Cir. /IMD/DF/8/2012 dated March 05, 2012, Refer SEBI email dated December 30, 2009
[642] SEBI circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated June 15, 2022
[643] SEBI circular no. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105 July 29, 2022

unit holder(s). In case of physical option, the forms shall carry the wet signature of all the unit holder(s). In case of online option, instead of wet signature(s) of all the unit holder(s), AMCs shall validate the forms:

a. Using e-Sign facility recognized under Information Technology Act, 2000; or
b. Through two factor authentication (2FA) in which one of the factor shall be a One-Time Password sent to the unit holder at his/her email/phone number registered with the AMC.

17.16.1.3 All AMCs shall ensure that adequate systems are in place for providing the e- Sign facility and take all necessary steps to maintain confidentiality and safety of client records.

17.16.1.4 All the AMCs are advised to set deadline as June 30, 2024[644] for nomination / opting out of nomination for all the existing individual unit holder(s) holding mutual fund units either solely or jointly as mentioned at Paragraph 17.16.1.1 above, failing which the folios shall be frozen for debits. *(Also refer: SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/81 dated June10, 2024)*

17.16.1.5 Further, AMCs and RTAs shall encourage the unit holder(s) to fulfil the requirement for nomination/ opting out of nomination by sending a communication on fortnightly basis by way of emails and SMS to all such unit holder(s) who are not in compliance with the requirement of nomination. The

[644] SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2023/193 dated December 27, 2023, SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/160 dated September 27 & 2023 SEBI Circular No. SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/47 dated March 28, 2023

communication shall provide guidance by which the unit holder(s) can provide nomination or opt out of nomination.[645]

17.17 Definition of "Associate" & Disclosure requirement for Asset Management Companies (AMCs)[646]

17.17.1 SEBI has amended the definition of "associate" as per clause (c) of sub-regulation (1) of regulation 2 of SEBI (Mutual Funds) Regulations, 1996 vide Gazette Notification No. SEBI/LAD-NRO/GN/2022/92 dated August 03, 2022. The revised definition of Associate is as under:

"associate" includes a person, -

i. who directly or indirectly, by himself, or in combination with relatives exercises control over the asset management company or the trustees or the sponsor, as the case may be, or

ii. in respect of whom the asset management company or the trustees or the sponsor, directly or indirectly, by itself, or in combination with other persons exercises a control, or

iii. whose director except an independent director, officer or employee is a director, officer or employee of the asset management company:

Provided that the above definition of associate shall not be applicable to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.

[645] SEBI Circular No. SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/47 dated March 28, 2023
[646] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/111 dated August 25, 2022

17.17.2 Consequent to the above amendment, it has been decided that AMCs shall ensure scheme wise disclosure of investments, as on the last day of each quarter, in securities of such entities that are excluded from the definition of associate.

17.17.3 Disclosure of Investment shall include ISIN wise value of investment and value as percentage of AUM of scheme. Such disclosure shall be made on the websites of respective AMCs and on the website of AMFI, within one month from the close of each quarter.

17.18 Format for Networth computation

17.18.1 "Networth" is defined under Regulation 2(qa) of SEBI (Mutual Funds) Regulations, 1996, as the aggregate of the paid up capital and free reserves after deducting therefrom, miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets and accumulated losses.

17.18.2 Hence, during the processing of application of registration of a mutual fund, wherever there is a requirement of furnishing Networth certificate with SEBI, the Networth Certificate should be provided by the applicant in the following format:

Particulars	**Amount (in INR crores)**
Paid-up capital	
Add: Share Premium	
Add: Free reserves of the company ((excluding reserves created out of revaluation)	
Less: miscellaneous expenditure to the extent not written-off or adjusted or deferred revenue expenditure,	
Less: accumulated losses, if any	
Less: intangible assets, if any	

Less: Minimum Capital Adequacy / Networth requirement for any other activity undertaken under other SEBI regulations	
Total Net worth for the FY	
Profit After Tax for the FY	

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APPENDIX: LIST OF RESCINDED CIRCULARS

Sr. No.	Circular No.	Date	Subject
1.	SEBI/HO/IMD/IMD-RAC-2/P/CIR/2024/000015	March 12, 2024	Simplification and streamlining of Offer Documents of Mutual Fund Schemes – Extension of timelines
2.	SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175	November 01, 2023	Simplification and streamlining of Offer Documents of Mutual Fund Schemes
3.	SEBI/HO/IMD/PoD2/P/CIR/2023/152	September 27, 2023	Clarification regarding investment of Mutual Fund schemes in units of Corporate Debt Market Development Fund
4.	SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/160	September 06, 2023	Nomination for Mutual Fund Unit Holders – Extension of timelines
5.	SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/142	August 11, 2023	Timeline for the Exit Option Window Period for Change in Control of AMC
6.	SEBI/HO/IMD/PoD2/P/CIR/2023/128	July 27, 2023	Framework for Corporate Debt Market Development Fund (CDMDF)
7.	SEBI/HO/IMD/PoD2/P/CIR/2023/129	July 27, 2023	Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund
8.	SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/126	July 26, 2023	Resources for Trustees of Mutual Funds
9.	SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/125	July 20, 2023	New category of Mutual Fund schemes for Environmental, Social and Governance (“ESG”) Investing and related disclosures by Mutual Funds
10.	SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/118	July 07, 2023	Regulatory Framework for Sponsors of a Mutual Fund
11.	SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117	July 07, 2023	Roles and responsibilities of Trustees and board of directors of Asset Management Companies (AMCs) of Mutual Funds
12.	SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/87	June 13, 2023	Corrigendum to Circular on Participation of Mutual funds in repo transactions on Corporate Debt Securities dated June 8, 2023
13.	SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/86	June 13, 2023	Regulatory framework for Execution Only Platforms for facilitating transactions in direct plans of schemes of Mutual Funds
14.	SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/85	June 8, 2023	Participation of Mutual funds in repo transactions on Corporate Debt Securities

15.	SEBI/HO/IMD/POD-II/CIR/P/2023/0069	May 12, 2023	Investment in units of Mutual Funds in the name of minor through guardian
16.	SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/60	April 25, 2023	Modifications in the requirement of filing of Offer Documents by Mutual Funds
17.	SEBI/HO/IMD/IMD-I POD2/P/CIR/2023/48	March 29, 2023	Review of time limit for disclosure of NAV of Mutual fund schemes investing overseas
18.	SEBI/HO/IMD/IMD-I POD1/P/CIR/2023/47	March 28, 2023	Nomination for Mutual Fund Unit Holders – Extension of timelines
19.	SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/40	March 23, 2023	E-wallet investments in Mutual Funds
20.	SEBI/HO/IMD/IMD-POD1/P/CIR/2023/005	January 06, 2023	Management and advisory services by AMCs to Foreign Portfolio Investors
21.	SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2022/164	November 29, 2022	Introduction of credit risk based single issuer limit for investment by mutual fund schemes in debt and money market instruments
22.	SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161	November 25, 2022	Timelines for transfer of dividend and redemption proceeds to unitholders
23.	SEBI/HO/IMD/DOF2/P/CIR/2022/145	October 28, 2022	Addendum to SEBI Circular on Development of Passive Funds
24.	SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/132	September 30, 2022	Two-Factor Authentication for transactions in units of Mutual Funds
25.	SEBI/HO/IMD/DOF2/P/CIR/2022/111	August 25, 2022	Disclosure requirement for Asset Management Companies (AMCs)
26.	SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/105	July 29, 2022	Nomination for Mutual Fund Unit Holders – Extension of timelines
27.	SEBI/HO/IMD/DF2/CIR/P/2022/102	July 28, 2022	Addendum to SEBI Circular on Development of Passive Funds
28.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82	June 15, 2022	Nomination for Mutual Fund Unit Holders
29.	SEBI/HO/IMD/IMD-I/DOF2/P/CIR/2022/81	June 09, 2022	Modification in Cyber Security and Cyber Resilience Framework of Mutual Funds/ Asset Management Companies (AMCs)
30.	SEBI/HO/IMD/DOF2/P/CIR/2022/69	May 23, 2022	Circular on Development of Passive Funds
31.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/49	April 11, 2022	Risk value of commodities for Risk-o-meter
32.	SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/41	March 31, 2022	Discontinuation of usage of pool accounts for transactions in the units of Mutual Funds, Two Factor Authentication ('2FA') for redemption and other related requirements: Extension of timeline
33.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39	March 30, 2022	Timelines for Rebalancing of Portfolios of Mutual Fund Schemes

34.	SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/29	March 15, 2022	Discontinuation of usage of pool accounts for transactions in the units of Mutual Funds: Clarifications with respect to Circulars dated October 4, 2021
35.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/24	February 25, 2022	Swing pricing framework for mutual fund schemes – Extension of timeline
36.	SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/17	February 09, 2022	Audit Committee of Asset Management Companies (AMCs)
37.	SEBI/HO/IMD-II/DOF8/P/CIR/2022/12	February 04, 2022	Guidelines on Accounting with respect to Indian Accounting Standards (IND AS)
38.	SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/10	January 31, 2022	Change in control of the asset management company involving scheme of arrangement under Companies Act, 2013
39.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/698	December 22, 2021	Restoration of relaxed timelines w.r.t. validity of observation letter pertaining to Mutual Funds
40.	SEBI/HO/IMD/DF2/CIR/P/2021/683	December 10, 2021	Circular on Mutual Funds
41.	SEBI/HO/IMD-II/IMD-II_DOF10/P/CIR/2021/00677	December 10, 2021	Publishing Investor Charter and disclosure of Investor Complaints by Mutual Funds on their website and AMFI website
42.	SEBI/HO/IMD/DF2/CIR/P/2021/668	November 24, 2021	Norms for Silver Exchange Traded Funds (Silver ETFs) and Gold Exchange Traded Funds (Gold ETFs)
43.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/654	October 28, 2021	Investment/ trading in securities by employees and Board members of AMC(s) and Trustees of Mutual Funds
44.	SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652	October 27, 2021	Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes
45.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/641	October 06, 2021	Minimum percentage of trades carried out by Mutual Funds through RFQ platform
46.	SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/634	October 04, 2021	Circular on Mutual Funds
47.	SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/635	October 04, 2021	Discontinuation of usage of pool accounts for transactions in units of Mutual Funds on Stock Exchange platforms
48.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/631	September 29, 2021	Swing pricing framework for Mutual Fund schemes
49.	SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630	September 27, 2021	Risk Management Framework (RMF) for Mutual Funds

50.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/629	September 20, 2021	Clarification with respect to Circular dated April 28, 2021 on 'Alignment of Interest of Key Employees ('Designated Employees') of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund schemes
51.	SEBI/HO/IMD/IMD-IDOF5/P/CIR/2021/624	September 02, 2021	Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the unitholders of the Mutual Fund schemes
52.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/621	August 31, 2021	Disclosure of Risk-o-Meter of scheme, benchmark and portfolio details to the investors
53.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/610	August 04, 2021	Maintenance of current accounts in multiple banks by Mutual Funds
54.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/608	July 30, 2021	Deployment of unclaimed redemption and dividend amounts and instant access facility in Overnight Funds
55.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/0606	July 30, 2021	Intra-Day Net Assets Value (NAV) for Transactions in Units of Exchange Traded Funds directly with Asset Management Companies
56.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/604	July 26, 2021	RTA inter-operable Platform for enhancing investors' experience in Mutual Fund transactions/ service requests
57.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/603	July 23, 2021	Timelines related to processing of scheme related applications filed by AMCs
58.	SEBI/HO/IMD/DF4/P/CIR/2021/593	July 09, 2021	Valuation of securities with multiple put options present ab-initio
59.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/582	June 25, 2021	Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the unitholders of the Mutual Fund schemes
60.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/583	June 25, 2021	Prudential norms for liquidity risk management for open ended debt schemes
61.	SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/580	June 18, 2021	Norms for investment and disclosure by mutual funds in derivatives
62.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573	June 07, 2021	Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk
63.	SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/571	June 03, 2021	Enhancement of Overseas Investment limits for Mutual Funds
64.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/566	May 31, 2021	Disclosure of the following only w.r.t schemes which are subscribed by the investor:

			a. risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-à-vis benchmark and b. Details of the portfolio
65.	SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/0560	April 30, 2021	Timelines for updation of Scheme Information Document (SID) and Key Information Memorandum (KIM)
66.	SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/555	April 29, 2021	Disclosure of the following only w.r.t schemes which are subscribed by the investor: a. risk-o-meter of the scheme and the benchmark along with the performance disclosure of the scheme vis-à-vis benchmark and b. Details of the portfolio
67.	SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553	April 28, 2021	Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the unitholders of the Mutual Fund schemes
68.	SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550	April 12, 2021	Circular on Reporting Formats for Mutual Funds
69.	SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/0548	April 06, 2021	Setting Up Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds
70.	SEBI/HO/IMD/DF4/CIR/P/2021/034	March 22, 2021	Clarification on the valution of bonds issued under Basel III framework
71.	SEBI/HO/IMD/DF4/CIR/P/2021/032	March 10, 2021	Review of norms regarding investment in debt instruments with special features, and the valuation of perpetual bonds
72.	SEBI/HO/IMD/DF4/CIR/P/2021/29	March 05, 2021	Guidelines for votes case by Mutual Funds
73.	SEBI/HO/IMD/DF2/CIR/P/2021/024	March 04, 2021	Circular on Mutual Funds
74.	SEBI/HO/IMD/DF2/CIR/P/2021/17	February 02, 2021	Setting Up Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds
75.	SEBI/HO/IMD/DF3/CIR/P/2021/014	January 29, 2021	Revision of Monthly Cumulative Report (MCR)
76.	SEBI/HO/IMD/DF2/CIR/P/2021/10	January 15, 2021	Norms for investment and disclosure by Mutual Funds in Exchange traded commodity derivatives ("ETCDs")
77.	SEBI/HO/IMD/DF2/CIR/P/2020/253	December 31, 2020	Circular on Mutual Funds

78.	SEBI/HO/IMD/DF3/CIR/P/2020/228	November 06, 2020	Introduction of "Flexi Cap Fund" as a new category under Equity schemes
79.	SEBI/HO/IMD/DF3/CIR/P/2020/229	November 06, 2020	Norms regarding holding of liquid assets in open ended debt schemes & stress testing of open ended debt schemes
80.	SEBI/HO/IMD/DF3/CIR/P/2020/225	November 05, 2020	Enhancement of Overseas Investment limits for Mutual Funds
81.	SEBI/HO/IMD/DF4/CIR/P/2020/202 October	October 08, 2020	Guidelines for Inter-scheme Transfers of securities
82.	SEBI/HO/IMD/DF3/CIR/P/2020/197	October 05, 2020	Product Labelling in Mutual Fund schemes - Risk-o-meter
83.	SEBI/HO/IMD/DF3/CIR/P/2020/194	October 05, 2020	Review of Dividend options(s)/ Plan(s) in case of Mutual Fund schemes
84.	SEBI/HO/IMD/DF4/CIR/P/2020/192	October 01, 2020	Review of provisions regarding valuation of debt and money market instruments due to the COVID - 19 pandemic
85.	SEBI/HO/IMD/DF4/CIR/P/2020/178	September 23, 2020	Resources for Trustees of Mutual Funds
86.	SEBI/HO/IMD/DF2/CIR/P/2020/175	September 17, 2020	Circular on Mutual Funds
87.	SEBI/HO/IMD/DF3/CIR/P/2020/172	September 11, 2020	Asset Allocation of Multi Cap Funds
88.	SEBI/HO/IMD/DF4/CIR/P/2020/165	September 02, 2020	Review of provision regarding segregation of portfolio due to COVID-19 pandemic
89.	SEBI/HO/IMD/DF4/CIR/P/2020/163	September 01, 2020	Review of debt and money market securities transactions disclosure
90.	SEBI/HO/IMD/DF4/CIR/P/2020/0000000151	August 10, 2020	Resources for Trustees of Mutual Funds
91.	SEBI/HO/IMD/DF3/CIR/P/2020/130	July 22, 2020	Transaction in Corporate Bonds/Commercial Papers through RFQ platform and enhancing transparency pertaining to debt schemes
92.	SEBI/HO/IMD/DF4/CIR/P/2020/100	June 12, 2020	Investment by sponsor or asset management company in the scheme
93.	SEBI/HO/IMD/DF2/CIR/P/2020/96	June 05, 2020	Participation of Mutual Funds in Commodity Derivatives Market in India
94.	SEBI/HO/IMD/DF3/CIR/P/2020/086	May 20, 2020	Listing of Mutual Fund schemes that are in the process of winding up
95.	SEBI/HO/IMD/DF3/CIR/P/2020/76	April 30, 2020	Relaxation in compliance with requirements pertaining to Mutual Funds
96.	SEBI/HO/IMD/DF2/CIR/P/2020/75	April 28, 2020	Existing grandfathered unlisted NCDs

97.	SEBI/HO/IMD/DF3/CIR/P/2020/70	April 23, 2020	Review of provisions of the circular dated September 24, 2019 issued under SEBI (Mutual Funds) Regulations, 1996 due to the COVID - 19 pandemic and moratorium permitted by RBI
98.	SEBI/HO/IMD/DF3/CIR/P/2020/47	March 23, 2020	Relaxation in certain compliance with requirements pertaining to Mutual Funds
99.	SEBI/HO/IMD/DF3/CIR/P/2019/166	December 24, 2019	Investment in units of Mutual Funds in the name of minor through guardian and ease of process for transmission of units
100.	SEBI/HO/IMD/DF2/CIR/P/2019/155	December 16, 2019	Management and advisory services by AMCs to Foreign Portfolio Investors
101.	SEBI/HO/IMD/DF3/CIR/P/2019/152	December 10, 2019	Review of investment norms for mutual funds for investment in Debt and Money Market Instruments
102.	SEBI/HO/IMD/DF3/CIR/P/2019/147	November 29, 2019	Norms for Debt Exchange Traded Funds (ETFs)/Index Funds
103.	SEBI/HO/IMD/DF2/CIR/P/2019/127	November 07, 2019	Creation of segregated portfolio in mutual fund schemes
104.	SEBI/HO/IMD/DF4/CIR/P/2019/126	November 06, 2019	Reporting of changes in terms of investment
105.	SEBI/HO/IMD/DF2/CIR/P/2019/104	October 01, 2019	Review of investment norms for mutual funds for investment in Debt and Money Market Instruments
106.	SEBI/HO/IMD/DF4/CIR/P/2019/102	September 24, 2019	Valuation of money market and debt securities
107.	SEBI/HO/IMD/DF2/CIR/P/2019/101	September 20, 2019	Risk Management Framework for Liquid & Overnight Funds and norms governing investment in short term deposits
108.	SEBI/HO/IMD/DF4/CIR/P/2019/093	August 16, 2019	Parking of Funds in Short Term Deposits of Scheduled Commercial Banks by Mutual Funds - Pending deployment
109.	SEBI/HO/IMD/DF2/CIR/P/2019/65	May 21, 2019	Participation of Mutual Funds in Commodity Derivatives Market in India
110.	SEBI/HO/IMD/DF5/CIR/P/2019/63	May 09, 2019	Reporting for Artificial Intelligence (AI) & Machine Learning (ML) Applications and systems offered and used by Mutual Funds
111.	SEBI/HO/IMD/DF2/CIR/P/2019/058	April 11, 2019	Technology committee for Mutual Funds/ Asset Management Companies (AMCs)

112.	SEBI/HO/IMD/DF2/CIR/P/2019/57	April 11, 2019	System Audit Framework for Mutual Funds/ Asset Management Companies (AMCs)
113.	SEBI/HO/IMD/DF2/CIR/P/2019/42	March 25, 2019	Review of Commission, Expenses, Disclosure norms etc. - Mutual Fund
114.	SEBI/HO/IMD/DF4/CIR/P/2019/41	March 22, 2019	Valuation of money market & debt securities
115.	SEBI/HO/IMD/DF2/CIR/P/2019/34	March 08, 2019	Filing of advertisements under SEBI (Mutual Funds) Regulations, 1996
116.	SEBI/HO/IMD/DF3/CIR/P/2019/020	January 22, 2019	Revised Monthly Cumulative Report (MCR)
117.	SEBI/HO/IMD/DF2/CIR/P/2019/17	January 16, 2019	Norms for investment and disclosure by mutual funds in derivatives
118.	SEBI/HO/IMD/DF2/CIR/P/2019/12	January 10, 2019	Cyber Security and Cyber Resilience framework for Mutual Funds/ Asset Management Companies (AMCs)
119.	SEBI/HO/IMD/DF3/CIR/P/2019/011	January 10, 2019	Portfolio Concentration Norms for Equity Exchange Traded Funds (ETFs) and Index Funds
120.	SEBI/HO/IMD/DF2/CIR/P/2018/160	December 28, 2018	Creation of segregated portfolio in mutual fund schemes
121.	SEBI/HO/IMD/DF2/CIR/P/2018/137	October 22, 2018	Total Expenses Ratio (TER) and Performance Disclosure for Mutual Funds
122.	SEBI/HO/IMD/DF2/CIR/P/2018/91	June 05, 2018	Total Expense Ratio for Mutual Funds
123.	SEBI/HO/IMD/DF2/CIR/P/2018/92	June 05, 2018	Circular on Go Green Initiative in Mutual Funds
124.	SEBI/HO/IMD/DF3/CIR/P/2018/69	April 12, 2018	Performance disclosure post consolidation/ Merger of Schemes
125.	SEBI/HO/IMD/DF2/CIR/P/2018/19	February 07, 2018	Enhancing fund governance for Mutual Funds
126.	SEBI/HO/IMD/DF2/CIR/P/2018/18	February 05, 2018	Total Expense Ratio - change and disclosure
127.	SEBI/HO/IMD/DF3/CIR/P/2018/15	February 02, 2018	Charging of additional expenses of upto 0.20% in terms of Regulation 52 (6A) (c) of SEBI (Mutual Funds) Regulations, 1996
128.	SEBI/HO/IMD/DF2/CIR/P/2018/16	February 02, 2018	Review of additional expenses of up to 0.30% towards inflows from beyond top 15 cities (B15)
129.	SEBI/HO/IMD/DF3/CIR/P/2018/04	January 04, 2018	Benchmarking of Scheme's performance to Total Return Index

130.	SEBI/HO/IMD/DF3/CIR/P/2017/126	December 04, 2017	Categorization and rationalization of Mutual Fund schemes
131.	SEBI/HO/IMD/DF2/CIR/P/2017/125	November 30, 2017	Enhancing fund governance for Mutual Funds
132.	SEBI/HO/IMD/DF3/CIR/P/2017/114	October 06, 2017	Categorization and rationalization of Mutual Fund schemes
133.	SEBI/HO/IMD/DF2/CIR/P/2017/109	September 27, 2017	Review of norms for participation in derivatives by Mutual Funds
134.	SEBI/HO/IMD/DF3/CIR/P/2017/52	June 01, 2017	Online Registration Mechanism for Mutual Funds
135.	SEBI/HO/IMD/DF2/CIR/P/2017/39	May 08, 2017	Instant Access Facility & Use of e-wallet for investment in Mutual Funds
136.	SEBI/HO/IMD/DF2/CIR/P/2017/35	April 28, 2017	Circular on Mutual Funds
137.	CIR/IMD/DF/23/2017	March 15, 2017	Review of Advertisement guidelines for Mutual Funds
138.	SEBI/HO/IMD/DF2/CIR/P/2017/17	February 28, 2017	Circular on Mutual Funds
139.	SEBI/HO/IMD/DF2/CIR/P/2017/14	February 22, 2017	Prudential limits in sector exposure for Housing Finance Companies (HFCs)
140.	SEBI/HO/IMD/DF2/CIR/P/2017/13	February 20, 2017	Participation in derivatives market by Mutual Funds
141.	SEBI/HO/IMD/DF2/CIR/P/2016/124	November 17, 2016	Investment/trading in securities by employees of AMC(s) and Trustees of Mutual Funds
142.	SEBI/HO/IMD/DF2/CIR/P/2016/89	September 20, 2016	Consolidated Account Statement
143.	SEBI/HO/IMD/DF2/CIR/P/2016/68	August 10, 2016	Circular on Mutual Funds
144.	SEBI/HO/IMD/DF2/CIR/P/2016/57	May 31, 2016	Restriction on redemption in Mutual Funds
145.	SEBI/HO/IMD/DF2/CIR/P/2016/42	March 18, 2016	Circular on Mutual Funds
146.	SEBI/HO/IMD/DF2/CIR/P/2016/37	February 25, 2016	Circular on Mutual Funds
147.	SEBI/HO/IMD/DF2/CIR/P/2016/35	February 15, 2016	Circular on Mutual Funds
148.	CIR/IMD/DF/11/2015	December 31, 2015	Investment by Gold ETFs in Gold Monetization scheme of Banks
149.	CIR/IMD/DF/03/2015	April 30, 2015	Stress Testing of Liquid Fund and Money Market Mutual Fund Schemes
150.	CIR/IMD/DF/4/2015	April 30, 2015	Product Labelling in Mutual Funds

151.	Cir/ IMD/ DF/ 15 /2014	June 20, 2014	Minimum Asset under Management (AUM) of Debt Oriented schemes
152.	CIR/IMD/DF/10/2014	May 22, 2014	Circular on Mutual Funds
153.	CIR/IMD/DF/07/2014	April 02, 2014	Disclosures pertaining to Assets Under Management
154.	CIR/IMD/DF/05/2014	March 24, 2014	Enhancing disclosures, investor education & awareness campaign, developing alternative distribution channels for Mutual Fund products, etc.
155.	CIR/IMD/DF/20/2013	November 29, 2013	Circular on Infrastructure Debt Fund (IDF)
156.	CIR/IMD/DF/16/2013	October 18, 2013	Gold Exchange Traded Fund scheme (Gold ETFs) and Gold Deposit Scheme (GDS) of Banks
157.	CIR / IMD / DF / 7 / 2013	April 23, 2013	Circular on Infrastructure Debt Fund
158.	CIR/IMD/DF/5/2013	March 18, 2013	Product Labelling in Mutual Funds
159.	CIR/IMD/DF/04/2013	February 15, 2013	Gold Exchange Traded Fund scheme (Gold ETFs) Investment in Gold Deposit Scheme (GDS) of Banks
160.	CIR/ IMD/ DF/02/2013	February 06, 2013	Time period of initial offering and allotment of units of Mutual Fund scheme eligible under Rajiv Gandhi Equity Savings Scheme, 2012 (RGESS)
161.	CIR/IMD/DF/24/2012	November 19, 2012	Circular on Mutual Funds
162.	CIR/IMD/DF/23/2012	November 15, 2012	Participation of mutual funds in Credit Default Swaps (CDS) Market as users ("Protection Buyers") and in repo, in corporate debt securities
163.	CIR/IMD/DF/21/2012	September 13, 2012	Steps to re-energize Mutual Fund Industry
164.	Cir/IMD/DF/6/2012	February 28, 2012	Circular on Mutual Funds
165.	Cir/IMD/DF/7/2012	February 28, 2012	Circular for Mutual Funds
166.	CIR / IMD / DF / 21 / 2011	December 13, 2011	Revised Format of Monthly Cumulative Report (MCR) incorporating investments in Infrastructure Debt fund

167.	CIR / IMD / DF / 19 / 2011	November 11, 2011	Participation of mutual funds in repo in corporate debt securities
168.	Cir/ IMD/ DF/ 16 / 2011	September 08, 2011	Amendment to SEBI (Mutual Funds) Regulations, 1996
169.	Cir/ IMD/ DF/13/ 2011	August 22, 2011	Circular for Mutual Funds
170.	CIR/IMD/DF/12/2011	August 01, 2011	Indicative Portfolios and Yield in close ended debt oriented mutual funds Schemes
171.	CIR/IMD/DF/9/2011	May 19, 2011	Option to hold units in Demat Form
172.	CIR/MFD/DF/4/2011	March 09, 2011	Usage of Load Balance
173.	Cir/ IMD/ DF/20/2010	December 06, 2010	Half Yearly Report by Trustees
174.	Cir / IMD / DF / 19 / 2010	November 26, 2010	Circular for Mutual Funds
175.	CIR/IMD/DF/17/2010	November 09, 2010	Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure
176.	Cir / IMD / DF / 15/ 2010	October 22, 2010	Consolidation or merger of Schemes
177.	CIR/IMD/DF/10/2010	August 18, 2010	Transferability of Mutual Fund units
178.	Cir/ IMD/ DF/ 11/ 2010	August 18, 2010	Review of norms for investment and disclosure by Mutual Funds in derivatives
179.	Cir / IMD / DF / 9 / 2010	August 12, 2010	Updation of investor related documents
180.	Cir / IMD / DF / 8 / 2010	August 06, 2010	Amendments to SEBI (Mutual Funds) Regulations, 1996
181.	Cir / IMD / DF / 6 / 2010	July 28, 2010	Additional Mode of payment through Application Supported by Blocked Amount (hereinafter referred to as 'ASBA') in Mutual Funds
182.	Cir / IMD / DF / 5 / 2010	June 24, 2010	Certificate Programme for sale and/or distributors of mutual fund products
183.	Cir / IMD / DF / 4 / 2010	June 21, 2010	Valuation of Debt and Money Market Instruments
184.	Cir / IMD / DF/ 2 / 2010	May 13, 2010	Disclosure of investor complaints with respect to Mutual Funds
185.	SEBI/IMD/CIR No. 18/ 198647/2010	March 15, 2010	Circular for Mutual Funds
186.	SEBI/IMD/CIR No. 17/ 193751/2010	February 04, 2010	Standard warning in Advertisements by Mutual Funds

187.	SEBI/IMD/CIR No.16/ 193388/2010	February 02, 2010	Valuation of Debt and Money Market Instruments
188.	SEBI/IMD/CIR No.15/191378 /2010	January 18, 2010	Advertisement by mutual funds
189.	SEBI/IMD/CIR No 14/187175/2009	December 15, 2009	Modification to existing SEBI circulars on Mutual Funds
190.	SEBI/IMD/CIR No.12 /186868 /2009	December 11, 2009	Transaction through some MF distributors and compliance with SEBI circular on AML
191.	SEBI/IMD/CIR No./ 13/187052 /2009	December 11, 2009	AMFI Guidelines for change of mutual fund distributor
192.	SEBI /IMD / CIR No.11/183204/ 2009	November 13, 2009	Facilitating transactions in Mutual Fund schemes through the Stock Exchange infrastructure
193.	SEBI/IMD/CIR No. 10/178129/09	September 29, 2009	Statement of Additional Information (SAI) and Scheme Information Document (SID) to be made available on SEBI website
194.	SEBI/IMD/CIR No. 8/176988/2009	September 16, 2009	System Audit of Mutual Funds
195.	SEBI/IMD/CIR No. 8/174648/2009	August 27, 2009	Code of Conduct for Intermediaries of Mutual Funds
196.	SEBI/IMD/CIR No.7/173650/2009	August 17, 2009	Exit load - Parity among all classes of unit holders
197.	SEBI / IMD / CIR No. 6 /172445/ 2009	August 07, 2009	Exit load - Parity among all classes of unit holders
198.	SEBI/IMD/CIR No. 5/169030/2009	July 08, 2009	Revision in filing fees - Amendments to SEBI (Mutual Funds) Regulations, 1996
199.	SEBI/IMD/CIR No. 4/ 168230/09	June 30, 2009	Mutual Funds - Empowering Investors through transparency in payment of commission and load structure
200.	SEBI/IMD/CIR No.3/166386/2009	June 15, 2009	Guidelines for Investment by Mutual Funds in Money Market Instruments
201.	SEBI/IMD/CIR No. 2/166256/2009	June 12, 2009	Valuation of debt securities by Mutual Funds
202.	SEBI/IMD/CIR No. 1/165935 / 2009	June 09, 2009	Guidelines for investment by Mutual Funds in Indian Depository Receipts (IDRs) and copies of gazette notifications dated April 08, 2009 and June 05, 2009
203.	SEBI/IMD/CIR No. 15/157701/09	March 19, 2009	Portfolio Format for debt oriented close-ended and interval schemes/plans

204.	SEBI/IMD/CIR No. 13/150975/09	January 19, 2009	Portfolio of “Liquid Schemes” and nomenclature of “Liquid Plus” schemes
205.	SEBI/IMD/CIR No. 14/151044/09	January 19, 2009	Indicative Portfolios and Yields in Mutual Funds Scheme
206.	SEBI/IMD/CIR No. 12/147132/08	December 11, 2008	Review of Provisions relating to Close Ended Schemes
207.	SEBI/IMD/CIR No. 11/142521/08	October 24, 2008	Applicability of Net Asset Value (NAV) for Income/Debt oriented Mutual Fund scheme(s)/plan(s) (Other than liquid fund schemes)
208.	SEBI/IMD/CIR No. 10 /141712/08	October 20, 2008	Standardizing format of Abridged Scheme wise Annual Report Format and Reduction in time period for dispatch to the unitholders - Amendments to SEBI (Mutual Funds) Regulations, 1996
209.	SEBI/IMD/CIR No. 9/141601/08	October 18, 2008	Valuation of Debt securities by Mutual Funds
210.	SEBI/IMD/CIR No.8/132968/08	July 24, 2008	Abridged Scheme wise Annual Report and period disclosures to Unit holders
211.	SEBI/IMD/CIR No.7/129592/08	June 23, 2008	Parking of Funds in Short Term Deposits of Scheduled Commercial Banks by Mutual Funds - Pending deployment
212.	SEBI/IMD/CIR No.6/127947/08	June 06, 2008	Short Selling and Securities Lending and Borrowing & Net Settlement of Government Securities Transactions - Amendments to SEBI (Mutual Funds) Regulations, 1996
213.	SEBI/IMD/CIR No. 5/126096/08	May 23, 2008	Simplification of Offer Document and Key Information Memorandum of Mutual Funds schemes
214.	SEBI/IMD/CIR No.4/124477/08	May 02, 2008	Notification on Real Estate Mutual Fund schemes and initial issue expenses
215.	SEBI/IMD/CIR No. 3/124444/08	April 30, 2008	Revised Monthly Cumulative Report (MCR)
216.	SEBI/IMD/CIR No.2/122577/08	April 08, 2008	Overseas Investments by Mutual Fund
217.	SEBI/IMD/CIR No.1/122201/08	April 03, 2008	Revision in Filing Fees and Registration Fees - Amendment to SEBI (Mutual Funds) Regulations, 1996
218.	SEBI/IMD/CIR No. 14/120784/08	March 18, 2008	Load on Bonus Units and units allotted on Reinvestment of Dividend
219.	SEBI/IMD/CIR No. 13/118899/08	February 29, 2008	New Scheme Report

220.	SEBI/IMD/CIR No. 12/ 118340 /08	February 26, 2008	Standard warning in Advertisements by Mutual Funds
221.	SEBI/IMD/CIR No. 11/ 115723 /08	January 31, 2008	Removal of Initial Issue Expenses
222.	SEBI/IMD/CIR No. 10/ 112153 /07	December 31, 2007	Waiver of Entry Load for Direct applications
223.	SEBI/IMD/CIR No.9/108562/07	November 16, 2007	Circular for Mutual Funds
224.	SEBI/IMD/CIR No.8/107311/07	October 26, 2007	Parking of Funds in Short Term Deposits of Scheduled Commercial Banks by Mutual Funds - Pending deployment
225.	SEBI/IMD/CIR No.7/104753/07	September 26, 2007	Overseas Investments by Mutual Fund
226.	SEBI/IMD/CIR No. 6/98057/07	July 05, 2007	Bi-monthly Compliance Test Reports (CTRs)
227.	SEBI/IMD/CIR No.5 /96576/07	June 25, 2007	Extension of time for uploading of NAVs of Fund of Fund schemes
228.	SEBI/IMD/CIR No.4 /95754/07	June 11, 2007	Gazette notification dated May 28, 2007
229.	SEBI/IMD/CIR No.3/93334/07	May 14, 2007	Investment in ADRs/GDRs/Foreign Securities and overseas ETFs by Mutual Funds
230.	SEBI/IMD/CIR No.2/91600/07	April 20, 2007	REVISED MONTHLY CUMULATIVE REPORT (MCR)
231.	SEBI/IMD/CIR No.2/91033/07	April 17, 2007	REVISED MONTHLY CUMULATIVE REPORT (MCR)
232.	SEBI/IMD/CIR No. 1/ 91171 /07	April 16, 2007	Parking of Funds in Short Term Deposits of Scheduled Commercial Banks by Mutual Funds - Pending deployment
233.	SEBI/IMD/CIR No. 15/87045/2007	February 22, 2007	Additional Reporting with Monthly Cumulative Report (MCR)
234.	SEBI/IMD/CIR No.14 /84243/07	January 15, 2007	Circular for Mutual Funds
235.	SEBI/IMD/CIR No.13/83589/07	January 04, 2007	Investments in ADRs/GDRs/Foreign Securities and Overseas EFT by Mutual Funds
236.	IMD/CIR/12/80083/2006	November 20, 2006	Dispatch of Account Statement
237.	SEBI/IMD/CIR No.11/78450/06	October 11, 2006	Uniform Cut Off Time for applicability of Net Asset Value (NAV) of Mutual Fund scheme(s)/Plan(s)

238.	SEBI/IMD/CIR No.10 / 77780/06	September 28, 2006	Uniform Cut Off Time for applicability of Net Asset Value (NAV) of Mutual Fund scheme(s)/Plan(s)
239.	SEBI/IMD/CIR No.9/74364/06	August 14, 2006	Gazette notification dated August 03, 2006
240.	SEBI/IMD/CIR No.8 / 73580/06	August 04, 2006	Filing of Annual Information Return to be filed by Mutual Funds
241.	SEBI/IMD/CIR No. 7 / 73202 /06	August 02, 2006	Investments in ADRs/GDRs/Foreign Securities and Overseas EFTs by Mutual Funds
242.	SEBI/IMD/CIR No. 6 / 72245 /06	July 20, 2006	Revised Monthly Cumulative (MCR) and Annual Statistical Report (ASR)
243.	SEBI/IMD/CIR No.5/70559/06	June 30, 2006	Undertaking from Trustee for New Scheme Offer Document
244.	SEBI/IMD/CIR No.4/69458/06	June 16, 2006	Gazette notification dated May 22, 2006
245.	SEBI/IMD/CIR No. 2/65348/06	April 21, 2006	Introduction of Gold Exchange Traded Funds in India.
246.	SEBI/IMD/CIR No. 3/65370/06	April 21, 2006	Dividend Distribution Procedure for Mutual Funds
247.	SEBI/IMD/CIR No. 1/64057/06	April 04, 2006	Rationalization of Initial issue expenses and dividend distribution procedure for Mutual Funds
248.	SEBI/IMD/CIR No. 5/63714/06	March 29, 2006	Review of time limit for updating NAV on AMFI website
249.	SEBI/IMD/CIR No. 5/63715/06	March 29, 2006	Applicability of Investment restrictions for securitized debt
250.	SEBI/IMD/CIR No.4/58422/06	January 24, 2006	Gold ETF
251.	SEBI/IMD/CIR No.3/50241/05	September 26, 2005	Investments in ADRs/GDRs/Foreign Securities by Mutual Funds
252.	SEBI/ IMD/CIR No.2/46603/2005	August 10, 2005	Unique Client Code (UCC) for Mutual Fund schemes/plans
253.	SEBI/ IMD/CIR No.1 /42529/2005	June 14, 2005	Minimum number of investors in the Scheme(s)/Plan(s) of Mutual Funds
254.	SEBI/ IMD/CIR No.11/36222/2005	March 16, 2005	Compliance Test Report (CTR)
255.	SEBI/IMD/CIR No. 10/ 16521/04	July 28, 2004	Key Information Memorandum
256.	SEBI/IMD/CIR No. 9/ 6016/04	March 25, 2004	Uniform Cut Off Time for applicability of Net Asset Value (NAV) of Mutual Fund Scheme(s)/plan(s)

257.	SEBI/IMD/CIR No. 7/ 5573/04	March 19, 2004	Investment in Foreign Securities by Mutual Funds
258.	SEBI/IMD/CIR No. 8/ 5611/04	March 19, 2004	Uniform Cut Off Time for applicability of Net Asset Value (NAV) of Mutual Fund Scheme(s)/plan(s)
259.	SEBI/IMD/CIR No. 6/ 4213/04	March 01, 2004	Mentioning Bank Account Numbers & PAN by investors
260.	SEBI/ IMD/CIR No. 5/265/ 2004	February 16, 2004	Gazette notification dated January 15, 2004
261.	SEBI/ IMD/CIR No. 4/2627/ 2004	February 06, 2004	Guidelines for Participation by Mutual Fund in Derivative Trading
262.	SEBI/IMD/CIR No. 03/2564/04	February 05, 2004	REVISED MONTHLY CUMULATIVE REPORT (MCR)
263.	SEBI/IMD/CIR No. 02/254/04	February 04, 2004	Certification of Agents/distributors and employees
264.	SEBI/IMD/CIR No. 01/1756/04	January 27, 2004	Unique Client Code for Schemes/Plans of Mutual Funds
265.	SEBI/IMD/CIR No. 10/22701/03	December 12, 2003	Minimum number of investors in the Schemes/Plans of Mutual Funds
266.	SEBI/IMD/CIR No. 9/20306/03	November 12, 2003	Investment by Mutual Funds in Short Term Deposits of Scheduled Commercial Banks
267.	SEBI/IMD/CIR No.8/18944/03	October 06, 2003	Investment Limits for Government Guaranteed Debt Securities
268.	SEBI/MFD/CIR No.7/13391/03	July 11, 2003	Investment/trading in securities by employees of Asset Management Companies and Mutual Fund Trustee Companies
269.	SEBI/MFD/CIR No.6/12357/03	June 26, 2003	Advertisement by Mutual Funds
270.	SEBI/MFD/CIR No.5/12031/03	June 23, 2003	Consolidation of Schemes
271.	MFD/CIR No.04/11488/2003	June 12, 2003	Role of Chief Executive Officers and Fund Managers & Fund of Funds
272.	SEBI/MFD/CIR No.3/158/03	June 10, 2003	Investment in Interest Rate Derivatives
273.	SEBI/MFD/CIR No.2/6855/03	April 04, 2003	Guidelines for Investment in Foreign Securities by Mutual Funds
274.	SEBI/MFD/CIR No.1/6693/03	April 03, 2003	Certification and Registration of Intermediaries
275.	MFD/CIR No.23/066/2003	March 07, 2003	Investment Valuation Norms for Mutual Funds

276.	MFD/CIR No.22/2311/03	January 30, 2003	Conversion of Close ended Schemes to open-ended schemes
277.	MFD/CIR/21/25467/2002	December 31, 2002	Guidelines for participation by Mutual Funds in Trading in Derivative Products
278.	MFD/CIR/20/23230/2002	November 28, 2002	Registration of Intermediaries
279.	MFD/CIR/19/22474/2002	November 20, 2002	Reconciliation Procedure for investment in Government Securities
280.	MFD/CIR/18/21826/2002	November 07, 2002	Investment in Foreign Securities
281.	MFD/CIR/16/21105/2002	October 28, 2002	Appointment of Independent Directors
282.	MFD/CIR/16/20844/2002	October 24, 2002	Gazette notification dated September 09, 2002
283.	MFD/CIR/15/19133/2002	September 30, 2002	Risk Management System
284.	MFD/CIR/14/18337/2002	September 19, 2002	Portfolio Disclosures
285.	MFD/CIR/13/16799/2002	August 29, 2002	Independent Directors on Boards of AMCs and Trustee Companies
286.	MFD/CIR/12/16588/2002	August 28, 2002	Quarterly reports on movement in net assets & New Scheme report
287.	MFD/CIR/10/16159/2002	August 22, 2002	Rounding off of NAVs
288.	MFD/CIR/10/15895/2002	August 20, 2002	Circular for Mutual Funds
289.	MFD/CIR/09/247/2002	July 23, 2002	New Scheme Report
290.	MFD/CIR/08/514/2002	July 22, 2002	Uniformity in calculation of Sale and Repurchase Price & Rounding off NAVs
291.	MFD/CIR/ 07/213/2002	July 02, 2002	Circular for Mutual Funds
292.	MFD/CIR/ 06/210/2002	June 26, 2002	Code of Conduct for intermediaries of Mutual Fund
293.	MFD/CIR/05/432/2002	June 20, 2002	Circular for Mutual Funds
294.	MFD/CIR/04/430/2002	June 19, 2002	Circular for Mutual Funds
295.	MFD/CIR/03/526/2002	May 09, 2002	Investment in Unlisted Equity shares
296.	MFD/CIR/02/110/02	April 26, 2002	Revised Annual Statistical Report (ASR)
297.	MFD/CIR/01/071/02	April 15, 2002	Benchmarks for Debt-Oriented and Balanced Funds schemes

298.	MFD/CIR/17/419/02	March 30, 2002	Guidelines for Investment in Foreign Securities by Mutual Funds
299.	MFD/CIR/16/400/02	March 26, 2002	Introduction of Benchmarks
300.	MFD/CIR/15/041/2002	March 14, 2002	Publication of audited annual accounts by mutual funds
301.	MFD/CIR/ No.14/442/2002	February 20, 2002	Circular for Mutual Funds
302.	MFD/CIR No.13/370/02	January 16, 2002	SEBI Investors Education Programme-Investments in Mutual Funds
303.	MFD/CIR No.12/362/02	January 03, 2002	Rendering investment advice and reporting of compliance officer to SEBI
304.	MFD/CIR/11/354/2001	December 20, 2001	Independent Directors on Boards of AMCs and Trustee Companies.
305.	MFD/CIR No.10/310/01	September 25, 2001	Certification Programme and Disclosure Standards.
306.	MFD/CIR/9/230/2001	August 14, 2001	Circular for Mutual Funds
307.	MFD/CIR/No.8/290/01	July 30, 2001	Clients Codes For Mutual Funds
308.	MFD/CIR/07/206/2001	July 19, 2001	Discontinuing Monthly Statistical Reports (MSTATS)
309.	MFD/CIR/06/275/2001	July 09, 2001	Circular for Mutual Funds
310.	MFD/CIR No.5/153/2001	May 24, 2001	Circular for Mutual Funds
311.	MFD/CIR No.4/216/2001	May 08, 2001	Investment/trading in securities by employees of Asset Management Companies and Mutual Fund Trustee Companies
312.	MFD/CIR/ No.3/211/2001	April 30, 2001	Circular for Mutual Funds
313.	MFD/CIR No.2/205/01	April 27, 2001	Validity of Scheme Offer Documents.
314.	MFD/CIR/1/200/2001	April 20, 2001	Format for Half-Yearly of Unaudited Financial Results
315.	MFD/CIR/13/087/2001	March 28, 2001	Gazette Notification and publication of NAV of close ended scheme
316.	MFD/CIR/14/088/2001	March 28, 2001	Guidelines for Valuation of securities
317.	MFD/CIR No. 12/175/01	February 15, 2001	Launch of Additional Plans under existing schemes
318.	MFD/CIR/10/039/2001	February 09, 2001	Circular for Mutual Funds
319.	MFD/CIR No.11/171/01	February 09, 2001	Disclosure of NAVs on AMFI website

320.	MFD/CIR/9/120/2000	November 24, 2000	Circular for Mutual Funds
321.	MFD/CIR/8(a)/104/2000	October 03, 2000	Guidelines for Mutual Funds
322.	MFD/CIR/8/92/2000	September 18, 2000	Guidelines for valuation of securities for Mutual Funds
323.	MF/CIR/07/404/2000	July 31, 2000	Monthly Cumulative Report (MCR)
324.	MFD/CIR/6/73/2000	July 27, 2000	Recording of investment decisions by Mutual Funds
325.	MFD/CIR/5/360/2000	July 04, 2000	Revised Format of Compliance Test Reports (CTRs)
326.	MFD/CIR/4/51/2000	June 05, 2000	Guidelines for Advertisement by Mutual Funds
327.	MFD/CIR/3/292/2000	May 30, 2000	Gazette Notification dated May 22,2000
328.	SEBI/MFD /CIR/2/266/2000	May 19, 2000	Payment of interest for delay in dispatch of redemption or repurchase proceeds.
329.	MFD/CIR/1/189/2000	April 10, 2000	Gazette Notification dated March 14, 2020 and Money Market Mutual Funds Schemes
330.	MF/CIR/12/109/2000	February 22, 2000	Submission of soft copies of offer document
331.	MFD/CIR/011/061/2000	February 01, 2000	Guidelines for participation by Mutual Funds in Trading in Derivative
332.	MFD/CIR NO.010/024/2000	January 17, 2000	Frequency of Portfolio Disclosure, Formation of Audit Committee & Formation of Valuation committee by AMC
333.	MFD/CIR/09/014/2000	January 05, 2000	Applicability of Investment Restrictions, Responsibilities of Trustees etc.
334.	MFD/CIR/08/23026/99	December 23, 1999	Clarification on Reporting of Transactions by Mutual Funds
335.	MFD/CIR/07/384/99	December 17, 1999	Reporting of Transactions by Mutual Funds.
336.	MFD/CIR NO.5/062/99	September 30, 1999	Investments in ADRs/GDRs by Mutual Funds
337.	MFD/CIR NO.4/052/99	September 01, 1999	Investments in ADRs/GDRs by Mutual Funds
338.	MFD/CIR/01/047/99	February 10, 1999	Guidelines for Participation in Stock Lending Scheme
339.	IIMARP/MF/CIR/07/826/98	April 15, 1998	SEBI Circular dated April 15, 1998

340.	IIMARP/MF/CIR/06/793/98	March 31, 1998	Standard Offer Document and Key Information Memorandum
341.	IIMARP/MF/CIR/04/571/98	March 04, 1998	Corrigendum dated February 06, 1998 to Gazette notification dated January 12, 1998
342.	IIMARP/MF/CIR/01/294/98	February 04, 1998	Gazette Notification dated January 12, 1998 and Clarifications
343.	IIMARP/MF/CIR/14/1570/97	August 18, 1997	Compliance Test Formats
344.	IIMARP/MF/CIR/11/1171/97	June 20, 1997	Amendment in SEBI (Mutual Funds) Regulations, 1996
345.	IIMARP/MF/CIR/10/1076/97	June 05, 1997	Submission of Compliance Test Formats
346.	IIMARP/CIR/08/845/97	May 07, 1997	Submission of Statistical Information/Bio-data of Key-Personnel
347.	IIMARP/MF/CIR/07/844/97	May 05, 1997	Filing of Offer Documents/Disclosure of NAV And Guaranteed Return Scheme
348.	IIMARP/ MF/CIR/05/788/97	April 28, 1997	Formats of Statistical Information/Compliance Reports/Bio-Data of key personnel of AMCs
349.	IIMARP/MF/CIR/01/428/97	February 28, 1997	Limitations of Fees and expenses charged to schemes and filing Of offer document of schemes
350.	SMD-II(N)/2113/94	April 12, 1994	No 1% listing deposit from Mutual Funds
351.	IIMARP/10772/93	July 14, 1993	Reporting by Mutual Funds - New Scheme Reports
352.	SEBI/HO/IMD/DF2/CIR/P/2020/156	August 24, 2020	Master Circular for Mutual Funds

INDEX OF ANNEXURES

ANNEXURE 1: RISK MANAGEMENT FRAMEWORK (RMF) FOR MUTUAL FUNDS 456

ANNEXURE 2: INVESTMENT VALUATION NORMS FOR MUTUAL FUNDS..... 505

ANNEXURE 3: LIST OF MILLION PLUS CITIES 506

ANNEXURE 4: FREQUENTLY ASKED QUESTIONS (FAQs) 509

ANNEXURE 5: GAZETTE NOTIFICATION DATED MAY 31, 2010 510

ANNEXURE 6: CYBER SECURITY AND CYBER RESILIENCE FRAMEWORK FOR MUTUAL FUNDS/ ASSET MANAGEMENT COMPANIES (AMCs) 512

ANNEXURE 7: REPORTING FOR ARTIFICIAL INTELLIGENCE (AI) AND MACHINE LEARNING (ML) APPLICATIONS AND SYSTEMS OFFERED AND USED BY MUTUAL FUNDS 526

ANNEXURE 8: SYSTEM AUDIT 528

ANNEXURE 9: PRODUCT LABELLING IN MUTUAL FUND SCHEMES – RISK-o-METER 545

ANNEXURE 10: STEWARDSHIP CODE FOR ALL MUTUAL FUNDS IN RELATION TO THEIR INVESTMENT IN LISTED EQUITIES 565

ANNEXURE 11: DECLARATION FORM FOR OPTING OUT OF NOMINATION..... 572

ANNEXURE 12: GUIDELINES REGARDING THE MARKET MAKING FRAMEWORK 573

ANNEXURE 13: ANNEXURES TO CHAPTER 16B..... 575

ANNEXURE 14: DETAILS OF STRATEGIES..... 577

ANNEXURE 15: UNIT HOLDER PROTECTION COMMITTEE (UHPC) 579

ANNEXURE 16A: DETAILS OF STRATEGIES 582

ANNEXURE 16B: LOSS WATERFALL ACCOUNTING FOR CDMDF..... 584

ANNEXURE 1: RISK MANAGEMENT FRAMEWORK (RMF) FOR MUTUAL FUNDS[647]

1.0 RMF Standards

i. AMCs shall establish a RMF for its mutual fund business. The RMF of mutual funds shall have the following characteristics:
   a. Be structured, efficient and timely.
   b. Be an integral part of the mutual fund's processes and governance framework, at both the operational and strategic level, and consider all available information i.e. both internal and external.
   c. Be customized to both AMC's and scheme's risk profile, focuses on potential risks and implements mitigation and control measures to explicitly address uncertainty.
   d. Be dynamic and flexible enough to identify new risks that emerge and make allowances for those risks that no longer exist.
   e. Recognize that people and culture have an impact on its effectiveness, and accordingly the framework must communicate and consult with stakeholders throughout.
   f. Protect reputation.

ii. The objectives of RMF should assist the management and the Board of Directors of both AMC and Trustees in:
   a. Demonstrating high standards of due diligence in daily management.
   b. Promoting proactive management and early identification of risk.
   c. Assigning and increasing accountability and responsibility in the organization.
   d. Managing risk within the tolerance limits defined in the RMF.

[647] SEBI/HO/IMD/IMD-1 DOF2/P/CIR/2021/630dated September 27, 2021

iii. The RMF of mutual funds shall comprise the following components:

a. Governance and Organization.

b. Identification of Risks.

c. Measurement and Management of Risks.

d. Reporting of Risks and related Information.

1.1 Governance and Organization

i. Risk Management shall be an independent and specific function of the AMC.

ii. There should be at least one CXO level officer identified to be responsible for the risk management of specific functions of the AMC/Mutual Fund. For instance, there should be dedicated risk officers for various key risks such as Investment Risk (by Chief Investment Officer), Compliance Risk (by Chief Compliance Officer), Operational Risk (by Chief Operating Officer or similar functionary responsible for the respective functions overseen), Cyber Security (by Chief Information Security Officer), etc.

iii. The policy on risk management of the mutual fund should have clarity on roles and responsibility assigned to CXOs and the same needs to be disclosed on their website.

iv. AMC should have a Chief Risk Officer (CRO), who would be responsible for the overall risk management of the mutual fund operation including the key risks. This is in addition to one CXO level officer responsible for each key risk type. The CXO shall be the "Head of Department" or official of the AMC up to one level below CEO, other than CRO. However, for the overall risk management of the mutual fund, along with the management, both board of AMC and trustees should also be responsible. For this purpose, both the AMC and the trustees should mandatorily have separate Risk Management Committees (RMCs). These committees shall undertake annual

review of RMF at both AMC and scheme level. The CRO should be part of the RMCs. The RMCs shall report to the Board of AMCs and trustees respectively and also recommend long term solutions regarding risk management both at the AMC level as well as the scheme level.

v. There shall be clear demarcation between the roles and responsibilities of the respective CXOs and the CRO. For instance, while defining the role of CRO, it should be ensured that the CRO would be responsible for the overall governance of the RMF; the investment decisions and the other functions of CIO are not encroached upon and the risk taking ability of CIO in accordance of the scheme objective is not hindered. The CRO or the risk management function of the CRO cannot be entrusted with day to day functioning, the responsibility for which shall lie with the respective CXOs.

vi. The AMC should maintain risk metric for each mutual fund scheme. The risk metric should incorporate each key risk type like investment risk, liquidity risk, credit risk, etc. along with the path to maintain the targeted risk level. The metric may incorporate evaluation of risk levels vis-à-vis an appropriate benchmark, wherever applicable. The RMCs shall meet at least once in a quarter to review various risks including risk metrics at both the scheme and the AMC level and assist the board of AMCs and trustees in discharging their duties in this regard.

1.1.1 Risk Management Policy

The risk management policy can be a macro level description of risk management governance (including roles and responsibilities of the Board of AMC and the three lines of defense – *Management, Risk Management Team and*

Internal Auditor), the organization's risk appetite and key elements of its risk management process. The policy on the RMF shall be approved by the board of AMC and trustees. The mandatory and recommendatory elements for inclusion in the risk management policy, approved by the board of AMC and trustees, are outlined below:

1.1.1.1 Mandatory Elements

i. There shall be an approved policy on the RMF both at AMC and scheme level.
ii. A risk appetite framework should be in place at both AMC and scheme level. Quantification of the framework in the form of a metric for key risks shall include but not limiting to credit risk, market risk and liquidity risk, etc. and targeted path of improvement. The metric, wherever applicable, should incorporate an appropriate benchmark vis-à-vis which the measurements of risk and targeted risk levels may be made.
iii. There should be a Delegation of Power (DoP) framework covering daily risk management, daily risk reporting and corrective actions at various levels of management.
iv. Formation of RMCs (of both AMC and Trustees), its roles and responsibilities.
v. Each CXO level officer to take ownership of risks and manage risk level for those risks as are applicable to their area of operation.
vi. Clarity on roles and responsibility assigned to CXOs
vii. Responsibility of line management and process ownership for risk management and reflection of the same in the performance appraisal through Key Result Areas (KRAs) of key officials of line management. The performance may be evaluated vis-à-vis an appropriate benchmark, if applicable.

viii. All aspects of risks that the AMC can face along with the mitigation plans, including but not limited to:
   a. Risk management practices in fund management, customer service, marketing and distribution.
   b. Disaster recovery and business contingency planning.

ix. Limit management framework for the material or key risks.

x. Risk assessment & monitoring measures and tools for all risks with quantified risk indicators and limits thereto.

xi. Implementation of scenario analysis and stress testing.

xii. Risk mitigation requirements and control mechanisms.

xiii. Additional triggers that could require review of the RMF, including:
   a. Material claims or litigations from customers or incidents.
   b. Material findings from internal or external audits.
   c. Adverse media attention impacting reputation risk.
   d. Adverse observations from the regulator(s), etc.
   e. Key risk indicator breaches.
   f. New regulatory requirements.
   g. Sector-relevant developments or incidents.

1.1.1.2 Recommended Elements

i. Use of technology to automate risk management, reporting and compliance.

1.1.2 Risk Management Function – Responsibility of Board of AMC, Trustees and the Management

1.1.2.1 <u>Risk Management - Role of the Board of AMC and Trustees</u>

i. Approving the RMF policies and procedures including the risk metrics at scheme level.

ii. Defining, reviewing and approving the AMC's and scheme's risk appetite framework.

iii. Periodic monitoring of risk appetite versus actual risk at scheme level.

iv. Event based monitoring of Risk appetite versus actual risk at scheme level.

v. Define specific responsibility of the management, including CEO

vi. Approval for policy for risk based KRAs and KRAs at level of CEO and up to one level below CEO. Suggest modifications in KRA outcomes and link compensation to those KRAs.

vii. Review of actions taken by Board of AMC and management in respect of risk management.

viii. Reporting of material risk related observations to SEBI on periodic basis.

ix. Setting up of the risk management function and developing appropriate structures and procedures to ensure that it can function independently.

x. Approving a methodology for Board Evaluation of the RMF (either through outsourced or self-assessment) on an annual basis.

xi. Annual review of effectiveness of the AMC and/or management's risk management function and policies including risk metrics to address the risk outcomes.

xii. Trustee may recommend reduction/ change in the risk level of the schemes within the Potential Risk Class (PRC).

xiii. For assessing the effectiveness of the RMF,

a. The board of AMC should seek an annual report through an internal management assessment process or from a third party covering all key risks and key risk metrics both at the AMC and scheme level.

b. The RMCs of both AMCs and Trustees shall meet at least once in a quarter to review various risks including the risk metrics at both AMC and scheme level.

c. The Board of AMC should have all relevant information of appropriate committee(s) (with the mandate and membership), CRO, CXO(s) for specific risk management, audit functions, investor relations, investment and credit decisions, etc.

1.1.2.2 Risk Management - Role of the Management

i. The risk management role of the management can be broadly classified into risk management roles and responsibilities of the CEO, CRO, CIO, CXOs and the fund manager.

ii. The overall role of the management shall be as below:

a. Overseeing the risk management function.

b. Keeping the Board of AMC and Trustees informed on new or emerging risks.

c. Putting in place a mechanism for risk reporting on quarterly basis to the Board of AMC and trustees, covering all risks including risk metrics, escalation of material risk related incidents, if any, and timely and corrective actions taken in specific cases of risk escalation. This may be carried out with an objective to address the root cause in escalation of such risks and also to improve the measurement and control mechanism for prevention of reoccurrence of such risks.

d. Establishing an organization-wide risk-conscious culture.

e. Inclusion of risk management as a parameter for performance appraisal (through KRAs or equivalent) of all the officials of the AMC at the level of CEO and up to two levels below CEO.

f. Establishing human resource practices pertaining to hiring, orientation and training in order to send messages to employees regarding the organization's expected standards on integrity, ethical behavior, competence and risk management.

1.1.2.2.1 Risk Management - Role of Chief Executive Officer (CEO)

i. The CEO shall be responsible for all the risks at both AMC and Scheme level.

ii. The CEO shall

   a. ensure that the outcomes of risk management function are reported to him on a monthly basis

   b. define specific responsibility of CIO and CXO regarding risk management

   c. define a risk appetite framework for schemes and AMC.

   d. define appropriate risk metric for respective CXO, CIO, fund manager, etc.

   e. ensure adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any.

   f. The CEO shall approve the corrective action on various findings and report to the board of AMC and trustee regarding the same and also escalate to board of AMCs and trustees, if required, any major findings being reported.

1.1.2.2.2 Risk Management - Role of Chief Risk Officer (CRO)

i. The CRO shall be responsible for ensuring that there is an effective governance framework and reporting framework of risk management in line with the regulatory requirements.

ii. The risk management roles of the CRO are as under:

   a. Implementation of Risk management framework across the organization.

   b. Review specific responsibility of management, including CEO, CIO, CXOs, and Fund Managers.

   c. Put in place mechanism for risk reporting at least on a quarterly basis to the board of AMC, trustees and RMCs, covering all risks including risk metrics, escalation of material risk related incidents, timely and corrective actions taken, if any.

   d. Independent assessment of reporting of risk to various committees and CEO, etc.

   e. Put in place mechanism for reporting to CEO - Including outcomes for risk management function on monthly basis.

   f. The reporting of risk as above is independent from the CIO and verified by the risk team.

   g. There is a DoP approved by the Board of AMC for risk management by CRO covering the following:

      1) Daily risk management

      2) Daily risk reporting

      3) Corrective actions at the level of Fund manager, CIO and CEO.

   h. The CRO shall inform to board of AMCs, trustee and risk committees regarding any major findings or corrective actions required and also update on closure or the status of various recommendations.

1.1.2.2.3 Risk Management - Role of Chief Investment Officer (CIO)

i. Daily management of risk and necessary reporting relating to Investment risk of all scheme(s) such as market Risk, liquidity Risk, credit risk etc. and other scheme specific risks (Compliance Risk, Fraud Risk, etc.) lies on the CIO.

ii. In respect of all schemes CIO should ensure:
   a. Adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk management, risk reporting (both periodic and escalation of material incident) and corrective actions taken, if any.
   b. Defining specific responsibility of Fund Managers
   c. Adherence to risk appetite framework - maintain risk level for schemes

iii. CIO will calculate the overall risk by taking in to account the weighted average of (i) the risk-o-meter and (ii) the events of defaults. Both (i) and (ii) are to be calculated in terms of a number taking into account the risko-meter and events of defaults or early mortality of investments which may inter alia include credit default, change in yield, change in NAV, external shock or unusual redemptions, etc. to quantify the overall risk.

iv. The CIO shall escalate the corrective actions taken, if any, to the CEO and the CRO.

1.1.2.2.4 Risk Management - Role of other CXOs

i. The CXOs shall be responsible for the governance of the respective risk types.

ii. In respect of respective risk type, CXO should ensure:
   a. Adherence to the guidelines pertinent to SEBI in respect of RMF and relevant principles thereunder including risk identification, risk

management, risk reporting (both periodic and escalation of material incident) and corrective actions taken.

b. Defining specific responsibility regarding risk management of key personnel reporting to them.

c. Maintaining risk level as per the risk metric.

iii. The CXOs shall take immediate corrective action for non-compliance or major finding post approval from CEO as per DoP and shall report to CRO regarding the risk reports.

iv. The CXO shall escalate to CEO and the CRO any major findings reported by respective risk management function.

1.1.2.2.5 Risk Management - Role of Fund Manager (FM)

i. The FM shall be responsible for daily management of investment risk of managed scheme(s) such as market Risk, liquidity Risk, credit risk and other scheme specific risks and appropriate risk reporting of any risk related event to CIO.

ii. In respect of schemes managed by them, FMs should ensure:

a. Adherence to relevant SEBI guidelines in respect of RMF and relevant principles thereunder including risk identification, risk management, reporting and corrective actions etc.

b. Adherence to risk appetite framework to maintain appropriate risk level for schemes.

c. If there is any need of change in the risk appetite of the scheme within the PRC of that particular scheme, the same is to be with the approval of the CIO.

iii. The FM shall take corrective action, if required, as per the approved DoP and escalate major risk related event to CIO.

1.2 Identification of Risks

For the identification of risks, the RMF should address the following key questions:

1.2.1 What are the different types of risks faced by the mutual fund/AMC and its mutual fund schemes?

1.2.2 What is the probability of the happening of each of the above risks, considering the control environment and automation within the AMC, external factors or dependencies such as market infrastructure, outsourced activities, etc. and available historical risk data?

1.2.3 What is the likely impact of key risk events, in terms of financial loss, reputation loss, impact on investors/ unit holders and regulatory action?

1.2.4 What are the emerging or new risks due to new business lines, new products, statutory changes, changes in external environment or market infrastructure, etc.?

1.2.5 The mandatory and recommendatory elements for identification of risks, are outlined below:

1.2.5.1 Mandatory Elements

i. Each AMC shall identify on an ongoing basis, the specific risks to be covered within the RMF, based on the nature, scale and complexity of its business, the risk profiles and strategies of the funds it manages, and the impact of different risks on its mutual funds business.
ii. Documented risk profile for each of the key functions incorporating events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives, sources of risks and areas impacted due to the event.

1.2.5.2 Recommendatory Elements

i. Formalized risk appetite statement (incorporating themes such as investment, sales, and operational losses as a result of in-house or outsourced activities) both at the scheme and AMC level.

1.3 Measurement and Management of Risks

1.3.1 AMC should have approved internal policy for measurement of various scheme specific risks (such as governance risk, investment risk, liquidity risk, credit risk) through appropriate risk metrics.

1.3.1.1 It should reflect the Risk-O-Meter and the PRC of the scheme vis-a-vis the scheme benchmark.

1.3.1.2 The policy should have the defined guidelines regarding the appropriate risk metric with role clarity depending on the responsibility of each person.

1.3.2 AMCs should have approved internal policy for measurement of organization wide risk like operational risk, technology risk, legal risk, talent risk, outsourcing risk, etc.

1.3.3 Having identified and documented the applicable risks, the risk management function should develop process/tools to measure and manage those risks. For this purpose, the following needs to be considered for each risk category:

i. Ascertaining the measurement criteria for each risk category (qualitative and quantitative criteria).
ii. Documentation of measurement tool(s) for each risk category, i.e. Risk and Control Self-Assessment (RCSA), stress testing, scenario analysis, etc.
iii. Determination of required frequency of monitoring.
iv. Developing a process for escalation.
v. Determination and documentation of remedial or mitigating actions.

Wherever appropriate, it is recommended that AMCs consider documenting risk limits based on their risk appetite.

1.3.4 The mandatory and recommendatory elements for measurement and management of risks, are outlined below:

1.3.4.1 Mandatory Elements

i. The AMCs shall have established structure and responsibility across the three lines of defense:
   a. Business Operations.
   b. Oversight functions like Risk Management and Compliance.
   c. Internal Audit.

ii. Internal Audit and Oversight functions like Risk Management and Compliance shall ensure the following:

a. There should be a dedicated internal auditor at the AMC level for audit of the RMF of the AMC.

   However, the same may be carried out by independent auditor appointed by trustees, provided that the personnel undertaking the said audit have relevant expertise in the domain of risk management necessary for both the AMC level and the scheme level audit. In such scenario, care must be taken that no conflict arises w.r.t submission of independent audit reports by the auditor to the audit committee and the Board of both the AMC and the trustees for the conduct of their respective audit functions.

b. The internal auditor should audit both the scheme level and AMC level risks.

c. The internal auditor should audit compliance with the internal policies of the AMC on risk management as well as the applicable rules and regulations mandated by SEBI on risk management.

d. For the processes being audited by the internal auditor, a noncompliance rate shall be computed. The non-compliance rate

may be computed based on sampling out of the total number of processes being audited.

e. The internal auditor should submit the internal audit report to the audit committee of the AMC and the Board of AMC representing the noncompliance rate as audited in the books of accounts of the AMC and its schemes. While submitting to the audit committee, the noncompliance level shall be converted to an overall internal audit score represented in the form of a number providing a quantitative representation of the internal audit report. This number shall be generated considering all key risk types.

f. Further, this number shall be compared in subsequent internal audits to analyze the improvement in minimizing the non-compliance level at the AMC. This shall reflect the degree of rectification of noncompliance as done at the level of AMC. Therefore, this number may be represented in the form of a "Rectification Index" in the internal audit report.

iii. There shall be an RCSA process with defined frequency.

iv. There shall be an established mechanism for reporting to the CRO, management and the Board of AMC and Trustees.

v. Periodic review of policy frameworks shall be done to ensure that the said policies are up-to-date responding to new strategic priorities and risks and the monitoring mechanisms are working to ensure compliance with the updated policies.

vi. Mechanisms are established for management to make use of early warning indicators to identify, evaluate, and respond to changes quickly.

vii. Periodic stress tests are performed on critical risks and the impact of risks are assessed based on acceptable tolerances.

viii. Based on the management of the risk level as defined by respective risk metric of CXOs, necessary corrective actions must be taken to

address any short comings. The output of the risk level shall be an indicator of the performance of the respective CXOs and shall form one of the inputs for their performance review.

1.3.4.2 Recommendatory Elements

i. There should be independent testing and verification of efficacy of corporate governance standards and business line compliances, validation of the RMF and assurance over the risk management processes by external agency.

1.4 Reporting of Risks and Related Information

1.4.1 Adequate risk reporting is an integral part of the risk management framework and it is important that those responsible for different functions within the AMC shall ensure that they exercise sufficient oversight to report on their risk profile and risk management actions.

1.4.2 The mandatory elements for reporting of risk and related information, are outlined below:

1.4.2.1 Mandatory Elements

i. In order to ensure that the risk management function obtains the necessary information from other departments as well as from outsourcing partners (wherever applicable), a structured bottom-up reporting process should be designed and the risk management function should perform meaningful and independent analysis of such information.
ii. The outcomes of the risk management function should mandatorily be reported to the management at least once on a monthly basis and to the

Board of AMC and Trustees on a quarterly basis. Trustees may forward the results and steps taken to mitigate the risk along with their comments to SEBI in the half-yearly trustee reports.

iii. Risk reports should consider the following:
   a. It should be holistic (considering all risk categories identified), timely and accurate.
   b. It should incorporate the risk metrics comprising the risk profile of all schemes and the risk profile consolidated across the departments and the AMC level. It should also incorporate the rectification index as calculated in the internal audit report for both the AMC and the scheme level.
   c. It should contain all necessary information to assess whether appropriate measures have been taken by the management to control and mitigate all relevant risks.
   d. It should provide information on existing as well as new risks including a statement on severity (e.g. low, medium, high) and its evolution over time, and the measures to mitigate existing risks where possible.

iv. The Risk management function shall ensure that any significant emerging risk issues that are not adequately addressed by the responsible functional department are promptly reported to the management or the risk management team and to the Board of AMC.

2.0 Managing Key Risks

a. SEBI (Mutual Funds) Regulations, 1996 vide various circulars has prescribed certain norms which would cover many aspects of risk management such as, stress testing, internal credit risk assessment, cyber security and system audit, liquidity buffer, creation of segregated portfolio, investment restrictions, investment due diligence, etc. that are to be adhered to by the mutual funds. The following sections incorporate

comprehensive guidelines for management of various key risks by the AMCs, elements of which may overlap with the above mentioned norms and in such cases, the detailed norms specified in the relevant circular must be strictly followed.

b. These key risks may be divided in to two broad categories.

    i. Scheme specific risks

    ii. AMC specific risks

c. The scheme specific risks are the risks majorly associated with the core activities of investment and portfolio management. The AMC specific risks are the risks associated with the functioning of the mutual fund business by the AMC.

d. The scheme specific risks may be divided in to the following categories.

    i. Investment risk

    ii. Credit risk

    iii. Liquidity risk and

    iv. Governance risk

The AMC specific risks may be divided in to the following categories.

    i. Operational Risk

    ii. Technology, Information Security and Cyber Risk

    iii. Reputation and Conduct Risks

    iv. Outsourcing Risk

    v. Sales and Distribution Risk

    vi. Financial Reporting Risk

    vii. Legal & Tax Risks and

    viii. Talent Risk

The compliance risk shall be applicable for both investment management activity (scheme specific risk) and business activity of AMC (AMC specific risk).

The following sections incorporate comprehensive guidelines for management of the key risks

2.1 Investment Risk

2.1.1 Investment risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

2.1.2 Investment risk management should be based on reasonable investor expectations about the risks that the mutual fund will take in order to achieve its investment objectives, which can be thought of as the fund's risk profile or risk appetite. A fund's risk profile should be stated in its communications with investors including in its Scheme Information Document (SID) and marketing materials, which state the fund's investment strategies and risk factors. The SID shall also incorporate any other elements of risk appetite as may be stipulated by AMCs and Trustees.

2.1.3 Investment risk management should involve both controlling risk by limiting certain risk exposures and the size & probability of losses, as well as using a number of active investment techniques that seek to align the fund's investments with its investment objectives, its risk profile, and the portfolio manager's investment convictions.

2.1.4 Risk control should focus on placing limits on a fund's investment positions and concentrations. These limits should include the investment restrictions mentioned in the fund's SID as well as any limits and restrictions imposed by the risk management function within the regulatory limits. Risk control activities may include reviewing portfolio concentrations and adjusting portfolio holdings

accordingly; evaluating and reviewing new and/or complex instruments, such as derivatives, and imposing conditions and limits on their use; monitoring and limiting credit exposure from issuers of portfolio securities and from counterparties; and ensuring that a fund is managed in compliance with the SID and the regulatory investment restrictions.

2.1.5 The mandatory and recommendatory elements for managing investment risk, are outlined below:

2.1.5.1 Mandatory Elements

i. The AMC should have the following policies / process:
   a. An investment universe to be updated periodically and responsibility for the same should be clearly defined.
   b. An investment policy for investment in various asset classes/ securities as permitted by SEBI from time to time and policy on hedging of interest rate risk, foreign exchange risk, price risk, etc.
   c. Policy on participation in IPOs/FPOs including policy on participation in IPOs/FPOs of associate/ group company(ies).
   d. Trade execution policy.
   e. Policy on trade allocation and Inter-Scheme Transfers (ISTs).
   f. Investment valuation policy.
   g. Broker empanelment policy.
   h. Trustee should review the portfolio at frequency as required by SEBI Regulations.

ii. The AMC must ensure that investment risk is adequately factored in by:
   a. Setting up an Investment committee which has close coordination with related departments, and monitors market risk.

b. Setting limits for issuer/ sector exposure vis-a-vis benchmark (in line with MF Regulations and internal limits).
c. Setting limits for investment in debt and money market instruments of various credit qualities.
d. Having all relevant documents and disclosures (that are required for listing) with regard to the debt and money market instruments before finalizing the deal for investment into the respective instruments so that mutual funds as investors into such instruments are not at an informational disadvantage vis-à-vis other market participants or lenders.
e. Review of passive breaches and corrective actions.

iii. Investment Committee shall be responsible for the following:
a. Review of Investment Policy at a pre-defined frequency.
b. Reviewing the Investment plan or policy to meet the investment objectives documented in the SID.
c. Any other responsibility as assigned by the management.

iv. The AMC should conduct the following to manage and monitor investment risks (at scheme level or aggregate portfolio level, whichever is applicable):
a. Redemption analysis.
b. Investor concentration analysis. Both single investor and/or group concentration.
c. Monitor investment risk at a defined frequency.
d. Managing and monitoring investment restrictions for overseas investment, if any.
e. Monitor investment risk at individual portfolio level and also concentration risk and other relevant risks at aggregate level in a structured manner.

f. Stress testing for investment risk.
g. Consider investment risk while launching new products.
h. Ensure that Trade Allocation policy is adhered to along with adequate information to identify those allocations that are out of line with the normal percentage allocation across funds.
i. Quantitative risk analysis using metrics such as VaR, Sharpe Ratio, Treynor Ratio, Information Ratio, etc.
j. Prepare and maintain management reports on topics discussed and conclusions made at investment committee meetings (including interest rate prospects, risk-taking and hedging policy, etc.)
k. Distributor concentration analysis.

v. Further, it should be ensured that:

a. Actual risk measures and reports are adapted to the risk characteristics of the individual asset classes, and capture dependencies between risks (e.g. market risk and liquidity risk).
b. Actual risk measures address risks in normal and stressed market conditions.
c. Actual risk measures cover all risk types in the portfolio, including counterparty credit and liquidity risks (assets, investors).
d. Appropriate tools are adopted for measurement of market and credit risks on different types of investment products.
e. Adequate processes and controls are in place to ensure that risk reporting is complete, accurate, timely and meets the needs of various stakeholders.
f. Adequate documentation of calculations, analyses and decisions is maintained.
g. Performance and positions with regard to objectives of schemes are reviewed.

h. Performance vis-à-vis scheme benchmarks and performance of peer group(s) is reviewed.
i. Exceptions are defined and their monitoring is conducted.
j. Exceptions in style drift and portfolio concentration are reviewed.
k. In cases of inter scheme transfer, the scheme (s) buying the securities must conduct an enhanced level of due diligence.

2.1.5.2 Recommendatory Elements

The AMCs may consider the following practices:

a. Regular analysis on bulk trades and block deals of large values.
b. Formulating a plan for assessing and monitoring risks of investing in multiple markets.
c. Setting limits for minimum number of stocks/securities, cash (net of derivatives), stocks/securities vis-a-vis benchmark and Beta range.

2.2 Credit Risk

2.2.1 The credit risk relevant to mutual funds is the issuer credit risk attributable to individual securities and the negative outlook on specific sectors or industries and its consequent impact on the credit exposures.

2.2.2 The mandatory and recommendatory elements for managing credit risk, are outlined below:

2.2.2.1 Mandatory Elements

i. To manage credit risk, the AMC must have a robust framework comprising:
    a. An approved and documented Credit Risk Management policy.

b. Analysis and evaluation of ratings received from multiple credit rating agencies for securities across portfolios, at all points of time i.e. before investing in such securities/instruments or products and also on continuous basis.

c. Formal procedure for AMCs to carry out their own credit assessment of assets and reduce reliance on credit rating agencies. For this purpose, all AMCs shall have an appropriate policy and system in place to conduct an in-house credit risk assessment or due diligence of debt and money market instruments or products at all points of time i.e. before investing in such instruments or products and also on continuous basis.

d. Adequate provisions to generate early warning signals (including yield based alerts) on deterioration of credit profile of the issuer. Based on the alerts generated, the AMCs shall take appropriate measures and report the same to trustees.

e. Concentration limits (counterparty wise, group wise, industry or sector wise, geography wise) monitoring.

f. Stress testing for credit risk - applying shocks based on rating downgrades, negative outlook on specific industries and the consequent impact on credit exposures.

2.2.2.2 Recommendatory Elements

i. Over a period of time and having regard to the size, scale and complexity of the fixed income portfolio, AMCs may consider developing sector level standards for implementing internal credit assessment based models to measure credit risk in line with the prevailing global best practices.

2.3 Liquidity Risk

2.3.1 Thinly traded securities carry the danger of not being easily saleable at or near their real values. Further, all securities run the risk of not being saleable in tight market conditions at or near their real values. Measuring and monitoring liquidity risk is an important aspect of risk management.

2.3.2 The mandatory and recommendatory elements for managing liquidity risk, are outlined below:

2.3.2.1 Mandatory Elements

i. Liquidity Risk has to be modelled at the level of each scheme (except schemes that do not have continuous liquidity requirements like close ended and interval schemes) and should display alerts pertaining to asset liability mis-match on monthly basis and in line with any other relevant guidelines as specified by SEBI in this regard from time to time. The aforesaid model, should be based on the following key principles:
   a. The secondary market liquidity of assets of the scheme, shall be incorporated into the liquidity risk management model.
   b. For debt and money market instruments, the total asset value shall be classified in various maturity buckets for e.g. assets maturing in days 0-30, 30-60, 60-90 and so on. Debt and money market instruments that have a demonstrable secondary market liquidity shall be classified into a lesser maturity bucket depending upon the reasonable time in which particular value of the said instrument can be expected to be offloaded. In the absence of demonstrable secondary market liquidity, the instruments shall be strictly classified based only on the maturity dates.
   c. Liabilities of scheme shall be modelled in similar buckets based on back testing of historical data for subscription and redemption amounts in the respective schemes. The back testing period should be sufficiently long (say for last 5 years) to include spikes in

redemptions because of market wide events. Organization specific factors/risks that may have a bearing on redemptions should also be factored into the model.

d. Liquidation of assets at near the value ascribed to each asset in the scheme portfolio in specified period of time, shall be one of the factors to be considered in liquidity risk management.
e. The model should incorporate forward looking asset liability mis-match for the scheme at different periods of time at least up to next 30 days.

ii. The AMC should have policy in place on management of the mis-match in putative liabilities vis-à-vis the liquid assets of each scheme. It should follow the following principles:
    a. There should be an upper limit or threshold on the mis-match in putative liabilities vis-à-vis the liquid assets of each scheme. The upper limit shall be customized depending on size or type of the scheme.
    b. There should be a system based mechanism to generate alerts as per point(a) above.
    c. The policy shall include monthly reporting to Board of AMC and Trustees and on quarterly basis to SEBI in a standard format (to be prescribed by AMFI in consultation with SEBI).
    d. The report shall include the details of alerts generated by the system regarding asset liability mis-match in excess of the defined threshold and subsequent actions taken to address the same. The scheme wise mis-match limits shall be put in the system and all alerts shall be managed effectively.

iii. Stress testing should be mandatorily conducted for all schemes (excluding close ended and interval schemes) appropriately atleast on monthly basis.

The results of the stress testing may be placed before trustees in every quarter. Trustees may forward the results along with their comments and steps taken, if any, to SEBI in the half-yearly trustee reports. With respect to stress testing of open ended debt schemes, norms have been provided under Paragraph 4.2 of the Master Circular and the same must be adhered to and any future guidelines issued by SEBI in this regard may suitably be followed.

iv. The policies and procedures implemented by the AMC should include the following:
    a. Measures and limits for monitoring liquidity risk - cash flow approaches, ratios/tools for monitoring market liquidity (including equity market), etc.
    b. Measures for managing intra-day liquidity and controls around the same.
    c. Stress testing policy to align the stress testing requirements mandated by SEBI for mutual funds in India specifically incorporating:
        1. Risk parameters used and methodology adopted to conduct the stress tests.
        2. Procedure to deal with stress events and early warning signals.
    d. Overview of funding plans/strategy during normal and stressed events, including contingency funding plan.

v. Systematic classification and evaluation of liquidity risks should be initiated by performing following activities:
    a. Evaluation and disclosure of liquidity risk associated with schemes/products in the SID.
    b. Controls around preparation and accuracy of cash flows.
    c. Management of collateral and margins for execution and settlement of derivatives, securities and money-market instruments.

2.3.2.2 Recommendatory Elements

i. AMCs may consider introducing the following measures:

a. Judicious use of intraday / overnight borrowing lines to address liquidity / settlement risks faced by the mutual funds. Uncommitted lines of credit available with the AMC may not be useful in real time of stress and therefore while assessing liquidity risk of AMC, these lines should be treated differently than committed lines.
b. Internal committee with the mandate to review and provide direction on liquidity risk management.
c. Identifying and reporting appropriate and relevant information to the management, for decision making.
d. Reporting to the Board of AMC on any other material outcomes and events.

2.4 Governance Risk

2.4.1 Governance risk is a risk that the persons who are in position of power or fiduciary responsibility towards the holders of security (equity/debt), do not act in the best interest of such stakeholders, rather compromise the interest of such stake holders for their personal gain.

2.4.2 The act of people with power may significantly impact the equity market price of the shares along with having a direct impact on debt issuances.

2.4.2.1 Mandatory Elements

a. The AMC shall have an approved policy to deal with governance risk of the investee companies.
b. The policy shall incorporate measures such as assessment of whether there are enough system checks and balances in the governance

structure of the issuer to prevent such wrong doing and also assessment of track record or history of the issuer to monitor the trend of their past behavior.

c. The policy shall also include guidelines on how it identifies and monitors any conflicts of interest involving members of the Board/ KMPs of the investee company.

d. The AMC shall adhere to the "Stewardship Code" prescribed by SEBI for mutual funds which inter alia includes continuous monitoring of the investee companies on various matters such as operational and financial performance, corporate governance, related party transactions, opportunities or risks including ESG risks, etc., bearing in mind the insider trading Regulation while seeking information from the investee company for the purpose of monitoring etc.

2.5 Operational Risk

2.5.1 Operational risk refers to the risk of loss resulting from inadequate or failed processes, people and systems or from external events, e.g. internal fraud, external fraud, physical damage caused by nature or man-made, etc.

2.5.2 As operational risk could manifest in any function or process within the organization or at a third party service provider, it is important to have adequate monitoring and tracking of all elements that can go wrong. This includes fails, reconciliation differences, customer complaints, guideline breaches, systems issues, process gaps, system bugs, etc. It is equally important to have an escalation process as any undue delay in reporting could magnify the loss or turn a gain into a loss.

2.5.3 The key for effective operational risk management should be to create a process that tracks the various elements of operational risk over time, to identify trends that could be an early warning signal, and to

implement an exception/escalation process that ensures the problems which are significant, large, aged or growing dealt with at increasingly higher levels of management.

2.5.4 Paragraph 6.15 of the Master Circular has provided indicative guidelines encompassing system audit framework. The systems and processes as elaborated in the aforementioned paragraphs must be in place and any future guidelines issued by SEBI in this regard may be suitably followed.

2.5.5 The mandatory elements for managing operational risk, are outlined below:

2.5.5.1 Mandatory Elements

i. The AMC should implement the following policies:

a. Operational risk management policy, shall cover the following key elements:

1. Purpose and scope.
2. Governance Structure - Roles and Responsibilities.
3. Identification of operational risk events.
4. Management of the operational risk events, e.g. reversal of positions, rectifications, etc.
5. Guidelines regarding transactions with associates, group entities, related parties or even with other stakeholders, such as distributors, channel partners, brokers, etc.
6. Escalation and reporting.
7. Compensation of loss, if any.
8. Follow-up actions, e.g. strengthening of systems and processes, training, etc.

9. Communication with external stakeholders - regulators, investors, distributors, etc.
10. Implementation of a 'new product approval' process to ensure that all functions have the systems, people, processes to support a new product
11. Recording and documentation.

b. The Dealing room policy incorporating the non- usage of mobile, restricted internet access, dedicated recorded lines, handling of information, etc. In this regard, the detailed guidelines on this aspect as provided in Paragraph 12.29 of the Master Circular as well as in the part B of Fifth Schedule of SEBI (Mutual Funds) Regulations, 1996 or any further SEBI guidelines may be referred to.

c. Roles and responsibilities are defined for the following:
    1. Time stamping, application processing and confirmation,
    2. Review of KYC and investor declarations as specified through various SEBI regulations,
    3. Timely and accurate credit identification (for investor subscription) and bank reconciliations (banks/custody).
    4. A system to track and report high value transactions (including bulk redemptions) to the Investment management function.
    5. Control oversight on brokerage computation and payment, redemptions, inter-scheme switches, maturity payments in closed ended funds, dividend payouts, tax and other statutory payments, subscription refunds, identification of unclaimed amounts and their deployment as per regulatory requirements, etc.
    6. Review of 'value dated' transactions, reversals, broker/ distributor code changes, etc.
    7. Incident reporting and escalation matrix for the same.

8. Maintaining a Chinese wall between the different businesses earned out by the Asset Management Company (such as PMS, AIF, Overseas Investments, Advisory, Mutual Funds, etc.)
9. Documented process to review human errors in transaction processing to identify training needs and corrective actions to prevent the errors in the future.

d. There is an adequate RCSA process for operational risks on a periodic basis with a structured reporting methodology.

e. The AMC should perform the following:

1. Analyze and classify frauds into internal (within the organization) and external (by persons outside the organization) frauds, identify root causes and incorporate monitoring mechanisms to address fraud scenarios.
2. Reporting of frauds and near miss incidents to the Board of AMC and Trustees on quarterly basis.

f. Insurance cover shall be obtained for first and third party losses:

1. The mutual fund must have insurance cover against third party losses arising from errors and omissions:
   (a) Third party liabilities refer to liabilities arising out of financial loss to investors or any other third party, incurred due to errors and omissions of directors, officers, employees, trustees, R&T agents, custodians etc.
   (b) The level and type of cover should be recommended by the AMC and approved by the Trustees.
2. Further, the AMC shall have insurance to cover first party losses:
   (a) First party losses are those which impact the insured and include asset based losses (due to natural or unnatural disasters such as fire, flood, burglary, etc.) as well as financial or data losses.

(b) They also include losses due to the acts of employees of the insured and computer based crimes such as hacking or virus attacks that may impact the data of the mutual fund, etc.

(c) Key details of the same, together with claims thereunder, shall be annually reported to the Trustees.

g. The AMC should have an integrated system (front-mid-back) to perform the following functions:

1. Order generation
2. Position-keeping (Positions on all supported products are updated in real time). Trades can be accounted for by an electronic feed.
3. Pre-trade compliance checks
4. Order execution
5. Deal booking
6. Straight-through processing to allow one-time capture of trade details.
7. System check on preset parameters and reporting of breaches e.g. whether investments made in permitted securities or limits on deal size, etc. have been adhered.
8. Automatic time-stamping of deals.
9. Maker-checker authorisations.
10. Exception reporting.
11. Generation of deal confirmations.
12. Monitoring of outstanding confirmations, settlements and payments.
13. Cash management.
14. Integrated reporting across the Mutual Fund.

15. The back office system should facilitate daily fund projections to ascertain liquidity and settlement requirements.

h. The AMC should have documented procedures for the following:
    1. Trade confirmations, settlements.
    2. Cash flow Management.
    3. Collateral Management.
    4. Corporate Actions.
    5. Margin Management.
    6. Security Master Creation.
    7. Pricing and Valuation.
    8. Corporate action tracking and accounting.
    9. Oversight on Service Providers – Custodians, Fund Administrators - SLA tracking, Parallel Valuation and calculation of NAV. The oversight over custodians shall inter alia include, receipt of daily position report from custodian, end of day reconciliation of positions with custodian data and once a week complete reconciliation of fund accounting system records with custodian records.

i. The AMC may implement the following depending upon the scale and complexity of business:
    a. Documenting a Fraud Response Plan and reporting of near miss incidents.
    b. Developing Fraud Risk scenarios and updating with changing business dynamics, documentation thereof being maintained in appropriately designed and updated Fraud Risk Registers (capturing details such as past fraud incidents).
    c. Using data analytics as a key tool for identifying fraud patterns and indicators.

d. Conducting a fraud control and reporting' training program.

2.6 Compliance Risk

2.6.1 Failure by the AMC to meet its regulatory obligations or manage changes in legal statutory and regulatory requirements may result in investigations, fines, financial forfeiture, or regulatory sanctions and material loss to investors and the organization.

2.6.2 The mandatory and recommendatory elements for managing compliance risk, are outlined below:

2.6.2.1 Mandatory Elements

i. The AMC shall establish and maintain policies as required by applicable statutes and regulations, including policies to address the following:
   a. Know Your Client (KYC), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)
   b. Outsourcing
   c. Customer Complaints & Investor Grievance – Should inter alia include details of adherence to SEBI regulations with regard to investor servicing and complaint resolution, tracking complaint resolution, update of complaint log and forwarding of complaints and the Management Information System (MIS) to compliance officer, complaint resolution process being reviewed by compliance officer. The compliance officer shall review the complaints with an objective to catch early warning signs for fraud or any systemic issues.
   d. Related Party Transactions.
   e. Front running
   f. Conflict of Interest.
   g. Employee Trading (including issues related to Insider Trading).

h. Code of Conducts.
i. Commission and other sales & marketing costs.
j. Commercial Bribes or Kickbacks.
k. Fraud Risk Management
l. Whistle Blowing
m. Information Security and Data Privacy
n. Gifts and Entertainment
o. Record Retention
p. Dealing Room Policy
q. All disclosure requirements (including derivative transactions, off balance sheet items and contingent liabilities, etc.).

ii. There should be defined responsibilities for:

a. Filing of timely and accurate regulatory reports to the Regulator(s) and Board of AMC and Trustees as prescribed by the applicable laws and regulations.
b. Pre-use review of AMC's marketing materials (collateral, brochures etc.), website uploads, digital advertising and performance advertising etc.
c. Monitoring that all investments and holdings are consistent with disclosures made to clients and applicable restrictions.
d. Mechanism for prevention or detection of possible insider trading at the personnel or portfolio levels.
e. Review for adequacy of disclosures made to the investors regarding significant risks such as liquidity, counterparty and credit (quality of investments made mainly debt based on the credit rating), investment, and other risk areas.
f. Measures to prevent and detect trading violations involving short selling.
g. Maintenance of all required licenses, registrations, approvals and permissions.

iii. AMCs should have an Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) program with the following attributes:

a. Employees understand obligations and contents of policies to effectively carry out their AML/CFT responsibilities.

b. Transaction Monitoring is done to identify Suspicious Activities.

c. Suspicious Transactions Reporting is done to the relevant authorities.

d. Adequate training programs to ensure employees are constantly aware of money laundering/financing of terrorism risks and measures (focus on their roles and responsibilities).

iv. AMCs should have systems in place to detect and prevent securities market violations including securities market frauds and malpractices at their end:

a. A report containing details of the alerts generated and the subsequent actions taken in this regard should be submitted to trustees on a quarterly basis.

b. Trustees may forward the results along with their comments and steps taken, if any, to SEBI in the half-yearly trustee reports.

2.6.2.2 Recommendatory Elements

i. The following policies may be incorporated by the AMCs depending on complexity and scale of operations:

a. Political Contributions.

b. Outside business activity policy.

ii. The AML/CFT program of the AMCs may include the following depending on the size and scale:

a. Investor awareness programs (literature or pamphlets or such) to educate clients about the AMC's AML/CFT obligations.

b. Review of client risk scoring model to ensure effectiveness of the AML/CFT program.
c. Independent or External review of AML/CFT policies to ensure their effectiveness.

2.7 Technology, Information Security and Cyber Risk

2.7.1 Given the huge dependence on technology, any system failure could trigger a variety of risks, e.g. operational risk, compliance risk. etc. Technology Operations should support processing and storage of information, such that the required information is available in a timely, reliable, secure and resilient manner.

2.7.2 Increasing disclosure requirements on public portals by AMCs required a focused approach towards data management. Digitalization and online platforms have given rise to need for effectively mitigating information security and cyber risks.

Paragraph 4.7, 4.8 & 6.15 of the Master Circular has provided indicative guidelines encompassing cyber security and cyber resilience framework and audit framework encompassing systems and processes for Mutual Funds/AMCs. The systems and processes as elaborated in the aforementioned paragraphs must be in place and any future guidelines issued by SEBI in this regard may be suitably followed.

2.8 Reputation and Conduct Risks

2.8.1 The risk of damage to the firm's reputation that could lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore, directly or indirectly, financial loss or revenue shrinkage.

2.8.2 Conduct risk is often defined as the risk to the delivery of fair customer outcomes or to market integrity.

2.8.3 The mandatory and recommendatory elements for managing reputation and conduct risk are outlined below:

2.8.3.1 Mandatory Elements

i. The management must look into reputation and conduct risks and inculcate their significance in the AMC culture by,
    a. Integrating reputation and conduct risk considerations into strategy setting and business planning.
    b. Establishing a crisis management policy (to minimize or neutralize negative publicity in the event of any incident or bad conduct by an employee).
    c. Establishing monitoring tool(s) for social media grievances, etc.

ii. The Board of AMC should approve and monitor the effectiveness of implementation of an enforceable code of ethics and business conduct; in the event of a material breach in conduct or a significant reputation risk event, the Board of AMC should be informed.

iii. The following practices must be adopted by the AMC:
    a. While designing or improving the products, the complexity of the product and consumer behaviors must be considered.
    b. Impact assessment should be undertaken for sales and promotion expenses (i.e. evaluation of value added v/s cost incurred) using appropriate techniques, e.g. analysis of complaints, compliance monitoring program, data analytics, mystery shopping, etc.
    c. Preventive measures and monitoring mechanism should be implemented to mitigate mis-selling risks.

2.8.3.2 Recommendatory Elements

i. AMCs may consider adopting:
   a. Reputation risk policy.
   b. Media interaction policy and procedures
   c. Assessment and management of reputation via brand management tools, data analytics, business intelligence.
   d. Framework / Process to review and action any negative mention in traditional or social media.
   e. Procedures to monitor reputation risk on an ongoing basis.

ii. The management may be involved in increasing awareness about conduct risk within the AMCs by:

   a. Conducting training programs for conduct risk awareness.

   b. Monitoring conduct risk indicators.

   c. Incorporating conduct performance as part of the AMCs' sales and marketing team metrics.

2.9 Outsourcing Risk

2.9.1 Inadequate management of outsourced processes lead to errors, frauds, Inefficiencies, poor quality investor services, breach of fiduciary duties data pilferages and long term impact on reputation and contractual obligations.

2.9.2 Asset management companies often rely on third parties including Custodians, Fund Administrators, R&T agents, and various types of outsourced service providers who perform operational, accounting, recordkeeping and other types of services. In utilizing the services of such third parties, it is important from a risk management perspective to keep in mind that asset managers have ongoing fiduciary obligations to their customers even though they have delegated certain of their roles

to others. It is therefore critical to perform careful reviews of the capabilities of third parties at inception of relationships and on an ongoing basis, and to review information provided by third parties for completeness, balance and accuracy in order to be able to determine whether such third parties meet the risk management, credit, operational, legal and other relevant standards of the reviewing company with respect to the function they are performing.

2.9.3 The mandatory and recommendatory elements for managing Outsourcing risk, are outlined below:

2.9.3.1 Mandatory Elements

i. Risk management with respect to any outsourced activity should be done in the manner as if the activities were being done in-house.
ii. There shall be a dedicated person in the AMC who would be responsible for the outsourced activities of each outsourced vendor.
iii. The AMC should have a Board approved Outsourcing Policy incorporating the following aspects (as well as other applicable regulatory requirements):
    a. Listing of core activities which cannot be outsourced.
    b. Procedure for outsourcing, including risk and materiality assessment.
    c. Monitoring and control of outsourced activities (as part of outsourcing risk management program).
    d. Information security and confidentiality (including data privacy/ protection standards).
    e. Criteria for selection and minimum qualification.
    f. Minimum quality standards.
    g. Tenure of agreement.
    h. Responsibility for outsourced functions.
    i. Acceptable level of deviations.

j. Periodic review of service levels and pricing.
k. Restriction on sub-delegation or sub-contracting.
l. Right for inspection and audit.
m. Approval authorities.
n. Service level agreement.
o. Archival and retrieval of documents/data.
p. Insurance requirements.
q. Incident reporting and escalation matrix.

iv. Before outsourcing any activity, the AMC should ensure the following is in place:
   a. Outsourcing agreements with service provider are legal and binding as per the law.
   b. Due diligence (including AML/CFT, if applicable) is conducted on the service provider, where the outsourced activity is material, which may include the following considerations:
      1. Availability of qualified and experienced service providers to perform the service on an ongoing basis
      2. Arrangements for structured review of the capability and experience of service providers
      3. Evaluation of relevant personnel for critical functions, to evaluate their specific competencies and execution capabilities
      4. A disaster recovery and business continuity plan exist with regard to the contracted services and products, and that the adequacy and effectiveness of the same is maintained and tested periodically by the service provider.
   c. Analysis of the benefits and risks of outsourcing the proposed activity as well as the service provider risk, and determination of the cost implications for establishing the outsourcing arrangement.

v. After outsourcing any activity, the AMC shall ensure:
   a. Outsourcing vendors' process/people/systems are reviewed.

b. A periodic internal review is done on the functioning of outsourced activities (like Fund Accounting and R&T agent functions) at least annually.
c. An effective structured tool (IT / manual) is used to review/benchmark the performance of the third party service providers (Fund Administrators / Custodians / R&T agents) vis-a-vis the SLA.
d. The result of the review documented and risks emanating from them are highlighted and remediation plans are monitored on an ongoing basis.
e. Communication of its error tolerance, code of conduct and objective to its third party service providers (Fund Administrators / Custodians / R&T agents).
f. The service provider should test business continuity and contingency plan on a periodic basis to ensure adequacy and effectiveness'.

vi. The Mutual Fund should establish reconciliation procedures with regard to periodic reconciliation between fund accounting system, R&T system and bank account and conduct a periodic audit of all investor-related activities, carried out both by the Mutual Fund and the R&T agent, to ensure that all allotments, redemptions, income distributions and commission distributions have been accurate and timely.
vii. The Mutual Fund should ensure that the fund accounting systems used (inhouse or by the fund accountant to whom this activity has been outsourced) facilitate:
    a. Validation of NAV calculations.
    b. Automated and manual price feeds.
    c. Identification of missing prices.
    d. Flagging of price variances beyond pre-established tolerance levels.

2.9.3.2 Recommendatory Elements

i. To enhance protection over outsourcing risk, AMCs may include the following as part of their evaluation / monitoring program:

a. Consider fraud vulnerabilities in the outsourced process, including:
    1. Detailed periodic fraud risk assessment program
    2. Fraud response plan
    3. Fraud risk register
    4. Reporting to the AMC's Board
b. Maintain an exit strategy including a pool of comparable service providers, in the event that a contracted service provider is unable to perform or in the event of a critical fraud.

2.10 Sales and Distribution Risk

2.10.1 As most AMCs outsource or use other channels for distributing products, such as banks, IAs, brokers, NBFCs, Distributors, etc., there is a need of monitoring risks associated with managing distribution channels and processes, commission pay-outs, brokerage disbursements, sales expenses, etc.

2.10.2 The mandatory and recommendatory elements for managing sales and distribution risk, are outlined below:

2.10.2.1 Mandatory Elements

i. The KRA/performance appraisal at the relevant CXO level must capture the performance in managing the risk of mis-selling. The risk of mis-selling may incorporate the components like the number of mis-sellings, outcomes in the inspection report, analysis of the portfolio of investors, analysis based on assessment of appropriateness to the investors, etc. As an example, a parameter to gauge mis-selling may be the analysis of whether growth in the AUM of a scheme is on account of performance or mainly due to higher commission paid to distributor.

ii. The AMC shall also be responsible for the mis-selling done by the persons associated with selling of mutual funds including distributors. The performance disclosure to investors, if any, by the distributors should be true and fair. It should not be misleading to the investor by representing any selective time period representing the favorable return.

iii. Detailed analysis should be done at the AMC level to verify mis-sellings, if any.

iv. All the sales staff and distributers must be NISM certified with the required qualifications prescribed by SEBI/AMFI.

v. The AMC must implement the following procedures relating to distributor commissions:

   a. Analytical tools/ audit procedures used to review trends/errors in brokerage/ commission disbursements.

   b. An approved methodology for determining commission structures applicable to distributors / products, together with an authorization matrix for approving deviations and reporting cost-benefit outcome.

   c. Ensuring that commissions and other payments made to distributors adhere to AMFI and regulatory requirements.

vi. Conducting regular performance reviews for distributors.

vii. Conducting enhanced due diligence of distributors where appropriate (suitable policy to be incorporated)

2.10.2.2 Recommendatory Elements

i. Distribution risks can be further monitored by:

   a. Monitoring marketing, sales and promotional expenses which includes the nature of expenses and approval matrix for the expenses.

   b. Monitoring and reporting the cost-benefit outcome of the marketing, marketing, sales and promotional expenses

c. Undertaking mystery shopping.
d. Claw back provisions in the commission structures to provide adequate protection from continuous services to the investors.

2.11 Financial Reporting Risk

2.11.1 Absence of internal control over financial reporting with regard to the mutual fund schemes, may pose the following risks:

i. Improper maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets
ii. Absence of reasonable assurance that transactions are recorded as necessary to permit calculation of NAV and preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the management and the Board
iii. Failure to prevent or timely detect unauthorized acquisition, use, or disposition of assets that could have a material effect on the NAV and/or financial statements.

2.11.2 The mandatory elements for managing financial reporting risk, are outlined below:

2.11.2.1 Mandatory Elements

i. The AMC should have detailed accounting policies and procedures for Mutual Fund accounting.
ii. Adequate segregation of duties must be created within the Finance (or relevant) function for Mutual Fund accounting.
iii. There should be documentation and regular testing of internal controls over financial reporting of Mutual Fund schemes.

2.12 Legal & Tax Risks

2.12.1 Legal & Tax risk is the risk of loss to an institution which is primarily caused by:

i. A defective transaction.

ii. A claim (including a defense to a claim or a counterclaim) being made or some other event occurring which results in a liability for the institution or other loss (for example, as a result of the termination of a contract).

iii. Failing to take appropriate measures to protect assets (for example, intellectual property) owned by the institution.

iv. Change in law

v. Misinterpretation of statutes and regulations.

vi. Failure to collect or pay appropriate taxes, or submit required returns or information.

2.12.2 The mandatory elements for managing legal and tax risk, are outlined below:

2.12.2.1 Mandatory Elements

i. The AMC should have documented processes and defined responsibilities for:
   a. Calculation and deposit statutory levies applicable to Mutual Funds.
   b. Acceptance of applications from permitted jurisdictions.
   c. Monitoring of risks emanating from tax related aspects and their redressal.
   d. Implementation of new and amended statutory and regulatory requirements.

ii. To mitigate legal risks, the AMC should have documented processes and defined responsibilities for:
   a. Review of material agreements.

b. Authorized personnel for execution and registration of legal agreements and documents.
c. Centralized register of all legal agreements
d. Archival of physical and electronic versions of all legal agreements and documents.

2.13 Talent Risk

2.13.1 Talent risk is the risk of not having the right people in place at the right time to drive current and future business growth.

2.13.2 The mandatory and recommendatory elements for managing talent risk, are outlined below:

2.13.2.1 Mandatory Elements

ii. With respect to talent risk, there should be proper succession planning for identified key positions. At no point of time the AMC is deprived of the services of any Key Managerial Person.

iii. The AMC should have adequately documented policies and procedures for:
   a. Recruiting staff with appropriate experience, skill levels, and degree of expertise to undertake specialized business operations., in particular, those relating to risk management
   b. Employing screening procedures, including background checks, for job applicants, particularly for key positions.
   c. Creation of policies for recruiting, retaining and remunerating staff, especially for key personnel.
   d. Evaluation of the candidate's capability and experience to manage the risks associated with the concerned role is should be a key element of the recruitment process.
   e. Adequate back-ups for key people are present.

2.13.2.2 Recommendatory Elements

i. AMCs may implement a remuneration policy that prevents excessive risk taking and also ensures retention of good talent.

ii. A Remuneration Committee, comprising mainly of non-executive directors may be established to review and recommend the policy relating to the remuneration of key management personnel, including the CEO, Fund Managers, etc.

ANNEXURE 2: INVESTMENT VALUATION NORMS FOR MUTUAL FUNDS[648]

All mutual funds shall provide transaction details of various types of debt securities like NCDs, Mibor linked floaters and CPs on daily basis in the format below to the agency recommended by AMFI. Submission of data would help in daily matrix generation, would improve uniformity and accuracy of valuation in the mutual funds industry.

Date Of Transaction	Coupon	Security Name	Security Type	Staggered Redemption/Maturity Dates	Staggered Redemption /Maturity Values	Rating	Put/Call Option Dates	Put/Call Option Values	Interest Payment Dates	Volume (in Rs. Crs)	Clean Price	YTM (Annualised)
			NCD									
			Mibor Linked									
			CP									

[648] SEBI Cir No - MFD/CIR.No 23 / 066 /2003 dated March 7, 2003

ANNEXURE 3: LIST OF MILLION PLUS CITIES

List of Million Plus Cities for investments by REMF[649]

Census of India 2001 (Provisional)

S.No.	Name of City	Civic Status	State/Union Territory
1	2	3	4
1	Greater Mumbai	M.Corp.	Maharashtra
2	Delhi Municipal Corporation (Urban)	M.Corp.	Delhi
3	Kolkata	M.Corp.	West Bengal
4	Bangalore	M.Corp.	Karnataka
5	Chennai	M.Corp.	Tamil Nadu
6	Ahmedabad	M.Corp.	Gujarat
7	Hyderabad	M.Corp.	Andhra Pradesh
8	Pune	M.Corp.	Maharashtra
9	Kanpur	M.Corp.	Uttar Pradesh
10	Surat	M.Corp.	Gujarat
11	Jaipur	M.Corp	Rajasthan
12	Lucknow	M.Corp.	Uttar Pradesh
13	Nagpur	M.Corp.	Maharashtra
14	Indore	M.Corp.	Madhya Pradesh
15	Bhopal	M.Corp.	Madhya Pradesh
16	Ludhiana	M.Corp.	Punjab
17	Patna	M.Corp	Bihar
18	Vadodara	M.Corp.	Gujarat
19	Thane	M.Corp.	Maharashtra
20	Agra	M.Corp.	Uttar Pradesh
21	Kalyan-Dombivli	M.Corp.	Maharashtra
22	Varanasi	M.Corp.	Uttar Pradesh
23	Nashik	M.Corp.	Maharashtra
24	Meerut	M.Corp.	Uttar Pradesh
25	Faridabad	M.Corp.	Haryana
26	Haora	M.Corp.	West Bengal
27	Pimprichinchwad	M.Corp.	Maharashtra

[649] SEBI/IMD/CIR No.4/124477/08 dated May 2, 2008

Total:

Note:

M. Corp. stands for Municipal Corporation

List of Million Plus UAs Cities for investments by REMF

Urban Agglomerations/Cities having population of more than one million in 2001

Rank in 2001	Urban Agglomeration/City (1,000,000 + population)	Civic Status
1	2	3
1	Greater Mumbai	UA
2	Kolkata	UA
3	Delhi	UA
4	Chennai	UA
5	Bangalore	UA
6	Hyderabad	UA
7	Ahmadabad	UA
8	Pune	UA
9	Surat	UA
10	Kanpur	UA
11	Jaipur	M.Corp.
12	Lucknow	UA
13	Nagpur	UA
14	Patna	UA
15	Indore	UA
16	Vadodara	UA
17	Bhopal	UA
18	Coimbatore	UA
19	Ludhiana	M.Corp.
20	Kochi	UA
21	Visakhapatnam	UA
22	Agra	UA
23	Varanasi	UA
24	Madurai	UA
25	Meerut	UA
26	Nashik	UA
27	Jabalpur	UA

28	Jamshedpur	UA
29	Asansol	UA
30	Dhanbad	UA
31	Faridabad	M.Corp.
32	Allahabad	UA
33	Amritsar	UA
34	Vijayawada	UA
35	Rajkot	UA
	TOTAL	

ANNEXURE 4: FREQUENTLY ASKED QUESTIONS (FAQs)

1. SEBI has prepared a FAQs on mutual funds. The same is updated by SEBI from time to time. FAQs are available on SEBI website under "SEBI Website -> FAQs -> Mutual Funds".

2. Link for accessing FAQs is given below:

Details	**Link**
FAQs for Mutual Fund Intermediaries	https://www.sebi.gov.in/sebi_data/faqfiles/apr-2023/1682683461615.pdf
FAQs for Mutual Fund Investors	https://www.sebi.gov.in/sebi_data/faqfiles/apr-2023/1682683491126.pdf

ANNEXURE 5: GAZETTE NOTIFICATION DATED MAY 31, 2010[650]

THE GAZETTE OF INDIA

EXTRAORDINARY

PART - III - SECTION 4

PUBLISHED BY AUTHORITY

NEW DELHI, MAY 31, 2010

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 31st May, 2010

Notification under regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007.

In terms of sub-regulation (1) of regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 (the Regulations), the Board is empowered to require, by notification, any category of associated persons as defined in the Regulations to obtain requisite certification.

Accordingly, it is notified that with effect from June 01, 2010, the following category of associated persons, i.e., distributors, agents or any persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund products, shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the certification examination as mentioned in the NISM communiqué NISM/Certification/Series-V-A: MFD/2010/01 dated May 05, 2010.

[650] SEBI Cir no Cir / IMD / DF / 5 / 2010 dated June 24, 2010

Provided that if the said associated person possesses a valid certificate by passing before June 01, 2010, the AMFI Mutual Fund (Advisors) Module, he shall be exempted from the requirement of the aforementioned NISM certification examination.

LAD-NRO/GN/2010-11/09/6422

C. B. BHAVE
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

ANNEXURE 6: CYBER SECURITY AND CYBER RESILIENCE FRAMEWORK FOR MUTUAL FUNDS/ ASSET MANAGEMENT COMPANIES (AMCs)[651]

1. Cyber-attacks and threats attempt to compromise the Confidentiality, Integrity and Availability (CIA) of the computer systems, networks and databases (Confidentiality refers to limiting access of systems and information to authorized users, Integrity is the assurance that the information is reliable and accurate, and Availability refers to guarantee of reliable access to the systems and information by authorized users). Cyber security framework includes measures, tools and processes that are intended to prevent cyber-attacks and improve cyber resilience. Cyber Resilience is an organization's ability to prepare and respond to a cyber-attack and to continue operation during, and recover from, a cyber-attack.

Governance

2. As part of the operational risk management framework to manage risk to systems, networks and databases from cyber-attacks and threats, Mutual Funds/ Asset Management Companies (AMCs) should formulate a comprehensive cyber security and cyber resilience policy document encompassing the framework mentioned hereunder. The policy document should be approved by the Board of the AMC and Trustees, and in case of deviations from the suggested framework, reasons for such deviations should also be provided in the policy document. The policy document should be reviewed by the Board of AMC at least once

[651] SEBI Cir No SEBI/HO/IMD/DF2/CIR/P/2019/12 dated January 10, 2019 & SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF2/P/CIR/2022/81 dated June 9, 2022

annually with the view to strengthen and improve its cyber security and cyber resilience framework.

3. The cyber security and cyber resilience policy should include the following process to identify, assess, and manage cyber security risk associated with processes, information, networks and systems;

    a. 'Identify' critical IT assets and risks associated with such assets,
    b. 'Protect' assets by deploying suitable controls, tools and measures,
    c. 'Detect' incidents, anomalies and attacks through appropriate monitoring tools/processes,
    d. 'Respond' by taking immediate steps after identification of the incident, anomaly or attack,
    e. 'Recover' from incident through incident management, disaster recovery and business continuity framework.

4. The Cyber security policy should encompass the principles prescribed by National Critical Information Infrastructure Protection Centre (NCIIPC) of National Technical Research Organization (NTRO), Government of India, in the report titled 'Guidelines for Protection of National Critical Information Infrastructure' and subsequent revisions, if any, from time to time.

5. Mutual Funds/ AMCs should also incorporate best practices from standards such as ISO 27001, ISO 27002, COBIT 5, etc., or their subsequent revisions, if any, from time to time.

6. Mutual Funds/ AMCs should designate a senior official as Chief Information Security Officer (CISO) whose function would be to assess, identify and reduce cyber security risks, respond to incidents, establish appropriate standards and controls, and direct the establishment and implementation of processes and procedures as per the cyber security and resilience policy approved by the Board of the AMCs.

7. The Board of the AMCs shall constitute a Technology Committee comprising experts proficient in technology. This Technology Committee should on a quarterly basis review the implementation of the cyber security and cyber resilience policy approved by their Board, and such review should include review of their current IT and cyber security and cyber resilience capabilities, set goals for a target level of cyber resilience, and establish a plan to improve and strengthen cyber security and cyber resilience. The review shall be placed before the Board of the AMCs and Trustees for appropriate action.

8. Mutual Funds/ AMCs should establish a reporting procedure to facilitate communication of unusual activities and events to CISO or to the senior management in a timely manner.

9. The aforementioned committee and the senior management of the AMCs, including the CISO, should periodically review instances of cyber-attacks, if any, domestically and globally, and take steps to strengthen cyber security and cyber resilience framework.

10. Mutual Funds/ AMCs should define responsibilities of its employees, outsourced staff, and employees of vendors, members or participants and other entities, who may have access or use

systems / networks of the Mutual Funds/ AMCs, towards ensuring the goal of cyber security.

Identify

11. Mutual Funds/ AMCs shall identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management. The critical assets shall include business critical systems, internet facing applications/ systems, systems that contain sensitive data, sensitive personal data, sensitive financial data, Personally Identifiable Information (PII) data, etc. All the ancillary systems used for accessing/ communicating with critical systems either for operations or maintenance shall also be classified as critical assets. The Board of the AMCs and Trustees shall approve the list of critical assets.

    To this end, Mutual Funds/ AMCs shall maintain up-to-date inventory of its hardware and systems, software and information assets (internal and external), details of its network resources, connections to its network and data flows..

12. Mutual Funds/ AMCs should accordingly identify cyber risks (threats and vulnerabilities) that it may face, along with the likelihood of such threats and impact on the business and thereby, deploy controls commensurate to the criticality.

13. Mutual Funds/ AMCs should also encourage its third-party service providers, if any, such as RTAs, Custodians, Brokers, Distributors, etc. to have similar standards of Information Security.

Protection

Access Controls

14. No person by virtue of rank or position should have any intrinsic right to access confidential data, applications, system resources or facilities.

15. Any access to AMC's/ Mutual Fund's systems, applications, networks, databases, etc., should be for a defined purpose and for a defined period. AMCs/MFs should grant access to IT systems, applications, databases and networks on a need-to-use basis and based on the principle of least privilege. Such access should be for the period when the access is required and should be authorized using strong authentication mechanisms.

16. Mutual Funds/ AMCs should implement strong password controls for users' access to systems, applications, networks and databases. Password controls should include a change of password upon first log-on, minimum password length and history, password complexity as well as maximum validity period. The user credential data should be stored using strong and latest hashing algorithms.

17. Mutual Funds/ AMCs should ensure that records of user access are uniquely identified and logged for audit and review purposes. Such logs should be maintained and stored in encrypted form for a time period not less than two (2) years.

18. Mutual Funds/ AMCs should deploy additional controls and security measures to supervise staff with elevated system access

entitlements (such as admin or privileged users). Such controls and measures should inter-alia include restricting the number of privileged users, periodic review of privileged users' activities, disallow privileged users from accessing systems logs in which their activities are being captured, strong controls over remote access by privileged users, etc.

19. Account access lock policies after failure attempts should be implemented for all accounts.

20. Employees and outsourced staff such as employees of vendors or service providers, who may be given authorized access to the Mutual Fund's/ AMC's critical systems, networks and other computer resources, should be subject to stringent supervision, monitoring and access restrictions.

21. Two-factor authentication at log-in should be implemented for all users that connect using online/ internet facility.

22. Mutual Funds/ AMCs should formulate an Internet access policy to monitor and regulate the use of internet and internet based services such as social media sites, cloud-based internet storage sites, etc.

23. Proper 'end of life' mechanism should be adopted to deactivate access privileges of users who are leaving the organization or whose access privileges have been withdrawn.

Physical Security

24. Physical access to the critical systems should be restricted to minimum. Physical access of outsourced staff or visitors should be properly supervised by ensuring at the minimum that outsourced staff or visitors are accompanied at all times by authorized employees.

25. Physical access to the critical systems should be revoked immediately if the same is no longer required.

26. Mutual Funds/ AMCs should ensure that the perimeter of the critical equipments rooms are physically secured and monitored by employing physical, human and procedural controls such as the use of security guards, CCTVs, card access systems, mantraps, bollards, etc. where appropriate.

Network Security Management

27. Mutual Funds/ AMCs should establish baseline standards to facilitate consistent application of security configurations to operating systems, databases, network devices and enterprise mobile devices within the IT environment. The Mutual Funds/ AMCs should conduct regular enforcement checks to ensure that the baseline standards are applied uniformly.

28. Mutual Funds/ AMCs should install network security devices, such as firewalls as well as intrusion detection and prevention systems, to protect their IT infrastructure from security exposures originating from internal and external sources.

29. Anti-virus software should be installed on servers and other computer systems. Updation of anti-virus definition files and automatic anti-virus scanning should be done on a regular basis.

Security of Data

30. Data-in motion and Data-at-rest should be in encrypted form by using strong encryption methods such as Advanced Encryption Standard (AES), RSA, SHA-2, etc.

31. Mutual Funds/ AMCs should implement measures to prevent unauthorized access or copying or transmission of data / information held in contractual or fiduciary capacity. It should be ensured that confidentiality of information is not compromised during the process of exchanging and transferring information with external parties.

32. The information security policy should also cover use of devices such as mobile phone, faxes, photocopiers, scanners, etc. that can be used for capturing and transmission of data.

33. Mutual Funds/ AMCs should allow only authorized data storage devices through appropriate validation processes.

Hardening of Hardware and Software

34. Only a hardened and vetted hardware / software should be deployed by the Mutual Funds/ AMCs. During the hardening process, Mutual Funds/ AMCs should inter-alia ensure that default passwords are replaced with strong passwords and all

unnecessary services are removed or disabled in equipments / software.

35. All open ports which are not in use or can potentially be used for exploitation of data should be blocked. Other open ports should be monitored and appropriate measures should be taken to secure the ports.

Application Security and Testing

36. Mutual Funds/ AMCs should ensure that regression testing is undertaken before new or modified system is implemented. The scope of tests should cover business logic, security controls and system performance under various stress-load scenarios and recovery conditions.

Patch Management

37. Mutual Funds/ AMCs should establish and ensure that the patch management procedures include the identification, categorization and prioritization of security patches. An implementation timeframe for each category of security patches should be established to implement security patches in a timely manner.

38. Mutual Funds/ AMCs should perform rigorous testing of security patches before deployment into the production environment so as to ensure that the application of patches do not impact other systems.

Disposal of systems and storage devices

39. Mutual Funds/ AMCs should frame suitable policy for disposals of the storage media and systems. The data / information on such devices and systems should be removed by using methods viz. wiping / cleaning / overwrite, degauss and physical destruction, as applicable.

Vulnerability Assessment and Penetration Testing (VAPT)

40. Mutual Funds/ AMCs shall carry out periodic VAPT, inter-alia, including critical assets and infrastructure components like servers, networking systems, security devices, load balancers, other IT systems pertaining to the activities done as a role of Mutual Funds/ AMCs, etc., in order to detect security vulnerabilities in the IT environment and in-depth evaluation of the security posture of the system through simulations of actual attacks on its systems and networks. Mutual Funds/ AMCs shall conduct VAPT at least once in a financial year. However, for the Mutual Funds/ AMCs, whose systems have been identified as "protected system" by National Critical Information Infrastructure Protection Centre (NCIIPC) under the Information Technology (IT) Act, 2000, VAPT shall be conducted at least twice in a financial year. Further, all Mutual Funds/ AMCs shall engage only Indian Computer Emergency Response Team (CERT-In) empanelled organizations for conducting VAPT. The final report on said VAPT shall be submitted to SEBI after approval from Technology Committee of respective Mutual Funds/ AMCs, within 1 month of completion of VAPT activity.

41. Any gaps or vulnerabilities detected shall be remedied on immediate basis and compliance of closure of findings identified during VAPT shall be submitted to SEBI within 3 months post the submission of final VAPT report.

42. In addition, Mutual Funds/ AMCs shall perform vulnerability scanning and conduct penetration testing prior to the commissioning of a new system which is a critical system or part of an existing critical system.

Monitoring and Detection

43. Mutual Funds/ AMCs should establish appropriate security monitoring systems and processes to facilitate continuous monitoring of security events and timely detection of unauthorized or malicious activities, unauthorized changes, unauthorized access and unauthorized copying or transmission of data / information held in contractual or fiduciary capacity, by internal and external parties. The security logs of systems, applications and network devices should also be monitored for anomalies.

44. Further, to ensure high resilience, high availability and timely detection of attacks on systems and networks, Mutual Funds/ AMCs should implement suitable mechanism to monitor capacity utilization of its critical systems and networks.

45. Suitable alerts should be generated in the event of detection of unauthorized or abnormal system activities, transmission errors or unusual online transactions.

Response and Recovery

46. Alerts generated from monitoring and detection systems should be suitably investigated, including impact and forensic analysis of such alerts, in order to determine activities that are to be performed to prevent expansion of such incident of cyber-attack or breach, mitigate its effect and eradicate the incident.

47. The response and recovery plan of the Mutual Funds/ AMCs should aim at timely restoration of systems affected by incidents of cyber-attacks or breaches. The recovery plan should be in line with the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) as specified by SEBI for Market Infrastructure Institutions vide SEBI circular CIR/MRD/DMS/17/20 dated June 22, 2012 as amended from time to time.

48. The response plan should define responsibilities and actions to be performed by its employees and support or outsourced staff in the event of cyber-attacks or breach of cyber security mechanism.

49. Any incident of loss or destruction of data or systems should be thoroughly analyzed and lessons learned from such incidents should be incorporated to strengthen the security mechanism and improve recovery planning and processes.

50. Mutual Funds/ AMCs should also conduct suitable periodic drills to test the adequacy and effectiveness of response and recovery plan.

Sharing of information

51. All cyber-attacks, threats, cyber-incidents, and breaches experienced by Mutual Funds/ AMCs shall be reported to SEBI within 6 hours of noticing/ detecting such incidents or being brought to their notice about such incidents. The incident shall also be reported to CERT-In in accordance with the guidelines/ directions issued by CERT-In from time to time. Additionally, the Mutual Funds/ AMCs, whose systems have been identified as "protected system" by NCIIPC, shall also report the incident to NCIIPC. The quarterly reports containing information on cyber-attacks, threats, cyber-incidents, and breaches experienced by Mutual Funds/ AMCs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs/ vulnerabilities/ threats that may be useful for other Mutual Funds/ AMCs shall be submitted to SEBI within 15 days from the quarter ended June, September, December and March of every year.

52. Such details as are felt useful for sharing with other Mutual Funds/ AMCs in masked and anonymous manner shall be shared using mechanism to be specified by SEBI from time to time.

Training

53. Mutual Funds/ AMCs should conduct periodic training programs to enhance awareness level among the employees and outsourced staff, vendors, etc. on IT / Cyber security policy and standards. Special focus should be given to build awareness levels and skills of staff from non-technical disciplines.

54. The training program should be reviewed and updated to ensure that the contents of the program remain current and relevant.

Periodic Audit

55. AMCs / Mutual Funds shall arrange to have its systems audited on an semi-annual basis by an independent CISA / CISM qualified or CERT-IN empanelled auditor to check compliance with the above areas and shall submit the report to SEBI along with the comments of the Board of AMCs and Trustees within three months of the end of the financial year.

Vendors or Service Providers

56. AMCs / MFs have outsourced many of their critical activities to different agencies / vendors / service providers. The responsibility, accountability and ownership of those outsourced activities lies primarily with AMCs / MFs. Therefore, AMCs / MFs have to come out with appropriate monitoring mechanism through clearly defined framework to ensure that all the requirements as specified in this Annexure are complied with. The periodic report submitted to SEBI should highlight the critical activities handled by the agencies and to certify the above requirement is complied. The provisions of this Annexure shall also apply to those RTAs which serves AMCs as the in-house RTAs of the AMCs.

ANNEXURE 7: REPORTING FOR ARTIFICIAL INTELLIGENCE (AI) AND MACHINE LEARNING (ML) APPLICATIONS AND SYSTEMS OFFERED AND USED BY MUTUAL FUNDS[652]

Systems deemed to be based on AI and ML technology

Applications and Systems belonging but not limited to following categories or a combination of these:

1. Natural Language Processing (NLP), sentiment analysis or text mining systems that gather intelligence from unstructured data. – In this case, Voice to text, text to intelligence systems in any natural language will be considered in scope. E.g.: robo chat bots, big data intelligence gathering systems.

2. Neural Networks or a modified form of it. – In this case, any systems that uses a number of nodes (physical or software simulated nodes) mimicking natural neural networks of any scale, so as to carry out learning from previous firing of the nodes will be considered in scope. E.g.: Recurrent Neural networks and Deep learning Neural Networks.

3. Machine learning through supervised, unsupervised learning or a combination of both. – In this case, any application or systems that carry out knowledge representation to form a knowledge base of domain, by learning and creating its outputs with real world input data and deciding future outputs based upon the knowledge base. E.g.: System based on Decision tree, random forest, K mean, Markov decision process, Gradient boosting Algorithms.

[652] SEBI Cir No SEBI/HO/IMD/DF5/CIR/P/2019/63 dated May 09, 2019

4. A system that uses statistical heuristics method instead of procedural algorithms or the system / application applies clustering or categorization algorithms to categorize data without a predefined set of categories.

5. A system that uses a feedback mechanism to improve its parameters and bases it subsequent execution steps on these parameters.

6. A system that does knowledge representation and maintains a knowledge base.

ANNEXURE 8: SYSTEM AUDIT[653]

System Audit framework for Mutual Funds/ Asset Management Companies (AMCs)

IT Environment				
Organization Details				
Name				
Address				
What is the IT team size (Employees)?				
What is the IT team size (Vendors)?				
IT Setup & Usage				
Data Center and DR Site (Location, owned/outsourced)				
Network Diagram (schematic) with WAN connectivity				
Network/ Security Systems: (Please specify Version/make/model)				
- Routers				
- Switches				
- Proxy servers				
- Firewall				
- Intrusion Detection Systems				
- Intrusion Prevention Systems				
- Remote Access Servers				
- Data Leakage Prevention (specify network and/ or host)				
- Privileged Identity Management				
- Others (please specify e.g. WIPS)				
Total number of workstations (incl. laptops) & users				
Primary Operating Systems in use for workstations?				
Application Systems				
Application System	**Location of server(s)**	**HW/OS/DB for DB Server**	**HW/OS/DB for Web Server**	**HW/OS/DB for Web Server**

[653] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/57 dated April 11, 2019

e.g. Front Office System				
e.g. Back Office System				
e.g. Email System				
e.g. Intranet System				
e.g. File Server System				
e.g. Finance & Accounting System				

System Audit Program Checklist

The checklist is intended to provide guidance to the Mutual Funds/Asset Management (MFs/AMCs) Companies and Firms/ Companies appointed by MFs/AMCs for performing the systems audit. MFs/AMCs are responsible for ensuring that adequate and effective control environment exists over the IT systems in use for supporting business operations, including that at vendors/ third parties supporting operations like Register & Transfer Agents (RTAs), Fund Accountants, Custodians etc.

Audit Objective Question No	**Audit Objective Heading**	**Sub-Heading**	**Audit Checklist**
1	**IT GOVERNANCE**		**IT GOVERNANCE**
1a	**IT GOVERNANCE**	**IT Governance Framework**	**IT Governance framework:** Whether an IT Governance framework exists which requires defining of: - An IT Organization Structure - Frameworks used for IT governance - Organization wide IT governance processes including policy making, implementation and monitoring to ensure that the governance principles are followed as desired
1b	**IT GOVERNANCE**	**IT Strategy Committee**	**IT Strategy Committee:** - Whether an IT Strategy Committee exists with representations from Board of Directors (BOD), senior IT and business management and reporting to the BOD? - Is the IT strategy committee has members with skills and understanding of processes, information technology and information security in the context of Mutual Fund and other business of the organization? - Are roles and responsibilities of the IT Strategy Committee defined? - Does the IT Strategy Committee meet at least twice in a year?
1c	**IT GOVERNANCE**	**IT Risk Management**	**IT Risk Management:** - Whether organization has a defined IT risk management framework covering amongst others process and responsibilities of risk assessment, management and monitoring? - Does the risk management framework include the following: a. Identification of IT assets subject to risk management b. Identification of threats related to those IT assets c. Assessment of probability of occurrence of threats d. Defining risk mitigation methods in line with threats, risk categorization and probability e. Process to be followed for monitoring of risks identified and mitigation methods implemented

			- Is the IT risk management framework approved by the BOD? - Has the organization established risk management committee that oversee and provide direction with respect to IT risk?
1d	**IT GOVERNANCE**	**IT Policies and Procedures:**	**IT Policies and Procedures:** - Whether a defined and documented IT policy exists and is approved by the BOD? - Is the current state of IT architecture documented including infrastructure, network and application components to show system linkages and dependencies? - Whether defined and documented procedures exist for all components, which amongst others include: a. IT Assets Acquisition (including retrial) b. Logical access management c. Change management d. Backup and recovery e. Automated batch jobs f. Incident management g. Problem management h. Data Center Operations i. Operating systems and database management j. Network and communication management k. End user computing l. Acceptable use of IT assets, etc. - Does IT policy comprise of the IT organization structure, roles and responsibilities of key IT management personnel, IT strategic management process and processes for ensuring adherence with compliance requirements?
1e	**IT GOVERNANCE**	**IT Organization Structure**	**IT Organization Structure:** - Whether a defined organization structure exists with defined authorities, reporting lines and responsibilities related to IT governance including a designated Chief Information Officer (CIO)/ Chief Technology Officer (CTO), Chief Information Security Officer (CISO) and heads for key IT teams managing IT operations, IT applications, IT infrastructure, IT risk management/ reviews? - Are roles and responsibilities of IT Organization defined?
1f	**IT GOVERNANCE**	**IS Audit**	**Information Systems (IS) Audit:** - Is there a defined IS audit framework including process and responsibilities to be followed for IS audits, IS audit calendar, scope definition, review, reporting process and monitoring progress against non-compliances? - Are IS audit plans, reports, findings and action plans reported management and audit committee of board as appropriate?
2	**INFORMATION SECURITY**		**INFORMATION SECURITY**
2a	**INFORMATION SECURITY**	**Information Security function**	**Information Security function:** - Whether an information security function exists distinct from IT function with dedicated responsibility of defining and monitoring implementation of

			information security policies and controls? - Is there a designated CISO responsible for overseeing the information security function and for ensuring information security procedures are defined and implemented? - Does the information security function include representations from departments and operations across the organization including internal and client facing functions and including all organization locations?
2b	**INFORMATION SECURITY**	**Information Security policy**	**Information Security policy:** - Whether a defined and documented information security policy exists and is approved by the BOD? - Whether the information security framework ensures security requirements are in-built into key IT architecture, operations and other non-IT aspects, including but not limited to: a. Access management - Physical and Logical b. Infrastructure and applications change management c. Backup and recovery d. automated batch jobs e. Incident management (including security incidents) f. Problem management g. Data center Operations h. Operating systems and database management i. Network and communication management j. End user computing, in addition consider phone, faxes, photocopiers, scanners, etc. k. Security Operations - logging and monitoring - Whether defined and documented procedures exist for the following: a. Hardening procedures, standards and guidelines for operating systems, databases, servers and network devices b. Use of cryptography c. Third Party Security d. Human Resource controls for information security e. Information classification guidance and process including mechanisms for storage, transmission and disposal of information - Whether the information security framework/ policy is reviewed on an yearly basis at a minimum?
2c	**INFORMATION SECURITY**	**Information Security Risk Management**	**Information Security Risk Management:** - Whether a defined process exists and is followed for Information Security (IS) risk management on an annual basis, at a minimum? - Whether the IS risk management is performed in line with the organization and IT risk management framework? - Whether the risk assessment is performed for new functions, processes, teams and locations. Whether relevant risk mitigation and monitoring actions are implemented as per the defined framework?
2d	**INFORMATION SECURITY**	**Cyber Security**	**Cyber Security:** - Whether Mutual Funds / AMCs has complied with the provisions of Cyber Security and Cyber Resilience prescribed under Paragraph 4.7 of the Master Circular

			and any further guidelines by SEBI with regard to cyber security for MFs / AMCs?
2e	**INFORMATION SECURITY**	**Information Security Awareness**	**Information Security Awareness:** - Whether information security and cybersecurity processes are communicated to employees, contractors, third parties, etc.? - Whether information security and cybersecurity trainings are conducted as part of induction as well as periodic trainings?
2f	**INFORMATION SECURITY**	**Information Privacy**	**Information Privacy:** - Whether defined and documented privacy policy exists and is approved by the BOD? - Whether procedures have been defined in line with applicable regulations with respect to: a. Privacy notice b. Choice & consent c. Data collection d. Data use, retention & disposal e. Access to data f. Disclosure to third parties g. Security controls for private data h. Monitoring & enforcement
2g	**INFORMATION SECURITY**	**Human Resource Controls**	**Human Resource Controls:** - Whether policies and procedures have been implemented to address HR controls as part of information security? - Whether hiring policies are defined in line with IT operations and information security requirements? - Whether induction trainings are conducted for all new joiners? - Whether all new joiners are required to confirm and accept the organization's policies and procedures with respect to information technology, information security and cybersecurity? - Whether background check procedures are performed for all new joiners?
2h	**INFORMATION SECURITY**	**Digital Technologies**	**Digital Technologies:** - Whether the organization has a defined process to identify, develop and implement digital technologies supporting internal and external facing functions? - Whether all digital technologies including mobile applications, web-based portals, mobile websites, cloud storage, etc. are implemented only after performing risk assessment, testing and where required independent reviews? - Whether the organization has a defined and approved social media usage policy to address information security and reputational risks arising out of the same?
2i	**INFORMATION SECURITY**	**Third Party Security**	**Third Party Security:** - Whether the organization has a defined vendor management framework and is approved by the BOD? - Whether the vendor management framework includes processes to be followed for vendor due diligence, selection, risk assessment, onboarding, contracting and monitoring?

			- Whether vendors are on boarded only after performing a technical due diligence, risk assessment and background checks? - Whether formal contracts are signed with vendors and include the following at a minimum: a. Services provided b. Processes to be followed c. Service Level Agreements and related penalty clauses, if any d. Confidentiality, service continuity and data privacy clauses e. Performance monitoring processes and reports to be provided f. Escalation procedures g. Right to access and audit
2j	**INFORMATION SECURITY**	**Information Security Compliance**	**Information Security Compliance:** - Has the organization implemented procedures to assess compliance against defined information security procedures in the form of periodic assessments/ reviews? - Are critical functions within the organization subject to stringent security reviews by internal teams or external agencies, where necessary? - Are IS review reports, findings and action plans reported to IT/IS risk committees, IT Strategy Committee of BOD as appropriate?
3	**ACCESS MANAGEMENT**		**ACCESS MANAGEMENT**
3a	**ACCESS MANAGEMENT**	**Access Policies and procedures**	**Access Policies and procedures:** - Whether defined and documented policies and procedures exist for managing access to applications and infrastructure (including network, operating systems and database) and are approved by relevant authority? - Whether the defined procedures include responsibilities and process to be followed for: a. Access grant and modification including definition of authorization matrix as per system b. Access revocation procedures including notification as well as timeliness of revocation c. Access rights and Roles review procedures for all systems d. Privileged access to systems e. Review of access logs for privileged users f. Segregation of Duties (SOD) - Whether appropriate risk acceptance is taken 0in the event entire approved procedures ca0nnot be implemented due to system limitations? In such cases, whether alternate risk mitigation measures are implemented?
3b	**ACCESS MANAGEMENT**	**Privileged access**	**Privileged access:** - Whether privileged access to systems is available to limited authorized personnel? - Whether privileged access to systems is subject to more stringent security controls (such as Privileged Identity Management Solutions, more stringent password parameters, etc.) as compared to normal users?

			- Whether access rights for privileged users are monitored on periodic basis? - Whether logs of privileged users are stored and reviewed on a periodic basis based on criticality of systems?
3c	**ACCESS MANAGEMENT**	**Access Administration**	**Access Administration:** - Whether role-based and least privilege access mechanisms are in-built into systems to enable authorized access as per job roles? - Whether access administration requests, related approvals/ notifications and related actions (creations, revocation and modification) are logged and documented using automated tools with date-time stamps and appropriate evidences are retained as per defined procedures for review and audit purpose? - Whether creation and modification of access to systems requires a formal approval based on a defined authorization matrix? - Whether access revocation notifications are sent on a timely basis? - Whether access is revoked on a timely basis on the last working date of the user? - Whether sufficient monitoring mechanisms have been implemented to ensure all access administration requests are addressed as per procedures? - Whether users are provided with unique user identifier as per organizations naming conventions?
3d	**ACCESS MANAGEMENT**	**Access Authentication**	**Access Authentication:** - Whether appropriate authentication mechanisms are used for access to systems including use of passwords, One Time Passwords (OTP), Single Sign on, etc.? - Following password parameters should be defined [In brackets some prevalent practices are shared]: a. Minimum length (e.g. 8 characters) b. Complexity (combination of alphabets (upper case and lower case)/ numbers/ symbols.) c. Maximum Age (e.g. 90 days) d. History (e.g. 3) e. Account lockout threshold (e.g. 3 or 5 attempts) - Whether defined procedures require usage of unique user IDs for each individual? - Whether usage of generic IDs and default IDs is prohibited unless necessary and with risk acceptance sign-off? In such cases ownership and accountability for usage of generic IDs should be documented. -Whether the system allows for automatic session logout after a system defined period of inactivity?
3e	**ACCESS MANAGEMENT**	**Access Review and Monitoring**	**Access Review and Monitoring:** - Whether access rights to systems are reviewed on a periodic basis based on criticality of systems? - Whether access logs of users having access to critical activities are monitored? - Whether rule based automated or manual alerts are implemented for unauthorized access or activities, whether such alerts are monitored and addressed on a timely basis? - Whether audit trails of critical activities including key

			business transactions, modification of security parameters, masters' updates, and access administration activities are available with details around related user IDs, approvers and date-time stamps. Whether audit trails are retained for evidence, review and audit purposes? - Whether control mechanisms such as periodic reconciliation of user lists with HR lists, deactivation of users with no logins for a defined timeframe, etc. have been deployed to ensure any unauthorized access is timely terminated?
3f	**ACCESS MANAGEMENT**	**Segregation of Duties (SOD)**	**Segregation of Duties (SOD):** - Whether a defined and documented SOD matrix exists describing key roles within the systems and conflicting rights? - Whether access approvals, creations and modifications are performed based on approved SOD matrix? - Potential SOD conflicts are investigated during periodic access reviews and corrective actions are taken, if any.
3g	**ACCESS MANAGEMENT**	**Physical Access Administration**	**Physical Access Administration:** - Whether defined and documented procedures exist for managing physical access to data center and processing facilities? - Whether creation of physical access requires documentation of appropriate approvals as per authorization matrix? - Whether revocation of physical access is performed on a timely basis on the last working day of the user? - Whether physical access administration requests, related approvals/ notifications and related actions (creations and modification) are logged and documented using automated tools with date-time stamps and appropriate evidences are retained as per defined procedures for review and audit purpose? - Whether access to restricted areas is reviewed at least once a year? - Whether physical access logs are available and retained for investigation purpose as per guidelines? - Whether physical access related incidents and invalid access attempts are monitored on a periodic basis?
3h	**ACCESS MANAGEMENT**	**Physical Security**	**Physical Security:** - Whether appropriate physical security mechanisms have been deployed including guarding entrance, usage of access control system, door alarms, turnstiles, biometric access, etc.? - Whether appropriate visitor access controls have been implemented including logging of visitor access including equipment carried, visitor escorting, issue and reconciliation of visitor badges, etc.? - Whether Closed Circuit Tele Vision (CCTV) has been installed in restricted areas for monitoring, and logs for the same are retained for investigation purpose? - Whether appropriate environmental security measures such as fire alarms, smoke detectors, water detectors, Air-conditioners, etc. have been implemented. Whether environmental controls are

			monitored on a periodic basis. Are environmental security devices maintained at regular intervals as prescribed by the vendor?
4	**CHANGE MANAGEMENT**		**CHANGE MANAGEMENT**
4a	**CHANGE MANAGEMENT**	**Change Management Policies and Procedures**	**Change Management Policies and Procedures:** - Whether organization has established formalized change management policy and procedures that define processes to be followed for changes made to all systems including applications and infrastructure (networks, operating systems, databases, etc.) including emergency and configuration changes, capturing the version history and approval history? - Whether appropriate guidance is available for categorization and prioritization of changes?
4b	**CHANGE MANAGEMENT**	**Change Administration**	**Change Administration:** - Whether changes to applications and infrastructure (networks, operating systems and databases), including requests to third party service providers are approved and authorized by both authorized IT and business management personnel, as per defined authorization matrix? - Whether for each change, a risk evaluation process is carried out and results of the same are approved by authorized personnel? -Whether test cases library is maintained and updated to enable comprehensive testing? - Whether changes for relevant applications, including infrastructure changes are tested and documented during User Acceptance testing (UAT). Whether there is a formal signoff of the UAT results provided by the business prior to implementation? - Whether changes for applications, including infrastructure (OS/DB) changes are tested and documented during system, unit, and regression testing, where applicable. Whether there is a formal signoff of the test results by the technology team prior to UAT performed by business? - Whether the procedures require sign-off from information security team for ensuring that security controls have been in-built into the systems? - Whether a post implementation review is performed and recorded for each change migrated to production environment? - Whether there exists a procedure to log emergency changes made to relevant applications and underlying infrastructure, which are authorized by business and IT management within defined time frame of being migrated to production environment? - Whether new systems or modules including major changes are subject to application security testing before deployment? - Whether software development is performed based on industry accepted coding standards?
4c	**CHANGE MANAGEMENT**	**Segregation of Duties (SOD), environments**	**Segregation of Duties (SOD), environments and version control:** - Whether there exists a segregation of production, development and test environments?

		and version control	- Whether the organization has implemented a change management versioning tool to maintain audit trails for all types of changes including applications, databases, operating systems and networks? - Whether implemented changes are reviewed on a periodic basis and inappropriate or unauthorized activities are investigated and communicated to respective individuals? - Whether a formal process exists for granting user access to migrate changes to the production environment for relevant applications based upon approval by authorized personnel? - In case of any new system or module implementation, whether adequate procedures were performed to ensure accurate and complete transfer of data?
5	**INCIDENT MANAGEMENT**		**INCIDENT MANAGEMENT**
5a	**INCIDENT MANAGEMENT**	**Incident Management Policies and Procedures**	**Incident Management Policies and Procedures:** - Whether management has established formalized incident management policy and procedures that define processes to be followed for incidents related to all systems including applications and infrastructure (networks, operating systems, databases, etc.) capturing the version history and approval history? - Whether appropriate guidance is available for categorization and prioritization of incidents?
5b	**INCIDENT MANAGEMENT**	**Incident Resolution**	**Incident Resolution:** - Whether incidents are logged using automated tools with a unique ID assigned to each incident? - Whether incidents are classified based on their severity and urgency. Whether severity of incidents can be changed only by authorized personnel? - Whether a root cause analysis is performed for each incident and documented? - Whether a known error database is maintained for resolution and workaround details for similar incidents? - Whether details of resolution provided against each incident is documented against the ticket logged? - Whether incidents are tracked and monitored for resolution on a timely basis? - Whether recurring incidents are identified and logged as problems?
5c	**INCIDENT MANAGEMENT**	**Service Level Agreements (SLAs)**	**Service Level Agreements (SLAs):** - Whether formal SLAs have been defined for each incident type and agreed with business and the incident management team? - Whether SLAs are tracked using automated tools to identify timely escalation to be performed? - Whether escalation matrix has been defined and configured using automated tools? - Whether SLA monitoring reports are generated and sent to senior management on periodic basis and relevant actions are taken?
5d	**INCIDENT MANAGEMENT**	**Security Incident Management**	**Security Incident Management:** - Whether management has defined and documented procedures for identifying security related incidents by

			monitoring logs generated by various IT assets such as Operating Systems, Databases, Network Devices, etc.? - Whether security incidents / events are detected, classified, investigated and resolved in a timely manner? - Whether periodic reports are published for various identified Security incidents? Whether the logging facilities and log information are protected from tampering and unauthorized access? - Whether security incidents are reported to SEBI in the prescribed format within stipulated timelines?
6	**BACKUP & RECOVERY**		**BACKUP & RECOVERY**
6a	**BACKUP & RECOVERY**	**Backup Administration**	**Backup Administration:** - Whether documented policies and procedures exist for backup scheduling, implementation and monitoring capturing version history and approval history? - Whether regular/ periodic back up of relevant data and programs is taken as per the approved backup policies and frequency [e.g., daily, weekly, etc.] configured via backup tool? - Whether access to backup tools is restricted to authorized personnel? - Whether modifications to backup schedule are performed through the formal change management process? - Whether appropriate data is backed up including at a minimum database records, audit trails, reports, user activity logs, transaction history, alert logs, etc.? - Whether execution of backups are monitored for successful completion and failures are investigated and closed?
6b	**BACKUP & RECOVERY**	**Backup Storage**	**Backup Storage:** - Whether backup tapes are stored onsite in a secure fireproof storage? - Whether access to onsite backups are limited to authorized personnel? - Whether backup tapes are sent for offsite storage on a periodic basis? - Whether offsite storage of tapes is monitored on a periodic basis?
6c	**BACKUP & RECOVERY**	**Restoration**	**Restoration:** - Whether restoration testing is performed on a periodic basis and issues, if any are resolved? - Whether request based restorations are performed only after obtaining approvals from business head?
7	**JOB PROCESSING**		**JOB PROCESSING**
7a	**JOB PROCESSING**	**Job Processing**	**Job Processing:** - Whether documented policies and procedures exist for automated job scheduling, implementation and monitoring capturing version history and approval history? - Whether automated jobs are processed as per the approved policies and frequency [e.g., daily, weekly, etc.] and configured via automated tool? - Whether access to job processing tools is restricted to

			authorized personnel? - Whether modifications to job schedules are performed through the formal change management process? - Whether execution of automated jobs are monitored for successful completion and failures are investigated and closed?
8	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**		**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY**
8a	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**	**BCP Organization**	**BCP Organization:** - Whether the organization has a BCP Committee that provides oversight on BCP planning and functioning in the organization? - Whether the organization has a dedicated BCP Head or Coordinator overall responsible for development of the enterprise BCP framework in conjunction with internal and external facing functions within the organization through a defined process? - Whether the organization has a dedicated BCP Team or Crisis Management team to execute the BCP plan, when required. Does the BCP team have representations from various functions and locations of the organization? - Whether roles and responsibilities of all members of the BCP organization are defined and documented?
8b	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**	**BCP Methodology and Plan**	**BCP Methodology and Plan:** - Whether the organization has a defined and documented BCP methodology which is approved by the BOD? - Whether the BCP methodology includes a process wise approach for development and maintenance of the BCP framework including Business Impact Analysis (BIA), Risk Assessment (RA), BCP Strategy, and BCP Plan? - Whether a documented BCP plan exists and is approved by the BOD? - Whether the BCP is developed based on the approved methodology and includes at a minimum the following: a. Organization's strategy for BCP b. Inputs from BIA and RA conducted c. BCP / DR procedures d. Conditions for activating plans e. BCP Team and responsibilities f. Maintenance schedules g. Awareness and education activities h. Resumption procedures i. Responsibilities of employees j. Emergency and fall back procedures
8c	**BUSINESS CONTINUITY PLANNING**	**BCP Plan**	**BCP Plan:** - Whether a BIA is conducted including identification of critical processes within the organization and their

	(BCP) & DISASTER RECOVERY (DR)		dependencies on other processes, vendor dependencies and resources. Whether Recovery Time Objective (RTO) and Recovery Point Objective (RPO) has been calculated as part of the BIA. Whether the BIA is approved by the business, technology and risk teams? - Whether a Risk Assessment is conducted for all critical processes identified in the BIA including identification of risks and threats and their impact, probability and priority. Whether the RA is conducted across parameters including people, processes and technology. Has the organization identified and implemented appropriate procedures and systems for risk mitigation? - Whether a documented BCP plan exists and is approved by the BOD. Whether the BCP is developed based on the approved methodology and includes at a minimum the following: a. Organization's strategy for BCP b. Inputs from BIA and RA conducted c. BCP / DR procedures d. Conditions for activating plans e. BCP Team and responsibilities f. Maintenance schedules g. Awareness and education activities h. Resumption procedures i. Responsibilities of employees j. Emergency and fall back procedures k. Procedures to be followed in the event of natural calamities and disasters that have a wide area or long term impact
8d	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**	**BCP/ DR testing**	**BCP/ DR testing:** - Whether the BCP/ DR plan is reviewed on an yearly basis or in case of a major change in business or infrastructure? - Whether the defined BCP/ DR plan is tested through appropriate strategies including table-top reviews, simulations, DR drills, alternate site recovery testing, system recovery, etc. involving all aspects of people, process and technology?
8e	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**	**BCP/ DR Communication and training**	**BCP/ DR Communication and training:** - Whether the organization has established appropriate procedures for BCP training and update for the BCP team? - Whether the BCP plan is communicated to all users internal as well as external with detailed description of roles, responsibilities and dependencies?
8f	**BUSINESS CONTINUITY PLANNING (BCP) & DISASTER RECOVERY (DR)**	**DR Plan**	**DR Plan:** - Whether the organization has documented a DR plan including recovery procedures to be followed in the event of disasters? - Has the organization identified and implemented a DR Site which is a replica of the production site? Has the organization implemented procedures for maintaining the DR readiness and support infrastructure to be relied upon in the event of a disaster? Have redundancies been built into systems and processes? - Are relevant system architecture documents prepared

			and approved representing infrastructure, hardware and software components at the primary and DR sites?
9	**BUSINESS CONTROLS**		**BUSINESS CONTROLS**
9a	**BUSINESS CONTROLS**	**Master Controls (Investment management, Front Office, Middle Office, Back Office, Fund Accounting, Registrar & Transfer Agent)**	**Master Controls (Investment management, Front Office, Middle Office, Back Office, Fund Accounting and Registrar & Transfer Agent):** - Whether new schemes/ funds are created in the system through an automated maker checker mechanism and based on the Scheme Information Documentation (SID) and information received from authorized sources? - Whether new customer accounts are created and assigned schemes/ funds based on the agreement signed with the customers? - Whether access to create/ update/ delete any master data (Customer/ Scheme/ Securities/ Broker/ Subscriptions/ Redemptions etc.) is restricted only to the authorized individuals? - Whether changes to masters are performed through an automated maker checker mechanism? - Whether system has the capability to capture audit trails/ logs of all changes, updation, and activities performed? - Whether update of security prices is controlled and is updated only from authorized automated/ manual sources?
9b	**BUSINESS CONTROLS**	**Front Office and Back Office Operations**	**Front Office and Back Office Operations:** - Whether appropriate segregation of duties is maintained between users having access to front office and back office system? - Whether controls exist over data integrity and accuracy on integration between the front office and back office system? - Whether system does not allow cancellation of deal order once the deal is confirmed in the system? - Whether trade settlement process is performed by authorized personnel through an automated maker checker mechanism? - Whether system allocates trades to the schemes as per defined policy?
9c	**BUSINESS CONTROLS**	**Risk Management (Middle Office)**	**Risk Management (Middle Office):** - Whether a documented risk management policy exists defining deal, counterparty wise limits, securities, etc. and the same is approved by the BOD? - Whether hard limits (beyond which system does not allow booking) and soft limits (for which system provides warnings) have been configured in the system in line with the risk management policy? - Whether there are controls defined to monitor and generate alerts/ reports in case of breach of predefined SEBI and Compliance limits defined at scheme/ fund level? - Whether system monitors the adherence to predefined rights/ limits assigned to Fund Manager at scheme/ fund level? - Whether systemic checks are performed for prohibiting blacklisted securities if entered by Dealers

			for Trades? - Whether the system monitors adherence to broker limits defined? - Whether appropriate field level validations and mandatory checks are built in the system to identify and appropriate expenses to individual schemes? - Whether the system monitors adherence to guidelines specified in the Ninth Schedule of the Mutual Fund Regulations with respect to accounting policies? - Whether the system monitors adherence to policies related to documentation of rationale for valuation including inter-scheme transfers?
9d	**BUSINESS CONTROLS**	**Investor Servicing (Registrar & Transfer Agent)**	**Investor Servicing (Registrar & Transfer Agent):** - Whether automated maker checker controls have been implemented for processing subscription and redemption requests? - Whether appropriate field level validations and mandatory checks are built in the system during subscription and redemption? - Whether the system has the capability to maintain the record of all types of transactions executed on behalf of the investor for specific scheme/ investment? - Whether the system has appropriate controls on brokerage computation and payouts?
9e	**BUSINESS CONTROLS**	**Fund Accounting**	**Fund Accounting:** - Whether NAV calculations, if automated are accurately calculated? - Whether end of day reconciliations (cash recon, portfolio recon, pricing recon, etc.) are performed to ensure no deals are missed from reporting to the fund accountant for processing and complete data is processed for safekeeping? - Whether details of the expenses accrued by the client (Management fees, audit etc.) are updated appropriately and accurately and maker-checker control exists? - Whether income related transactions are updated in the system appropriately and accurately? - Whether corporate actions are applied accurately and completely? - Whether NAV is accurately computed by Fund Accountant and the same is released to client, press, R&TA AMFI appropriately?
9f	**BUSINESS CONTROLS**	**Reporting**	**Reporting:** - Does the organization have list of regulatory and standard operational reports? - Has organization implemented reasonable controls over report generation with respect to accuracy and completeness?
9g	**BUSINESS CONTROLS**	**Custody of mutual fund scheme assets (Custodian)**	**Custody of mutual fund scheme assets (Custodian):** - Whether automated maker checker controls have been implemented for processing of receipt and delivery of securities, collection of income, distribution of dividends and segregation of assets between schemes and settlements between schemes?

			-Whether appropriate field level validations and mandatory checks are built in the system for receipt and delivery of securities, collection of income, distribution of dividends and segregation of assets between schemes and settlements between schemes? - Whether the system has the capability to maintain the record of all types of transactions executed on behalf of the client for specific scheme/ investment? - Whether end of day reconciliations (cash recon, portfolio recon, pricing recon, etc.) are performed to ensure whether all securities have been gone to the correct schemes in time? - Whether the system monitors adherence to controls related to significant accounting and valuation policies? - Whether the system monitors adherence to compliance with SEBI guidelines and PMLA guidelines?

ANNEXURE 9: PRODUCT LABELLING IN MUTUAL FUND SCHEMES – RISK-o-METER[654]

Risk level of a scheme shall be evaluated using the following methodology:

1. The underlying securities of a scheme shall be assigned a value for each of the parameters based on which the risk-o-meter value will be calculated.

2. For the purpose of evaluation of risk level, AUM of the security forming part of the scheme portfolio shall be as on last day of the given month.

3. The evaluation of risk parameters are as detailed below:

i. Debt securities

a) Credit Risk

- Debt securities of schemes shall be valued for credit risk as follows:

TABLE 1	
Credit rating of the Instrument	**CREDIT RISK VALUE**
G-Sec/AAA/SDL/ TREPS	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Unrated	11
Below investment grade	12

- Based on the weighted average value of each instrument (weights based on the AUM), credit risk value of the portfolio shall be assigned.
- The price of debt instrument to be considered for calculating AUM shall include the accrued interest i.e. dirty price.

[654] SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020

- For the above purpose, credit rating of the instrument as on last day of the month shall be considered.

b) Interest Rate Risk

- Interest rate risk shall be valued using Macaulay Duration of the Portfolio:

TABLE 2	
Macaulay Duration of the portfolio (years)	**INTEREST RATE RISK VALUE**
≤ 0.5	1
> 0.5 to ≤ 1	2
> 1 to ≤ 2	3
> 2 to ≤ 3	4
> 3 to ≤ 4	5
> 4	6

- For the above purpose, Macaulay Duration of an instrument as on last day of the month shall be considered.

c) Liquidity Risk

- For measuring liquidity risk of the schemes, listing status, credit rating, structure of debt instruments is considered.
- Liquidity risk of the debt securities shall be valued as follows:

TABLE 3	
Instrument	**LIQUIDITY RISK VALUE**
TREPS/G-Sec/AAA rated PSU/SDLs	1
Listed AAA rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	2
Listed AA+ rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	3
Listed AA rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	4
Listed AA- rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	5
Listed A+ rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	6

TABLE 3	
Instrument	**LIQUIDITY RISK VALUE**
Listed A rated debt securities without bespoke structures/ structured obligations, 7credit enhancements or embedded options*	7
Listed A- rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	8
Listed BBB+ rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	9
Listed BBB rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	10
Listed BBB- rated debt securities without bespoke structures/ structured obligations, credit enhancements or embedded options*	11
AAA rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	3
AA + rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	4
AA rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	5
AA- rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	6
A+ rated debt securities with any one of the following features*-	7

TABLE 3	
Instrument	**LIQUIDITY RISK VALUE**
• unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	
A rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	8
A- rated debt securities with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	9
BBB+ rated debt securities within investment grade with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	10
BBB rated debt securities within investment grade with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	11
BBB- rated debt securities within investment grade with any one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	12
AAA rated debt securities with more than one of the following features*- • unlisted • bespoke structure	4

TABLE 3	
Instrument	**LIQUIDITY RISK VALUE**
• structured obligation • credit enhancement • embedded options	
AA + rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	5
AA rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	6
AA- rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	7
A+ rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	8
A rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	9
A- rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement	10

TABLE 3	
Instrument	**LIQUIDITY RISK VALUE**
• embedded options	
BBB+ rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	11
BBB rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	12
BBB- rated debt securities with more than one of the following features*- • unlisted • bespoke structure • structured obligation • credit enhancement • embedded options	13
Below investment grade and unrated debt securities	14
*Or any other structure / feature which increase the liquidity risk of the instrument.	

- Liquidity Risk Value of a portfolio shall be assigned based on the weighted average of such values (weights based on the AUM) of each instrument.
- For the above purpose, instruments held by the scheme as on last day of the month shall be considered.

d) Risk value for the debt portfolio shall be simple average of credit risk value, interest rate risk value and liquidity risk value. However, if the liquidity risk value is higher than the average of credit risk value, liquidity risk value and interest rate risk value then the value of liquidity risk shall be considered as risk value of the debt portfolio.

e) For investment by mutual funds in instruments having short term ratings, the liquidity risk value and the credit risk value shall be based on the lowest long term rating of the instrument of the same issuer as shown above (in order to follow conservative approach) across credit rating agencies. However, if there is no long term rating of the same issuer, then based on credit rating mapping most conservative long term rating shall be taken for a given short term rating.

ii. Equity

a) Market Capitalisation

- Following values shall be assigned to the security for market capitalisation parameter:

TABLE 4	
Market Cap of the underlying security	**MARKET CAPITALISATION VALUE**
Large cap	5
Mid cap	7
Small cap	9

- The market capitalisation data as published by AMFI on six-monthly basis shall be considered.
- Based on the weighted average of the above Market Capitalisation values of each security (weights being AUM of the security), Market Capitalisation Value of a portfolio shall be assigned.

b) Volatility

- Following values shall be assigned to the security based on its volatility:

TABLE 5	
Daily Volatility of the Security price (based on the past two years price of the security)	**VOLATILITY VALUE**
≤ 1%	5
> 1%	6

- Based on the weighted average of above volatility values of each security (weights being AUM of the security), Volatility Value of a portfolio shall be assigned.

  If an instrument is traded on multiple stock exchanges, then the most conservative volatility value across stock exchanges for a given month shall be considered.

c) Impact Cost (Liquidity Measure)

- Impact cost shall be considered as a measure for liquidity. Based on the average impact cost of the security for previous three months including the month under consideration following values shall be assigned:

TABLE 6	
Average Impact Cost of the Security for the month	**IMPACT COST VALUE**
≤ 1%	5
>1 % to ≤ 2%	7
> 2%	9

- Based on the weighted average of impact cost values of each security (weights being AUM of the security), impact cost value of a portfolio shall be assigned.
- If an instrument is traded on multiple stock exchanges, then the impact cost shall be based on average value of impact costs across stock exchanges for a given month.

d) For investment in IPOs or recently listed securities**,** the following process shall be adopted for arriving at weighted average value for Risk-o-meter:

- Market Capitalisation value: Market capitalisation of a security as on the last trading day of the month shall be compared with that of the market capitalisation of the threshold for large cap, mid cap and small cap as published by AMFI and then market capitalisation parameter of risk shall be valued based on the Table 4 mentioned above.

- Volatility value: For the first three months of trading of a security, the value for volatility shall be assigned as 6. From the subsequent months, volatility shall be calculated based on the available security prices as mentioned at Table 5 above.
- Impact cost value: For the first three months of trading of a security, the impact cost value shall be assigned as 5. From the subsequent month, impact cost value shall be as mentioned in Table 6 above.

e) Risk value for equity portfolio shall be simple average of market capitalisation value, volatility value and impact cost value.

iii. Equity Derivatives

- For hedging positions, the underlying security held and its corresponding derivative instrument shall not be included for arriving at risk value. For instance, if XYZ security in cash market is being hedged by its futures instrument, then the XYZ cash market security and short futures position in XYZ security both shall not be considered for arriving at risk value.
- If the quantity of derivative positions taken for hedging purposes are in excess of the underlying position against which the hedging position has been taken, the excess position shall be included while calculating the risk value.

iv. Index Futures and Stock Futures

- For index and stock futures, following values are to be assigned:

TABLE 7	
Value for Index / Stock futures	**INDEX / STOCK FUTURES VOLATILITY VALUE**
≤ NIFTY near month futures annualized volatility	5
> NIFTY near month futures annualized volatility	6

- Based on the weighted average of above values of each security (weights being AUM of the security), the risk value shall be assigned to the portfolio.

v. Index Options and Stock Options

- For index and stock options, following values are to be assigned:

TABLE 8	
Value for Index / Stock options	**INDEX / STOCK OPTIONS' IMPLIED VOLATILITY VALUE**
≤ India VIX	5
> India VIX	6

- Based on the weighted average of above values of each security (weights being AUM of the security), the risk value shall be assigned to the portfolio.

vi. Other derivative instruments

- If the derivative instrument is used for hedging, then the hedging instrument shall not be included for calculating the risk value only if the quantity of derivative instrument is less than or equal to the quantity of underlying/instrument being hedged. If the derivative instrument position is in excess of the underlying then the excess position shall be considered while calculating the risk value.
- If Interest rate swaps (IRS) are being used for hedging purpose, then IRS shall not be considered for arriving at the risk value.
- For investment in other derivative instruments, such instruments shall be valued as under:

TABLE 9	
Daily Volatility of the instrument	**VOLATILITY VALUE**
≤ 1%	5
>1%	6

- Volatility calculated above is based on daily close prices of past three months of the instrument.

- Based on the weighted average of above values of each security (weights being AUM of the security), the risk value shall be assigned to the portfolio.

vii. REITs & InvITs

- Investment by schemes in REITs and InvITs shall be valued as 7 from risk perspective.
- Based on the weighted average of each security (weights being AUM of the security), the risk value shall be assigned to the portfolio.

viii. Commodities (Gold/Silver) in which mutual funds are permitted to invest:[655]

- Investment in Gold/Silver and gold/silver related instruments by mutual fund schemes shall be assigned a risk score corresponding to the annualized volatility of the price of said commodity. The annualized volatility shall be computed quarterly based on past 15 years' prices of benchmark index of the said commodity and risk score for the commodity shall be in terms of the following table:

Annualized volatility	Risk value on risk-o-meter (Risk)
<10%	3 (Moderate)
10-15%	4 (Moderately High)
15-20%	5 (High)
>20%	6 (Very high)

Illustration: If price of gold has annualized volatility of 18% based on price of gold of past 15 years, then Gold and gold related instruments will have risk value of 5 (High) on risk-o-meter.

[655] SEBI Circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/49 dated April 11, 2022

ix. Foreign Securities

- Investment by schemes in foreign securities shall be valued as 7 from risk perspective.
- Based on the weighted average of each security (weights being AUM of the security), the risk value shall be assigned to the portfolio.

x. Mutual Fund Schemes:

- For schemes holding units of other mutual fund schemes, the following values shall be assigned basis the risk-o-meter of underlying schemes:

TABLE 10	
Risk as per risk-o-meter	**Value**
Low	1
Low to Moderate	2
Moderate	3
Moderately High	4
High	5
Very High	6

- The risk value for investment in overseas mutual fund units or ETFs shall be 7.
- Based on the weighted average of each mutual fund scheme held (weights being AUM of the scheme), the risk value shall be assigned to the portfolio.

xi. Cash and Net Current Assets:

- Cash and Net Current Assets, shall be valued as 1 from risk perspective.

4. **Risk-o-meter value**

- Based on the above calculations, the risk value arrived upon shall be mapped to the risk level mentioned in the table below and the same may be depicted in the risk-o-meter:

TABLE 11	
Risk Value	**RISK LEVEL AS PER RISK-O-METER**
≤ 1	Low
>1 to ≤ 2	Low to Moderate
>2 to ≤ 3	Moderate
>3 to ≤ 4	Moderately High
>4 to ≤ 5	High
>5	Very High

5. **Illustrations**:

In order to illustrate the above process, following are a few illustrations:

1. Debt scheme

- Consider a bond scheme category having 10 debt securities with following attributes:
    - At the portfolio level, the average Macaulay Duration is 1.41

TABLE 12			
Securities held by the scheme	**Weight as % of AUM**	**Credit rating**	**Structure**
A	10%	AAA - PSU	No additional feature/structure
B	10%	AA-	Unlisted and has structured obligation
C	10%	A	No additional feature/structure
D	10%	BBB+	No additional feature/structure
E	10%	AA	Has credit enhancement
F	10%	AA+	Is bespoke and unlisted
G	10%	A	No additional feature/structure
H	10%	AA	No additional feature/structure
I	10%	AAA	No additional feature/structure
J	10%	TREPS	-

DEBT- Security A to J

- Based on the above portfolio, following shall be parameter based valuing of securities held by the scheme:

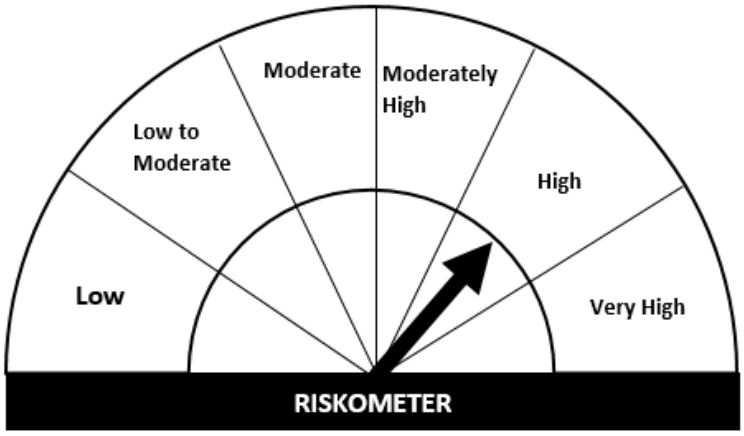
TABLE 13				
Securities held by the scheme	**Weight as % of AUM**	**Credit Risk value**	**Interest Rate Risk Value**	**Liquidity risk value**
A	10%	1		1
B	10%	4		7
C	10%	6		7
D	10%	8		9
E	10%	3		5
F	10%	2		5
G	10%	6		7
H	10%	3		4
I	10%	1		2
J	10%	1		1
TOTAL*		3.5	3	4.8

*Total is calculated as weighted average with weights based on AUM of the instrument in the scheme as under:

TABLE 14		
Parameter	**Average**	**Value**
Credit risk	0.1 X 1 + 0.1 X 4 + 0.1 X 6 + 0.1 X 8 + 0.1 X 3 + 0.1 X 2 + 0.1 X 6 + 0.1 X 3 + 0.1 X 1 + 0.1 X 1	3.5
IR Risk	1 x 3	3
LR value	0.1 X 1 + 0.1 X 7 + 0.1 X 7 + 0.1 X 9 + 0.1 X 5 + 0.1 X 5 + 0.1 X 7 + 0.1 X 4 + 0.1 X 2 + 0.1 x 1	4.8
Simple Average		3.8

PORTFOLIO RISK-O-METER VALUE:

- Simple average of the above three parameters comes out to 3.8 ([3.5+3+4.8]/3)
- Since the liquidity risk value of 4.8 is higher than the average value of above three parameters i.e. 3.8, the risk value assigned to the scheme will be 4.8. Hence, the risk level as per Risk-o-meter is High.
- Therefore, risk-o-meter for the abovementioned debt scheme would be **High,** and shall be as depicted below:



2. Equity scheme

- Consider an Equity scheme having 10 equity securities with following attributes:

TABLE 15				
Securities held by the scheme	**Weight as % of AUM**	**Market Cap**	**Volatility**	**Impact cost**
A	10%	Large Cap	0.01%	0.2%
B	10%	Large Cap	1.5%	0.3%
C	10%	Mid cap	2.5%	1.5%
D	10%	Mid cap	1.5%	1.2%
E	10%	Mid cap	2%	1.9%
F	10%	Mid cap	1.5%	1.2%
G	10%	Large Cap	0.005%	0.7%
H	10%	IPO	-	-
I	10%	Small Cap	1.7%	2.5%
J	10%	Cash	-	-

- Based on the above portfolio, following shall be the scoring of the securities held by the scheme across parameters:

EQUITY – Security A to I

TABLE 16				
Securities held by the scheme	**Weight as % of AUM**	**Market Cap Value**	**Volatility Value**	**Impact cost Value**
A	10%	5	5	5
B	10%	5	6	5
C	10%	7	6	7
D	10%	7	6	7
E	10%	7	6	7
F	10%	7	6	7
G	10%	5	5	5
H*	10%	7	6	5
I	10%	9	6	9
TOTAL	**90%**	**6.6**	**5.8**	**6.3**

* Assuming the market cap of the security at the time of listing is falling under Mid cap as per the market cap data published by AMFI, a value of 7 is considered. Volatility value and Impact cost value are considered as 6 and 5 respectively.

- The TOTAL mentioned above is calculated as under:

TABLE 17		
Parameter	**Average**	**Value**
Market Cap	0.1 X 5 + 0.1 X 5 + 0.1 X 7 + 0.1 X 7 + 0.1 X 7 + 0.1 X 7 + 0.1 X 5 + 0.1 X 7 + 0.1 X 9	6.6
Volatility Value	0.1 X 5 + 0.1 X 6 + 0.1 X 6 + 0.1 X 6 + 0.1 X 6 + 0.1 X 6 + 0.1 X 5 + 0.1 X 6 + 0.1 X 6	5.8
Impact cost value	0.1 X 5 + 0.1 X 5 + 0.1 X 7 + 0.1 X 7 + 0.1 X 7 + 0.1 X 7 + 0.1 X 5 + 0.1 X 5 + 0.1 X 9	6.3
Simple Average		6.2

- Simple average of the above three parameters comes out to 6.2 [(6.6+5.8+6.3)/3]

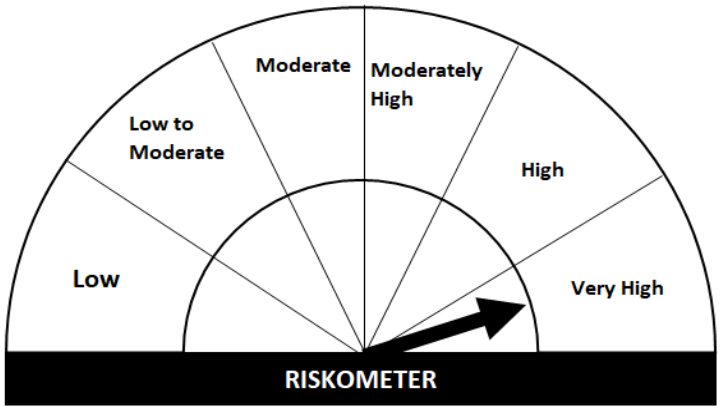
CASH – Component J

- Further, cash component is valued as 1.

PORTFOLIO RISK-O-METER VALUE:

- Hence, the average for the total portfolio is 6.2 + 0.1 x 1 = 6.3

- Since the value of risk is higher than 5, it shall fall into range of Very High Risk.
- Therefore, risk-o-meter for the abovementioned equity scheme would be **Very High,** and shall be as depicted below:



3. Multi asset scheme:

- Consider a Multi Asset category scheme having 10 securities with following attributes:

TABLE 18					
Type of security	**Securities held by the scheme**	**Weight as % of AUM**	**Market Cap**	**Volatility**	**Impact cost**
Equity	A	20%	Large Cap	0.01%	0.2%
Equity	B	10%	Large Cap	1.5%	0.3%
Equity	C	10%	Mid cap	2.5%	1.5%
Type of security	**Securities held by the scheme**	**Weight as a % of AUM**	**Credit rating**	**Macaulay Duration**	**Structure**
Debt	D	10%	A	2.6	No additional feature/structure
Debt	E	10%	AA	2.1	No additional feature/structure
Debt	F	10%	AAA	2.8	No additional

TABLE 18					
					feature/structure
TREPS	G	10%	-	-	-
Gold ETF	H	10%	-	-	-
REITS	I	10%	-	-	-
Interest rate swap (IRS)	J	-20%			

- As interest rate swap instrument was used for hedging, it is not included while calculating the risk value.
- Macaulay Duration of debt scheme portfolio (D, E & F) is 2.5 years
- Based on the above portfolio, following shall be the valuing of the securities held by the scheme across parameters:

TABLE 19				
Securities held by the scheme	**Weight as % of AUM**	**Market Cap Value**	**Volatility Value**	**Impact cost Value**
A	20%	5	5	5
B	10%	5	6	5
C	10%	7	6	7
Securities held by the scheme	**Weight as a % of AUM**	**Credit Risk value**	**Interest rate risk value**	**Liquidity risk value**
D	10%	6		7
E	10%	3		4
F	10%	1		2
G	10%	1		1

EQUITY- Security A, B and C

TABLE 20				
Securities held by the scheme	**Weight as % of AUM**	**Market Cap Value**	**Volatility Value**	**Impact cost Value**
A	20%	5	5	5
B	10%	5	6	5
C	10%	7	6	7

TABLE 21		
Parameter	**Average**	**Value**
Market Cap	0.2 X 5 + 0.1 X 5 + 0.1 X 7	2.2
Volatility Value	0.2 X 5 + 0.1 X 6 + 0.1 X 6	2.2
Impact cost value	0.2 X 5 + 0.1 X 5 + 0.1 X 7	2.2
Simple Average		2.2

DEBT- Security D, E, F and G

TABLE 22				
Securities held by the scheme	**Weight as a % of AUM**	**Credit Risk value**	**Interest rate risk value**	**Liquidity risk value**
D	10%	6		7
E	10%	3		4
F	10%	1		2
G	10%	1		1

TABLE 23		
Parameter	**Average**	**Value**
Credit risk	0.1 X 6 + 0.1 X 3 + 0.1 X 1 + 0.1 X 1	1.1
IR Risk	0.4 x 4	1.6
LR value	0.1 X 7 + 0.1 X 4 + 0.1 X 2 + 0.1 X 1	1.4
Simple Average		1.37

- For debt component, Simple average of the three parameters comes out to 1.37.
- Since the liquidity risk value of 1.4 is higher than the average value of above three parameters i.e. 1.37, the risk value assigned to the scheme will be 1.4.

GOLD and REITS - H and I

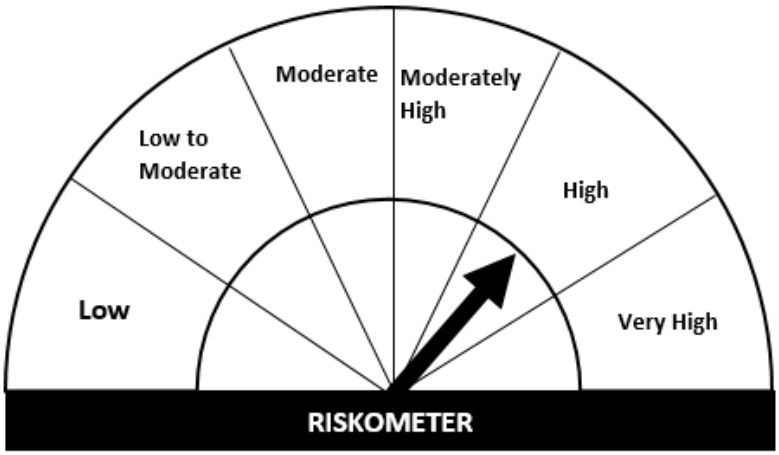
TABLE 24			
Securities held by the scheme	**Weight as a % of AUM**	**Risk Value**	**Value**
H	10%	4	0.4
I	10%	7	0.7

PORTFOLIO RISK-O-METER VALUE:

- The final weighted average risk value for the portfolio is as under:

  2.2 + 1.4 + 0.4 + 0.7 = 4.7

- Since the value of risk is higher than 4, it shall fall into range of High Risk.
- Therefore, risk-o-meter for the abovementioned scheme would be **High**, and shall be as depicted below.



ANNEXURE 10: STEWARDSHIP CODE FOR ALL MUTUAL FUNDS IN RELATION TO THEIR INVESTMENT IN LISTED EQUITIES[656]

- **Principle 1**

  Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

  Guidance

  Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

  Every institutional investor should formulate a comprehensive policy on how it intends to fulfill the aforesaid stewardship responsibilities and disclose it publicly. In case any of the activities are outsourced, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised properly and diligently.

  The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the entity's website. A training policy for personnel involved on implementation of the principles is crucial and may form a part of the policy.

[656] SEBI Circular no. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019

- **Principle 2**

  Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Guidance

As a part of the aforesaid comprehensive policy, institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

The conflict of interest policy formulated shall, among other aspects, address the following:

1. Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being associates of the entity.
2. Procedures put in place by the entity in case such conflict of interest situations arise which may, *inter alia,* include:
    a. Blanket bans on investments in certain cases
    b. Having a *'Conflict of Interest'* Committee to which such matters may be referred to.
    c. Clear segregation of voting function and client relations/ sales functions.
    d. Policy for persons to recuse from decision making in case of the person having any actual/ potential conflict of interest in the transaction.
    e. Maintenance of records of minutes of decisions taken to address such conflicts.
3. Periodical review and update of such policy and public disclosure.

- **Principle 3**

  Institutional investors should monitor their investee companies.

Guidance

As a part of the aforesaid comprehensive policy, institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important which shall include performance of the companies, corporate governance, strategy, risks etc.

The investors should identify the levels of monitoring for different investee companies, areas for monitoring, mechanism for monitoring etc. The investors may also specifically identify situations where they do not wish to be actively involved with the investee companies e.g. in case of small investments.

The investors should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring.

Accordingly, the institutional investors shall formulate a policy on monitoring specifying, *inter-alia,* the following:

1. Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis-à-vis companies where amount invested in insignificant from the point of view of its assets under management.

2. Areas of monitoring which shall, inter-alia, include:
    a. Company strategy and performance - operational, financial etc.
    b. Industry-level monitoring and possible impact on the investee companies.
    c. Quality of company management, board, leadership etc.

d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.

e. Risks, including Environmental, Social and Governance (ESG) risks

f. Shareholder rights, their grievances etc.

3. Identification of situations which may trigger communication of insider information and the procedures adopted to ensure insider trading regulations are complied with in such cases.

- **Principle 4**

Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

Guidance

Institutional investors should have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention. The policy should also involve regular assessment of the outcomes of such intervention. Intervention should be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.

Circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation

thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc. Various levels of intervention and circumstances in which escalation is required may be identified and disclosed. This may also include interaction with the companies through institutional investor associations (E.g. AMFI). A committee may also be formed to consider which mechanism to be opted, escalation of matters, etc. in specific cases.

- **Principle 5**

  Institutional investors should have a clear policy on voting and disclosure of voting activity.

  Guidance

  To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the investee companies, it is critical that the institutional investors take their own voting decisions in the investee company after in-depth analysis rather than blindly supporting the management decisions.

  This requires a comprehensive voting policy to be framed by the institutional investors including details of mechanisms of voting, circumstances in which voting should be for/against/abstain, disclosure of voting, etc. The voting policy, voting decisions (including rationale for decision), use of proxy voting/voting advisory services, etc. should be publicly disclosed.

  The voting policy shall, *inter-alia,* include the following:

  1. Mechanisms to be used for voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)

  2. Internal mechanisms for voting including:
     a. Guidelines on how to assess the proposals and take decision thereon

b. Guidelines on how to vote on certain specific matters/ circumstances including list of such possible matters/circumstances and factors to be considered for a decision to vote for/ against/ abstain

c. Formulation of oversight committee as an escalation mechanism in certain cases

d. Use of proxy advisors

e. Policy for conflict of interest issues in the context of voting

3. Disclosure of voting including:

a. Periodicity of disclosure

b. Details of actual voting for every proposed resolution in investee companies i.e. *For, Against or Abstain*

c. Rationale for voting

d. Manner of disclosure – e.g. in annual report to investors, quarterly basis on website etc.

4. In case of use of proxy voting or other voting advisory services, disclosures on:

a. Scope of such services

b. Details of service providers

c. Extent to which the investors rely upon/use recommendations made by such services

- **Principle 6**

Institutional investors should report periodically on their stewardship activities.

Guidance

Institutional investors shall report to their clients/ beneficiaries periodically on how they have fulfilled their stewardship responsibilities as per their policy in an easy-to-understand format.

However, it may be noted that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the institutional investor to sell a holding when it is in the best interest of clients or beneficiaries.

Institutional investors shall report periodically on their stewardship activities in the following manner:

1. A report may be placed on website on implementation of every principle. Different principles may also be disclosed with different periodicities. E.g. Voting may be disclosed on quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis. Any updation of policy may be disclosed as and when done.
2. The report may also be sent as a part of annual intimation to its clients/ beneficiaries.

ANNEXURE 11: DECLARATION FORM FOR OPTING OUT OF NOMINATION[657]

To, Mutual Fund/ AMC's Name Mutual Fund/ AMC's Address	**Date:** D D D M M Y Y Y Y
Mutual Fund Folio Number	
Sole/First Holder Name	
Second Holder Name	
Third Holder Name	
I/We hereby confirm that I/We do not wish to appoint any nominee(s) for any mutual fund units held in my/ our mutual fund folio and understand the issues involved in non-appointment of nominee(s) and further are aware that in case of death of all the account holder(s), my/our legal heirs would need to submit all the requisite documents issued by Court or other such competent authority, based on the value of assets held in the mutual fund folio.	
Name and Signature of Unitholder(s) Unitholder (1) Signature: _____ Name: _____ Unitholder (2) Signature: _____ Name: _____ Unitholder (3) Signature: _____ Name: _____	

[657] SEBI Circular no. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated June 15, 2022

ANNEXURE 12: GUIDELINES REGARDING THE MARKET MAKING FRAMEWORK[658]

1. Market Making in ETFs

The following broad points shall be considered while designing the market making framework in ETFs:

1.1. Obligations of AMC: Obligations shall, *inter-alia*, include:

1.1.1. AMCs to enter into agreement with at least two Market Makers (MMs) for each ETF.

1.1.2. AMCs may select MMs based on various criteria including experience in the capital market, capital adequacy, net worth, infrastructure, volume of business, etc.

1.2. Obligations and responsibilities of a Market Maker: Obligations shall, inter-alia, include:

1.2.1. **Quote:** MM shall be mandated to provide a two-way quote during such minimum time frame for which the MM may be required to make market. MM shall guarantee execution of orders at quoted price and quantity for quotes given by it.

1.2.2. **Minimum timeframe:** The minimum time frame for which the MM is required to make the market shall be 75% of the time during market hours of a trading day. Further, MM shall also be mandated to be present in the Best Buy/Sell order/quote for e.g. top 5 buy/sell order/quote.

1.3. Information to be collected from Stock Exchanges: AMCs to collect the following information from SEs on daily basis:

[658] SEBI Circular No. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022

1.3.1. Total quantity traded by the MM in a particular ETF and its % trade to total quantity traded in the market of that ETF.

1.3.2. Minimum, Maximum and Median prices at which the MM has executed the trades.

1.3.3. Minimum, Maximum and Median spread at which the MM has provided the quotes.

1.4. Compensation of MM: The issue of compensation is to be decided between the AMC and the MM. It may have recourse to factors such as trading volume, bid-ask spread in units of ETFs, and such other information as may be required to formalize performance based incentive structure.

ANNEXURE 13: ANNEXURES TO CHAPTER 16B[659]

Annexure-13A

Minimum disclosure requirements for every scheme of Mutual Funds offered for execution on the EOP:

1. Name of the Mutual Fund. Link to Mutual Fund website whose products are offered.
2. Name of the scheme of the Mutual Fund. Type and category of the scheme of Mutual Fund.
3. Name of the Fund Manager.
4. Investment objective of scheme.
5. Scheme performance along with source.
6. Scheme details such as minimum investment, AUM, NAV, Exit Load, Expense Ratio.
7. Risk-o-Meter of the scheme and Potential Risk Matrix, wherever applicable.
8. Other mandatory disclosures regarding Mutual Fund scheme to the investors.
9. Any other details / documents as may be specified by SEBI from time to time.

[659] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/86 dated July 13, 2023

Annexure – 13B

The Category 2 EOP shall keep and maintain the following books of account, records and documents, namely: —

a) Details of investor wise transactions, including time of request for subscription and redemption.
b) Details of failed transactions, if any and the reasons thereof.
c) Documents pertaining to on-boarding of clients including KYC documents, client account opening forms and Rights and Obligation documents.

ANNEXURE 14: DETAILS OF STRATEGIES[660]

1. Exclusion

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.

2. 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.

3. 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.

4. 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

[660] Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/125 dated July 20, 2023

environmental or social issues. The fund should seek a non-financial (real world) impact and evaluate if that impact is being measured and monitored.

5. **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.

6. **Transition or transition related investments**

   Aim to invest in companies and issuers that support/facilitate environmental transition and just transition. The investment should generate a positive and measurable social and environmental transition.

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ANNEXURE 15: UNIT HOLDER PROTECTION COMMITTEE (UHPC)[661]

1. Membership / constitution:

a) The Chairperson of the Committee shall be an independent director.

b) The UHPC of AMC shall have minimum three directors as members.

c) At least two-third members of the UHPC shall be independent directors of AMC. If two-third of the total strength results into fraction, then higher number after rounding up shall be considered.

d) The members of the UHPC will be appointed by the board of directors of AMC.

e) The UHPC shall invite expert / representative of unit holders as an invitee for matters as it may deem fit necessary.

2. Meetings:

a) The Chairperson of the UHPC shall call the meeting as and when required. However, at least four meetings shall be held in a financial year.

b) The quorum for meeting shall either be two members or one third of the members of the UHPC, whichever is greater, with at least two independent directors.

c) If one-third of the total strength results into fraction, then higher number after rounding up shall be considered for the quorum.

3. Reporting:

a) The AMC shall present agenda of the UHPC to its members. This shall also include reports on findings / observations w.r.t matters relating to protection of unit holders' interest, arising from audits / reviews etc. undertaken by the AMC, Internal Auditors etc.

b) The UHPC of AMC shall brief board of directors of the AMC on the proceedings of the meeting. Further, minutes of the meeting of the UHPC shall also be placed before the board of directors of Trustee Company.

4. Powers and responsibilities

4.1 Unit holder complaints and redressal

[661] SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/117 dated July 07, 2023

a) Review of unit holder complaints and grievances with ageing of outstanding complaints on a periodical basis

b) Review of complaints / grievances handling mechanism including reported instances of mis-selling and frauds, if any. Analyse the root cause of investor complaints, identify market conduct, issues and advise the management appropriately about rectifying systemic issues, if any.

c) Review measures and steps taken to reduce unit holder complaints

4.2 Investor education and awareness

a) Recommendation of policy on utilisation of investor education and awareness funds

b) Review of various investor education and awareness steps taken by the AMC in-cluding effective utilisation of investor education and awareness funds on period-ic basis

4.3 Regulatory and other functions

a) Ensure that the AMC adopts a standard operating procedure for its processes including timeframe for processing and confirmation of financial and non-financial transactions, treats unit holders fairly and equally and there is no pref-erential treatment given to different classes of investors.

b) Ensure compliances with applicable laws with respect to resolving, reporting and disclosures of complaints and grievances

c) Review of unclaimed amounts of dividend and redemptions and measures taken by AMC to reduce the quantum of such unclaimed amounts.

d) Review of measures taken by AMC for exit options, voting and obtaining consents as prescribed under the MF Regulations.

e) Review of transfer, transmission, and nomination process.

f) Review of adherence to service standards adopted with respected to various services adopted by the AMC being rendered by the RTA.

g) Review of measures taken for ensuring timely receipt of dividend and redemption proceeds, annual reports, and other regulatory communications/disclosures.

h) Ensure timeliness and adequacy of disclosures of material information to the in-vestors.

i) Review other activities carried out by the AMC (under Regulation 24 (b) of MF Regulations and its impact on the unit holders of Mutual Fund.

j) Ensure that all conflicts are adequately managed and/or disclosed as per the conflict-of-interest policy.

k) Review of all investors/scheme compensation to ensure they are fair and appropriate.

l) Review instances of market abuse by employees of AMC.

4.4 Review of Unitholder Protection (UP) metrics

a) Ensure that the AMC has approved internal policy for measurement of various parameters (such as cases of investor compensation, investor complaints, fraud incidents impacting any investor/ scheme, consistent underperformance of any scheme, number of incidents where the agreed Turn Around Time (TAT) has exceeded with respect to investor related transactions such as redemptions/ redressal of investor complaints/ non-financial transactions, etc., system issues/ incidents/ BCP events impacting investors, data privacy / cyber security incidents impacting investors) through appropriate UP metrics. The UP metrics should be approved by the Committee, along with the targeted level / benchmark for each parameter, where possible.

b) Put in place a mechanism for reporting of the UP metrics to the Committee.

c) Review the reports generated with respect to the UP metrics at least once in a half year.

ANNEXURE 16A: APPROACH TO PURCHASE PRICING[662]

Approach to purchase pricing:

1. While it may not be possible to pre-empt the events and scenarios prevailing at the point of time when purchase of securities is being undertaken by CDMDF, the investment policy may provide for following indicative factors for determining purchase price of corporate debt securities:
   1.1. Valuation policies prescribed for Mutual Funds (based on the principles of fair valuation).
   1.2. Previous day's valuation of securities by valuation agencies before the date of Purchase.
   1.3. Average 10 days valuation prior to start of market dislocation.
   1.4. Mark-up in yield over previous day may be limited to arrive at floor price. For eg: it may be 25/50/75 bps over AAA/AA/Below AA securities respectively.
   1.5. Consideration of Spread over benchmark/ spread over sovereign yields.
   1.6. Qualitative factors that may have bearing on arriving at fair price.

2. The investment policy shall be duly approved & reviewed periodically by the Board of Trustee, Investment Committee & Governance Committee. CDMDF shall adhere to investment framework laid down in the investment policy & the fund documents.

3. However, in case the Investment Manager is at variance from the aforesaid factors, they may, after recording reasons in writing and approval from Investment Committee, take such price as deemed fit with an objective of achieving the fair pricing (adjusted for liquidity risk, interest rate risk and credit risk). Such instances shall be apprised to Governance Committee and Board of Trustees on a regular basis.

4. Investment framework of CDMDF:
   4.1. CDMDF would buy securities from secondary market of only investment grade, listed and having residual maturity of upto 5 years.
   4.2. CDMDF shall not buy any unlisted, below investment grade or defaulted debt securities or securities in respect of which there is a material

[662] Inserted by SEBI Circular No. SEBI/HO/IMD/POD2/P/CIR/2023/128 dated July 27, 2023

possibility of default or adverse credit news or views. The rationale for the same shall be documented.

4.3. Purchase of securities to be done as per the above fair pricing guidelines to be adjusted if considered appropriate by the IM for liquidity risk, interest rate risk, and credit risk. Buying/trading to be at fair price but not at distress price.

4.4. Selling at breakeven/profit as market stabilize, to reduce borrowing as soon as possible.

4.5. Valuation of portfolio shall be governed by existing norms on valuation under the Mutual Fund regulatory framework.

ANNEXURE 16B: LOSS WATERFALL ACCOUNTING FOR CDMDF[663]

Based on deliberations with Mutual Fund industry, the following shall be the approach for reflection of waterfall in the NAV of units of CDMDF

A. There shall be three classes of units to be allotted by CDMDF, which shall be as follows:
    1. Class A1 and Class B units shall be allotted to AMCs and Sponsor/IM respectively (against one time contribution of 0.02% of AUM of specified debt schemes and Sponsor/IM commitment). Class A1 units and Class B units are treated at par and referred as Class A1 units only.
    2. Class A2 units shall be allotted to specified debt schemes (contributing 0.25% of AUM of specified debt schemes)
    3. Class A3 units shall be allotted to Mutual Fund schemes selling debt securities to the Fund (where 10% of the consideration is in the form of units of CDMDF, called A3 units)

B. Daily NAV should reflect the fair value of each unit class including the effect of differential treatment of A3 unit class. The loss waterfall based on CDMDF Framework is as follows:

Level of loss absorption	**Particulars**	**Hereinafter referred as**
1st	Up to 10% by MF schemes selling debt securities to the Fund (i.e., equivalent to the units outstanding of the selling MF schemes issued to them against sale of securities to CDMDF)	Class A3 units
2nd	Contribution of specified debt oriented MF Schemes and AMCs	Class A1 and A2 units
3rd	Government Guarantee	NA

C. The following process shall be followed:

[663] Inserted by SEBI Circular No. SEBI/HO/IMD/POD2/P/CIR/2023/128 dated July 27, 2023

1. All profits/losses/income/gains/expenses to be apportioned to A1 and A2 unit class in ratio of their AUM during the normal times.
2. A3 units to be allotted at the same NAV as that of A1 & A2 at the time of opening of market dislocation.
3. All profits/losses/income/gains/expenses (including cost of leverage) to be apportioned to all the 3 class of units during the market dislocation and subsequently till A3 units exits (i.e A1/A2/A3), except that the NAV of A1 and A2 should not drop below their opening NAV (opening NAV at the time of market dislocation). Since A1 and A2 units are to be protected at their opening NAV to that extent the excess/unabsorbed loss/expense would be debited to only A3 unit class. This would mean the NAV of A3 units could drop below the NAV of A1&A2
4. Any subsequent profits/gains/income will be first credited to the A3 unit class to an extent that they come back at par with A1 & A2 NAV, and then the balance to be apportioned to all the three unit class.
5. A3 units will not get any exit till there is an outstanding portfolio from market dislocation and leverage is completely paid.
6. Any subsequent allotment of A3 units would be at the same NAV as that of the existing A3 units (if they exist), otherwise at opening NAV of A1 and A2. There will be only one class/bucket of A3 units irrespective of whether they were issued in subsequent tranche of purchase during a particular phase of market dislocation or were issued during another phase of market dislocation. Therefore any adjustment for loss/expense will be carried out to the entire bucket o A3 units irrespective of when they were allotted.
7. There will not be any segregation of portfolio linking to different phase or tranches of purchase during the market dislocation, entire portfolio will be one common pool, both during the normal times or during the market dislocation including if there is any security that exist from normal times and is continued during the market dislocation
8. The accounting of A3 and certain adjustments of NAV may require manual workings by the fund accountant and will not be completely system driven. Such manual workings can be subject to second check by the concurrent auditor.

D. The above is as per various scenarios that have been envisaged currently. There may be a need that may arise with some other scenarios emerging and the same would be dealt with appropriately through relevant committee.

Loss Waterfall accounting for CDMDF

Allocation Mechanism				Investment				
INR	**A1**	**A2**	**A3**	**Total**	**GSEC/CBLO**	**MD-INVT A3**	**Situation**	**System**
Subscription	1,000	1,000	-	2,000				
Face value	10.00	10.00	-					
Number of units	100	100	-					
Part A								
Scenario - 1				**2,000**	**2,010**		**Investment in Government Securities and T-Bills**	**System driven calculation**
MTM Gain	5	5	-	10			MTM Gain is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.05	10.05	-					
NAV of the Corpus	**1,005**	**1,005**	**-**	**2,010**				
Scenario - 2					**2,002**		**Investment in Government Securities and T-Bills**	**System driven calculation**
MTM Loss	-4	-4	-	-8			MTM loss is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.01	10.01	-					
NAV of the corpus	**1,001**	**1,001**	**-**	**2,002**				
Scenario - 3					**2,006**		**Investment in Government Securities and T-Bills**	**System driven calculation**
Realised gain	2	2	-	4			Gain is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.03	10.03	-					
NAV of the Corpus	**1,003**	**1,003**	**-**	**2,006**				
Scenario - 4					**2,004**		**Investment in Government Securities and T-Bills**	**System driven calculation**
Realised loss	-1	-1	-	-2			loss is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.02	10.02	-					
NAV of the corpus	**1,002**	**1,002**	**-**	**2,004**				
Scenario - 5					**204**	**2,000**	**Market Dislocation triggered**	**System driven calculation**
Opening NAV of the Corpus	1,002	1,002	-	2,004				
Number of opening units	100	100	-					
Opening NAV of the unit	10.02	10.02	-					
Additional Capital	-	-	200	200				
NAV at the which the units to be allotted	10.02	10.02	10.02				A3 NAV assumed to be same as A1 and A2 while allotting the units. A1 and A2 NAV will be the opening NAV for the market dislocation trigger	
Number of additional units	-	-	19.96					
Total corpus (NAV)	**1,002**	**1,002**	**200**	**2,204**				
Part B								
Scenario - 6					**214**	**2,000**	**MTM profit**	**system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive**
MTM Gain	4.5	4.5	0.9	10			MTM gain gets apportioned to all the unit class	
NAV of the unit	10.07	10.07	10.07					
NAV of the Corpus	**1,007**	**1,007**	**201**	**2,214**				

Scenario - 7					**206**	**2,000**	**MTM Loss**	**system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive**
MTM Loss	-3.6	-3.6	-0.7	-8			MTM gain gets apportioned to all the unit class, however the NAV of A1 and A2 should not drop below opening NAV of 10.02	
NAV of the unit	10.03	10.03	10.03					
NAV of the corpus	**1,003**	**1,003**	**200**	**2,206**				

Scenario - 8					**710**	**1,500**	**Realised Gain**	**system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive**
Realised gain	1.8	1.8	0.4	4			Realised gain gets apportioned to all the unit class	
NAV of the unit	10.05	10.05	10.05					
NAV of the Corpus	**1,005**	**1,005**	**201**	**2,210**				

Scenario - 9					**908**	**1,300**		
Realised loss	-0.9	-0.9	-0.2	-2			**Realised Loss**	system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive
NAV of the unit	10.04	10.04	10.04					
NAV of the corpus	**1,004**	**1,004**	**200**	**2,208**			**Realised Loss gets apportioned to all the unit class**	

Scenario - 10					**888**	**1,300**	**Significant MTM loss**	**Manual working and intervention required**
MTM loss	-9.1	-9.1	-1.8	-20				
NAV of the unit	9.95	9.95	9.95				with the loss getting apportioned to all the 3 unit classes, the NAV of A1 and A2 is falling below their opening NAV of 10.020	
NAV of the corpus	**995**	**995**	**199**	**2,188**				

Manual working and adjustment to be carried out					**888**	**1,300**		
Current NAV of units	**10.04**	**10.04**						
Less: Protection to opening NAV	10.02	10.02						
Surplus to absorb the w/off	0.02	0.02						
Number of units	100	100						
Loss to be absorbed by A1 and A2	**1.82**	**1.82**		**3.64**				
NAV post the loss absorption	10.02	10.02					which is same as the opening NAV	
Unabsorbed loss entirely to A3			-16.36	-16.36				
Corpus NAV of A3 units post absorbing the waterfall loss			184					
A3 class unit NAV post absorbing the waterfall loss			9.22				Now A3 unit NAV drops below the NAV of A1 and A2. this is manual adjustment to be done in the system where there should be transfer of value between the unit class based on such workings	
Closing corpus(NAV)	**1,002**	**1,002**	**184**	**2,188**				

Scenario - 11					**1,858**	**300**	**Significant cash loss (realised loss)**	**Manual working and intervention required**
Cash loss	-13.7	-13.7	-2.5	-30				
NAV of the unit	9.88	9.88	9.09				with the loss getting apportioned to all the 3 unit classes, the NAV of A1 and A2 is falling below their opening NAV of 10.020	
NAV of the corpus	**988**	**988**	**181**	**2,158**				

Manual working and adjustment to be carried out								
Current NAV of units	**10.02**	**10.02**						
Less: Protection to opening NAV	10.02	10.02						
Surplus to absorb the w.off	-	-						
Number of units	100	100						
Loss to be absorbed by A1 and A2	**-**	**-**		**-**				
NAV post the loss absorption	10.02	10.02					which is same as the opening NAV	
Unabsorbed loss entirely to A3			-30	-30				
Corpus NAV of A3 units post absorbing the waterfall loss			154					
A3 class unit NAV post absorbing the waterfall loss			7.72				Now A3 unit NAV drops below the NAV of A1 and A2. this is manual adjustment to be done in the system where there should be transfer of value between the unit class based on such workings	
Closing corpus(NAV)	**1,002**	**1,002**	**154**	**2,158**				

Scenario -12					1,038	1,300	Additional Security of Rs 1000 purchased and A3 units issued for 10% & MTM Gain of 80	Manual working and intervention required
Current NAV of units	10.02	10.02	7.72					
Number of units	100	100	19.96					
Additional units			12.96					
Additional Capital	-	-	100	100				
Shortfall in A3 NAV Corpus			2.30					
Cash profit to be first adjusted to bridge the shortfall			75.87	80				
Corpus NAV post bridging the gap	**1,002.00**	**1,002.00**	**329.87**	**2,333.87**				
Balance Cash profit to be distributed				4.13				
Distribution of balance profits	1.77	1.77	0.58	4.13				
Closing corpus NAV	1,003.77	1,003.77	330.45	2,338				
Number of units	100	100	32.92					
NAV per unit	**10.04**	**10.04**	**10.04**					

Scenario -13					1,313	1,000	A3 portfolio sold of Rs 300 at Realised loss of Rs 40 & MTM of Rs 15	Manual working and intervention required
MTM Gain	-	-	-	15				
Cash Loss				-40				
Current NAV of units	10.04	10.04	10.04					
Less: Protection to opening NAV	10.02	10.02						
Surplus to absorb the w/off	0.02	0.02						
Number of units	100	100						
Loss to be absorbed by A1 and A2	**-1.77**	**-1.77**		**-3.55**				
NAV post the loss absorption	10.02	10.02						
Unabsorbed loss entirely to A3			-21.45	-21.45				
A3 class unit NAV post absorbing the waterfall loss			9.39					
NAV of all unit holders post loss allocation	10.02	10.02	9.39					
Number of units across unit holders	100.00	100.00	32.92	232.92				
Corpus NAV post bridging the gap	**1,002**	**1,002**	**309**	**2,313**				

-

Scenario -14					1,343	1,000	MTM gain gets apportioned to A3 until the Opening NAV and then to all remaining unit holders	Manual working and intervention required
MTM Gain				30				
NAV of the unit	10.02	10.02	9.39					
Shortfall in A3 (2)NAV Corpus			0.63					
Cash profit to be first adjusted to bridge the shortfall			20.87					
Corpus NAV post bridging the gap	**1,002.00**	**1,002.00**	**329.87**	**2,334**				
Balance Cash profit to be distributed				9.13				
Distribution of balance profits	3.92	3.92	1.29	9.13			Post gains apportioned to A3 balance MTM gain gets apportioned to all the unit class	
Corpus AUM post bridging the gap	1,005.92	1,005.92	331.16	**2,343**				
Units Held by unit holders	100.00	100.00	32.92					
NAV after distribution	**10.06**	**10.06**	**10.06**					

Notes:

1. Post achieving parity in NAV again the normal accounting would start

FORMATS

Placed below are the formats prescribed by SEBI, standardizing disclosure by the AMC to unitholders as well as reporting to SEBI. Please note that, as a compliance of SEBI Regulations is a continuous process, you are advised to incorporate the modifications/additions under the relevant sections of the format, based on amendments to the Regulations/guidelines issued in the future from time to time.

INDEX OF FORMATS

1. FORMAT OF BIO DATA 592

A. BIO-DATA OF DIRECTOR OF AMC/ TRUSTEE COMPANY 592

B. BIO-DATA OF KEY PERSONNEL 596

2. REPORTS 599

A. NEW SCHEME REPORT 599

B. COMPLIANCE TEST REPORT 603

C. HALF-YEARLY TRUSTEE REPORT 627

D. MONTHLY CUMULATIVE REPORT 634

E. ANNUAL STATISTICAL REPORT (ASR) 639

F. DAILY TRANSACTION REPORT 640

G. REPORT TO TRUSTEES BY AMC 643

H. TREATMENT OF CORPORATE ACTIONS 656

I. FORMAT FOR OVERSEAS INVESTMENTS REPORT 657

3. FINANCIALS 659

A. HALF YEARLY FINANCIAL RESULTS FOR THE YEAR ENDED 659

B. ABRIDGED SCHEME-WISE ANNUAL REPORT FORMAT 663

C. MONTHLY PORTFOLIO DISCLOSURE AND HALF YEARLY PORTFOLIO DISCLOSURES 672

D. DISCLOSURE OF MONTHLY AAUM 679

E. FORMATS FOR FINANCIAL STATEMENTS OF THE MUTUAL FUND SCHEMES AS PER INDIAN ACCOUNTING STANDARDS (IND AS) 681

F. INDICATIVE FORMAT OF HALF-YEARLY CONSOLIDATED ACCOUNT STATEMENT 698

4. APPLICATION FOR OVERSEAS INVESTMENTS 699

5. STANDARD OFFER DOCUMENTS 701

A. SCHEME INFORMATION DOCUMENT (SID) 701

B. STATEMENT OF ADDITIONAL INFORMATION (SAI) 721

C. KEY INFORMATION MEMORANDUM (KIM) 728

D. PLACEMENT MEMORANDUM 731

6. STANDARD OBSERVATIONS 743

A. STANDARD OBSERVATION FOR SCHEME INFORMATION DOCUMENT (SID) 743

B. STANDARD OBSERVATIONS FOR STATEMENT OF ADDITIONAL INFORMATION (SAI) 747

7. DISCLOSURES 749

A. INDICATIVE FORMAT OF DISCLOSURE ON PERFORMANCE OF OTHER SCHEMES MANAGED BY THE FUND MANAGER 749

B. BROKERAGE AND COMMISSION PAID TO ASSOCIATES 750

C. ROLE OF MUTUAL FUNDS IN CORPORATE GOVERNANCE OF PUBLIC LISTED COMPANIES 751

D. DISCLOSURE OF INVESTOR COMPLAINTS WITH RESPECT TO MUTUAL FUNDS 752
E. FORMAT FOR DISCLOSURE OF TOTAL EXPENSE RATIO (TER) OF MUTUAL FUND SCHEMES 757
F. FORMAT FOR DISCLOSURE OF CALL OPTIONS WRITTEN 758
G. REPORTING FORMATS FOR CREDIT DEFAULT SWAPS (CDS) 759

8. FORMAT FOR REPORTING OF ALL TRANSACTION IN DEBT AND MONEY MARKET SECURITIES 761

9. FORM TO REPORT ON AI AND ML TECHNOLOGIES – TO BE SUBMITTED QUARTERLY INTIMATION TO AMFI FOR THE USE OF THE AI AND ML APPLICATIONS AND SYSTEMS 762

10. EXCEPTION (OBSERVATION) REPORTING FORMAT 764

11. FORMAT FOR TEMPLATE TO BE MAINTAINED WITH RESPECT TO INTER SCHEME TRANSFERS 769

12. INVESTOR CHARTER FOR MUTUAL FUNDS 772

13. REPORTING FORMATS FOR OFFSITE INSPECTION 780

A. FORMATS PERTAINING TO MFS AND RTAS 780
B. DATA FROM MUTUAL FUNDS 780
C. DATA FROM RTAs – TABLE C1-C11 814
D. DETAILS OF REPORTING REQUIREMENTS AS PER THE PROVISIONS OF THE MASTER CIRCULAR 825

1. FORMAT OF BIO DATA

A. BIO-DATA OF DIRECTOR OF AMC/ TRUSTEE COMPANY[664]

I. Identification:
1. Name:
2. Father's name:
3. Date of birth:
4. Sex (Please tick): Male/Female
5. Present residential address:
6. Permanent address:
7. Appointment as Director of (Please tick): AMC / Trustee Co.

II. Educational Qualifications:

Experience (During last 10 years):

Name & Place of Organization	Position held	Nature of job responsibilities	Period From – To

If retired more than 10 years back, please indicate last position held.

For AMC directors, details of professional experience in finance and financial services field [Reg. 21(b)]:

III. Particulars of Present Directorship and Trusteeship:

Organization Name	Any association with the sponsor	Position held	Nature of job responsibilities	Period From – To

[664] MFD/CIR /11/354/2001 dated December 20, 2001 & MFD/CIR/13/16799/2002 dated August 29, 2002

IV. Relationship with Sponsor or AMC:

1. Are you associated with the sponsors or with any of its associate companies in any manner during the last 3 years?
2. Are you relative of sponsor or any of the directors of the sponsor company or relative of associate directors of the AMC or the Trustee Company?
3. Do you have personal holding in AMC or are you a nominee of an entity having stake in AMC?
4. Have you been providing any professional service to the mutual fund, AMC, Trustee Company or Sponsor?
5. Do you have any pecuniary relationship with the mutual fund, AMC, Trustee Company or Sponsors?

V. Record of Regulatory Violations/Criminal Offence (if any):

1. Have you ever been convicted by a court for any criminal offence or any other offence involving moral turpitude or fraud or have been found guilty of any economic offence at any time in the past?
2. Has any organization of which you were an employee or director or over which you exercise/exercised management or policy control ever been convicted of any criminal offence or any criminal suit filed during your association with them?
3. Have you ever been found guilty by any court / regulatory body / self-regulatory organization / stock exchange for any offence related to securities market in India or abroad?
4. Have you ever been associated with any organization as a director or an employee against which SEBI had initiated action of suspension or cancellation of certificate of registration or initiated action under Section 11(B) of SEBI Act or any prosecution launched for acts committed during your association?

(If the answer to any of the above questions is in affirmative, please furnish details. Please disclose any such pending proceedings also).

VI. Other Details: Achievements, Awards, Publications, etc.:

Declaration:

I affirm that all the information given above is true and complete to the best of my knowledge and belief. I have been adequately briefed on my responsibilities and duties under SEBI (Mutual Funds) Regulations, 1996 and agree to abide by the same. Regarding the information contained within paragraphs VI and VII above, SEBI would be informed immediately on any changes.

Signature:

Name:

(New/Proposed Director)

Date:

Place:

For Use of Trustees:

1. Mr. / Ms. ---------- who is appointed / proposed to be appointed as a director of AMC/Trustee Co. is a person of ability, integrity and standing (Reg.16(2)(a).

2. In case of Chairman/ Director including independent director of AMC, he is not a trustee of any mutual fund (Reg. 16(3) and Reg. 21(1)(e))[2]

3. In case of a Trustee, he is not on board of any other AMC or Trustee Co. of any mutual fund.[665]

4. After his induction, the board would consist of the following members

   Member's name Status (associate / independent)
   1.
   2.
   3....

5. (i) The trustees were discerning in the appointment of this director (Reg.18(25)(A)(I)).
   (ii) The independent directors of the trustees and AMC have paid specific attention in the selection and nomination of this director (Reg. 18(27)(iii) and (v)).
   (iii) The director does not have any material pecuniary relationship with the mutual fund, AMC, Trustee Company or Sponsor which in the judgment of the Trustee may affect independence of Director (applicable in case of independent directors also.)

6. SEBI would immediately be informed on any changes pertaining to Paragraphs VI and VII in the Bio-Data and other requirements as specified in Regulations would be complied with.

Signature:
Name:

(Trustee Authorized by the Board of Trustees)

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[665] SEBI/IMD/CIR No.14 /84243/07 dated January 15, 2007

Date:
Place:

B. BIO-DATA OF KEY PERSONNEL[666]

I. IDENTIFICATION

1. Name :
2. Fathers' Name :
3. Date of Birth :
4. Sex :
5. Present Residential Address :
6. Permanent Residential Address :

II. EDUCATIONAL QUALIFICATIONS :

III. EMPLOYMENT DETAILS :

a) Current Employer

1. Name of employer :
2. SEBI Regn. No. of employer :
3. Regd. Office of employer :
4. Address of office where employed :

b) Ten year history of employment starting with current employment:

NAME OF THE EMPLOYER	DESCRIBE FUNCTIONS	PRIMARY RESPONSI-BILITIES	OTHER RESPONSIBI-LITIES	REPORTING RELATIONSHIP

[666] IIMARP/MF/CIR/05/788/97 dated April 28, 1997

IV. OTHER BUSINESS

1. Brief Description of any other business, full time or part time in self name or in name of close relative (parent-spouse-child):

2. Details of business of close relatives:

V. RECORD OF REGULATORY VIOLATIONS/CRIMINAL OFFENCE (IF ANY):

(i) Have you ever been convicted by a court for any criminal offence? : Yes / No

(ii) Have you ever been convicted by any court or authorised body for any offence related to the securities industry? : Yes / No

(iii) Have you or any organisation over which you exercised management or policy control ever been convicted of any criminal offence? : Yes / No

(iv) Are there any proceedings against you or any organisation over which you exercised management or policy control? : Yes / No

(v) Have you been accused of or convicted for any offence by a regulatory of the securities or financial industry, a self-regulatory organization, stock exchange in India or from any foreign country? : Yes / No

(vi) If the answer to any of the following questions is yes, please furnish details. N.A.

OATH OVER SIGNATURE

I affirm that I have read and understood the items in this form and that my answers including attachments are true and complete to the best of my knowledge and belief. I understand that I may be subject to administrative, civil or criminal liabilities if I give false and misleading answers.

Date: **Signature of applicant**

Name of the applicant (in block print)

Certificate from the Employer

The information provided by the applicant is currently true and complete to the best of our knowledge and belief. We have taken appropriate steps to verify the accuracy and completeness of the information contained in this application.

I agree to update this form by causing an amendment to be filed on a timely basis whenever changes occur to answers previously reported. Further, to the extent that information previously given is not amended, the information provided in this form is currently accurate and complete.

Date:

Signature of appropriate signatory

Name of appropriate signatory
(in block letters)

Name and Regn. No. of Organisation

2. REPORTS

A. NEW SCHEME REPORT[667]

NAME OF THE MUTUAL FUND:

I. SCHEME DETAILS:

A. Scheme Name :
B. Scheme Type ( ) : Open Ended/Close Ended/Interval
C. Date of Opening :
D. Date of Closing of Scheme/
Initial Subscription Period/ Transaction Period :
E. Maximum Subscription Amount
acceptable as per Offer Document :
F. Minimum Target Amount to be raised (Rs) **:**

II. SUBSCRIPTION / ALLOTMENT DETAILS

1. No. of applicants :
   - Direct -
   - Broker -
2. No. of applicants rejected & their total value (Rs):
3. NFO expenses incurred (Rs) :
4. Entry Load incurred (Rs) :
5. Subscription Received (Rs) :
   - Direct -
   - Broker -
6. Allotment Date :
7. Listing (Names of stock exchanges) :

III. DATE OF DESPATCH OF REFUND ORDERS

(If subscription received is less than minimum target amount to be raised).

IV. UNIT HOLDING PATTERN

Sr.No.	Unit holding pattern	No. of Unitholders		No. of units held		Holding as % of net asset	
		Direct	Broker	Direct	Broker	Direct	Broker

[667] SEBI/ MFD/CIR/ 09/247/02 dated July 23, 2002, SEBI/ MFD/CIR/ 12/ 16588 /02 dated August 28,2002 & SEBI/IMD/CIR No. 13/118899/08 dated February 29, 2008

1	Individuals						
2	NRIs/OCBs						
3	FIIs						
4.	Corporates/ Institutions/ Others						
	TOTAL						

V (a) COMMUNICATION TO THE UNITHOLDERS

Please confirm whether the number of investors holding more than 25% of the net assets of the scheme and total holdings by such investors in percentage terms have been communicated to all unit holders through allotment letters/ account statements :

Yes/ No

(b) DISTRIBUTION SCHEDULE

If any unit holder is holding more than 25% of the net assets of the scheme, please give the following details:

Sr. No	Name of the unit holder	Classification (Individuals, NRIs/OCBs, FIIs, Corporate/Institutions/ Others)	Address	No. of units held	Holding as % of net asset
1					
2					
	TOTAL				

VI. GEOGRAPHICAL DISPERSION

1. Please list state wise geographical dispersion of unit holders in the following format:

Sr. No.	Name of the State	Mode of Entry	No. of unit holders	Amount mobilised as % of total assets mobilised
1		Direct		
		Broker		
2		Direct		
		Broker		
		Direct		
		Broker		
	TOTAL	Direct		
		Broker		

2. Total number of cities from which subscriptions have been received:

VII. DETAILS OF TOP TEN AGENTS/DISTRIBUTORS

Please list names of top ten agents/distributors in the descending order of commission paid in the following format:

Sr. No.	Name of Agent/Distributors	Amount mobilized in Rs. Cr.	Commission paid Rs. Cr
1			
2			
	TOTAL		

Name and Signature of the Compliance Officer/Authorised Signatory:

Date:

Instructions
1. Broker implies broker/agent/distributor
2. Give all amounts in Rs. Crore

B. COMPLIANCE TEST REPORT[668]

[Compliance Tests for Mutual Funds regulated by SEBI under SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) and Circulars issued thereunder]

1. AMC shall submit CTR on the activities of Mutual Funds/AMC to SEBI within 21 days from the end of respective quarters (March, June, September and December).
2. AMC need to mention 'Yes'/'No' with respect to each compliance item and wherein there is non-compliance and AMC has mentioned 'No', details regarding the nature of non-compliance should be given along with the corrective action taken, if any.
3. Anything given in the format shall not be interpreted as modification of any MF Regulations or Circulars issued thereunder.
4. AMC shall also report any other compliances as prescribed by SEBI from time to time.
5. The Format is indicative only. Any other non-compliances during the period over and above the regulations/clauses specified in the format shall also be reported by AMC.

Compliance Test Report for the Quarter end...
Name of the Mutual Fund :
Name of the Asset Management Company :
Name of the Chief Compliance Officer :
I. General Compliance Test II. Investment Compliance Test III. Investor Services Compliance Test

I. General Compliance Test

Sl. No.	**Regulations**	**Particulars**	**Remarks[669]**

[668] SEBI Circular No SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021

[669] (Indicate 'Yes' if complied with the MF Regulations and various circulars issued thereunder and 'No' for non-compliance). Further, in case of non-compliance, kindly provide the details regarding the non-compliance and the corrective action(s) taken, if any.

1	Sub-regulation 11 of regulation 18	Each trustee has filed the details of his transactions of dealing in securities on a quarterly basis within the specified timeline.	
2	Sub-regulation 27 of regulation 18	Independent directors of trustee or asset management company have paid specific attention and commented in their reports on clause (i) to (ix) of this sub regulation.	
3	Clause (f) of sub-regulation 1 of regulation 21	Networth of the AMC is computed as per the definition under Clause (qa) of sub-regulation 1 of regulation 2 and the networth is more the regulatory requirement of INR 10 Cr./ 50 Cr./ 100 Cr. Further, the networth is maintained on a continuous basis.	
4	Clause (a) of regulation 24	The asset management company is not acting as a trustee of any mutual fund.	
5	Clause (b) of regulation 24	The asset management company is not undertaking any other business activities other than in the nature of management and advisory services provided to pooled assets including offshore funds, insurance funds, pension funds, provident funds, or such categories of foreign portfolio investor subject to the conditions specified by the Board from time to time. Such activities are not in conflict with the activities of the mutual fund.	
6	First proviso to clause (b) of regulation 24	If the asset management company may itself or through its subsidiaries undertake activities as mentioned in clause (b) of regulation 24, provided the conditions laid under paragraph (i) to (viii) of the first proviso are satisfied.	

7	Second proviso to clause (b) of regulation 24	The asset management company may, itself or through its subsidiaries, undertake portfolio management services and advisory services for other than broad based fund till further directions, as may be specified by the Board, subject to compliance with the following additional conditions: (i) that the key personnel of the asset management company, the systems, back office, bank and securities accounts are segregated activity wise and there exist systems to prohibit access to inside information of various activities. (ii) that the capital adequacy requirements, if any, separately for each such activity, are met and has obtained separate approval, if necessary, under the relevant regulations.	
8	Third proviso to clause (b) of regulation 24	An asset management company may become a proprietary trading member for carrying out trades in the debt segment of the recognised stock exchanges, on behalf of its mutual fund schemes and may also become a self-clearing member of the recognised clearing corporations to clear and settle trades in the debt segment on behalf of its mutual fund schemes.	
9	Sub-regulation 1 of regulation 25	The asset management company has taken all reasonable steps and has exercised due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of these regulations and the trust deed.	

10	Sub-regulation 2 of regulation 25	The asset management company has exercised due diligence and care in all its investment decisions as is exercised by other persons engaged in the same business.	
11	Sub-regulation 3 of regulation 25	The asset management company has ensured that there are no acts of commissions or omissions by its employees or the persons whose services have been procured by the asset management company.	
12	Sub-regulation 4 of regulation 25	The asset management company has submitted to the trustees Quarterly Reports (QRs) of each year on its activities and the compliance with the MF Regulations.	
13	Sub-regulation 8 of regulation 25	The asset management company has not utilized the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities.	
14	First proviso to sub-regulation 8 of regulation 25	If the asset management company has utilized the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities, the asset management company has ensured that disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half yearly/ annual accounts of the mutual fund.	
15	Second proviso to sub-regulation 8 of the regulation 25	The Mutual Fund has disclosed in the half yearly & yearly accounts : (i) any underwriting obligations taken by the Scheme in respect of issues of securities of associate companies &	

		(ii) devolvement, if any, (iii) subscription in issues lead managed by associate companies & (iv) subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies has acted as arranger or manager.	
16	Sub-regulation 9 of regulation 25	The asset management company has filed with the trustees the details of transactions in securities by the key personnel of the asset management company in their own name or on behalf of the asset management company.	
17	Sub-regulation 10 of regulation 25	In case the asset management company has entered into any securities transactions with any of its associates a report to that effect be sent to the trustees at its next meeting.	
18	Sub-regulation 11 of regulation 25	In case any company has invested more than 5 per cent of the net asset value of a scheme, the investments made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries have been brought to the notice of the trustees by the asset management company indicating the names of companies/schemes in which such investments have been made and have been disclosed in the half yearly and annual accounts of the respective schemes with justification for such investment. Provided the latter investment has been made within one year of the date of the former investment calculated on either side.	

19	Sub-regulation 12 of regulation 25	The asset management company has filed with the trustees and SEBI the following : (i) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment; and (ii) any change in the interests of directors every 6 months (iii) a quarterly report to the trustee giving details and adequate justification in respect of the purchase and/or sale of the securities of the group companies of the sponsor or the AMC by the mutual fund.	
20	Sub-regulation 13 of regulation 25	The directors of the AMC shall file the details of transactions in securities with the Trustees on quarterly basis.	
21	Sub-regulation 14 of regulation 25	The asset management company has not appointed any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.	
22	Sub-regulation 15 of regulation 25	The asset management company has appointed registrars and share transfer agents who are registered with the Board.	
23	Proviso sub-regulation 15 of regulation 25	If the work relating to the transfer of units is processed in-house, the charges at competitive market rates have been debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees has been obtained and reasons for charging higher rates have been disclosed in the annual accounts.	
24	Sub-regulation 16 of regulation 25, Clause b of Sub-regulation of	The asset management company has abided by the Code of Conduct as	

	6B of Regulation 25 and Clause b of Sub-regulation of 6C of Regulation 25	specified in Part A & Part B of the Fifth Schedule of MF Regulations.	
25	Sub-regulation 17 of regulation 25	The asset management company has not invested in any of its scheme, unless full disclosure of its intention to invest has been made in the offer documents, in case of schemes launched after the notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011.	
26	Proviso to Sub-regulation 17 of regulation 25	If the asset management company has invested in any schemes, it has not charged any fee on its investment in that scheme.	
27	Sub-regulation 18 of regulation 25	The asset management company has not carried out its operations including trading desk, unit holder servicing and investment operations outside the territory of India.	
28	Sub-regulation 19 of regulation 25	The asset management company has computed and carried out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in Eighth Schedule and has published the same.	
29	Sub-regulation 20 of regulation 25	The asset management company and the sponsor of the mutual fund compensated the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	
30	Sub-regulation 21 of regulation 25 read with following SEBI Circulars & provisions of Master	The asset management company has reported and disclosed all the transactions in debt and money market securities, including inter scheme transfers, as specified by SEBI.	

	Circular for Mutual Funds: • SEBI/CFD/DIL/BOND/1/2006/12/12 dated December 12, 2006, • SEBI/CBM/BOND/01/2007/01/03 dated March 01, 2007, • SEBI/CBM/BOND/02/2007 /13/04 dated April 13, 2007, • SEBI/IMD/DOF-1/BOND/Cir-3/2009 dated July 31, 2009 • IMD/DOF-I/BOND/ 174666/ 2009 dated August 27, 2009, • Paragraphs 9.2.3, 9.9 & 9.13 of the Master Circular for Mutual Funds • SEBI/IMD/DOF-1/BOND/Cir-4/2009 dated October 16, 2009, • CIR/IMD/DF/6/2010 dated July 30, 2010, • Chapter 13 of the Master Circular for Mutual Funds • CIR/MRD/DP/10/2014 dated March 21, 2014		
31	Sub-regulation 4 of regulation 28	The sponsor or asset management company shall invest not less than one percent of the amount which would be raised in the new fund offer or fifty lakh rupees, whichever is less, and such investment shall not be	

		redeemed unless the scheme is wound up: Provided that the investment by the sponsor or asset management company shall be made in such option of the scheme, as specified by the Board.	
32	Sub-regulation 1 of regulation 29A	The asset management company has provided an option to the unitholder to nominate, in the manner specified in Fourth Schedule, a person in whom the units held by him shall vest in the event of his death.	
33	Regulation 30	Advertisements are in conformity with the Advertisement Code as specified in the Sixth Schedule and shall be submitted to the Board within 7 days from the date of issue. The AMC has complied with each of the clauses under Sixth Schedule and Paragraphs 5.7, 10.5, 13 & 15.5 of Master Circular for Mutual Funds while releasing scheme specific advertisement, sales literature, newsletters, web sites and any other advertisement pertaining to the mutual fund.	
34	Regulation 31	The offer document and advertisement materials are not misleading or contain any statement or opinion which are incorrect or false.	
35	Regulation 32	Every close ended scheme, other than an equity linked savings scheme, are listed on a recognised stock exchange within the time period and subject to such conditions as specified by the Board.	

36	Paragraph 1.8 & 6.13 of the Master Circular for Mutual Funds	Disclosure of benchmark returns and review of performance of schemes by the Boards of AMC and Trustees on a periodical basis.	
37	Chapter 15 of the Master Circular for Mutual Funds • SEBI Letter No. OW/14970/2012 dated July 5, 2012.	Certification programme for agents/distributors of mutual funds units and employees of mutual funds.	
38	Chapter 4 of the Master Circular for Mutual Funds	Risk Management System in areas of operations like Fund Management, operations, customer service, market and distribution, disaster recovery and business contingency etc.	
39	Paragraph 12.17 of the Master Circular for Mutual Funds	Reconciliation of Government Securities.	
40	Chapter 15 of the Master Circular for Mutual Funds	Registration of Intermediaries (Distributors).	
41	Paragraph 6.6 of the Master Circular for Mutual Funds	The AMC has complied with Investment / Trading Guidelines by the employees of AMC and Mutual Fund Trustee Company.	
42	Paragraph 15.6 of the Master Circular for Mutual Funds	Code of Conduct (Distributors).	
43	Paragraph 6.11 of the Master Circular for Mutual Funds	Minimum Number of Investors in Schemes/ Plans and minimum number of holdings by single investor.	
44	Paragraph 8.4 & 8.5 of the Master Circular for Mutual Funds	Uniform cut-off timings for applicability of Net Asset Value (NAV) of Mutual Fund scheme(s)/plan(s).	
45	Paragraph 8.1 & 8.2 of the Master Circular	Time limit for updating NAV on AMFI / AMC website.	

	for Mutual Funds	Prominently disclose the NAVs of all schemes under a separate head on website of the Fund and on the website of AMFI and further, Mutual Funds to also extend facility of sending latest available NAVs to unitholders through SMS, upon receiving a specific request.	
46	Paragraph 13.6 of the Master Circular for Mutual Funds	Prohibition of Indicative Portfolios and Yields in Mutual Fund schemes.	
47	Paragraph 3.7 & 5.19 of the Master Circular for Mutual Funds	Disclosures and review of Capital Protection Oriented Scheme.	
48	Paragraph 4.5 & 12.16 of the Master Circular for Mutual Funds	Risk Management Framework for liquid and Overnight Funds: · Liquid Funds and Overnight Funds shall not park funds pending deployment in short term deposits of scheduled commercial banks. · Liquid Funds and Overnight Funds shall not invest in debt securities having structured obligations (SO rating) and/ or credit enhancements (CE rating). However, debt securities with government guarantee shall be excluded from such restriction.	
49	Regulation 24(b) & Paragraph 17.3 of the Master Circular for Mutual Funds	The asset management company is not undertaking any other business activities other than in the nature of management and advisory services provided to pooled assets including offshore funds, insurance funds, pension funds, provident funds, or such categories of foreign portfolio investor subject to such conditions, as maybe specified by the Board from time to time, if any of such activities are in conflict with the activities of	

		the mutual fund.	
50	Paragraph 4.5 & 4.6 of Master Circular for Mutual Funds	Requirement of minimum holding of atleast 20% of net assets in liquid funds. Requirement of minimum holding of atleast 10% of net assets in all open ended debt schemes.	
51	Paragraph 12.19 of Master Circular for Mutual Funds	Guidelines with respect to Overseas investment.	
52	Paragraph 6.16 of Master Circular for Mutual Funds	Guidelines for votes cast by Mutual Funds.	

Place:

Date:

Signature of the Chief Compliance Officer:

II. Investment Compliance Test

S.N.	Regulations	Particulars	Remarks[670]
1	Clause 1 of seventh schedule to sub-regulation 1 of regulation 44 read with Paragraph 12.3 of the Master Circular for Mutual Funds	Restrictions with respect to single issuer limit.	
2	Clause 1A of seventh schedule to sub-regulation 1 of regulation 44 read with Paragraph 12.1 of the Master Circular for Mutual Funds	Restrictions with respect to investment in Unlisted debt instruments and Unrated debt instruments.	
3	Clause 2 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect to owning of paid up capital of any company. The Mutual Fund does not own more than 10% of any company's paid-up capital carrying voting rights under all its schemes. (If yes, give details of the investments made in excess of 10% of the paid up capital of the company in the prescribed format CR1)	
4	Clause 3 of seventh schedule to sub-regulation 1 of regulation 44 and paragraph 12.30 of the Master Circular for Mutual Funds	Restrictions with respect to Inter Scheme Transfers.	

[670] (Indicate 'Yes' if complied with the MF Regulations and various circulars issued thereunder and 'No' for non-compliance). Further, in case of non-compliance, kindly provide the details regarding the non-compliance and the corrective action(s) taken, if any.

		(Give details of inter scheme transfers wherein there is non-compliance in the prescribed format CR2)	
5	Clause 4 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect to Aggregate inter scheme investments made by all schemes. (Give details of such investments in the prescribed format CR 3)	
6	Clause 6 of seventh schedule to sub-regulation 1 of regulation 44 & sub-regulations 1 & 2 of regulation 45	Restrictions with respect to: a. Buy and sell securities on the basis of deliveries. b. Short Selling of securities. c. Derivative transactions.	
7	Clause 7 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect to purchase or transfer of securities in the name of the mutual fund on account of the concerned scheme.	
8	Clause 8 of seventh schedule of SEBI (Mutual Funds) Regulations, 1996 and Paragraph 12.16 of Master Circular for Mutual Funds	Restrictions with respect to investments in Short Term Deposits of	

		Scheduled Commercial Banks.	
9	Clause 9 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect of investment in: a. Unlisted security of an associate or group company of the Sponsor. b. Securities issued by way of private placement by an associate or group company of the sponsor. c. Listed securities of group companies of the sponsor which is in excess of 25 per cent of the net assets.	
10	Clause 9A of seventh schedule to sub-regulation 1 of regulation 44	Restriction with respect to investment in Fund of Funds scheme.	
11	Clause 10 of seventh schedule to sub-regulation 1 of regulation 44 and	Restriction with respect to	

	Paragraph 12.5 & 12.22 of Master Circular for Mutual Funds	investment limit in the equity shares or equity related instruments of any company. [Give details of all cases where the investments have exceeded the limit of 10% including the exempted cases under the proviso to clause 10 in the prescribed format CR 4]	
12	Clause 11 of seventh schedule to sub-regulation 1 of regulation 44	Restriction with respect to investments in equity shares and equity related instruments in only listed or to be listed securities.	
13	Clause 12 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect of investment by Fund of Funds scheme.	
14	Clause 13 of seventh schedule to sub-regulation 1 of regulation 44	Restrictions with respect of investment in the units of REITs and InvITs.	
15	Clause 14 of seventh schedule to sub-regulation 1 of regulation 44 and paragraph 12.26 of the Master Circular for Mutual Funds	Restrictions with respect of investment in Exchange Traded Commodity Derivatives.	

16	Sub-regulation 2 of regulation 44	Restrictions with respect to borrowings by mutual fund. (Give details of borrowings by the scheme wherein there is non-compliance as per the prescribed format CR 5)	
17	Sub-regulation 3 of Regulation 44	Restrictions with respect to loans by mutual fund.	
18	Sub-regulation 4 of Regulation 44	Restrictions with respect to lending and borrowing of securities borrowings by mutual fund.	
19	Sub-regulation 5 of Regulation 44	Restrictions with respect to investments by a gold exchange traded fund scheme.	
20	Sub-regulation 7 of regulation 25	Restrictions with respect to business done through brokers. (Give details of transactions done through such brokers, by amount, as per the prescribed format in CR 6, please mark * against the names of associates.) (Further, Inter scheme transfer and direct deals with the companies	

		should not be included in the aggregate transaction amount used as the basis for the computation of the total business to the brokers)	
21	Sub-regulation 11 of regulation 25	Disclosure requirements under Regulation 25 (11) have been complied with.	
22	Paragraph 12.27 of the Master Circular for Mutual Funds	Restrictions with respect to investments by Close ended debt schemes and Interval schemes.	
23	Paragraph 12.9 of the Master Circular for Mutual Funds	Restrictions with respect to Sector Level Exposure.	
24	Paragraph 12.9 of the Master Circular for Mutual Funds	Restrictions with respect to Group Level Exposure.	

Place:

Date:

Signature of the Chief Compliance Officer:

III. Investors Service Compliance Test

S No	Regulation	Particulars	Remarks[671]
1	Sub-clause 2 of regulation 37	The unit certificates are transferred and returned to the transferees within 30 days from the date of production of instruments of transfer together with relevant unit certificates.	
2	Sub-clause (a) of regulation 53	The dividend payments have been dispatched to the unit holders within 15 days from the record date. (Give details wherein dividend warrants were not dispatched within the timelines as per the prescribed format CR 8).	
3	Sub-clause (b) of regulation 53	The repurchase/redemption proceeds have been dispatched within 10 working days from the date of receipt of requests for repurchase/redemption.	
4	Sub-clause © of regulation 53	The AMC has paid interest @15% for the period of delay in the event of failure to dispatch the redemption or repurchase proceeds or dividend payments within the stipulated time. Details of interest paid enclosed in the format specified CR7 & CR8 below. (Give details wherein interest is required to be paid for failure to dispatch the redemption or repurchase proceeds within the stipulated time as per the prescribed format CR 7).	
Give details regarding the status of investor complaints forwarded by SEBI during the quarter and at the beginning of the quarter period as per the following format :			

[671] (Indicate 'Yes' if complied with the MF Regulations and various circulars issued thereunder and 'No' for non-compliance). Further, in case of non-compliance, kindly provide the details regarding the non-compliance and the corrective action(s) taken, if any.

Number of complaints pending at the beginning of the period.	**Number of complaints forwarded by SEBI during the period**	**Number of complaints redressed* during the period**	**Number of complaints pending at the end of the period**

Give details regarding the status of investor complaints received directly by the mutual fund during the quarter period as per the following format :

Number of complaints pending at the beginning of the period.	**Number of complaints received during the period**	**Number of complaints redressed* during the period**	**Number of complaints pending at the end of the period**

* All complaints which have been fully resolved and a communication thereof has been sent to the complainant shall be deemed to have been redressed.

Place
Date

Signature of the Chief Compliance Officer

CR 1: **Report of investment in Companies in excess of 10% of their paid up capital carrying voting rights**

Date	Name of the Company	Purchase Price	Value (INR lacs)	Holding as % of company's paid-up capital carrying voting rights

Signature of the Chief Compliance Officer

CR 2: **Inter Scheme Transfers (ISTs)**

Date	Name of the Transferor Scheme	Name of the Transferee Scheme	Name of the company and type of security	Details of Transfer			Market rate (if unquoted/ unlisted and basis of rate)	Reasons of transfer
				Quantity	Rate	Value (INR lacs)		

Signature of Chief Compliance Officer

CR 3: **Intra and Inter Scheme Investments**

Investee Scheme		Investor Scheme				Total investments by schemes as % of net assets of the investee schemes*
Name	Resources mobilised / net assets	Name	Net assets (INR lacs)	Investments (INR lacs)	Investment as % of net assets	

	(INR lacs) **Name**					

*Information to be given only in the case of intra scheme investments.

Signature of the Chief Compliance Officer.

CR 4: **Details of investments in excess of the limits specified in Clause 10 of the Seventh Schedule of SEBI (Mutual Funds) Regulations 1996 read with Paragraphs 5.25 & 12.22 of the Master Circular for Mutual Funds**

(1)	(2)	(3)	(4)	(5)	(6) *	(7)
Sl. No	**Scheme**	**Scrip**	**Date/s of violation/s (First and each of the subsequent ones due to incremental investments, if any)**	**Holding in the scrip as a % of the NAV of the scheme, consequent to the investment**	**Applicable limit**	**Name & closing value of the benchmark index / sub-index(if applicable)**

* For the sector /industry specific schemes, the applicable (upper) limit is the weightage of the scrip in the representative sectoral index/sub index or 10% of the NAV whichever is higher, as specifically disclosed in the offer document.

For index funds/schemes, the upper limits shall be in accordance with the weightage of the scrips as disclosed in the offer document

For all other schemes, the applicable upper limit for holding in each scrip is 10% of NAV.

Signature of the Chief Compliance Officer

CR 5: **Report on borrowings of Mutual Funds**

Name of the scheme and category	Nature of instruments/ mode of borrowings	Source (Institutions/ banks/ others)	Purpose	Date of borrowing	Date of repayment of borrowing (specify the period of borrowing)	Rate of borrowing	Amount borrowed as % of net assets	Collateral used (if any	Amount of interest borne by the Scheme	Amount of interest borne by AMC	Average Portfolio Yield during the period

Signature of the Chief Compliance Officer

CR 6: **Report on transactions through Brokers**

Name of the broker	Value of business (INR lacs)	Brokerage paid (INR lacs)	Broker wise contracts outstanding for more than 60 days	% of gross business done

Signature of Chief Compliance Officer

CR 7: Statement of Interest paid to the investors for delays in transfer of redemption/ repurchase proceeds[672]

Investor Name	PAN/PEKRN of Investor	Date of Receipt of Redemption/ Repurchase Request	Date of transfer of Redemption/ Repurchase	Period of Delay	Amount of Interest Paid (INR)

Signature of Chief Compliance Officer

CR 8
Statement of interest paid to the investors for delays in transfer of dividend payments[673]

Investor Name	PAN/PEKRN of Investor	Record Date	Date of transfer of Dividend	Period of Delay	Amount of Interest Paid (INR)

Signature of Chief Compliance Officer

(Annexure to the CTR can be as per the requirements to be reported)

[672] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022
[673] SEBI Circular No. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated November 25, 2022

C. HALF-YEARLY TRUSTEE REPORT[674]

1. Trustees shall submit HYTR on the activities of Mutual Funds/AMCs to SEBI within two months for the half year ended September and March along with summary of instances of non-compliances in addition to the main report.
2. Anything given in the format shall not be interpreted as modification of any MF Regulations or Circulars issued thereunder.
3. Trustees shall also report any other compliance/reporting requirements as prescribed by SEBI from time to time.
4. The Format is indicative only. HYTR shall contain any other non-compliances during the period over and above the regulations/clauses specified in the format along with the corrective action(s) taken by AMC and Trustees.

The report of the Trustees should give specific comments on the following:

1. Performance of schemes.
2. Activities of the AMC with specific reference to transactions with associates, concentration of business with associate brokers, compliance with investment restrictions and net worth of the AMC.
3. Ability of the AMC/sponsor to honour the guaranteed returns in case of any scheme guaranteeing returns.
4. Deployment of funds of the scheme in accordance with investment objectives and not for any option trading or short selling or carry forward transactions.
5. Valuation and pricing of units – whether in accordance with the Regulations. Further, please provide instances where prices provided by Valuation Agencies were not considered for valuation of securities along with justifications for the same.
6. Publication of Annual Report and furnishing of half yearly and annual accounts to unit holders and SEBI.

[674] SEBI Cir No SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021

7. Listing of scheme on stock exchange as per terms of the scheme information document, despatch of account statement to unit holders within 5 business days from closure of New Fund Offer and timely despatch of repurchase/ redemption proceeds and dividend warrants.
8. Action taken on deficiency and warning letters issued by SEBI.
9. Before launch of scheme, AMC had systems in place for back office etc. appointed all key personnel, auditors, compliance officer, prepared manual, specified norms, etc.
10. AMC shall appoint Registrar & Share Transfer Agents, who are registered with SEBI. If the work is done in-house, then the rates charged must be competitive and for higher rates reasons for charging higher rates must be disclosed.
11. AMC has been diligent in empanelling brokers, in monitoring securities transactions and avoiding undue concentration with any broker.
12. AMC has not given undue and unfair advantage to any associate.
13. In case any company has invested more than 5% of NAV scheme, an investment made by the scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be justified.
14. Whether the AMC has dealt with any associate broker more than 5% of the quarterly business done by a mutual fund.
15. In case the AMC has dealt through any other broker other than an associate broker in excess of 5% or more of the aggregate purchase and sale of securities made by the mutual fund in all its schemes, the AMC has recorded in writing the justification for the same and whether all such investments have been reported to the trustees on a quarterly basis.
16. Utilisation of the services of the sponsor or any of its associates, employees, etc. by AMC – whether disclosures made in the annual accounts.
17. Whether AMC submitted quarterly report on its activities and complied with Regulations.
18. Transactions of mutual fund are in accordance with the trust deed.

19. Funds pertaining to a scheme have been invested in accordance with the Regulations.
20. All activities of AMC are in accordance with the Regulations.
21. Details of transaction in securities by key personnel in their own name or on behalf of the AMC.
22. Whether AMC filed with the trustees detailed bio-data of all directors of AMC along with their interest in other companies within 15 days of their appointment and any change in the interest of directors every six months.
23. Whether directors of the AMC filed with the trustees, a statement of holding of securities at the end of each financial year along with dates of acquisition.
24. No conflict of interest between the manner in which the AMC has deployed its networth and the interest of the unitholders.
25. Remedial steps, as necessary, taken by the trustees in case the conduct and business of the mutual fund is not in accordance with the Regulations.
26. Certification that Trustees have satisfied themselves that there have been no instances of self- dealing or front running by any of the trustees, directors and key personnel of the AMC.
27. Certification that AMC has been managing the schemes independently of any other activities and the unitholders' interest has been protected.
28. Comments of the independent trustee on the report received from the AMC regarding the investments by the mutual fund in the securities of the group companies of the sponsor.
29. Confirmation that the mutual fund has not made any investment in - any unlisted security of an associate or group company of the sponsor, any security issued by way of private placement by an associate or group company of the sponsor or listed securities of group companies of the sponsor which is in excess of 25% of the net assets of all the schemes of the mutual fund.
30. In case the mutual fund has an aggregate of securities which are worth Rs.10 crore or more as on the latest balance sheet date, whether

transactions on or after January 15, 1998 are only through dematerialised securities.

31. Whether unitholders' consent obtained wherever necessary in accordance with Regulations.
32. Compliance with the Guidelines on recording of investment decisions and other related compliances viz. investment in unlisted and privately placed securities, unrated debt securities, securities classified as below investment grade or default, transactions where associates are involved and the instances where there is poor performance of the schemes.
33. Compliance with respect to provisions related to investment/Trading in Securities by Employees of Asset Management Companies and Mutual Fund Trustee Companies.
34. Compliance with respect to provisions related to AMFI/ NISM Certification Programme for agents/ distributors and employees of AMC.
35. Compliance status on selection of Benchmarks for comparison of performance of schemes.
36. Compliance with respect to provisions regarding monitoring of compliance with Code of Conduct for intermediaries.
37. Comments on the adequacy of risk management systems.
38. Compliance with reconciliation procedure for investment in Government Securities.
39. Compliance with respect to provisions related to registration of Intermediaries.
40. Compliance with respect to provisions related to minimum number of investors and maximum holdings by a single investor in scheme / plan of mutual fund.
41. Compliance with respect to provisions related to monitoring the portfolio structure of the capital protection oriented scheme.
42. Compliance with respect to provisions related to uniform cut-off timings for applicability of Net Asset Value (NAV) of Mutual Fund scheme(s)/plan(s).

43. Compliance with respect to provisions related to parking of funds in short term deposits of scheduled commercial banks pending deployment.
44. Compliance with respect to provisions of Risk Management Framework for liquid and overnight funds.
45. Compliance of guidelines on overseas Investments by Mutual Funds.
46. Compliance with requirements of securities lending arrangement.
47. Compliance with requirements of simplification and updation of Offer Document and Key Information Memorandum of Mutual Funds Scheme.
48. Compliance with respect to provisions related to prohibition on disclosure of Indicative Portfolios and Yields in Mutual Fund schemes.
49. Whether the assets of Gold ETF are invested in gold or gold related instruments as per the asset allocation mentioned in the Scheme Information document.
50. Whether physical verification of gold held in schemes was conducted by statutory auditors.
51. Compliance with requirements for participation in repo in corporate debt securities.
52. Whether Mutual Fund/AMC has set apart at least 2 basis points on daily net assets within the maximum limit of TER as per regulation 52 of the Regulations for investor education and awareness initiatives on annual basis and whether Mutual Fund has made complete disclosures in the half yearly trustee report to SEBI regarding the investor education and awareness initiatives undertaken.
53. Details of efforts undertaken by AMC to increase geographical penetration of mutual funds and the details of opening of new branches, especially at locations beyond top 15 cities.
54. Compliance with requirements for participation of mutual funds in Credit Default Swaps (CDS) Market.
55. Review and confirmation of Voting summary and scrutinizer's comments, if any.
56. Compliance with requirements of minimum Average AUM of Rs. 20 crore on half yearly rolling basis in open ended debt oriented Schemes.

57. Stress testing of prescribed open-ended debt oriented schemes.
58. Exposure of a mutual fund, across all its schemes, towards individual issuers, group companies and sectors.
59. Compliance with requirements with respect to Categorization and Rationalization of Mutual Fund Schemes.
60. Compliance with requirements with respect to charging of Total Expense Ratio (TER) in both direct and regular plans.
61. Compliance with requirements with respect to performance disclosure for Mutual Funds.
62. Compliance with guidelines on Segregated Portfolio.
63. Compliance with requirements with respect to Cyber Security and Cyber Resilience framework for Mutual Funds / Asset Management Companies (AMCs).
64. Compliance with requirements of System Audit framework for Mutual Funds / Asset Management Companies (AMCs). Further, Trustees should furnish the open item pertaining to system audits.
65. Comments on securities classified as below investment grade or default
66. Compliance with requirements relating to Trade Execution and Allocation
67. Compliance with guidelines on Inter Scheme Transfers of Securities.
68. Compliance with requirements with respect to Policy on Internal Credit Risk Assessment at the AMC and measures taken for the early warning signals (including yield-based alerts) on deterioration of credit profile of the issuer.
69. Compliance with respect to monitoring the activities of their distributors, agents, brokers to ensure that they do not indulge in any malpractice or unethical practice while selling or marketing Mutual Fund units and reporting of any non-compliance with the Mutual Funds Regulations and Guidelines pertaining to Mutual Funds especially guidelines on advertisements and/ or sales literature and/or Code of Conduct in the periodic meetings of the Board of the AMC and the Board of Trustees.
70. Trustees have abided by the Code of Conduct as specified in Part A of the Fifth Schedule.

71. Trustees have ensured that the Chief Executive Officer of AMC has complied with the provisions of Clause b of Sub-regulation 6A of Regulation 25.
72. [Compliance with the requirement of standing arrangements with independent firms for special purpose audit and/or to seek legal advice.][675]
73. Any other matter the trustees would like to report to SEBI.

[675] Inserted by SEBI Circular SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/126 dated July 26, 2023

D. MONTHLY CUMULATIVE REPORT[676]

Name of the Mutual Fund:_____										
MCR for the month of _____ (Month), 20XX										
Sr. No.	**Scheme Category**	**No. of schemes as on ___**	**No. of Folios as on ___**	**Funds mobilized for the period (Since April 01, 20XX to___) INR in crore**	**Repurchase/ Redemption for the period (Since April 01, 20XX to ____) INR in crore**	**Net Inflow (+ve)/ Outflow (-ve) for the period (Since April 01, 20XX to ____) INR in crore**	**Net Assets Under Management as on ___ INR in crore**	**Average Net Assets under Management for the ____, 20XX (Month Year) INR in crore**	**No. of segregated portfolios created as on ___**	**Net Assets Under Management in segregated portfolios as on _____ INR in crore**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
A	**Open ended Schemes**									
I	**Income/Debt Oriented Schemes**									
i.	Overnight Fund									
ii.	Liquid Fund									
iii.	Ultra Short Duration Fund									
iv.	Low Duration Fund									
v.	Money Market Fund									
vi.	Short Duration Fund									
vii.	Medium Duration Fund									
viii.	Medium to Long Duration Fund									
ix.	Long Duration Fund									
x.	Dynamic Bond Fund									
xi.	Corporate Bond Fund									
xii.	Credit Risk Fund									
xiii.	Banking and PSU Fund									
xiv.	Gilt Fund									
xv.	Gilt Fund with 10 year constant duration Fund									
xvi.	Floater Fund									
	Sub total - I									
II	**Growth/Equity Oriented Schemes**									
i.	Multi Cap Fund									
ii.	Large Cap Fund									
iii.	Large & Mid Cap Fund									
iv.	Mid Cap Fund									
v.	Small Cap Fund									

[676] SEBI Circular SEBI/HO/MD/DF3/CIR/P/2019/020 dated January 22, 2019 and SEBI/HO/IMD/DF3/CIR/P/2021/014 dated January 29, 2021

Name of the Mutual Fund:_____										
MCR for the month of _____ (Month), 20XX										
Sr. No.	**Scheme Category**	**No. of schemes as on ___**	**No. of Folios as on ___**	**Funds mobilized for the period (Since April 01, 20XX to___) INR in crore**	**Repurchase/ Redemption for the period (Since April 01, 20XX to ____) INR in crore**	**Net Inflow (+ve)/ Outflow (-ve) for the period (Since April 01, 20XX to ____) INR in crore**	**Net Assets Under Management as on ___ INR in crore**	**Average Net Assets under Management for the ____, 20XX (Month Year) INR in crore**	**No. of segregated portfolios created as on ___**	**Net Assets Under Management in segregated portfolios as on _____ INR in crore**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
vi.	Dividend Yield Fund									
vii.	Value Fund/Contra Fund									
viii.	Focused Fund									
ix.	Sectoral/Thematic Funds									
x.	ELSS									
xi.	Flexi Cap Fund									
	Sub total - II									
III	**Hybrid Schemes**									
i.	Conservative Hybrid Fund									
ii.	Balanced Hybrid Fund/ Aggressive Hybrid Fund									
iii.	Dynamic Asset Allocation / Balanced Advantage Fund									
iv.	Multi Asset Allocation Fund									
v.	Arbitrage Fund									
vi.	Equity Savings Fund									
	Sub total - III									
IV	**Solution Oriented Schemes**									
i.	Retirement Fund									
ii.	Childrens' Fund									
	Sub total - IV									
V	**Other Schemes**									
i.	Index Funds									
ii.	Gold ETFs									
iii.	Other ETFs									
iv.	Fund of funds investing overseas									
	Sub total - V									
	Total A-Open ended Schemes									
B	**Close Ended Schemes**									

Name of the Mutual Fund:_____										
MCR for the month of _____ (Month), 20XX										
Sr. No.	**Scheme Category**	**No. of schemes as on ___**	**No. of Folios as on ___**	**Funds mobilized for the period (Since April 01, 20XX to___) INR in crore**	**Repurchase/ Redemption for the period (Since April 01, 20XX to ____) INR in crore**	**Net Inflow (+ve)/ Outflow (-ve) for the period (Since April 01, 20XX to ____) INR in crore**	**Net Assets Under Management as on ___ INR in crore**	**Average Net Assets under Management for the ____, 20XX (Month Year) INR in crore**	**No. of segregated portfolios created as on ___**	**Net Assets Under Management in segregated portfolios as on _____ INR in crore**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
I	**Income/Debt Oriented Schemes**									
i.	Fixed Term Plan									
ii.	Capital Protection Oriented Schemes									
iii.	Infrastructure Debt Fund									
iv.	Other Debt Scheme									
	Sub total - I									
II	**Growth/Equity Oriented Schemes**									
i.	ELSS									
ii.	Other Equity Schemes									
	Sub total - II									
III	**Other Schemes**									
	Total B -Close ended Schemes									
C	**Interval Schemes**									
I	**Income/Debt Oriented Schemes**									
II	**Growth/Equity Oriented Schemes**									
III	**Other Schemes**									
	Total C - Interval Schemes									
	Grand Total									
	Fund of Funds Scheme (Domestic)									

Notes:

1. In column number (3), number of schemes shall include series / serial plans

2. In column number (3), segregated portfolios created in a scheme shall not be treated as a separate scheme.
3. In column number (4), number of folios shall not include folios of segregated portfolios
4. In column number (8) and (9), AUM of segregated portfolios shall be included
5. In column number (9), AAUM is the average of the daily AUM of the Mutual Fund for the month.
6. In column number (10), number of segregated portfolios created in a scheme can be more than one
7. Inter scheme investments are excluded from the above data

Instructions for Calculating AUM[677]

1. To have uniformity in calculating Net assets under management (NAUM) and average assets under management (AAUM), the following methodology should be adopted.
    - The AUM as on the last calendar day of each month shall be included in NAUM. In liquid funds, purchases on the first day of the next month shall not be considered in calculating NAUM for the current month.
    - AAUM of the mutual fund shall be the aggregate of the daily AUM of the Mutual Fund over calendar days in the relevant month irrespective of the date of allotment/maturity of the scheme.

Additional Reporting format[678] on the overseas investment by Mutual Funds in ADRs/ GDRs, foreign securities and overseas Exchange Traded Funds (ETFs)

Instruments	**Amount Invested**		**Redemption**		**Value of overseas investments (as on last date of the month)**	
	in terms of Rs.	**In terms of US $**	**in terms of Rs.**	**In terms of US $**	**in terms of Rs.**	**In terms of US $**
ADR/GDR						
Equity of overseas companies						

[677] SEBI/IMD/CIR No 3/124444/08 dated April 30, 2008
[678] SEBI/IMD/CIR No. 15/87045/2007 dated February 22, 2007

Foreign debt securities						
Government Securities of AAA rated countries						
Overseas ETFs						
Units/securities issued by overseas Mutual Funds						

Number of Schemes investing in foreign securities	

Name of the country	**Amount invested**	
	in terms of Rs.	**In terms of US $**

** Conversion rate as on last date of the month. Adjustment of conversion of US $ into India Rupee as per the RBI reference rate by Foreign Exchange Dealer Association of India (FEDAI)*

E. ANNUAL STATISTICAL REPORT (ASR)[679]

This report is to be submitted each financial year in order to reach SEBI latest by 30th of April.

NAME OF THE MUTUAL FUND: _____

Unitholding Pattern of Mutual Fund as on March 31, _____

Category	**Number of Folios**		**Net Asset Value**
Individuals			
NRIs/OCBs			
FPIs			
Corporate/Institutions/Others			
TOTAL			

Note: Data is to be provided for all the schemes put together and not individual scheme-wise.

[679] SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

F. DAILY TRANSACTION REPORT

To monitor trends of investment, mutual funds are required to submit details of transactions in secondary market on daily basis in both soft and hard copies. Information must be submitted for the total repurchases/ sales of equity/ debt and not for each individual scrip. Information on total purchases/ sales of sensitive index scrips need not be sent.

Format and Specification of the Daily Transaction Report[680]

Operational notes on Reporting of transactions by registered Mutual Funds

DAILY REPORTS

1. The format of DTR, explanation of codes, field widths etc are enclosed in Format "2.F1" below.
2. The data as per DTR would be submitted in "TEXT" format with fields separated by "|" (i.e. a pipe).
3. All transaction will have a unique transaction identification number which would be given by the AMCs/custodians at their end.
4. In case of any change in transaction already reported to SEBI, such change can be reported as amendment transaction with the following characteristics
    a. Transaction type is to be reported as "A'
    b. Transaction ID shall be the same as that of earlier reported transaction.
    c. Correct details

In other words the system will cancel the earlier reported transaction and will only consider the amended transaction for processing.

REPORTING TYPE - R_TYPE

N - New Transaction
A - Amendment in earlier transaction.
D - Deletion of earlier reported transaction.

General Aspects:

1. The date format to be used all the reports submitted to SEBI would be DD-MON-YYYY.
2. All Transaction values are In CRORES.
3. The file names to be used for submitting the report in soft copies are DTR: D<ddmm><3 char of Custodian code No>.txt

[680] SEBI Cir No - MFD/CIR/07/384/99 dated December 17, 1999 and MFD/CIR/08/23026/99 dated December 23, 1999

For e.g. Custodian code No: 001 for the date Dec 02
The file name would be D0212001.TXT

Format "2.F1"
DTR (List and field description of codes in DTR)

SR. NO.	CODE	EXPLANATION	FIELD TYPE	FIELD WIDTH
1	CUST_CODE	CUSTODIAN CODE	CHARACTER	3
2	TRN_ID	UNIQUE IDENTIFICATION NUMBER	CHARACTER	12
3	TRN_DATE	TRANSACTION DATE DD-MON-YYYY	CHARACTER	11
4	REPORT_DT	DATE OF REPORT (DD-MON-YYYY	CHARACTER	11
5	R_TYPE	REPORTING TYPE	CHARACTER	1
6	TOT_PUR_EQ	TOTAL PURCHASE (EQUITY)	NUMBER	(12,2)
7	TOT_SAL_EQ	TOTAL SALES (EQUITY)	NUMBER	(12,2)
8	TOT_PUR_DEBT	TOTAL PURCHASE (DEBT)	NUMBER	(12,2)
9	TOT_SAL_DEBT	TOTAL SALES (DEBT)	NUMBER	(12,2)

(1) NUMBER (12,2) -- Number with 10 integer and 2 decimal digits.
(2) All transaction values to be reported in crores.

Format "2.F2"
Format of the text file:

File Name : D0212001

Cust_ Code	MF Reg. No.	Trn _ID	Trn. _dt	Report _Dt	R_Type	Tot_Pur_Eq	Tot_Sal _Eq
C (3)	C (12)	C(12)	02-DEC-1999	02-DEC-1999	C(1)	N(12,2)	N(12,2)

Tot_Pur_Debt	Tot_Sal_Debt	Tot_Pur_Eq_ BSE	Tot_Sale_ Eq_ BSE
N(12,2)	N(12,2)	N(12,2)	N(12,2)

A B C D E F

001|MF/001/93/1|ID01|02-DEC-1999|02-DEC-1999|N|2.25|5.23|20.55|66.12|39.1|2.3|

Amendment:
For e.g.

Original Record is

001|MF/001/93/1|ID01|02-DEC-1999|02-DEC-1999|N|2.25|5.23|20.55|66.12|39.1|2.3|

Suppose Tot_Pur_Eq has to be changed from 2.25 to 25.5 then the amended record would be

001|MF/001/93/1|ID01|02-DEC-1999|04-DEC-1999|A|25.5|5.23|20.55|66.12|39.1|2.3|

and reported on 4th December, 1999.

A: TOT_PUR_EQ
B: TOT_SAL_EQ
C: TOT_PUR_DEBT
D: TOT_SAL_DEBT
E: TOT_PUR_EQ_BSE (Sensitive Index out of A)
F: TOT_SAL_EQ_BSE (Sensitive Index out of B)

G. REPORT TO TRUSTEES BY AMC[681]

FORMAT FOR QUARTERLY REPORT (QR) FROM AMCs TO TRUSTEES

1. AMCs shall submit QR on the activities of Mutual Funds/AMCs to trustees within 21 days from the end of respective quarters (March, June, September and December).

2. The report shall, *inter alia,* contain the following details and shall contain such other information/compliances as required by Trustees and / or as prescribed by SEBI from time to time:

(I) Details about the Schemes of the Mutual Fund

(i) **Number of live schemes as on ____ (last day of the quarter end):**

Type of Scheme	**Open ended**	**Close ended**	**Interval**	**Total**
Overnight/Liquid/Money Market Funds				
Gilt Funds				
Debt Schemes (other than assured return schemes)				
Debt Schemes (assured return schemes)				
Infrastructure Debt Funds				
ELSS				
Other Growth / Equity Schemes				
Hybrid Schemes				
Solution Oriented Schemes				
Other Schemes (including ETFs)				
Total				
Fund of Funds Schemes (Investing overseas)				
Fund of Funds Schemes (Domestic)				

(ii) **Details of Schemes launched during the quarter including schemes which were launched but could not be constituted for any reason:**

Scheme Name	**Scheme Category (As per MCR)**	**Open/ Closed / Interval**	**Date of Launch**	**Closing Date**	**Allotment Date**	**Subscription Received (INR Cr.)**	**No. of Folios**

[681] SEBI Circular SEBI/HO/IMD/IMD-I DOF2/P/CIR/2021/550 dated April 12, 2021

						Direct Plan	Regular Plan	Direct Plan	Regular Plan

(iii)**Details of Existing Schemes Matured/ wound up during the quarter:**

Scheme Name	Scheme Category (As per MCR)	Open/ Close/ Interval	Amount redeemed at the time of maturity / winding up (INR Cr.)	Number of Unit-holders	Maturity/ Pay-out Date * (for wound up schemes)

For schemes which have been wound up, details of payout should be provided during each quarter till the last payout for such schemes.

(iv)**Details of Schemes merged during the quarter:**

Merging Scheme			Surviving Scheme			Effective Date of Merger	Exit Period of 30 days From: To:
Name of the Scheme	Scheme Category (As per MCR)	Open/ Close/ Interval	Name of the Scheme	Scheme Category (As per MCR)	Open/ Close/ Interval		

(v) **Details of close-ended Schemes Rolled-over during the quarter:**

Scheme Name	Scheme Category (As per MCR)	Original Maturity Date	Date of Roll over	Period of Roll over	Extended Maturity Date	Amount Rolled Over (INR Cr.)

(vi) **Details of Schemes that underwent fundamental attribute change during the quarter:**

Scheme Name	Scheme Category (As per MCR)	Open/ Close/ Interval	Effective Date of Fundamental Attribute Change	Description of the Change

(vii) **Clearance received from SEBI to launch New Schemes during the quarter:**

Scheme Name	Scheme Category (As per MCR)	Open/ Close/ Interval	SEBI clearance date	Validity of SEBI clearance

(viii) **Details of Assets Under Management (AUM):**

Scheme Name	Scheme Category (As per MCR)	Number of Folios	AUM as on last day of previous quarter (INR Cr.)	Total Inflow (INR Cr.)	Total Outflow (INR Cr.)	AUM as on last day of current quarter (INR Cr.)

(II) <u>AMC related Activities and Reporting:</u>

(i) **Details of other Permissible activity under Regulation 24(b) of SEBI (Mutual Funds) Regulations, 1996 (MF Regulations):**

1. Whether the other activities of the AMC are as per MF Regulations, and
2. Whether AMC continues to meet the networth requirements for each of the activities?
3. Provide explanation for the difference between the performance of various schemes (if the difference is more than 10%), managed by the same fund manager (i.e. mutual fund scheme versus other permissible activity). Confirm that the disclosure in this regard is also made on the website of the AMC.

(ii) **Net worth of the AMC**: Provide the networth of the AMC and its deployment and confirm absence of conflict of interest in its deployment.

(iii)**Conflicts of Interest:**

1. Provide confirmation that there is no conflict of interest between the activities allowed under Regulation 24(b) of MF Regulations and the mutual fund operation.
2. Provide confirmation w.r.t. compliance with Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.

(iv) **Details of change in the AMC Directors during the quarter.**

(v) **Details of change in the interest of AMC Directors during the quarter.**

(vi) **Transactions in Securities:**

1. Provide details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC to trustees giving details of names of the personnel, name of the security, purchase / sale details like quantity, rate, value, name of broker, whether transaction is on personal account or immediate family or fiduciary.

2. Provide confirmation w.r.t. compliance of the guidelines on Investment by Employees of AMC on a continuous basis and reporting of any violations and remedial action taken to Trustees.

(vii) **Enhancing disclosures on proxy votes cast by Mutual Funds:** Review and ensure that AMC has voted on all resolutions and the rationale recorded for vote decision is prudent and adequate.

(viii) **Provide status of compliance on Cyber Security and Cyber Resilience framework for Mutual Funds / Asset Management Companies (AMCs)**

(ix) **Regulatory Actions**: Details of all regulatory actions initiated or taken during the quarter such as enforcement proceedings, warning, deficiency, if any, received from SEBI and/or other regulators or Govt. Agencies along with corrective actions taken.

(III) <u>SEBI mandated Reporting</u>

A. Products Related

1) **Necessary systems in place:** AMCs to confirm that it has necessary systems in place for back office etc., appointed all key personnel, auditors, compliance officer, registrars, prepared compliance manual, specified broker empanelment norms, obtained in-principle approvals from stock exchanges, etc.

2) **Easy availability of Offer Documents:** AMCs to confirm that it has adopted the Scheme Information Document (SID) and Key Information Memorandum (KIM) formats as specified by SEBI and ready availability of offer documents such as SID, KIM and Statement of Additional Information (SAI) with distributors/ ISCs of Mutual Funds and also on its website.

3) **Launch of Additional Plans under existing Schemes:** AMCs to confirm that the additional plans/schemes launched during the quarter were not for a particular investor on any arbitrary date and these were open for subscription for all the investors.

4) **Capital Protection Oriented Scheme:** AMCs to confirm that there is disclosure in offer documents and continuous monitoring of the structure of the portfolio of the Capital Protection Oriented Scheme and also quarterly review of ratings were done.

5) **Guaranteed return Schemes:** AMCs to confirm that it has ability to honour guaranteed commitment in respect of any guaranteed return scheme. No guaranteed return is provided in a scheme, unless such returns are fully guaranteed by the sponsor or the AMC; and unless a statement indicating the name of the person who will guarantee the return, is made in the offer document; and the manner in which the guarantee is to be met has been stated in the offer document.

B. Performance Related

1) **Selection of Appropriate Benchmarks:** AMC to confirm that the scheme specific benchmarks assigned to each schemes are appropriate.

2) **Performance along with Benchmark returns:** Performance of all schemes vis-à-vis its benchmark and additional benchmark as on the end of the quarter in 1-year, 3-year, 5-year, 10-year and since the date of allotment of the units.

C. Investments Related

1) **Investments**: AMCs to confirm that the investments in mutual fund schemes have been made in accordance with MF Regulations and various circulars issued there under, Trust Deed, investment objective of the Schemes and are in the interest of unitholders.

2) **Exposure of a mutual fund, across all its schemes, towards individual issuers, group companies and sectors:** AMC to confirm that the exposure of mutual fund in debt and money market instruments, across all its schemes, towards individual issuers, group companies and sectors are in

compliance with the regulatory requirements and regular review of such exposure is undertaken.

3) **Exposure in equity in excess of 10% of the paid up capital of a Company:** Details of the date of purchase, name of the company, purchase price, value and holding percent in the capital carrying voting rights, whether any of such companies are Associates of the Sponsor / AMC, justification for making the investment.

4) **Intended Portfolio Allocation:** Details on the disclosed portfolio allocation and the actual portfolio of close ended debt oriented schemes launched during the quarter.

5) **Inter-scheme Investments:** Details of inter-scheme investments happened during the quarter including name of the schemes, date of investment, price, value, charges levied, if any, etc.

6) **Recording of Investment decisions by the AMC, Investments in unlisted, privately placed securities, if any:** Details of investments in unlisted and privately placed securities, if any during the quarter including the performance of such investments and also details of the due diligence being exercised while making such investment decisions. AMCs to confirm that such investments and its valuation were in compliance with the regulatory requirements.

7) **Investment in unrated debt instruments:** Details of investments in unrated debt instruments during the quarter, if any along with details of due diligence being exercised while making such investment decisions. AMCs to confirm that such investments and its valuation were in compliance with the regulatory requirements.

8) **Comments on investments downgraded to below investment grade or default**: Details of investments downgraded to below investment grade or default during the quarter. Comments on steps taken or to be taken by the AMC.

9) **Overseas Investments by Mutual Funds:** Comments on necessary due diligence in making investment decisions, detailed analysis of risks and returns of overseas investment and how these investments would be in the interest of investors. Further, in case of investment in overseas mutual fund schemes, the details w.r.t. management fees & other expenses charged by the underlying schemes and also by the investing scheme may be provided. AMCs to confirm that such investments and its valuation were in compliance with the regulatory requirements.

10) **Parking of funds in Short Term Deposits of Scheduled Commercial Banks (SCBs):** Confirms that provisions of MF Regulations and various

circulars issued thereunder pertaining to parking of funds in short term deposits pending deployment are complied with at all points of time. Details of funds parked in Short-term Deposits of SCBs due to pending deployment, during the quarter.

11) **Participation in Repo on Corporate Debt Securities, Credit Default Swaps (CDS), REIT, InvIT, Commodity Derivatives, etc.**: AMC to confirm that participation of mutual fund schemes in repo on corporate debt securities, Credit Default Swaps, REITs, InvITs, commodity derivatives, etc. were in compliance with the regulatory requirements and in the interest of investors.

12) **Carry Forward Transactions:** AMCs to confirm that the funds of a scheme shall not in any manner be used in carry forward transactions. Give details of such transactions which resulted in carry forward transactions – date, scrip, name of the broker, rate and quantity in custody, etc.

13) **Stock / Securities Lending:** Details with regard to securities lending during the quarter, in terms of value, volume and intermediaries and also earnings and/or losses, value of collateral security, etc. and confirm that the same is not, in any way, detrimental to the interests of the unit-holders of the scheme.

14) **Borrowings:** Data on borrowing by mutual fund schemes during the quarter with certain details such as date, nature of borrowing, source, amount borrowed, purpose of borrowing, interest rate, security offered for the borrowing, percent of borrowing to net asset on date of borrowing, date of repayment or proposed manner of liquidation of the debt, amount borne by the scheme, amount borne by the AMC and the average portfolio yield during that period, etc. Further, if borrowing is from any associate of the sponsor or AMC, provide reasons for borrowing from such entity and competitiveness of the terms.

15) **Inter-Scheme Transfers (ISTs):** Details on ISTs during the quarter such as dates, name of transferor and transferee schemes, securities transferred and price, value of transfer and specific reasons for the transfer.

16) **Cross Investments:** In case any company has invested more than 5 per cent of the net asset value of a scheme, the details of investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be provided to the trustees with justification for such investment, provided the latter investment has been made within one year of the date of the former investment calculated on either side.

17) **Code of Conduct for Fund Managers and Dealers:** Confirm that the code of conduct as specified for fund managers and dealers in MF Regulations were complied with during the quarter.

18) **Valuation of Investments:**

i. AMC to confirm that the valuation of all debt and money market instruments during the quarter were done in compliance with the regulatory requirements. Report the justification for deviations, if any, from indicative haircut and / or valuation price for securities below investment grade provided by valuation agencies.

ii. AMC to confirm that valuation of investments made by its scheme(s) was in accordance with the Investment Valuation Norms specified in Eighth Schedule of MF Regulations, and publishing the same. Periodic review of the valuation policy by the AMC and annual review by the Statutory Auditors.

iii. AMC to confirm that in case of change in terms of the issue of any security, the same has been communicated to the Valuation Agencies.

19) **Trade Execution and Allocation:** AMC to confirm compliance with regulatory requirements relating to Trade Execution and Allocation prescribed by SEBI. Further, any non-compliance and material information, if any, in this regard needs to be reported to trustees.

D. Risk Management Related

1) **Risk Management Framework for MFs:** Details of outcomes of the risk management framework for mutual funds along with steps taken to address the same. Confirm that the existing risk management framework of mutual fund is in compliance with the regulatory requirements and ensures protection of interest of investors.

2) **Stress Testing:** Details of outcomes of the stress testing of open ended mutual fund schemes along with steps taken to address the same.

E. Empanelment of Broker for purchase or Sale of Securities

1) Confirm that the AMC has not dealt with any associate broker for purchase or sale of securities, which is average of 5% or more of the aggregate purchases and sale of securities made by the mutual fund in all its schemes for a block of three months.

2) Conform that in case the AMC has dealt through any other broker other than a associate broker in excess of 5% or more of the aggregate purchase and sale of securities made by the mutual fund in all its schemes, the AMC

has recorded in writing the justification for the same. In this regard provide details such as date of transactions, name of broker, value of business, brokerage paid, percent of business to total business for the day, whether the broker is associated with the sponsor or through a firm which is an associate of the sponsor, etc.

3) Diligence in empaneling the brokers, monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.

F. Operations Related

1) **Scheme-wise segregation of Assets and liabilities & Bank Accounts and Securities Accounts:** Confirm that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the mutual fund; and bank accounts and securities accounts of each schemes are segregated and ring-fenced.

2) **Identification and Appropriation of Expenses:**

   i. Confirm 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, was paid from the scheme only within the regulatory limits and not from the books of the Asset Management Companies (AMC), its associate, sponsor, trustee or any other entity through any route.

   ii. Confirm that in case certain expenses are paid from the AMC books then they are in compliance with the regulatory requirements and are within the permissible limit of 2 bps and are properly recorded and audited.

3) **Maintenance of proper Books of Accounts, Records and Documents:** Confirm that the books of accounts, records and documents for each scheme are kept and maintained properly and intimated to SEBI the place where such books of account, records and documents are maintained

4) **Reconciliation of investment in Government Securities:** With respect to investments in Government securities, the AMC has reconciled the balances in their Subsidiary General Ledger (SGL) / Constituent Subsidiary General Ledger (CSGL) Account with the statement issued by RBI, at monthly intervals. The AMC has also submitted a compliance certificate on a quarterly basis to RBI. The reconciliation procedure is a part of internal audit and the auditors check on a continuous basis about the status of reconciliation and submit a report to the Audit Committees. These reports are placed in the meetings of Boards of AMCs and Trustees.

G. Investor Related

1) **Minimum Investors and Maximum Holding during the quarter:** Confirm that the regulatory requirements w.r.t. minimum number of 20 investors and no single investor hold more than 25% of the net assets of the scheme were complied with during the quarter.

2) **Investments by any company amounting to more than five percent of the net asset value of a scheme:** Indicate names of companies / schemes and their association with the Sponsor or the AMC, if any.

3) **Uniform cut-off timings for applicability of Net Asset Value (NAV) of Mutual Fund scheme(s)/plan(s):** Confirm compliance with the regulatory requirements with regard to uniform cut-off timings for applicability of NAV. Provide details of manual time stamping of applications during the quarter along with adequate justification for the same and also steps taken to avoid occurrence of the same in future. Also list instances of damages of the seal and/or breakdown of the electronic time stamping process, if any.

4) **Despatch of redemption proceeds and Transfer of Units**: Confirm that all redemption and dividend payments are made with in the regulatory limits. In case of delay in payment within the period specified, interest is paid to the unitholders, for the period of such delay, at such rate as specified by the SEBI.

5) **Status of Investor Complaints:** Provide the status of investor complaints received through various modes and the redressal of the same by the AMC including ageing schedule and reasons.

Category	**No. of Complaints**			**Ageing analysis of pending complaints**						**Reason for pending complaints**
	Received	**Redressed**	**Pending**	**0-3 days**	**4-7 days**	**8-20 days**	**21-40 days**	**41-60 days**	**Beyond 60 days**	
TOTAL										

6) **KYC and AML Compliance including requirements on PAN, FATCA, etc.:**

Confirm that the regulatory requirement for Know Your Customer (KYC) norms and the Anti-Money Laundering/ Countering the Financing of Terrorism (AML/CFT) Obligations under the Prevention of Money

Laundering Act, 2002 and Rules framed thereunder (PMLA) are complied with.

7) **Consent of Unitholders:** Confirm that wherever required, consent of unitholders were taken during the quarter in terms of MF Regulations.

H. Distributor Related

1) **Distributor Empanelment:** Number of new distributors empanelled by the AMC during the quarter, for the purpose of selling and distribution of units of mutual fund schemes with the following details:

(a) List of Domestic Distributors empanelled

(b) List of Overseas Distributors

(c) List of New cadre Distributors

In cases where the ARN of distributors expired, whether the commission payable to the distributor is withheld by the AMC?

Due Diligence: At the time of empanelment of distributors and during the period of review, AMCs has undertaken a due diligence process to satisfy 'fit and proper' criteria.

2) **Certification and Registration of Intermediaries (Distributors) and Employees:**

(a) **Certification of agents / distributors and employees of AMC:** The distributors/agents empanelled for selling and distribution of mutual funds and also the employees of the AMC engaged for selling and distribution were having the required certification.

(b) **Brokerage on own Investments:** No brokerage has been paid to the brokers on their own investments.

(c) **Code of Conduct for Intermediaries (Distributors):** Confirm that the activities of their agents/distributors are monitored on continuous basis to ensure that they do not indulge in any kind of malpractice or unethical practice while selling/marketing mutual fund units. If any intermediary (distributor) did not comply with the code of conduct, the same has been reported to AMFI and SEBI. There was no dealing with those intermediaries (distributor) who do not follow the code of conduct.

3) **Indicative portfolio and indicative yield**: Confirm that no indicative portfolio and indicative yield has been communicated in any manner whatsoever by the MF/ Distributors:

I. Service Provider Related

1) **Service Contracts**: Confirm the following:
   (a) Review of all service contracts such as custody arrangements, transfer agency of the securities to ensure that such contracts are executed in the interest of the unitholders [Regulation 18(19)]
   (b) All service providers are holding appropriate registrations from SEBI or concerned regulatory authority [Regulation 18(25)A(iv)]
   (c) The trust property is properly protected, held and administered by proper persons and by a proper number of such persons. [Regulation 18(25)A(iii)]

2) **Specific attention by Independent Directors of Trustees or AMC:** Confirm that the independent directors have given specific attention on the areas mentioned under Regulation 18(27) of SEBI (Mutual Funds) Regulations, 1996. Details of comments, if any, to be provided to trustees.

3) **Any Special Developments:** Details of any special developments in the mutual fund during the quarter shall be provided to trustees.

(IV) <u>Associate Transactions</u>

a. Confirm that utilisation of services of the sponsor or any of its associates, employees or their relative for any securities transaction; and distribution and sale of securities; and the brokerage and commission paid for such services; were disclosed and were in accordance with the regulatory requirements.

b. Details of securities transactions in terms of Second Proviso to Regulation 25(8) of the Regulations:
   - Any underwriting obligations undertaken by the schemes of the mutual funds with respect to issue of securities of associate companies and devolvement, if any.
   - Subscription by the schemes in the issues lead managed by associate companies; and
   - Subscription of securities by the Schemes to any issue on private placement basis where the Sponsor or its associate companies have acted as arranger or manager.

c. Details of investments made by the schemes during the period in securities of any of the associate companies

d. Details pertaining to securities transactions during the period where associates are the counter parties.

e. Details with justification about purchase and sale of securities of the Sponsor, group companies or associates of the Sponsor or AMC during the quarter.

f. Confirm that no investment by mutual fund scheme is made in any unlisted or privately placed securities of an associate or group company of the sponsor.

g. Investments/ redemption by the AMC, Sponsor, any associate or group company of the Sponsor in any of the schemes during the quarter.

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H. TREATMENT OF CORPORATE ACTIONS[682]

(i) Involuntary corporate actions: In case of corporate actions where investors have no choice in the matter, for example: *demerger of companies,* etc, the compliance status of RGESS demat account shall not change.

(ii) Voluntary corporate actions: In case of corporate actions where investors have the option to exercise his choice and thereby result in debit of securities, for example: *buy-back,* etc, the same shall be considered as a sale transaction for the purpose of the scheme.

Consolidated list of 'corporate actions'

Sr. No.	**Corporate Action**	**Classification (Involuntary or Voluntary)**
1	Amalgamation	Involuntary
2	Scheme of Arrangement	Involuntary
3	Reduction of Capital	Involuntary
4	Bonus issue	Involuntary
5	Buy Back of Shares	Voluntary (Involuntary in case of court intervention)
6	Stock Split	Involuntary
7	Consolidation of Shares	Involuntary
8	Conversion of Partly Paid up	Involuntary
9	Dividend [Final/ Interim/ Special]	Involuntary
10	Exchange of Share Certificate [Name change]	Involuntary
11	Rights Issue	Voluntary
12	Conversion (compulsory)*	Involuntary
13	Conversion (optionally)*	Involuntary
14	Redemption	Involuntary (voluntary, if there is option to continue with revised terms)
15	Dividend on Mutual Fund	Involuntary
16	Redemption of Mutual Fund	Involuntary on maturity (voluntary, if there is option to shift between different scheme(s) or on account of exit option due to change in fundamental attributes of scheme)

* Considering any conversion into equities (e.g.: Conversion of warrants into equities)

[682] SEBI Circular No.CIR/MRD/DP/32/2012 dated December 6, 2012

I. FORMAT FOR OVERSEAS INVESTMENTS REPORT[683]

Overseas Investments Report as on DD/MM/YYYY

New Fund Offers (NFOs) - Overseas Investments (other than Overseas ETFs)

Name of the Mutual Fund	Name of the Scheme	Intended Investment as disclosed in Scheme Documents (in USD mn)	Date of Completion of NFO	Date of Completion of 6 calendar months from (4)	Limit utilized as at the month end DD/MM/YYYY (in USD mn)	Unutilized Balance Amount (in USD mn)
(1)	(2)	(3)	(4)	(5)	(6)	(7)

New Fund Offers (NFOs) – Overseas ETFs

Name of the Mutual Fund	Name of the Scheme	Intended Investment as disclosed in Scheme Documents (in USD mn)	Date of Completion of NFO	Date of Completion of 6 calendar months from (4)	Limit utilized as at the month end DD/MM/YYYY (in USD mn)	Unutilized Balance Amount (in USD mn)
(1)	(2)	(3)	(4)	(5)	(6)	(7)

[683] SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2020/225 dated November 05, 2020

Ongoing Schemes

Particulars	Name of the Mutual Fund	Limit utilized as at the end of previous month DD/MM/YYYY (in USD mn)	Average AUM for previous three calendar months	Additional limit/ Headroom available based on 20% of (3)	Limit utilized as at the month end DD/MM/YYYY (in USD mn)	% of the (5) on maximum entitled investment limit	Unutilized Balance Amount (in USD mn)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Overseas Investments (other than Overseas ETFs)							
Overseas ETFs							

3. FINANCIALS

A. HALF YEARLY FINANCIAL RESULTS FOR THE YEAR ENDED[684]

FORMAT FOR HALF YEARLY FINANCIAL RESULTS FOR THE PERIOD ENDED_____

SR.NO	PARTICULARS	SCHEME NAMES
1.1 1.2	Unit Capital at the beginning of the half year period [Rs. in Crores] Unit Capital at the end of the period [Rs. in Crores]	
2	Reserves & Surplus [Rs. In Crores]	
3.1 3.2	Total Net Assets at the beginning of the half year period [Rs. in Crores] Total Net Assets at the end of the period [Rs. in Crores]	
4.1 4.2 4.3	NAV at the beginning of the half year period [Rs.] NAV at the end of the period [Rs.] Dividend paid per unit during the half-year [Rs.]	
5.1 5.2 5.3 5.4 5.5 5.6	Income Dividend [Rs. in Crores] Interest [Rs. in Crores] Profit/(Loss) on sale/redemption of investments (other than inter scheme transfer/sale) [Rs. in Crores] Profit/(Loss) on inter-scheme transfer/sale of investments [Rs. in Crores] Other Income (indicating nature) [Rs. in Crores]	

[684] MFD/CIR/1/200/2001 dated April 20,2001

	Total Income (5.1 to 5.5) [Rs. in Crores]	
6.1 6.2 6.3 6.4 6.5	Expenses - Commission - Other expenses Management Fees [Rs. in Crores] Trustee Fees [Rs. in Crores] Total Recurring Expenses (including 6.1 and 6.2) [Rs. in Crores] Percentage of Management Fees to daily net assets [%] **Total Recurring expenses as a percentage of daily net assets [%] at plan level**	
7.1 7.2	Returns during the half-year * [(+) (-)] Compounded Annualised yield in case of schemes in existence for more than 1 Year ** i. Last 1 year [%] ii. Last 3 years [%] iii. Last 5 years [%] iv. Since launch of the scheme (date of launch to be given) [%]	
8	Provision for Doubtful Income/Debts [Rs. in Crores]	
9	Payments to associate/group companies (if applicable) [Rs. in Crores]	
10	Investments made in associate/group companies (if applicable) [Rs. in Crores]	

Considering the movement of NAV during the half year and after adjustment of dividend, bonus, etc.

** For the calculation of compounded annualized yield, the procedure prescribed in Standard Offer Document shall be followed. All performance calculations shall be based only on NAV and the payouts to the unit holders. The calculation of returns shall assume that all payouts during the period have been reinvested in

the units of the scheme at the then prevailing NAV. The type of plan/option of the scheme for which yield is given shall also be mentioned.

Notes:

1. Effect of changes in the accounting policies on the above items to be disclosed by way of notes.
2. Details of transactions with associates in terms of Regulation 25(8), if applicable, to be given by way of note.
3. Details of investments made in companies which have invested more than 5% of the NAV of a scheme in terms of Regulation 25(11), if applicable, to be given as a note.
4. Details of large holdings (over 25% of the NAV of the scheme), if applicable, including information about the no. of such investors and total holdings by them in percentage terms, to be given as a note.
5. Any bonus declared during the half-year in respect of any of the schemes to be disclosed by way of a note.
6. Omitted.
7. Borrowings if any, above 10% of the net assets of any scheme of a mutual fund to be disclosed.
8. Exposure if any, of more than 10% of the net assets of any scheme of a mutual fund investing in derivative products to be disclosed.
9. All other disclosures as specifically stipulated in the SEBI (Mutual Funds) Regulations, 1996, amended from time to time.
10. Performance of benchmark indices shall be disclosed below the returns of specific schemes for the same period. Mutual Funds can give the performance of more than one benchmark index also, if they so desire. Mutual funds may also give the perception of the management on the performance of their schemes[685].

[685] SEBI Circular - SEBI/MFD/CIR No. 6 / 12357 /03 June 26, 2003

11. Schemewise percentage of investments made in foreign securities shall be disclosed as a footnote[686].

[686] SEBI Circular – SEBI/IMD/Cir No 7/104753/07 dated September 26, 2007

B. ABRIDGED SCHEME-WISE ANNUAL REPORT FORMAT[687]

Auditors' Report

Append the Auditors' Report to the financial statements of schemes, drawn up in conformity with SEBI (Mutual Funds) Regulations, 1996.

ABC Mutual Fund
Address
Trustee Report

1 Scheme Performance, Future Outlook and Operations of the Schemes

Brief commentary on the scheme's one year and since inception performance vis-à-vis the benchmark. Performance to be as of the period / year end. Future Outlook of the Fund and Operations of the Schemes.

2 Brief background of Sponsors, Trust, Trustee Co. and AMC co.

a._____Mutual Fund

_____ Mutual Fund (_____MF) was set up as a Trust by the Settlers, _____ on _____ with _____Trustee Company (the Trustee Company) as a Trustee in accordance with the provisions of the Indian Trust Act, 1882 and is duly registered under the Indian Registration Act, 1908. The Trustee has entered into an Investment Management Agreement dated _____ with _____ Ltd. (the AMC) to function as the Investment Manager for all the Schemes of ___MF. ____MF was registered with SEBI on _____.

b._____Trustee Company

The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unitholders. The Trustee has been discharging its duties and carrying out the responsibilities as provided in the Regulations and the Trust Deed. The Trustee seeks to ensure that the Fund and the Schemes floated there under are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by the SEBI, the Stock Exchanges, the Association of

[687] SEBI Circular No. IMD/CIR No.8/132968/2008 dated July 24, 2008

Mutual Funds in India and other regulatory agencies

3 Investment Objectives of the Schemes

4 Significant Accounting Policies: a Note confirming that "Accounting policies are in accordance with Securities Exchange Board of India (Mutual Fund) Regulations 1996." Deviation, if any, should be reported.

5 Unclaimed Dividends & Redemptions

Summary of No. of Investors & Corresponding amount schemewise

	Unclaimed Dividends		Unclaimed Redemptions	
Scheme	Amount (Rs.)	No. of Investors	Amount (Rs.)	No. of Investors
Scheme A				
Scheme B				

6 Statutory Information:

a. The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond their initial contribution (to the extent contributed) of Rs. _____ for setting up the Fund, and such other accretions / additions to the same.

b. The price and redemption value of the units, and income from them, can go up as well as down with fluctuations in the market value of its underlying investments.

c. Full Annual Report shall be disclosed on the website (www.……) and shall be available for inspection at the Head Office of the mutual fund. Present and prospective unit holder can obtain copy of the trust deed, the full Annual Report of the Fund / AMC at a price.

For ____ Trustee Company

Director
Place:
Date:

ABC MUTUAL FUND

Address

Abridged Balance Sheet as at

_____

Rupees in Lakhs

		Scheme A		Scheme B		Scheme C	
		As at Current Year	**As at Previous Year**	**As at Current Year**	**As at Previous Year**	**As at Current Year**	**As at Previous Year**
	LIABILITIES						
1	**Unit Capital**						
2	**Reserves & Surplus**						
2.1	Unit Premium Reserves						
2.2	Unrealised Appreciation Reserve						
2.3	Other Reserves						
3	**Loans & Borrowings**						
4	**Current Liabilities & Provisions**						
4.1	Provision for doubtful Income/Deposits						
4.2	Other Current Liabilities & Provisions						
	TOTAL						
	ASSETS						
1	**Investments**						
1.1.	**Listed Securities:**						
1.1.1	Equity Shares						
1.1.2	Preference Shares						
1.1.3	Equity Linked Debentures						
1.1.4	Other Debentures & Bonds						
1.1.5	Securitised Debt securities						
1.2	**Securities Awaited Listing:**						
1.2.1	Equity Shares						
1.2.2	Preference Shares						

1.2.3	Equity Linked Debentures						
1.2.4	Other Debentures & Bonds						
1.2.5	Securitised Debt securities						
1.3	**Unlisted Securities**						
1.3.1	Equity Shares						
1.3.2	Preference Shares						
1.3.3	Equity Linked Debentures						
1.3.4	Other Debentures & Bonds						
1.3.5	Securitised Debt securities						
1.4	Government Securities						
1.5	Treasury Bills						
1.6	Commercial Paper						
1.7	Certificate of Deposits						
1.8	Bill Rediscounting						
1.9	Units of Domestic Mutual Fund						
1.10	Foreign Securities						
	Total Investments						
2	**Deposits**						
3	Other Current Assets						
3.1	Cash & Bank Balance						
3.2	Triparty repo on Government securities or treasury bills / Reverse Repo Lending						
3.3	Others						
4	Deferred Revenue Expenditure (to the extent not written off)						
	TOTAL						

Notes to Accounts - Annexure I

ABC MUTUAL FUND
Address

Abriged revenue account for the year/ Period Ended _____

Rupees in Lakhs

		Scheme A	**Scheme B**	**Scheme C**

		Current Year / Period ended ___	Previous Year / Period Ended ___	Current Year / Period ended ___	Previous Year / Period ended ___	Current Year / Period ended ___	Previous Year / Period ended ___
1	**INCOME**						
1.1	Dividend						
1.2	Interest						
1.3	Realised Gain / (Loss) on Foreign Exchange Transactions						
1.4	Realised Gains / (Losses) on Interscheme sale of investments						
1.5	Realised Gains / (Losses) on External sale / redemption of investments						
1.6	Realised Gains / (Losses) on Derivative Transactions						
1.7	Other Income[1]						
	(A)						
2	**EXPENSES[2]**						
2.1	Management fees						
2.2	Goods & Service Tax on Management fees						
2.3	Transfer agents fees and expenses						
2.4	Custodian fees						
2.5	Trusteeship fees						
2.6	Commission to Agents						
2.7	Marketing & Distribution expenses						
2.8	Audit fees						
2.9	Other operating expenses						
	(B)						
3	**NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD (A -B = C)**						
4	Change in Unrealised Depreciation in value of investments (D)[3]						
5	**NET GAINS / (LOSSES) FOR THE YEAR /**						

	PERIOD (E=(C-D))						
6	Change in unrealised appreciation in the value of investments (F)[4]						
7	**NET SURPLUS / (DEFICIT) FOR THE YEAR / PERIOD (E + F = G)**						
7.1	Add: Balance transfer from Unrealised Appreciation Reserve						
7.2	Less: Balance transfer to Unrealised Appreciation Reserve						
7.3	Add / (Less): Equalisation						
8	**Total**						
9	**Dividend appropriation**						
9.1	Income Distributed during the year / period						
9.2	Tax on income distributed during the year / period						
10	**Retained Surplus / (Deficit) carried forward to Balance sheet**						

Notes to Accounts - Annexure I

Guidance Note

1 : Provide details of significant items indicating nature & corresponding amount in Notes to accounts
2 : State in the notes to accounts that expenses other than management fee is inclusive of Goods & Service Tax where applicable.
3. Unrealized Depreciation to be computed by each asset category and shown on an aggregated basis. This should take into account change in unrealized depreciation for the year/period and write back of unrealized depreciation provided in the previous year end.
4. Unrealized Appreciation to be computed by each asset category and shown on an aggregated basis. This should take into account change in unrealized appreciation for the year/period and write off of unrealized appreciation provided in the previous year end.

ABC Mutual Fund
Address

Notes to Accounts - Annexure I to the Abridged Balance Sheet and Revenue Account for the Year / Period ended _____

1 Investments: -

1.1. Note confirming that Investments of the Schemes are registered in the name of the Trustees for the benefits of the Schemes Unitholders.

1.2. Open Position of derivatives (outstanding market value & % to Net Assets as of the Year end).

1.3. Investments in Associates and Group Companies: Provide details of issuer, nature of instruments, amount, aggregate investments by all schemes.

1.4. Open position of Securities Borrowed and / or Lend by the scheme.

1.5. Details of securities classified as below investment grade or default[688]: Aggregate market value and provision thereof.

1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial Year / Period and percentage to net assets.

1.7. Aggregate Value of Purchase and Sale with Percentage to average assets.

1.8. Non-Traded securities in the portfolio: Provide Aggregate Value of Equity, Debt & Money Market Instruments and percentage to net assets.

2 Details of Transaction with Associates under regulation 25(8). Provide details of name of associate, nature of payment and amount

3 "Large Holdings in the Scheme (i.e. in excess of 25% of the net assets). Provide details of No. of Investors and total holdings by them in percentage terms."

4 Unit Capital movement during the year ended / period ended. Planwise details of movement in units - opening, subscription, redemption, closing. Indicate plan wise face value of units.

5 Prior Year Comparison - a suitable statement that prior year figures have been reclassified wherever necessary to conform to current years' presentation.

6 Contingent Liability. Provide details of nature and amount.

Guidance Note: Provide corresponding previous year/period figures for all the above disclosures.

ABC MUTUAL FUND
Address

[688] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

Key Statistics for the year / period ended _____

	Scheme A		Scheme B		Scheme C	
	Current Year/ Period ended	Previous year/ Period ended	Current Year/ Period ended	Previous year/ Period ended	Current Year/ Period ended	Previous year/ Period ended
1. NAV per unit (Rs.):						
Open						
High						
Low						
End						
2. Closing Assets Under Management (Rs. in Lakhs)						
End						
Average (AAuM)						
3.Gross income as % of AAuM[1]						
4. Expense Ratio:						
a. Total Expense as % of AAuM (plan wise)						
b. Management Fee as % of AAuM (plan wise)						
5. Net Income as a percentage of AAuM[2]						
6. Portfolio turnover ratio[4]						
7. Total Dividend per unit distributed during the year / period (plan wise)						
8. Returns:						

a. Last One Year						
Scheme						
Plan ____						
Plan ____						
Benchmark						
b. Since Inception						
Scheme						
Plan ____						
Plan ____						
Benchmark						
1. Gross income = amount against (A) in the Revenue account i.e. Income.						
2. Net income = amount against (C) in the Revenue account i.e. NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD						
3. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.						
4. AAuM=Average daily net assets						

C. MONTHLY PORTFOLIO DISCLOSURE[689] AND HALF YEARLY PORTFOLIO DISCLOSURES[690]

Name of the Mutual Fund:

Name of the scheme:

Half-yearly Portfolio Statement for the period ended __

Name of the instrument	Quantity	Mkt value (Rs in lakhs)	% to NAV
Equity & Equity related - (a) listed / awaiting listing on Stock Exchanges 1 2 3 **Total** (b) Unlisted 1 2 3 **Total**			
Debt Instruments - (a) listed/awaiting listing on stock exchanges Rating			

[689] SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017 and SEBI/HO/IMD/DF3/CIR/P/2020/130 dated July 22, 2020

[690] MFD/CIR/9/120/2000 dated November 24, 2000, MFD/CIR/14/18337/2002 dated September 19, 2002

1 2 3 Total (b) Privately Placed/Unlisted <u>Rating</u> 1 2 3 (C) Securitized Debt Instruments[691] Total			
Money Market Instruments 1 2 3 **Total**			
Interest Rate Derivatives (both IRS/IRF) [692] 1 2 3 **Total**			
Others – cash etc. (please specify)			
Grand Total			

[691] SEBI Circular No. IMD/CIR No 8/132968/2008 dated July 24, 2008
[692] SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017

The portfolio disclosure for derivative positions including IRF[693] shall be made as follows:

Hedging Positions through Futures as on ...

Underlying	Long / Short	Futures Price when purchased	Current price of the contract	Margin maintained in Rs. Lakhs
Total %age of existing assets hedged through futures				
For the period ended ... specify the following for hedging transactions through futures which have been squared off/expired Total Number of contracts where futures were bought Total Number of contracts where futures were sold Gross Notional Value of contracts where futures were bought Gross Notional Value of contracts where futures were sold Net Profit/Loss value on all contracts combined				

Exposure created due to over hedging through futures (quantity of hedging position exceeding the quantity of existing position being hedged) shall be reported in the next table.

Other than Hedging Positions through Futures as on...

Underlying	Long / Short	Futures Price when purchased	Current price of the contract	Margin maintained in Rs. Lakhs
Total exposure due to futures (non hedging positions) as a %age of net assets				
For the period ended ... specify the following for non-hedging transactions through futures which have been squared off/expired Total Number of contracts where futures were bought Total Number of contracts where futures were sold Gross Notional Value of contracts where futures were bought Gross Notional Value of contracts where futures were sold Net Profit/Loss Value on all contracts combined				

Hedging Positions through Put Options as on ...

[693] SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010 and SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017

Underlying	Number of Contracts	Option Price when purchased	Current Option Price
Total %age of existing assets hedged through put options			
For the period ended … specify the following for hedging transactions through options which have already been exercised/expired Total Number of contracts entered into Gross Notional Value of contracts Net Profit/Loss on all contracts (treat premium paid as loss)			

Exposure created due to over hedging through options (quantity of hedging position exceeding the quantity of existing position being hedged) shall be reported in the next table.

Other than Hedging Positions through Options as on …

Underlying	Call / Put	Number of contracts	Option Price when purchased	Current Price
Total Exposure through options as a %age of net assets				
For the period ended … with regard to non-hedging transactions through options which have already been exercised/expired specify: Total Number of contracts entered into Gross Notional Value of contracts Net Profit/Loss on all contracts (treat premium paid as loss)				

Hedging Positions through swaps as on …

Swaps should be disclosed separately as two notional positions in the underlying security with relevant maturities. For example, an interest rate swap under which a mutual fund is receiving floating rate interest and paying fixed rate will be treated as a long position in a floating rate instrument of maturity equivalent to the period until the next interest fixing and a short position in a fixed rate instrument of maturity equivalent to the residual life of the swap.

The aforementioned provisions for disclosure on derivatives shall be applicable for all new schemes launched post the issue of the circular[694]. For all existing schemes, compliance with these provisions shall be effective from October 01, 2010.

The following guidelines should be observed by the AMC when preparing the half yearly portfolio statement for the unitholders:-

1. Entire portfolio irrespective of the quantity, market value and percentage to NAV of any scrip should be disclosed in descending order of weightage within each sub-group. If percentage to NAV of any security is less than 0.01%, it may be indicated by giving asterisk or any other mark instead of showing 0.00.
2. An asterisk/ suitable mark should be given against debt instruments which are below investment grade or default[695]in accordance with SEBI Regulations and guidelines.
3. A double asterisk mark should be given against thinly traded/ non traded securities and illiquid securities as defined in SEBI Regulations and guidelines.
4. The following information may be given by way of footnotes:
    a. If a security is in default beyond its maturity date, then disclosure to this effect shall be provided. Such disclosure shall include details of the security including ISIN, name of security, value of the security considered under net receivables (i.e. value recognized in NAV in absolute terms and as % to NAV) and total amount (including principal and interest) that is due to the scheme on that investment. Further, this disclosure shall continue till the value of the security recognized in the NAV is received or for a period of 3 years from the date of maturity of security, whichever is later.[696]
    b. Total value and percentage of illiquid equity shares.

[694] SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010
[695] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019
[696] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019

c. NAV at the beginning and end of the half-year period and any dividend, bonus etc declared during the period.
d. Total outstanding exposure in derivative instruments at the end of the period.
e. Total investments in foreign securities/ADRs/GDRs at the end of the period.

5. For Equity Oriented Schemes, in addition to the above, the following are required to be disclosed:
   a. Portfolio Turnover Ratio to be disclosed as a footnote.
   b. The name of the industry against the name of each security in accordance with industry classification as recommended by AMFI. The same industry classification may also be followed by the Mutual Funds while making disclosures of portfolios to investors, distributors and others, which are non statutory in nature.

6. For Debt Oriented Schemes, in addition to the above, the following are required to be disclosed
   a. Average maturity period to be disclosed as a footnote.

7. Half Yearly portfolio statements shall disclose all funds parked in short term deposit(s) under a separate heading. Details shall also include name of the bank, amount of funds parked, percentage of NAV[697].

   Further, all term deposits placed as margins for trading in cash and derivatives market shall be disclosed under a separate heading. Details shall include name of the bank, amount of term deposits, duration of term deposits, percentage of NAV[698].

[697] SEBI/IMD/CIR No.1/91171/07 dated April 16, 2007
[698] SEBI Circular No. SEBI/IMD/Cir No.7/129592/08 dated June 23, 2008.

8. Investments in foreign securities shall be disclosed in the prescribed format under a separate heading "Foreign Securities and/or overseas ETF(s)"[699]

9. The format of monthly and half yearly portfolio should reflect the investment in ETCDs. [700]

[699] SEBI Cir SEBI/IMD/CIR No.7/104753/07 dated September 26, 2007
[700] SEBI Cir SEBI/HO/IMD/DF2/CIR/P/2019/65 dated May 21, 2019

D. DISCLOSURE OF MONTHLY AAUM[701]

D.1 Format For MAAUM Disclosure:

Sl. No.	Scheme Category/ Scheme Name	XYZ Mutual Fund: Net Assets Under Management (AUM) as on .... (All figures in Rs. Crore)																				GRAND TOTAL
		Through Direct Plan				Through Associate Distributors				Through Non - Associate Distributors												
		T30		B30		T30		B30		T30		B30										
		I	II	I	II	I	II	I	II	I	II	I	II									
		1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5									
A	**INCOME / DEBT ORIENTED SCHEMES**																					
(i)	Liquid/ Money Market																					
	Scheme names																					
	(a) Sub-Total																					
(ii)	Gilt																					
	Scheme names																					
	(b) Sub-Total																					
(iii)	FMP																					
	Scheme names																					
	(c) Sub-Total																					
(iv)	Debt (assured return)																					
	Scheme names																					
	(d) Sub-Total																					
(v)	Infrastructure Debt Funds																					
	Scheme names																					
	(e) Sub-Total																					
(vi)	Other Debt Schemes																					
	Scheme names																					
	(f) Sub-Total																					
	Grand Sub-Total (a+b+c+d+e+f)																					
B	**GROWTH / EQUITY ORIENTED SCHEMES**																					
(i)	ELSS																					
	Scheme names																					
	(a) Sub-Total																					
(ii)	Others																					
	Scheme names																					
	(b) Sub-Total																					
	Grand Sub-Total (a+b)																					
C	**BALANCED SCHEMES**																					
(i)	Balanced schemes																					
	Scheme names																					
	Grand Sub-Total																					
D	**EXCHANGE TRADED FUND**																					
(i)	GOLD ETF																					
	Scheme names																					
	(a) Sub-Total																					
(ii)	Other ETFs																					
	Scheme names																					
	(b) Sub-Total																					
	Grand Sub-Total (a+b)																					
E	**FUND OF FUNDS INVESTING OVERSEAS**																					
(i)	Fund of funds investing overseas																					
	Scheme names																					
	Grand Sub-Total																					
GRAND TOTAL (A+B+C+D+E)																						
F	**Fund of Funds Scheme (Domestic)**																					
	Scheme names																					
	Grand Sub-Total																					

T30 : Top 30 cities as identified by AMFI
B30 : Other than T30

I : Contribution of sponsor and its associates in AUM
II : Contribution of other than sponsor and its associates in AUM

Category of Investor
1 : Retail Investor
2 : Corporates
3 : Banks/FIs
4 : FIIs/FPIs
5 : High Networth Individuals

[701] SEBI Circular CIR/IMD/DF/05/2014 dated March 24, 2014, SEBI Circular CIR/IMD/DF/07/2014 dated April 2, 2014 and SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2018/16 dated February 02, 2018.

D.2 Format for State Wise/ Union Territory Wise contribution to AUM of category of schemes:

Table showing State wise /Union Territory wise contribution to AUM of category of schemes as on __										
XYZ Mutual Fund (All figures in Rs. Crore)										
Sl. No.	Name of the States/ Union Territories	LIQUID SCHEMES	OTHER DEBT ORIENTED SCHEMES	GROWTH / EQUITY ORIENTED SCHEMES	BALANCED SCHEMES	FUND OF FUNDS INVESTING OVERSEAS	GOLD EXCHANGE TRADED FUND	OTHER EXCHANGE TRADED FUND	TOTAL	FUND OF FUNDS INVESTING DOMESTIC
1	Andaman and Nicobar Islands									
2	Andhra Pradesh									
3	Arunachal Pradesh									
4	Assam									
5	Bihar									
6	Chandigarh									
7	Chhattisgarh									
8	Dadra and Nagar Haveli									
9	Daman and Diu									
10	Goa									
11	Gujarat									
12	Haryana									
13	Himachal Pradesh									
14	Jammu and Kashmir									
15	Jharkhand									
16	Karnataka									
17	Kerala									
18	Lakshadweep									
19	Madhya Pradesh									
20	Maharashtra									
21	Manipur									
22	Meghalaya									
23	Mizoram									
24	Nagaland									
25	New Delhi									
26	Orissa									
27	Others									
28	Pondicherry									
29	Punjab									
30	Rajasthan									
31	Sikkim									
32	Tamil Nadu									
33	Tripura									
34	Uttar Pradesh									
35	Uttarakhand									
36	West Bengal									
Total										

Note: Name of new states / union territories shall be added alphabetically

E. FORMATS FOR FINANCIAL STATEMENTS OF THE MUTUAL FUND SCHEMES AS PER INDIAN ACCOUNTING STANDARDS (IND AS) [702]

Contents of scheme-wise Balance Sheet (at Scheme level)

Rupees in Lakhs

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
Assets			
Financial Assets			
Cash and cash equivalents	1		
Balances with Bank/(s)	2		
Derivative financial instruments	3		
Receivables	4		
Investments	5		
Other Financial assets	6		
Non-Financial Assets			
Investment Property	7		
Other Non -Financial assets	8		
Total Assets (A)			
Financial Liabilities			
Derivative financial instruments	9		
Payables	10		
Borrowings	11		

[702] SEBI Circular no SEBI/HO/IMD-II/DOF8/P/CIR/2022/12 dated February 04, 2022 (effective from April 1, 2023).

Other Financial Liabilities	12		
Non-Financial Liabilities			
Provisions			
Other Non-Financial Liabilities	13		
Total Liabilities (B)			
Net assets attributable to holder of redeemable units			
The Notes referred to herein form an integral part of the Balance Sheet			

Statement of changes in net asset attributable to unit holders of scheme:

Rupees in Lakhs

Figures for the current reporting Period

Particulars	**Unit Capital (Rs.)**	**Reserves & Surplus (Rs.)**				**Total (Rs.)**
		Unit Premium Reserves	**Unrealised Appreciation Reserves**	**Revenue Reserves**	**Other Reserves (to be specified)**	
Balance at the beginning of the reporting period						
Changes in accounting policy/prior period errors						
Movement during the reporting period						
Transfer from/ to Revenue account						
Equalisation Account						
Surplus distribution						
Others (to be specified)						

Balance at the end of the reporting period						

Figures for the previous reporting Period

Particulars	**Unit Capital (Rs.)**	**Reserves & Surplus (Rs.)**				**Total (Rs.)**
		Unit Premium Reserves	**Unrealised Appreciation Reserves**	**Revenue Reserves**	**Other Reserves (to be specified)**	
Balance at the beginning of the reporting period						
Changes in accounting policy/prior period errors						
Movement during the reporting period						
Transfer from/ to Revenue account						
Equalisation Account						
Surplus distribution						
Others (to be specified)						
Balance at the end of the reporting period						

Movement of Unit Capital

Rupees in Lakhs

Particulars	Figures for the current reporting period		Figures for the previous reporting period	
	No of Units	**(Rs.)**	**No of Units**	**(Rs.)**
Balance of unit capital at the beginning of the reporting period				
New fund / plan offer during period, Capital issued during period (including dividend reinvestment) etc.				
Redemptions during the period				
Balance of unit capital at the end of the period				

Note: Provide break-up of unit capital plan/option wise.

Contents of Revenue Account (at Scheme level)

Rupees in Lakhs

Particulars	Note No.	Figures for the current reporting Period	Figures for the previous reporting period
Income			
Interest Income			
Dividend Income			
Rental Income			
Gain on fair value changes	14		

Gain on Sale/Redemptions of Investments	15		
Others (to be specified)			
Total Income (A)			
Expenses			
Finance Costs			
Fees and commission expenses	16		
Loss on fair value changes	17		
Loss on Sale/Redemptions of Investments	18		
Others (to be specified)	19		
Total Expense (B)			
Surplus/ Deficit for the Reporting Period (A-B)			
The Notes referred to herein form an integral part of the Revenue Account			

Notes to Balance Sheet and Revenue Account

Note 1

Cash and cash equivalents

Particulars	**Figures as at the end of current reporting period**	**Figures as at the end of the previous reporting period**
Reverse repurchase transactions / Triparty Repo (TREPs) etc.		
Cash on Hand		

Total		

Note 2

Balances with Bank/(s) #

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Balances with banks in current account		
Deposits with scheduled banks - (Specify the nature as ASBA deposits, Margin deposits etc.)		
Others (to be specified)		
Total		

Note 3

Derivative financial instruments receivable

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Stock Futures/ Options		
Index Futures/ Options		
Commodity Futures/Options		
Interest Rate Futures/ Swaps		
Currency Futures		
Others (to be specified)		
Total		

Note 4

Receivables #

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Contracts for sale of investments in securities		
Receivable from AMC		
Receivable from other schemes of Mutual Fund		
Others (to be specified)		
Total		

Note 5

Investments

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Equity shares		
Preference shares		
Debentures/bonds		
Central and State Government Securities		
Treasury bills		
Commercial Paper		
Certificate of Deposits		
Units of Domestic Mutual Fund		
Commodities (Gold, Silver etc.)		
Foreign Securities		
Exchange Traded Funds (ETFs)		

Infrastructure Investment Trust units (INVITS)		
Real Estate Investment Trust (REITs)		
Calls paid in advance		
Securitized Assets		
Others (to be specified)		
Total		

Wherever applicable, the assets shall be further classified according to its nature such as

- Listed/Awaiting listing/ Unlisted
- Convertible/Non-convertible
- Investment Grade/Below Investment Grade

Note 6

Other Financial assets #

Particulars	**Figures as at the end of current reporting period**	**Figures as at the end of the previous reporting period**
Interest Accrued		
Dividend Receivable		
Margin money		
Shares/debentures application money, pending allotment		
Others (to be specified)		
Total		

Note 7

Non-Financial Assets - Investment Property

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Real Estate Assets		
Residential *		
Commercial *		
Others (to be specified)		
Total		

* Shall be sub-classified on the basis of developers, location and project. Particulars shall include area, cost, fair value, basis of fair value, and legal disputes, etc. Specify non- performing Investment properties separately.

Note 8
Other Non - Financial assets #

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Fixed Assets @		
Tax credit receivable		
Others (to be specified)		
Total		

@ Depreciated cost of the Fixed Assets as a whole or net block may be disclosed.

Allowances for the impairment loss/doubtful receivable/diminution in the value of the assets shall be disclosed under relevant heads of this notes.

Note 9
Derivative financial instruments payable

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Stock Futures/ Options		
Index Futures/ Options		
Commodity Futures/Options		
Interest Rate Futures/ Swaps		
Currency Futures		
Others (to be specified)		
Total		

Note 10

Payables

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Contract for purchase of investments in securities		
Income distribution payable		
Payable to AMC		
Payable to other schemes of Mutual Fund		
Payable on redemption of units		
Others (to be specified)		
Total		

Note 11

Borrowings

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Loans/Borrowings		
From Reserve Bank of India		
From Settlor/Sponsor		
From other Commercial Banks		
From Triparty Repo (TREPs)		
From others (to be specified)		
Total		

If the above loans/borrowings are secured, the nature and extent of security should be disclosed.

Loans/Borrowings by the scheme with amount, rate of interest, source and other terms shown separately, source-wise.

Note 12

Other Financial Liabilities

Particulars	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
Finance Cost on Loans/Borrowing/(s)		
Management Fees Payable		
Trusteeship Fees Payable		
Commission to Distributors Payable		
Custodian Fees and Expenses Payable		
Registrar Fees and Expenses Payable		
Marketing/Publicity/Advertisement Expenses Payable		

Audit Fees Payable		
Investor Communication Expense Payable		
Investor Education & Awareness Expenses Payable		
Brokerage & Transaction Costs Payable		
Unclaimed dividend/income distribution		
Unclaimed redemptions		
Sundry Creditors		
Others (to be specified)		
Total		

Note 13

Other Non-Financial Liabilities

Particulars	**Figures as at the end of current reporting period**	**Figures as at the end of the previous reporting period**
Statutory taxes payable		
Others (to be specified)		
Total		

Note 14
Gain on fair value changes

Particulars	Figures for the current reporting Period	Figures for the previous reporting period
Gross change on account of Gain on fair value changes (MTM)		
Gross change on account of Gain on fair value changes - Derivative Instruments (MTM)		
Change in unrealised gain in the value of investments due to foreign exchange fluctuation		
Others (to be specified)		
Total		

Note 15

Gain on Sale/Redemptions of Investments

Particulars	Figures for the current reporting Period	Figures for the previous reporting period
Profit on sale/redemption of investments (Gross)		
Profit on inter-scheme sale of Investments (Gross)		
Profit on derivatives transactions (Gross)		
Profit on sale of real estate assets		
Profit on inter-scheme sale of real estate assets (Gross)		

Others (to be specified)		
Total		

Note 16

Fees and commission expenses

Particulars	**Figures for the current reporting Period**	**Figures for the previous reporting period**
Management Fees		
GST on Management Fees		
Trusteeship Fees		
Commission to Distributors		
Total		

Note 17

Loss on fair value changes

Particulars	**Figures for the Current reporting Period**	**Figures for the previous reporting period**
Gross change on account of Gain on fair value changes (MTM)		
Gross change on account of Gain on fair value changes - Derivative Instruments (MTM)		
Change in unrealised gain in the value of investments due to foreign exchange fluctuation		
Others (to be specified)		
Total		

Note 18

Loss on Sale/Redemptions of Investments

Particulars	Figures for the current reporting Period	Figures for the previous reporting period
Loss on sale/redemption of investments (Gross)		
Loss on inter-scheme sale of Investments (Gross)		
Loss on derivatives transactions (Gross)		
Loss on exchange rate fluctuation		
Loss on sale of real estate assets		
Loss on inter-scheme sale of real estate assets (Gross)		
Others (to be specified)		
Total		

Note 19

Expenses – Others

Particulars	Figures for the current reporting Period	Figures for the previous reporting period
Custodian Fees and Expenses		
Registrar Fees and Expenses		
Marketing/Publicity/Advertisement Expenses		
Audit Fees		
Investor Communication Expenses		

Investor Education and Awareness expenses		
Brokerage & Transaction Costs		
Insurance & Security Expenses		
Statutory Taxes		
Advisory Fee in respect of real estate asset		
Repairs and Maintenance in case of real estate asset.		
Registration and local charges		
Legal & Title Search Fee		
Depreciation of fixed assets		
Other Operating expenses		
Others (to be specified)		
Total		

Notes

(i) All disclosures required by Indian Accounting Standards (IND AS) shall be applicable with respect to preparation of annual statements of accounts of the schemes, shall form part of notes to account.

(ii) Accounting policy in respect of recognition of revenue and income from investments (including dividend and interest in case of securities and rental income in case of real estate asset) shall be disclosed by way of a note.

(iii) If a security is in default beyond its maturity date, then disclosure to this effect shall be provided. Such disclosure shall include details of the security including ISIN, name of security, value of the security considered under net receivables (i.e. value recognized in NAV in absolute terms and as % to NAV) and total amount (including principal and interest) that is due to the scheme on that investment. Further, this disclosure shall continue till the value of the security recognized

in the NAV is received or for a period of 3 years from the date of maturity of security, whichever is later.

(iv) The total income and expenditure expressed as a percentage of average net assets, calculated on a Daily Average Net Asset basis should be indicated. Expenditure expressed as a percentage of average net assets should be at plan level.

(v) Accounting policy of valuation of Investments shall be disclosed.

(vi) Contingent liabilities disclosure should be made of all contingent liabilities, showing separately: -

(a) Underwriting commitments;

(b) Uncalled liability on partly paid shares;

(c) Other commitments; and

(d) Others (specifying details).

(vii) The Balance Sheet and the Revenue Account shall be signed by the Chief Executive Officer, Chief Operating Officer/Chief Finance Officer/ such other KMP as designated by Board of AMC who is responsible for preparation of financial statements, Chief Investment Officer, scheme wise fund manager/s, and the Board of Trustees, and reported upon by the Auditors. The financial statements of the scheme should be approved at a meeting of the Board of Directors of the Asset Management Company and also at a meeting of the trustees or in the case of a trustee company by the Board of Directors of the trustee company.

(viii) Disclosures as required by the Regulations or as may be prescribed by the Board from time to time shall form part of notes to accounts.

F. INDICATIVE FORMAT OF HALF-YEARLY CONSOLIDATED ACCOUNT STATEMENT[703]

	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8		Col 9
Sr No.	ISIN	Scheme Name	Folio No.	No. of units	NAV as on	Cumulative Amount invested	Market Value as on	Average Total Expense Ratio[1] (In % terms)		Gross commission paid to distributors[2] [3] *(in absolute terms)* (In INR)
								Regular	Direct	
a.		XYZ Equity Scheme- Growth - Direct Plan						NA		NA
b.		ABC Medium Term- Growth - Regular Plan (ARN-99999)							NA	
c.		DEF Long Term - Growth - Direct Plan						NA		NA
Total										

1: Total Expense Ratio above represents the average of annualized total expense ratio charged in the respective schemes during the half-year period within the limits prescribed under SEBI (MFs) Regulations, 1996

2: The gross commission in Col. 9 above includes all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/MFs to distributors during the half-year period .... to

3: The commission in Col 9 above indicates gross commission received by the distributor against the respective investment and does not exclude costs incurred by distributors such as service tax (wherever applicable, as per existing rates), operating costs, etc.

[703] Circular no. SEBI/HO/IMD/DF2/CIR/P/2016/89 dated September 20, 2016

4. APPLICATION FOR OVERSEAS INVESTMENTS

PROPOSAL FOR INVESTMENTS IN ADRs/GDRs/ FOREIGN SECURITIES / OVERSEAS ETFs[704]

Name of the Mutual Fund:	
SEBI Registration No.:	
Amount Proposed to be Invested in ADRs /GDRs /Foreign Securities / Overseas ETFs (in US $)	
Schemes of the Mutual Fund through which investment is proposed	Name and Type of scheme(s)
Whether the investment is consistent with the Investment Objectives of the Scheme (s);	
Whether the offer document(s) provides for Overseas Investments and discloses the attendant risks	
Name and Address of the branch of the bank through which Foreign Currency Transactions are to be routed:	
Details of all overseas service providers proposed to be engaged including custodians, specialised agencies etc. (Details must include name & address, services to be rendered, details of fee arrangement proposed, whether their track record of performance and regulatory compliance considered, their valid registration with overseas regulators details of experience/expertise, assets under management/custody, etc.)	

[704] SEBI Cir No- IMD/CIR No 7/104753/07 dated September 26, 2007

Declaration:

1. Boards of AMC and Trustees have exercised due diligence as required under Regulation 25(2) and Guidelines issued in this regard.

2. Board of AMC and Trustees are satisfied that
   i. The proposed investments in ADRs/GDRs issued by Indian or foreign companies or foreign securities or overseas ETFs are consistent with the investment objectives of the above mentioned scheme(s) and are in the interest of investors.
   ii. The systems and procedures adopted by the AMC including the arrangements made with the overseas service providers are adequate to support such investments and to safeguard the interest of investors.
   iii. The overseas service providers have sufficient experience, competence and a satisfactory track record of performance and regulatory compliance.

3. A resolution to the above effect has been passed by the Boards of AMC and Trustees on…(dates)

Place: Signatures

Name:

Date: Designation:

(Authorised by Trustees)

5. STANDARD OFFER DOCUMENTS[705]

A. SCHEME INFORMATION DOCUMENT (SID)

Front Cover Page

SCHEME INFORMATION DOCUMENT
SECTION 1

N A M E O F T H E S C H E M E
(T y p e o f S c h e m e)

1. Name and type of the scheme to be aligned with SEBI Circulars on Categorization and Rationalization of Mutual Fund schemes.
2. As per SEBI Circulars on Potential Risk Class (PRC) Matrix for debt schemes, type of scheme to include PRC description and table
3. For Index Funds / Index ETF - Name of scheme shall include complete name of underlying Index.
4. In case of FOF's where single fund is underlying (Feeder Funds): To include the complete name of the underlying fund in the name of the scheme
5. Product Labelling and Risk-o-meter of the Scheme and Benchmark should be disclosed
6. In case the scheme is listed/proposed to be listed (ETFs/close ended etc.), the Scrip Code issued by the stock exchange after listing to be mentioned below the Scheme Name.

This product is suitable for investors who are seeking*	**Scheme Riskometer**	**Benchmark Riskometer (as applicable)**
		As per AMFI Tier 1 Benchmark i.e. ……..(as applicable)

- The above product labelling assigned during the New Fund Offer (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

[705] SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008

Offer of Units of Rs. -- each for cash during the
New Fund Offer and Continous offer for Units at NAV based prices

New Fund Offer Opens on: _____
New Fund Offer Closes on: _____
Scheme re-opens on: _____

Name of Mutual Fund :

Name of Asset Management Company :
Name of Trustee Company :
Addresses, Website of the entities

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date and circulars issued thereunder filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of _____ Mutual Fund, Standard Risk Factors, Special Considerations, Tax and Legal issues and general information on www._____. (website address).

SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document (Section I and II) should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated _____.

Note:
The wording in italics is explanatory commentary/instructions.

Instructions:

i. *A Mutual Fund is free to add any other disclosure, which in the opinion of the Trustees of the Mutual Fund (Trustees) or the Asset Management Company (AMC) is material for the investor, provided that such information is not presented in an incomplete, inaccurate or misleading manner. Care should be taken to ensure that inclusion of such information does not, by virtue of its nature, or manner of presentation, obscure or impede understanding of any information that is required to be included under the Scheme Information Document.*
ii. *Since investors who rely on the Scheme Information Document may not be sophisticated in legal or financial matters, care should therefore be taken to present the information in the Scheme Information Document in simple language and in a clear, concise and easily understandable manner.*
iii. *The scheme shall not have a name or title which may be deceptive or misleading. Scheme's name should be consistent with its statement of investment policy and the scheme name should be in line with SEBI circulars on categorization.*
iv. *The type of the scheme would mean whether the scheme is a growth scheme, income scheme, balanced scheme etc. and whether the scheme is open-ended, close-ended, an interval fund etc. and the scheme type should be in line with SEBI circular on categorization.*
v. *Scheme Information Document has two sections- Section I and Section II. While Section I contains scheme specific information that is dynamic, Section II contains elaborated provisions (including references to applicable Regulations/circulars/guidelines) with reference to information/disclosures provided in Section I.*

PART I. HIGHLIGHTS/SUMMARY OF THE SCHEME

Sr. No.	Title	Description
I.	**Name of the scheme**	• (As per SEBI circular on categorization and rationalization of mutual fund schemes) • Maturity/duration of scheme for close ended/Target maturity schemes to be mentioned in the name of the scheme
II.	**Category of the Scheme**	(As per SEBI circular on categorization and rationalization of mutual fund schemes)
III.	**Scheme type**	• Maturity/duration of scheme for close ended/Target maturity schemes to be mentioned • As per SEBI categorization circular – All Debt schemes to include PRC description and table in the scheme type
IV.	**Scheme code**	(To be disclosed after obtaining scheme code)
V.	**Investment objective**	Clear and concise Investment objective to be stated in SID and must be true to the scheme label. It shall contain statement "There is no assurance that the investment objective of the Scheme will be achieved"
VI.	***Liquidity/listing details***	Provide Liquidity provisions on ongoing basis. Listing details only to be provided if the scheme intends to list immediately after NFO
VII.	**Benchmark (Total Return Index)**	• As per AMFI Tier I benchmark • The name and the justification (specific to the scheme objective) for the use of benchmark index with which the performance of the scheme can be compared with. • Second Tier benchmark if applicable
VIII.	**NAV disclosure**	Mention only the Daily Disclosure timings on AMFI and AMC website. Further Details in Section II.

IX.	**Applicable timelines**	Timeline for • Dispatch of redemption proceeds, • Dispatch of IDCW (if applicable) etc.
X.	***Plans and Options*** Plans/Options and sub options under the Scheme	***Plan- Direct Plan/Regular Plan*** ***Options under each Plan(s)*** Growth Income Distribution cum Capital Withdrawal (IDCW) (include facilities if applicable)
XI.	***Load Structure***	***Exit Load:***
XII.	***Minimum Application Amount/switch in***	• During NFO: • On continuous basis: • AMC to mention about minimum balance requirements (if any)
XIII.	***Minimum Additional Purchase Amount***	
XIV.	**Minimum Redemption/switch out amount**	
XV.	**New Fund Offer Period** This is the period during which a new scheme sells its units to the investors.	NFO opens on: NFO closes on: Minimum duration to be 3 working days and will not be kept open for more than 15 days Any changes in dates will be published through notice on AMC website i.e. …… The NFO period in case of ELSS schemes shall continue to be governed by guidelines issued by Government of India.
XVI.	**New Fund Offer Price:** This is the price per unit that the investors have to pay to invest during the NFO.	price per unit
XVII.	**Segregated portfolio/side pocketing disclosure**	Confirmation/disclosure statement only. For Details, kindly refer SAI

XVIII	**Swing pricing disclosure**	Confirmation/disclosure statement only. For Details, kindly refer SAI
XIX.	**Stock lending/short selling**	Confirmation/disclosure statement only. For Details, kindly refer SAI
XX.	**How to Apply**	Summary of process only. Details in section II
XXI.	**Where can applications for subscription/redemption/**	Summary of process only. Details in section II
XXII.	**Investor services**	• Contact details for general service requests: • Contact details for complaint resolution:
XXIII	**Specific attribute of the scheme (such as lock in, duration in case of target maturity scheme/close ended**	
XXIV	**Special product/facility available during the NFO and on ongoing basis**	Briefly describe the facilities/products Available Facilities like: • Systematic Investment Plan • Systematic Transfer Plan • Systematic Withdrawal Plan • For further details of above special products / facilities, For Details, kindly refer SAI
XXV.	**Weblink**	A weblink wherein TER for last 6 months as well as scheme factsheet shall be made available.

DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

(i) The Scheme Information Document submitted to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines 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 Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the Scheme.

(iv) The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

(v) The contents of the Scheme Information Document including figures, data, yields etc. have been checked and are factually correct

(vi) A confirmation that the AMC has complied with the compliance checklist applicable for Scheme Information Documents and other than cited deviations/ that there are no deviations from the regulations

(vii) Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

(viii) The Trustees have ensured that the (name of the scheme/Fund) approved by them is a new product offered by (name of the Mutual Fund) and is not a minor modification of any existing scheme/fund/product (This clause is not applicable to Fixed Maturity Plans and Close Ended Schemes except for those close ended schemes which have the option of conversion into open ended schemes on maturity and also to Interval Schemes.)

Date: **Name:**
Place: **Designation:**

PART II. INFORMATION ABOUT THE SCHEME

A. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

This includes asset allocation table giving the broad classification of assets and indicative exposure level in percentage terms. The asset allocation should be consistent with the investment objective of the scheme and SEBI circulars on Categorization and Rationalization of Mutual Fund Schemes.

Instruments	Indicative allocations (% of total assets)	
	Maximum	Minimum

- Percentage of investment in overseas securities, derivatives for non-hedging purposes, stock lending, securitized debt, Debt instruments with

special features (AT 1 and AT 2 Bonds), Debt Instruments with SO / CE, ReITs and InVITs, Tri-party repos, other mutual funds, repo/ reverse repo transactions in corporate debt securities, Credit Default Swaps, covered call option etc). to be indicated.

- In case the Scheme does not intend to invest in these securities, negative confirmation in a table format should be provided for securities / instruments in which the scheme will not invest.
- Cumulative gross exposure limits to be adhered in terms of Master Circular.
- Any other information/disclosure to be added as per applicable Consolidated checklist of standard observations.

Indicative Table (Actual instrument/percentages may vary subject to applicable SEBI circulars)

Sl. no	Type of Instrument	Percentage of exposure	Circular references*
1.	Securities Lending		
2.	Equity Derivatives for non-hedging purposes		
3.	Securitized Debt		
4.	Overseas Securities		
5.	ReITS and InVITS		
6.	AT1 and AT2 Bonds		
7.	Any other instrument		

**SEBI circular references (wherever applicable) in support of exposure limits of different types of asset classes in asset allocation shall be provided.*

Portfolio rebalancing: AMC to refer to Clause 1.14.1.2, Clause 2.9, Clause 3.5.3.11 and Clause 3.6.7 of SEBI Master Circular for Mutual Funds and applicable clause of Consolidated checklist of standard observations for active and passive breach/es.

B. WHERE WILL THE SCHEME INVEST?

This includes only a list of all instruments in which the scheme will invest. (Detailed definition and applicable regulations/guidelines for each instrument shall be included in Section II)

Investment in overseas securities shall be made in accordance with the requirements stipulated by SEBI and RBI from time to time.

Any other information/disclosure to be added as per applicable Consolidated checklist of standard observations.

C. WHAT ARE THE INVESTMENT STRATEGIES?

Information about investment approach and risk control should be included in simple terms. Due care shall be taken in deciding whether the investment strategy is "Passive"/"Active". Investment strategy shall match the asset allocation pattern of the scheme. (Example: Fund of Funds with multiple funds cannot be considered as a scheme with passive investment strategy since fund manager has scope for active selection and management of funds).

Further, details on generic concepts such as macroeconomic trends may not be provided unless there are investment strategies derived specifically from these concepts.

Disclosure for derivatives to be provided in summary form. For detailed derivative strategies, please refer to SAI.

Further, Portfolio turnover policy, particularly for equity oriented schemes shall also be disclosed. In discussing the investment strategies, the scheme shall briefly discuss in the Scheme Information Document the probable effect of such strategies on the rate of the total portfolio turnover of the scheme, if such effects are significant and also other consequences which will result from the higher portfolio turnover rate e.g. higher brokerage and transaction cost.

D. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

Benchmark (Total Returns Index): AMFI prescribed benchmark for all schemes except ETFs / Index Funds and FOFs with single underlying Fund. The name and the justification (specific to the scheme objective) for the use of benchmark index with which the performance of the scheme can be compared with.

E. WHO MANAGES THE SCHEME?

Name, age, educational qualification and experience of the fund manager to the scheme to be disclosed. The experience of the fund manager should include last 10 years' experience and also the name of other schemes under his /her management.

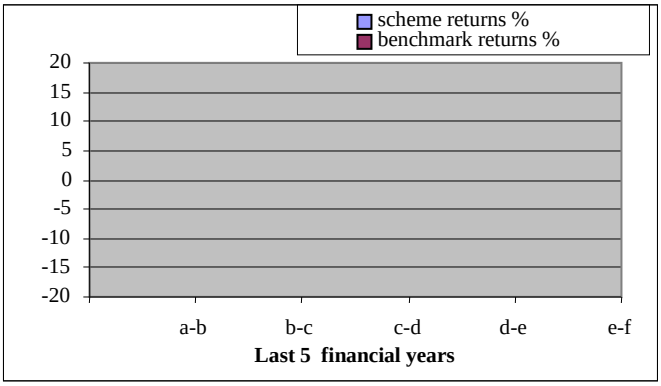
Dedicated fund manager is mandatory for commodity based funds and overseas investments as per applicable SEBI circulars

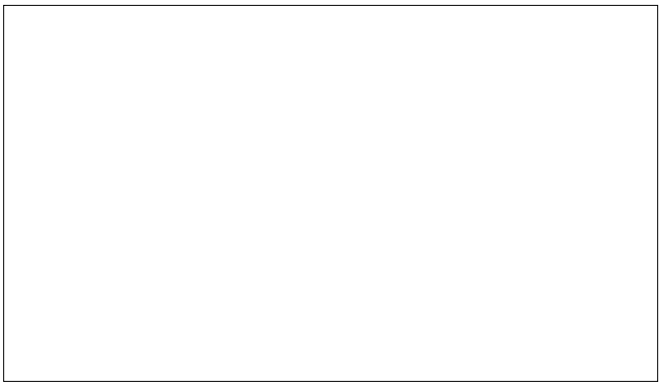
F. HOW IS THE SCHEME DIFFERENT FROM EXISTING SCHEMES OF THE MUTUAL FUND?

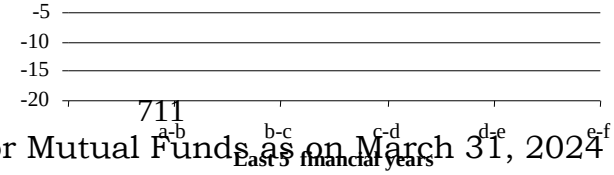
Provide a reference list of existing schemes and a functional website link that contains detailed comparative table.

G. HOW HAS THE SCHEME PERFORMED (if applicable)

[In case of a new scheme, this is not applicable hence give the statement- "This scheme is a	Compounded Annualised Returns	Scheme Returns %	Benchmark Returns %
	Returns for the last 1 year		
	Returns for the last 3 years		
	Returns for the last 5 years		
	Returns since inception		



new scheme and does not have any performance track record"] *Or* *[In case of a scheme in existence, the return figures shall be given for that scheme only. For a scheme which is in existence for more than 1 year, the returns given will be Compounded Annualised Returns and for scheme which is in existence for less than 1 year, the returns would be absolute returns since inception.* *Absolute returns for each financial year for the last 5 years shall be represented by means of a bar diagram as per the adjacent format.]*	 Absolute Returns for each financial year for the last 5 years



H. ADDITIONAL SCHEME RELATED DISCLOSURES

i. Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors to be provided through a functional website link that contains detailed description.)
ii. Disclosure of name and exposure to Top 7 issuers, stocks, groups and sectors as a percentage of NAV of the scheme in case of debt and equity ETFs/index funds through a functional website link that contains detailed description
iii. Functional website link for Portfolio Disclosure - Fortnightly / Monthly/ Half Yearly.
iv. Portfolio Turnover Rate particularly for equity oriented schemes shall also be disclosed.
v. Aggregate investment in the Scheme by:

Sr. No.	**Category of Persons**	**Net Value**	
1.	Concerned scheme's Fund	Units	NAV per unit

For any other disclosure w.r.t investments by key personnel and AMC directors including regulatory provisions in this regard kindly refer SAI.

vi. Investments of AMC in the Scheme – Details to be provided vide functional website link.
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 investment

PART III- OTHER DETAILS

A. COMPUTATION OF NAV

Disclosure pertaining to illustration on computation of NAV and Methodology for calculation of sale and re-purchase price of the units of mutual fund scheme.

Disclosure to the effect that the repurchase price shall not be lower than 95% of the NAV. For other details such as policies w.r.t computation of NAV, rounding off, investment in foreign securities, procedure in case of delay in disclosure of NAV etc. refer to SAI

B. NEW FUND OFFER (NFO) EXPENSES

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc. Details of source for meeting these

expenses may be disclosed. AMC to ensure that no NFO expenses will be / were charged to the Scheme.

C. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that upto _____ % of the daily average net assets of the scheme will be charged to the scheme as expenses *(Give slab wise break up depending on the assets under management. Give plan/option wise break up if the expense structures are different).* For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

Expense Head	% p.a. of daily Net Assets* (Estimated p.a.)
Investment Management & Advisory Fee	
Audit fees/fees and expenses of trustees	
Custodial Fees	
Registrar & Transfer Agent Fees including cost of providing account statements / IDCW / redemption cheques/ warrants	
Marketing & Selling Expenses including Agents Commission and statutory advertisement	
Costs related to investor communications	
Costs of fund transfer from location to location	
Cost towards investor education & awareness	
Brokerage & transaction cost pertaining to distribution of units	
Goods & Services Tax on expenses other than investment and advisory fees	
Goods & Services Tax on brokerage and transaction cost	
Other Expenses (to be specified as per Reg 52 of SEBI MF Regulations)	
Maximum Total expenses ratio (TER) permissible under Regulation 52 (6) (c)	
Additional expenses under Regulations 52(6A)(c)	
Additional expenses for gross new inflows from specified cities	

Impact of TER on returns of both Direct plan and Regular plan through an illustration may be provided.

In case of Fund of Funds scheme, it shall be disclosed that the investors are bearing the recurring expenses of the scheme, in addition to the expenses of other schemes in which the Fund of Funds Scheme makes investments

Any other information/disclosure to be added as per applicable Consolidated checklist of standard observations.

D. LOAD STRUCTURE

*Exit Load is an amount which is paid by the investor to redeem the units from the scheme. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC (*www.-----*) or may call at (toll free no.) or your distributor.*

Type of Load	Load chargeable (as %age of NAV)
Exit	To be prescribed by respective AMC

Section II

I. Introduction

A. *Definitions/interpretation*

Functional website link that contains detailed description

B. *Risk factors*

- ***Scheme specific risk factors***

Include risk factors associated with investment in various instruments in which the scheme intends to invest as indicated in asset allocation section.

C. *Risk mitigation strategies*

II. Information about the scheme:

A. *Where will the scheme invest* *– Detailed description of the instruments (including overview of debt markets in India, if applicable) mentioned in Section I*

B. *What are the investment restrictions?*

All the investment restrictions as contained in the Seventh Schedule to SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder, applicable to the scheme should be incorporated. Further in case the fund follows any internal norms vis-à-vis limiting exposure to a particular scrip or sector, etc. apart from the aforementioned investment restrictions the same needs to be disclosed.

C. *Fundamental Attributes*

Following are the Fundamental Attributes of the scheme, in terms of Clause 1.14 of SEBI Master Circular for Mutual Funds:

(i) Type of a scheme

- Open ended/Close ended/Interval scheme
- Sectoral Fund/Equity Fund/Balance Fund/Income Fund/Index Fund/Any other type of Fund

(ii) Investment Objective

- Main Objective - Growth/Income/Both.
- Investment pattern - The Tentative Equity/Debt/Money Market portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period

on defensive considerations.

(iii) Terms of Issue
- Liquidity provisions such as listing, repurchase, redemption.
- Aggregate fees and expenses charged to the scheme.
- Any safety net or guarantee provided.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations and Clause 1.14.1.4 of SEBI Master Circular for Mutual Funds, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- SEBI has reviewed and provided its comments on the proposal
- 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
- The Unitholders are given an option for a period of atleast 30 calendar days to exit at the prevailing Net Asset Value without any exit load.

D. ***Index methodology (for index funds, ETFs and FOFs having one underlying domestic ETF)*** *- Disclosures regarding the index, index eligibility criteria, methodology, index service provider, index constituents, impact cost of the constituents*

E. ***Principles of incentive structure for market makers (for ETFs)***

F. ***Floors and ceiling within a range of 5% of the intended allocation against each sub class of asset, as per clause 13.6.2 of SEBI master circular for mutual funds dated May 19, 2023 (only for close ended debt schemes)***

G. ***Other Scheme Specific Disclosures:***

Listing and transfer of units	
Dematerialization of units	
Minimum Target amount	

(This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return.)	
Maximum Amount to be raised (if any)	
Dividend Policy (IDCW)	
Allotment (Detailed procedure)	Mention, the procedure for allotment and dispatch of account statements/unit certificates. Indicate the time period. Mention 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.
Refund	If application is rejected, full amount will be refunded within 5 working days of closure of NFO. If refunded later than 5 working days @ 15% p.a. for delay period will be paid and charged to the AMC.
Who can invest This is an indicative list and investors shall consult their financial advisor to ascertain whether the scheme is suitable to their risk profile.	
Who cannot invest	
How to Apply (details)	Details regarding availability of application form from either the Investor Service Centers (ISCs)/Official Points of Acceptance(OPAs) of AMC or may be downloaded from the website of AMC should be specified Please refer to the SAI and Application form for the instructions.
Where can you submit the filled up applications.	Provide name, address and contact no. of Registrar and Transfer Agent (R&T), email id of R&T, website address of R&T, official points of acceptance, collecting banker details etc. on back cover page.
The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same.	

Restrictions, if any, on the right to freely retain or dispose of units being offered.	
Cut off timing for subscriptions/ redemptions/ switches This is the time before which your application (complete in all respects) should reach the official points of acceptance.	
Where can the applications for purchase/redemption switches be submitted?	Please refer the AMC website (Provide website link) at the following link for the list of official points of acceptance, collecting banker details etc. To inform investors that it is mandatory to mention their bank account numbers in their applications/requests for redemption.
Minimum amount for purchase/redemption/switches (mention the provisions for ETFs, as may be applicable, for direct subscription/redemption with AMC.	
Minimum balance to be maintained and consequences of non-maintenance	
Accounts Statements	The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or mobile number (whether units are held in demat mode or in account statement form). A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month by mail or email on or before 15th of the succeeding month. Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st

	day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable For further details, refer SAI.
Dividend/ IDCW	The payment of dividend/IDCW to the unitholders shall be made within seven working days from the record date.
Redemption	The redemption or repurchase proceeds shall be dispatched to the unitholders within three working days from the date of redemption or repurchase. For list of exceptional circumstances refer para 14.1.3 of SEBI Master Circular for Mutual Funds dated May 19, 2023 For schemes investing atleast 80% of total assets in permissible overseas investments (as per Clause 12.19 of SEBI Master Circular for Mutual Funds), the transfer of redemption or repurchase proceeds to the unitholders shall be made within five working days from the date of redemption or repurchase.
Bank Mandate	
Delay in payment of redemption / repurchase proceeds/dividend	The Asset Management Company shall be liable to pay interest to the unitholders at rate as specified vide clause 14.2 of SEBI Master Circular for Mutual Funds dated May 19, 2023 by SEBI for the period of such delay
Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount	
Disclosure w.r.t investment by minors	
Any other disclosure in terms of Consolidated Checklist on Standard Observations	

III. Other Details

A. In case of Fund of Funds Scheme, Details of Benchmark, Investment Objective, Investment Strategy, TER, AUM, Year wise performance, Top 10 Holding/ link to Top 10 holding of the underlying fund should be provided

B. Periodic Disclosures such as Half yearly disclosures, half yearly results,

annual report

- Specify timelines of these disclosures and details of where they are disclosed. (such as "Refer to AMC website, SAI, AMFI website for further details etc. Provide a functional link for each respective field")
- Any disclosure in terms of Consolidated Checklist on Standard Observations

C. **Transparency/NAV Disclosure (Details with reference to information given in Section I)**

D. **Transaction charges and stamp duty-** Indicate only the amount of transaction charges and stamp duty applicable. Details to be provided in SAI.

E. **Associate Transactions**- Please refer to Statement of Additional Information (SAI)

F. **Taxation**- For details on taxation please refer to the clause on Taxation in the SAI apart from the following:

	Resident Investors	Mutual Fund
Tax on dividend		
Capital gain Long Term: Short Term:		

G. **Rights of Unitholders-** Please refer to SAI for details.

H. **List of official points of acceptance:** Details to be uploaded and updated on a functional website link

I. **Penalties, Pending Litigation or Proceedings, Findings of Inspections or Investigations For Which Action May Have Been Taken Or Is In The Process Of Being Taken By Any Regulatory Authority**

- AMCs to ensure real time updation of data on the said link.
- Any disclosure in terms of Consolidated Checklist on Standard Observations

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B. STATEMENT OF ADDITIONAL INFORMATION (SAI)

This Statement of Additional Information (SAI) contains details of -------Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document).

This SAI is dated _____.

I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANIES

A. Constitution of the Mutual Fund

ABC (the "Mutual Fund") has been constituted as a trust on _____ in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with XYZ, as the Sponsor and DEF as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on _____under Registration Code MF-

B. Sponsor

ABC Mutual Fund is sponsored by XYZ. The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs._____ to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

Financial Performance of the Sponsor (past three years):

Particulars	**Year 1**	**Year 2**	**Year 3**
Net Worth			
Total Income			
Profit after tax			
Assets Under Management (if applicable)			

C. The Trustee

DEF (the "Trustee"), through its Board of Directors, shall discharge its obligations as trustee of the ABC Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

Details of Trustee Directors:

Name	**Age/Qualification**	**Brief Experience**
PQR	*45/CA*	*PQR is a fellow member of the Institute of Chartered Accountant and is in practice from 1978. He is a Senior Partner with a firm of Chartered Accountants in India. He is also a director on the Board of various companies and trustee of charitable institutions*

State the responsibilities and duties of the Trustee as well as the specific and general due diligence.

D. Asset Management Company

STP Ltd. is a private limited company incorporated under the Companies Act, 1956 on _____, having its Registered Office at _____. STP Ltd. has been appointed as the Asset Management Company of the ----------Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated _____, and executed between DEF and STP.

Details of AMC Directors:

Name	**Age/Qualification**	**Brief Experience**
UVT	*45/CA*	*UVT is a fellow member of the Institute of Chartered Accountant and is in practice from 1978. He is a Senior Partner with a firm of Chartered Accountants in India. He is also a director on the Board of various companies and trustee of charitable institutions*

State the Duties and obligation of the AMC as specified in the SEBI Mutual Fund Regulations on www.sebi.gov.in.

Information on Key Personnel:

Name/Designation	**Age/Qualification**	**Brief Experience**
CEO		
CIO		
Operations Head		
Compliance Officer		
Sales Head		
Risk Manager		
Investor Relations Officer		

(The AMC may decide on the key personnel it wants to mention in the SAI in addition to the persons mentioned above.)

E. Service providers

Custodian

Name, Address and SEBI Registration Number of the Custodian for the scheme

Transfer agent

Name and principal business address of the Registrars, Transfer Agents and the dividend paying agent. *A statement to the effect that* the Board of the Trustees and the AMC have ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unitholders within the time limit prescribed in the Regulations and also has sufficient capacity to handle investor complaints. Also state the SEBI Registration Number of Registrars, Transfer Agents.

Statutory auditor
Name and Address of the statutory auditor for Mutual Fund.

Legal counsel
Name and Address of the Legal Counsel

Fund Accountant
Name and Address of the fund accountant

Collecting Bankers
Name, Address and SEBI Registration Number

F. Condensed financial information (CFI) *for all the schemes launched by MF during the last three fiscal years (excluding redeemed schemes) in the format given below*

HISTORICAL PER UNIT STATISTICS	**SCHEME NAME**		
	YR. 1	**YR. 2**	**YR. 3**
NAV at the beginning of the year (as on April 1)			
Dividends*			
NAV at the end of the year (as on March 31)			
Annualised return**			
Net Assets end of period (Rs. Crs.)			
Ratio of Recurring Expenses to net assets			

** Excluding dividend details of liquid scheme.*

*** Only for growth option. Explanation to be given for not providing annualised return for options other than growth option. Absolute returns to be provided for schemes less than one year.*

III. HOW TO APPLY?

Describe briefly the manner in which the units of the scheme being offered under the scheme information document may be purchased by the prospective investor. The descriptions should emphasise the procedures to be followed. Also provide the details of KYC requirement for unit holders.

IV. RIGHTS OF UNITHOLDERS OF THE SCHEME

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption / Switch of Units shall be despatched to the Unit holder within 10 business days of the Specified Redemption Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
   - whenever required to do so by SEBI, in the interest of the Unit holders.
   - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
   - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
   - The Trustee 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 Unit holders, shall be carried out unless:

     (i) a written communication about the proposed change is sent to each Unit holder 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 Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.

9. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.

V. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

This section shall disclose the Valuation of Assets and properties of the scheme in accordance with Eighth Schedule of Regulation 47 of SEBI (Mutual Funds) Regulations, 1996 and applicable guidelines.

Real Estate Mutual Fund Schemes shall disclose Valuation of Assets and properties of the scheme in accordance with Schedule IXB of Regulation 49 (F) (1) of SEBI (Mutual Funds) Regulations, 1996 and applicable guidelines.

V. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on investing in Mutual Funds

This section shall disclose the applicable tax provisions for Mutual Fund and for investments in Mutual Fund scheme.

B. Legal Information

This section may include information on Nomination Facility, KYC Requirements, Requirements of Prevention of Money Laundering Act, Transfer and transmission of units, Duration of the scheme/ Winding up, Procedure and manner of winding up etc.

C. General Information

In addition to the following,, this section may include information on Underwriting, Securities Lending and Borrowing by the Mutual Funds etc.:

Inter-Scheme Transfer of Investments:
Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if -

(a) such transfers are done at the prevailing market price for quoted instruments on spot basis.
Explanation : "spot basis" shall have same meaning as specified by stock exchange for spot transactions.

(b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

Associate Transactions

The following disclosures, summarising historical information pertaining to the last three fiscal years of the schemes of the Mutual Fund under the management of the Asset Management Company reflecting associate transactions and the manner in which such transactions affected the performance of schemes of the Mutual Fund should be made. The disclosures shall include any underwriting obligations undertaken by the schemes of the Mutual Fund with respect to issues of associate companies, devolvement if any, of such commitments, subscription by the schemes in issues lead managed by associate companies, total business given to associate brokers and the percentage of brokerage commission paid to them and any distribution of units performed by associate companies.

This section shall also disclose:
(a) the policy for investing in group companies of the sponsor of a Mutual Fund that is followed/to be followed by the Mutual Fund, including the aggregate market value of investments in group companies of the Sponsor and asset Management Company by all the schemes of the Mutual Fund and its percentage of the aggregate net asset value of the Mutual Fund,
(b) in case any scheme of the Mutual Fund has invested more than 25% of its net assets in group companies, this shall be disclosed.
(c) names of associates of the Sponsor or the Asset Management Company with which the Mutual Fund proposes to have dealings, transactions and those whose services may be used for marketing and distributing the scheme and the commissions that may be paid to them.

Documents Available for Inspection

The following documents will be available for inspection at the office of the Mutual Fund at _____ during business hours on any day (excluding Saturdays, Sundays and public holidays):

- Memorandum and Articles of Association of the AMC
- Investment Management Agreement
- Trust Deed and amendments thereto, if any
- Mutual Fund Registration Certificate
- Agreement between the Mutual Fund and the Custodian
- Agreement with Registrar and Share Transfer Agents
- Consent of Auditors to act in the said capacity
- Consent of Legal Advisors to act in the said capacity
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- Indian Trusts Act, 1882.

Investor Grievances Redressal Mechanism

Describe briefly the investors' complaints history for the last three fiscal years of existing schemes and the redressal mechanism thereof. The SAI should include data updated every two months on the number of complaints received, redressed and pending with the Mutual Fund.

Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.

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Instruction:

A Mutual Fund is free to add any other disclosure, which in the opinion of the Trustees of the Mutual Fund (Trustees) or the Asset Management Company (AMC) is material, provided that such information is not presented in an incomplete, inaccurate or misleading manner. Care should be taken to ensure that inclusion of such information does not, by virtue of its nature, or manner of presentation, obscure or impede understanding of any information that is required to be included under the Scheme Information Document and Statement of Additional Information.

Note:
The wording in italics is explanatory commentary/instructions.
The words in Arial font are the text to be used in the Statement of Additional Information, as applicable.

C. KEY INFORMATION MEMORANDUM (KIM)[706]

Name of AMC &

(Type of scheme)

KEY INFORMATION MEMORANDUM
--------- Scheme
(_____)

The Mutual Fund shall specify the scheme's suitability to investors:

Mutual Funds shall disclose the product labeling of the scheme depending upon the level of risk in the mutual fund scheme

Offer for Units of Rs. -- Per Unit for cash during the New fund Offer Period and at NAV based prices upon re-opening

New Fund Offer Opens on: **New Fund Offer Closes on:** **Scheme Re-opens for continuous sale and repurchase on:**

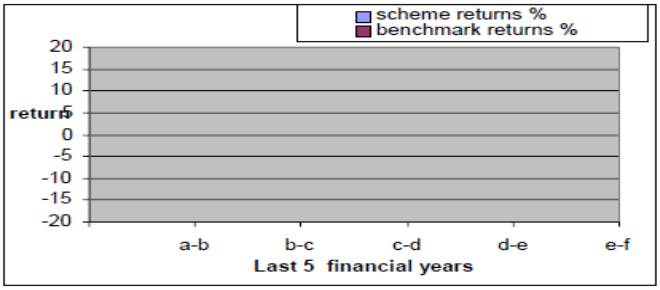
This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. **For further details of the scheme/Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations etc. investors should, before investment, refer to the Scheme Information Document and Statement of Additional Information available free of cost at any of the Investor Service Centres or distributors or from the website www. -----.**

The Scheme particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

[706] SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008

Investment Objective			
Asset Allocation Pattern of the scheme	Types of Instruments		Normal Allocation (% of Net Assets)
Risk Profile of the Scheme	Mutual Fund Units involve investment risks including the possible loss of principal. Please read the SID carefully for details on risk factors before investment. Scheme specific Risk Factors are summarized below:		
Plans and Options			
Applicable NAV (after the scheme opens for repurchase and sale)			
Minimum Application Amount/ Number of Units	**Purchase**	**Additional Purchase**	Repurchase
Despatch of Repurchase (Redemption) Request	Within 10 working days of the receipt of the redemption request at the authorised centre of the ------- Fund.		
Benchmark Index			
Dividend Policy			
Name of the Fund Manager			
Name of the Trustee Company			

Performance of the scheme : [In case of a new scheme, the statement should be given "This scheme does not have any performance track record"] Or [In case of a scheme in existence, the return figures shall be given for that scheme only, as per the For a scheme which is in existence for more than 1 year, the returns given will be Compounded Annualised Returns and for scheme which is in existence for less than 1 year, the returns would be absolute returns since inception. Absolute returns for each financial year for the last 5 years shall be represented by means of a bar diagram as per the adjacent format.]	Compounded Annualised Returns	Scheme Returns %	Benchmark Returns %
	Returns for the last 1 year		
	Returns for the last 3 years		
	Returns for the last 5 years		
	Returns since inception		
	Absolute Returns for each financial year for the last 5 years		



Expenses of the Scheme	**New Fund Offer Period**	**Continuous Offer**
i) Load Structure	Entry load : Exit load : CDSC (if any):	Entry load : Exit load : CDSC (if any):
ii) Recurring expenses	First Rs. 100 crores of the average weekly net assets : Next Rs. 300 crores of the average weekly net assets : Next Rs. 300 crores of the average weekly net assets : Balance :	Actual expenses for the previous financial year: ---- (Not Applicable in case of a new scheme)
Waiver of Load for Direct Applications	The applicable procedure should be given in brief.	
Tax treatment for the Investors (Unitholders)	Investor will be advised to refer to the details in the Statement of Additional Information and also independently refer to his tax advisor.	
Daily Net Asset Value (NAV) Publication	The NAV will be declared on all ------- days and will be published in 2 newspapers. NAV can also be viewed on www. and www.amfiindia.com [You can also telephone us at ------ (optional)].	
For Investor Grievances please contact	Name and Address of Registrar	Name, address, telephone number, fax number, e-mail i.d. ------
Unitholders' Information	Give the frequency and the policy of the fund house for the providing the Accounts Statement, Annual Financial results and Half yearly portfolio to the investors.	

Date:

N.B. Data and information shall be up-to-date but in no case older than 30 days from the date of KIM

D. PLACEMENT MEMORANDUM[707]

NAME OF THE SCHEME

(Type of Scheme- Closed Ended / Interval)

Private placement of Units of Rs. 10 lakh each during the Placement period

Placement Period Opens on: : _____
Placement Period Closes on: _____
Scheme re-opens on: _____

Name of Mutual Fund:
Name of Asset Management Company:
Name of Trustee Company:
Addresses, Website of the entity:

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date. These units being privately placed have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Placement Memorandum. It is to be distinctly understood that this Placement Memorandum should not, in anyway, be deemed or construed that the same has been cleared or vetted by SEBI.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Mutual Fund, Tax and Legal issues and general information on www._____. (website address).

This Placement Memorandum is dated _____.

Instructions:

- *A Mutual Fund is free to add any other disclosure, which in the opinion of the Trustees of the Mutual Fund (Trustees) or the Asset Management Company (AMC) is material for the investor, provided that such information is not presented in an incomplete, inaccurate or misleading manner. Care should be taken to ensure that inclusion of such information does not, by virtue of its nature, or manner of presentation, obscure or impede understanding of any information that is required to be included in the Placement Memorandum.*
- *Care should therefore be taken to present the information in the Placement Memorandum in simple language and in a clear, concise and easily understandable manner.*

[707] SEBI Circular No. CIR/IMD/DF/7/2013 dated April 23, 2013

- *The scheme shall not have a name or title which may be deceptive or misleading. The Scheme's name should be consistent with its statement of investment policy.*

TABLE OF CONTENTS

HIGHLIGHTS/SUMMARY OF THE SCHEME – *This section shall include the following:*

Investment objective
Liquidity
Benchmark
Transparency/NAV Disclosure
Minimum Application Amount

I. INTRODUCTION
A. RISK FACTORS
Standard Risk Factors as per Scheme Information Document Format:

Scheme Specific Risk Factors:

- **Risk associated with investment in the Infrastructure Sector**
- **Risk associated with investment in Infrastructure Debt Instruments**
- **Risk associated with investment in Infrastructure Projects**
- **Risk associated with investing in Equities**
- **Risk associated with investing in Bonds**
- **Risks associated with Investing in Bank Deposits**
- **Risks associated with Investing in Convertibles including mezzanine financing instruments**
- **Risks associated with investing in Securitized Debt**
- **Risks associated with investing in unrated/below investment grade securities**
- **Any other risk factors**

B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

(Applicability for a Close ended scheme / Interval scheme)

The Scheme(s) and Individual Plan (s) under the Scheme(s) shall have a minimum of 5 investors and no single investor shall account for more than

50% of the corpus of the Scheme(s)/Plan(s). These conditions will be complied with immediately after the close of the Placement Period itself i.e. at the time of allotment. In case of non-fulfilment with the condition of minimum 5 investors, the Scheme(s)/Plan(s) shall be wound up in accordance with Regulation 39 (2) (c) of SEBI (MF) Regulations automatically without any reference from SEBI. In case of non-fulfilment with the condition of 50% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 50% limit would be liable to be rejected and the allotment would be effective only to the extent of 50% of the corpus collected. Consequently, such exposure over 50% limits will lead to refund within 5 days of the date of closure of the Placement Period.

For interval scheme the aforesaid provision will be applicable at the end of initial placement period and further specified transaction period(s).

C. SPECIAL CONSIDERATIONS, if any

D. DEFINITIONS - All terms used in the Placement Memorandum shall be defined in this Section.

Instructions:

i. Language and terminology used in the Placement Memorandum shall be as provided in the Regulations. Any new term if used shall be clearly defined.

ii. The term 'scheme' shall be used uniformly to indicate the different schemes of a Mutual Fund.

E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY AND THE TRUSTEE

The Asset Management Company shall submit a Due Diligence Certificate duly signed by the Compliance Officer/Chief Executive Officer/Managing Director/Whole time Director/Executive Director of the Asset Management Company and countersigned by a director of the trustee company/trustee from the board of trustees to SEBI, which reads as follows:

It is confirmed that:

(i) The final Placement Memorandum forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines 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 Placement Memorandum are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.

(iv) The intermediaries named in the Placement Memorandum and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

II. INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME – (close ended /interval)

B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?
The asset allocation will be as follows:

Instrument	Indicative Allocation		Risk Profile
	Minimum	Maximum	
Debt securities or securitized debt instruments of infrastructure companies or projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or bank loans in respect of completed and revenue generating projects of infrastructure companies or special purpose vehicle.	90%	100%	-
Equity shares, convertibles including mezzanine financing instruments of companies engaged in infrastructure, infrastructure development projects; or money market instruments and bank deposits	0%	10%	

D.WHERE WILL THE SCHEME INVEST?

This includes a brief narration on the types of instruments in which the scheme will invest and the concerned regulations and limits applicable shall also be mentioned.

Portfolio Rebalancing – Briefly describe about the conditions which may lead to portfolio rebalancing and also in the event of asset allocation falling outside the limits, in what time period does the Mutual Fund will review and rebalance the same.

E.WHAT ARE THE INVESTMENT STRATEGIES?

Information about investment approach and risk control should be included in simple terms.

F.FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

i. Type of the scheme

- Close ended/Interval scheme

ii. Investment Objective

- Main Objective
- Investment Pattern - The tentative portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations.

iii. Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption.
- Aggregate fees and expenses charged to the scheme.
- Any safety net or guarantee provided.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- 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
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset
- Value without any exit load.

G. BENCHMARK AND ITS JUSTIFICATION

H. WHO MANAGES THE SCHEME?

Name, age, qualification and experience in the infrastructure sector of the fund manager to the scheme to be disclosed. The experience of the fund manager should include last 10 years experience and also the name of other schemes under his /her management.

I. WHAT ARE THE INVESTMENT RESTRICTIONS?

All the investment restrictions as contained in Chapter VI-B (Infrastructure Debt Fund Schemes) to SEBI (Mutual Funds) Regulations, 1996 and applicable restrictions of the Seventh Schedule should be incorporated. Further in case the fund follows any internal norms vis-à-vis limiting exposure to a particular security or sector, etc. apart from the aforementioned investment restrictions the same needs to be disclosed.

J. HOW HAS THE SCHEME PERFORMED?

[In case of a new scheme, this is not applicable hence give the statement-"This scheme is a new scheme and does not have any performance track record"]

Or

[In case of a scheme in existence, the return figures shall be given for that scheme only, as per the For
a scheme which is in existence for more than 1 year, the returns given will be Compounded Annualized Returns and for scheme which is in existence for less than 1 year, the returns would be absolute returns since inception.

Absolute returns for each financial year for the last 5 years shall be represented by means of a bar diagram as per the adjacent format.]

Compounded Annualised Returns	Scheme Returns %	Bench mark Returns %
Returns for the last 1 year		
Returns for the last 3 years		
Returns for the last 5 years		
Returns since inception		

Absolute Returns for each financial year for the last 5 years



K. Indicative Portfolio based on type of assets

Indicative % of investment to be made in various securities to be mentioned below with the ratings mentioned against each type of instrument.

All investments shall be based on the rating prevalent at the time of investment. However, in case of an instrument having dual ratings, the most conservative publicly available rating would be considered.

L. Valuation Policy for the assets of the scheme

A detailed valuation policy for the assets of the scheme based on the overarching principle of fair valuation and valuation done 'in good faith' shall be given.

M. Extension in the tenure of the scheme: As stipulated in Regulations

III. PLACEMENT DETAILS

A. Placement Period

Offer Price: This is the price per unit that the investors have to pay to invest during the Placement Period.	Rs. 10 lakh per unit
Minimum Amount for Application	Rs. 1 crore and in multiples of Rs.10 lakh thereafter.
Minimum Target amount This is the minimum amount required to operate the scheme and if this is not collected during the Placement Offer Period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within five business days, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of five working days from the date of closure of the subscription period.	Rs. _____
Details of strategic investors and amounts committed by them	
Plans / Options offered	
Specified transaction period (for interval schemes)	
Dividend Policy	
Allotment*	
Refund	
Dividend	
Redemption	
Who can invest	
Listing of fully paid up units	
Mandatory quoting of bank mandate and PAN number by investors	
Pledge/Lien	
Capital Commitments	
Subsequent Drawdowns	
Default on Capital Calls and the interest or penalty thereon, with the interest or penalty being retained in the scheme.	
Restrictions, if any, on the right to freely retain or dispose of units being offered.	

Accounts Statements	During subscription, and subsequent capital calls Consolidated Account Statement Annual Account Statement
Transaction Charges	

***Allotment shall be made within five working days of the closure of the Placement Period**

B. PERIODIC DISCLOSURES

Net Asset Value This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.				
Portfolio disclosures				
Half Yearly Results				
Annual Report				
Taxation The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes. (mention the tax rates as per the applicable tax laws)		Resident	Non Resident Investor	Mutual Fund
	Tax on Dividend			
	Capital Gains: Long Term Short Term			
Jurisdiction				
Investor Services				

C. COMPUTATION OF NAV

Describe briefly the policies of the Mutual Fund with regard to computation of NAV of the scheme in accordance with SEBI (Mutual Funds) Regulations, 1996.

Rounding off policy for NAV as per the applicable guidelines shall be disclosed.

D. FEES AND EXPENSES

This section outlines the expenses that will be charged to the scheme.

a. PLACEMENT EXPENSES

These expenses are incurred for the purpose of various activities related to the Placement process. The same may be borne by the AMC/ Trustee/ Sponsor.

b. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that upto _____ % of the daily net assets of the scheme will be charged to the scheme as expenses *(*Give slab wise break up depending on the assets under management.) For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

Particulars	**% of daily Net Assets**	
	Regular Plan (the name of the plan as applicable)	*Direct Plan (the name of the plan as applicable)*
Investment Management & Advisory Fee		
Marketing and selling expenses including agent's commission if any		
Brokerage and transaction cost		
Registrar services for transfer of units sold or redeemed		
Fees and expenses of trustees		
Audit fees		
Custodian fees		
Costs related to investor communication		
Costs of fund transfer from location to location		
Costs of providing account statements and dividend/redemption cheques and		
Insurance premium paid by the fund		

Winding up costs for terminating a fund or a scheme		
Cost of statutory advertisements		
Listing fees		
Investor Awareness and Education Initiatives#		
Such other costs as may be approved by the Board*		
Total Recurring Expenses		

(* To be specified as permitted under the Regulation 52 of SEBI (MF) Regulations) (# At least 2 bps)

Commission/ Distribution expenses will not be charged In case of Direct Plan.

The AMC may charge additional expenses not exceeding 0.20% of daily net assets of the Scheme incurred towards different heads of fees and expenses.

Additional expenses may be charged up to 30 basis points on daily net assets of the Scheme as per Regulation 52 of SEBI Regulations, if the new inflows from beyond top 15 cities are at least (a) 30% of gross new inflows in the Scheme or (b) 15% of the average assets under management (year to date) of the Scheme, whichever is higher.
Provided that if inflows from such cities is less than the higher of (a) or (b) above, such additional expenses on daily net assets of the Scheme shall be charged on proportionate basis.
Provided further that expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities.
Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the Scheme in case the said inflows are redeemed within a period of one year from the date of investment

Brokerage and Transaction Cost:

Brokerage and transaction cost incurred for the purpose of execution of trade may be capitalized to the extent of 12bps for cash market transactions. Any payment towards brokerage and transaction cost, over and above the said 12 bps for cash market transactions may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Any expenditure in excess of the said prescribed limit (including brokerage and transaction cost, if any) shall be borne by the AMC or by the trustee or sponsors.

Any expenditure in excess of the limits specified in Regulation 52(6) and 52(6A) (a) shall be borne by the asset management company or trustees or sponsors.

Goods & Service Tax:

1. Mutual funds /AMCs may charge Goods & Service Tax on investment and advisory fees to the scheme in addition to the maximum limit of TER as prescribed in regulation 52 of the Regulations.

2. Goods & Service Tax on other than investment and advisory fees, if any, shall be borne by the scheme within the maximum limit of TER as per regulation 52 of the Regulations.

3. Goods & Service Tax on brokerage and transaction cost paid for asset purchases, if any, shall be within the limit prescribed under regulation 52 of the Regulations.

   The mutual fund would update the current expense ratios on the website within two working days mentioning the effective date of the change.

c. TRANSACTION CHARGES as per SEBI Circulars

IV. RIGHTS OF UNITHOLDERS
Please refer to SAI for details.

V. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

Disclosure of such penalties, pending litigations, etc shall be given as per the requirements in the Scheme Information Document.

Notwithstanding anything contained in this Placement Memorandum, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Circulars and guidelines there under shall be applicable.

6. STANDARD OBSERVATIONS[708]

A. STANDARD OBSERVATION FOR SCHEME INFORMATION DOCUMENT (SID)

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.	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. DNPD/Cir-29/2005 dated September 14, 2005 Following risk factor pertaining to investments in derivatives may also be given (*except in case where the scheme is investing in derivatives for only for the purpose of hedging and portfolio rebalancing)*: "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.	

[708] SEBI/IMD/CIR No. 5/126096/08 dated May 23, 2008

	Standard Observation	Remarks
	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". "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". Mention clearly specific risk factors pertaining to derivative strategies.	
6.	In case the mutual fund intends to engage in stock lending/short selling, concepts and risks associated with stock 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.	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. 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.	
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 paragraph 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.	

	Standard Observation	Remarks
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 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	

	Standard Observation	Remarks
	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. 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 Paragraph 1.4 of the Master Circular for Mutual Funds	
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).	

B. STANDARD OBSERVATIONS FOR STATEMENT OF ADDITIONAL INFORMATION (SAI)

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 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.	

	Standard Observation	Remarks
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 Paragraph 14.3 of Master Circular for Mutual Funds	
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.	
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."	

7. DISCLOSURES

A. INDICATIVE FORMAT OF DISCLOSURE ON PERFORMANCE OF OTHER SCHEMES MANAGED BY THE FUND MANAGER[709]

Name of Fund Manager:						
Period	**1 year**		**3 year**		**5 year**	
	Scheme return %	Benchmark return (%)	Scheme return %	Benchmark return (%)	Scheme return %	Benchmark return (%)
Scheme 1						
Scheme 2						
Scheme 3						
Scheme 4						
Scheme 5						
Scheme 6						

Note:

a. The concerned fund manager manages X number of schemes of the concerned Mutual Fund.

b. In case the number of schemes managed by a fund manager is more than six, performance data of other scheme the top 3 and bottom 3 schemes managed by fund manager has been provided herein.

c. Period for which scheme's performance has been provided is computed basis last day of the month-end preceding the date of advertisement

d. Different plans shall have a different expense structure. The performance details provided herein are of (regular / direct) plan.

[709] SEBI Cir no SEBI/CIR/IMD/DF/23/2017 dated March 15, 2017

B. BROKERAGE AND COMMISSION PAID TO ASSOCIATES

Brokerage paid to associates/related parties/group companies of Sponsor/AMC[710]

Name of associate /related parties/ group companies of Sponsor/ AMC	Nature of Association/ Nature of relation	Period covered*	Value of transaction (in Rs. Cr. & % of total value of transaction of the fund)		Brokerage (Rs Cr & % of total brokerage paid by the fund)	

Commission paid to associates/related parties/group companies of sponsor/AMC

Name of associate /related parties/ group companies of Sponsor/ AMC	Nature of Association/ Nature of relation	Period covered *	Business given (Rs. Cr. & % of total business received by the fund)	Commission paid (Rs & % of total commission paid by the fund)

* The period covered shall be as following:
• SAI - Past three financial years including the current year
• Half Yearly Unaudited Financial Results – Current half year and previous half year
• Abridged Scheme wise Annual Report – Current year and previous year

The disclosures for the aforementioned period shall be furnished for each period in separate tables.

[710] SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15 ,2010

C. ROLE OF MUTUAL FUNDS IN CORPORATE GOVERNANCE OF PUBLIC LISTED COMPANIES[711]

(i) Revised format for disclosure of vote cast by Mutual Funds - during an individual quarter:

Details of Votes cast during the quarter ended __, of the Financial year __-__							
Meeting Date	Company Name	Type of meetings (AGM/EGM)	Proposal by Management or Shareholder	Proposal's description	Investee company's Management Recommendation	Vote (For/ Against/ Abstain)	Reason supporting the vote decision

(ii) Revised format for disclosure of voting by Mutual Funds/AMCs during a financial year

Details of Votes cast during the Financial year __-__								
Quarter	Meeting Date	Company Name	Type of meetings (AGM/EGM)	Proposal by Management or Shareholder	Proposal's description	Investee company's Management Recommendation	Vote (For/ Against/ Abstain)	Reason supporting the vote decision

(iii) Format of providing the summary of proxy votes cast by Mutual Funds/AMCs across all the investee companies

Summary of Votes cast during the F.Y. ___-___					
F.Y.	Quarter	Total no. of resolutions	Break-up of Vote decision		
			For	Against	Abstained

[711] SEBI/IMD/DF/05/2014 dated March 24, 2014, SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15 ,2010, SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

D. DISCLOSURE OF INVESTOR COMPLAINTS WITH RESPECT TO MUTUAL FUNDS[712]

Redressal of Complaints received during the period: DD/MM/YYYY to DD/MM/YYYY

Name of the Mutual Fund:
Total Number of Folios:

Data for every month ending

Part A: Total complaints report (including complaints received through SCORES)

Complaint code	Type of complaint#	(a) No. of complaints pending at the beginning of the period	(b) No of complaints received during the period	Action on (a) and (b)									
				Resolved					Non Actionable *	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken ^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
I A	Non receipt of amount declared under Income Distribution cum Capital Withdrawal option												
I B	Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option												
I C	Non receipt of Redemption Proceeds												
I D	Interest on delayed payment of Redemption												
	Non receipt of Statement of												

[712] SEBI Circular No. SEBI/HO/IMD-II/IMD-II_DOF10/P/CIR/2021/00677 dated December 10,2021

II A	Account/Unit Certificate												
II B	Discrepancy in Statement of Account												
II C	Data corrections in Investor details												
II D	Non receipt of Annual Report/Abridged Summary												
III A	Wrong switch between Schemes												
III B	Unauthorized switch between Schemes												
III C	Deviation from Scheme attributes												
III D	Wrong or excess charges/load												
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc												
III F	Delay in allotment of Units												
III G	Unauthorized Redemption												
IV	Others												

including against its authorized persons/ distributors/ employees. etc.

*Non actionable means the complaint that are incomplete / outside the scope of the mutual fund

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

Part B: Report on complaints received through SCORES

Complaint code	Type of complaint#	(a) No. of complaints pending at the beginning of the period	(b) No of complaints received during the period	Action on (a) and (b)									
				Resolved					Non Actionable *	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days	Average time taken ^ (in days)		0-3 months	3-6 months	6-12 months	Beyond 12 months
I A	Non receipt of amount declared under Income												

	Distribution cum Capital Withdrawal option												
I B	Interest on delayed payment of amount declared under Income Distribution cum Capital Withdrawal option												
I C	Non receipt of Redemption Proceeds												
I D	Interest on delayed payment of Redemption												
II A	Non receipt of Statement of Account/Unit Certificate												
II B	Discrepancy in Statement of Account												
II C	Data corrections in Investor details												
II D	Non receipt of Annual Report/Abridged Summary												
III A	Wrong switch between Schemes												
III B	Unauthorized switch between Schemes												
III C	Deviation from Scheme attributes												
III D	Wrong or excess charges/load												
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc												
III F	Delay in allotment of Units												
III G	Unauthorized Redemption												
IV	Others												

including against its authorized persons/ distributors/ employees. etc.

*Non actionable means the complaint that are incomplete / outside the scope of the mutual fund

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

Part C: Trend of monthly disposal of complaints (including complaints received through SCORES)

SN	Month	Carried forward from previous month	Received	Resolved*	Pending**

1	2	3	4	5	6
1	April- YYYY				
2	May- YYYY				
3	June- YYYY				
4	July- YYYY				
5	…….				
6	…….				
	March- YYYY				
	Grand Total				

*Should include complaints of previous months resolved in the current month. If any.
** Should include total complaints pending as on the last day of the month, if any.

Part D: Trend of annual disposal of complaints (including complaints received through SCORES)

SN	Year	Carried forward from previous	Received during the year	Resolved during the year	Pending at the end of the year
1	2017-18				
2	2018-19				
3	2019-20				
4	2020-21				
5	2021-22				
	Grand Total				

E. FORMAT FOR DISCLOSURE OF TOTAL EXPENSE RATIO (TER) OF MUTUAL FUND SCHEMES[713]

Name of Scheme: XYZ										
Date (DD/MM /YYYY)	**Regular Plan**					**Direct Plan**				
	Base TER (%)[1]	**Additional expense as per Regulation 52(6A)(b) (%)[2]**	**Additional expense as per Regulation 52(6A)(c) (%)[3]**	**GST (%)[4]**	**Total TER (%)**	**Base TER (%)[1]**	**Additional expense as per Regulation 52(6A)(b) (%)[2]**	**Additional expense as per Regulation 52(6A)(c) (%)[3]**	**GST (%)[4]**	**Total TER (%)**

1. Base TER excludes additional expenses provided in Regulation 52(6A)(b) and 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996 and Goods and Services Tax (GST) on investment and advisory fees as per applicable rate.
2. Additional Expenses not exceeding 0.30% in terms of Regulation 52(6A)(b) of SEBI (Mutual Funds) Regulations, 1996.
3. Additional Expenses not exceeding 0.05% in terms of Regulation 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996.
4. Present GST rate is XX %.
5. Percentages mentioned above are annualized.
6. Base TER of direct plan shall have a lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid from such plans.

[713] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2018/18 dated February 5, 2018 and SEBI Cir no SEBI/HO/IMD/DF2/CIR/P/2018/91 dated June 05, 2018

F. FORMAT FOR DISCLOSURE OF CALL OPTIONS WRITTEN[714]

In terms of paragraph 12.25.8 of Master Circular for Mutual Funds, call options written shall be disclosed in the following format:

Underlying	No. of contracts	% of underlying shares	Option price when sold	Current option price	Margin maintained in Rs. Lakhs
Call options written as percentage of total market value of equity shares held in the scheme					
For the period ended … specify the following for call options written which have already been exercised/expired · Total Number of contracts entered into · Gross Notional Value of contracts · Net Profit/Loss on all contracts					

[714] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019

G. REPORTING FORMATS FOR CREDIT DEFAULT SWAPS (CDS)[715]

A. Format for disclosure to be made in the monthly portfolio statements and half-yearly trustee report

Counter Party Details			**Details of the underlying**			**Details of Protection**				**Credit event payments received**
Name	Rating	Sector	Name of the reference entity	Amount (FV)	Residual Maturity	Amount	Tenor	Price/ Spread (bps)	Premium Paid	

(Amount in Rs. crore, Residual Maturity/ Tenor in years)

[715] SEBI Circular No. CIR/IMD/DF/23/2012 dated November 15, 2012

B. Format for disclosure to be made in the notes to account of annual report of the mutual funds

1. No. of transactions during the year

2. Amount of protection bought during the year

3. No. of transactions where credit event payment was received during the year
    a. Pertaining to current years transactions.
    b. Pertaining to previous year (s) transactions.

4. Outstanding transactions as on year end:
    a. No. of transactions
    b. Amount of protection

5. Net income/expenses in respect of CDS transactions during year-to-date:
    a. Premium paid
    b. Credit event payments received (net of value of derivable obligations)

8. FORMAT FOR REPORTING OF ALL TRANSACTION IN DEBT AND MONEY MARKET SECURITIES[716]

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X
Sr.No	Name of the Security	ISIN (If applicable, otherwise keep it blank)	Type of security #	Most Conservative Rating of Security at the time of transaction (If applicable, otherwise keep it blank)	Name of Rating Agency	Transaction Type (Buy/Sell)	Listed status of security ##	Mutual Fund Name	Scheme Name	Type of Scheme $	Final Maturity Date $$	Residual days to Final Maturity	Deemed Maturity date @	Trade Date $$	Settlement Date $$	Quantity traded	Face Value Per Unit (In INR)	Price at which Traded @@ (In INR)	Total Interest Accrued for the transaction, if any (In INR)	Value of the Trade U={(Q*R*S/100)+T)	Yield at which Traded*	Yield at which Valued**	Type of trade***

Nomenclature of "Type of security" shall be strictly mentioned as Commercial Paper, Certificate of Deposit, Corporate Bond, Debentures, Securitised Debt, Zero Coupon Bonds, AT1 Bond, Government Bonds (Include State Development Loans, special purpose bonds such as Uday Bonds, Fertilizer Bonds, etc), Tresury Bills, Cash Management Bills, Bill Rediscounting Scheme, Corporate Bond Repo, Reverse Repo, TREPS, Others (please specify)

Nomenclature of "Listed status of security" shall be strictly mentioned as Listed, Unlisted, Awaiting Listing, Not Applicable

$ Nomenclature of "Type of scheme" shall be strictly mentioned as Close ended, Open ended, Interval

$$ All date formats should be in DD-MM-YYYY

@ Deemed Maturity date may be "put or/and call date" or "coupon reset date" etc. whichever is used for pricing

@@ Please mention Clean price per 100 Rupee atleast upto 6 decimal places (In case of Zero Coupon Bonds please mention dirty price per 100 Rupee)

* Please mention traded yield in percentage term atleast upto 4 decimal

** Yield at which said security valued on previous day in NAV in case of security already held by any scheme of the Mutual Fund and yield at which said security valued at the end of day in NAV in case of first time buy. Please mention traded yield in percentage term atleast upto 4 Decimal

*** Inter Scheme Transfer/Primary/Secondary through market/ Secondary through off-market/Buyback/Other (Specify)

[716] SEBI circular no. Cir/IMD/DF/6/2012 dated February 28, 2012, SEBI/HO/IMD/DF2/CIR/P/2017/109 dated September 27, 2017 and SEBI/HO/IMD/DF4/CIR/P/2020/163 dated September 01, 2020

9. FORM TO REPORT ON AI AND ML TECHNOLOGIES – TO BE SUBMITTED QUARTERLY INTIMATION TO AMFI FOR THE USE OF THE AI AND ML APPLICATIONS AND SYSTEMS[717]

S/N	Head	Value
1	Entity SEBI registration number	
2	Registered entity category	
3	Entity name	
4	PAN of Entity	
5	Application / System Name	
6	Date from which the Application / System was used	
7	Type of area where AI or ML is used	<order execution / Advisory services / KYC / AML / Surveillance / Compliance/ Others (please specify in 256 characters)>
7.a	Does the system involve order initiation, routing and execution?	<Yes / NO>
7.b	Does the system disseminate investment or trading advice or strategies?	<Yes / NO>
7.c	Is the application / system used in area of Cyber security to detect attacks	<Yes / NO>
7.d	What claims have been made regarding AI and ML application / system– if any?	<free text field>
8	What is the name of the Tool / Technology that is categorized as AI and ML system /	<free text field>

[717] SEBI circular no. SEBI/HO/IMD/DF5/CIR/P/2019/63 dated May 09, 2019

	Application and submissions are declared vide this response	
9	How was the AI or ML project implemented	<Internally / through solution provider / Jointly with a solution provider or third party>
10	Are the key controls and control points in your AI or ML application or systems in accordance to circular of SEBI that mandate cyber security control requirements	<free text field>
11	Describe the application / system and how it uses AI / ML as portrayed in the product offering	<free text field>
12	What safeguards are in place to prevent abnormal behavior of the AI or ML application / System?	<free text field>
13	Is the AI / ML system included in the scope of system audit, if applicable?	<Yes / NO>
14	Is there any adverse comment in the system audit regarding the AI / ML system? If yes, details of the adverse comments may be provided.	<free text field>

10. EXCEPTION (OBSERVATION) REPORTING FORMAT[718]

Note: Mutual Funds are expected to submit following information with regards to exceptions observed in the System Audit, including open observations from previous audit report.

Name of the Mutual Fund: _____

Systems Audit Report Date: _____

Table 1:

High/ Medium risk exceptions observed in the System Audit, including open observations from previous audit report

S No.	Audit Objective Checklist Question Number	Audit Objective Heading	Department Name	Description of Observation	Risk Rating	Audited By	Auditor's Recommendation	Whether similar issue was observed in any of the previous 2 audits	Management Comment with target date	Trustee Comment

Description of relevant Table heads

1. S No. – This indicates the serial number of the observation.

[718] SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/57 dated April 11, 2019

2. **Audit Objective Checklist Question Number –** This indicates question number in the guideline audit checklist
3. **Audit Objective Heading –** This indicates heading in the guideline audit checklist
4. **Department Name –** name of auditee department to which the observation pertains to e.g. PMS, R&TA, IT, Admin etc.
5. **Description of Observation –** Description of the observation in sufficient detail
6. **Risk Rating –** Observation's rating based on its impact and severity to reflect risk exposure.

Rating	**Description**
HIGH	High rating represents weakness in control with respect to threat(s) that is/are sufficiently capable and impacts asset(s) leading to regulatory noncompliance, significant financial, operational and reputational loss. These observations need to be addressed with utmost priority.
MEDIUM	Medium rating represents weakness in control with respect to threat(s) that is/are capable and impacts asset(s) leading to exposure in terms of financial, operational and reputational loss. These should be addressed reasonably promptly.
LOW	Low rating represents a weaknesses in control, which in combination with other weakness can develop into an exposure. Suggested improvements for situations not immediately/directly affecting controls.

7. **Audit By –** Name of the firm/ company performing the system audit
8. **Auditor's Recommendation** – A detailed recommendation by auditor for correction of the observation and/ or implementation of the corrective actions.
9. **Whether similar issue was observed in any of the previous 2 audits** – Yes/ No if similar issue was observed in previous two audit reports.
10. **Management Comment with target date –** Management action plan/taken to address the observation and/ or implementation of auditor's recommendation with target date to address/implement.
11. **Trustee Comment**– Trustee comments with respect to management action plan/taken to address the observation and/ or implementation of auditor's recommendation with target date to address/implement

Table 2:

Low risk observations in current audit which were observed in previous two System audit reports:

S No.	Audit Objective Checklist Question Number	Audit Objective Heading	Description of Observation	Risk Rating	Management Comment with target date	Trustee Comment
				Low		

Description of relevant Table heads

1. **S No. –** This indicates the serial number of the observation.
2. **Audit Objective Checklist Question Number –** This indicates question number in the guideline audit checklist
3. **Audit Objective Heading –** This indicates heading in the guideline audit checklist
4. **Description of Observation –** Description of the observation in sufficient detail
5. **Risk Rating –** Observation's rating based on its impact and severity to reflect risk exposure.
6. **Management Comment with target date –** Management action plan/taken to address the observation and/ or implementation of auditor's recommendation with target date to address/implement.
7. **Trustee Comment**– Trustee comments with respect to management action plan/taken to address the observation and/ or implementation of auditor's recommendation with target date to address/implement

Table 3:

Follow on Audit for Open Items reported in Table 1 and Table 2 of Previous System Audit Report

S No.	Audited By	Department Name	Description of Observation	Risk Rating	Recommendation as per previous audit report	Reason for delay in implementation/ compliance	Observation Status as per current auditor	Management Comment with revised [Target] Closure Date	Trustee Comment

Description of relevant Table heads

2. **S No.** – Serial number
3. **Audited By –** Name of the firm that performed audit
4. **Department Name –** name of auditee department to which the observation pertains to e.g. PMS, R&TA, IT, Admin etc.
5. **Description of Observation –**Description as per previous System Audit report
6. **Risk Rating of Observation –** Risk rating as per previous System Audit report
7. **Previous Auditor's Recommendation** –Recommendation as per previous System Audit report
8. **Reason for delay in implementation / compliance –** Details of reason for delay in addressing the observation/ implementation of corrective action.
9. **Observation Status per current auditor –** Status of observation in reference to recommendation and management action plan mentioned in the previous system audit report.
10. **Revised [Target] Closure date with Management Comment –** Revised closure date or target closure date for the observation. Management comment is necessary if observation status is not closed as per current auditor.

11. **Trustee Comment–** Trustee comments with respect to revised closure date or target closure date for the observation.

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Securities and Exchange Board of India

11. FORMAT FOR TEMPLATE TO BE MAINTAINED WITH RESPECT TO INTER SCHEME TRANSFERS[719]

a. For meeting liquidity requirement due to redemption pressure

Template for ISTs due to Liquidity Management		
ISIN of security to be transferred		
Name of security to be transferred		
Date and time of ISTs		
Particular	**Transferor Scheme**	**Transferee Scheme**
Category of scheme		
As per LRM minimum cash & cash equivalent required for the scheme		
Net cash position after projected inflow and outflow		
Line available and borrowing utilized (record, in case borrowing was not utilized) #		Not Applicable
Sale proceeds of the securities utilized (record with evidence including screenshot of Request For Quote (RFQ), the attempt to sell liquid assets in market)		Not Applicable
If all above is not sufficient then ISTs of optimal mix of low duration paper with highest quality paper and so on		Not Applicable
Declaration: 1. IST is in the interest of unit holders. 2. Quality of security under ISTs is not suspect i.e. no adverse news or rumors in the mainstream media about the said security, nor any credit alert for last four months. 3. Fund Manager of transferee scheme confirms that he/she has done full credit risk assessment of security before buying the same through ISTs, and the same is documented.		
Name and Signature of Fund Managers		
Name and Signature of Chief Investment officer		
Name and Signature of Compliance officer		

[719] SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2020/202 dated October 08, 2020

The use of market borrowing before ISTs will be optional and at the discretion of Fund Managers.

b. <u>For Duration rebalancing</u>

Template for ISTs to rebalance Duration		
ISIN of security to be transferred		
Name of security to be transferred		
Date and time of ISTs		
Particular	**Transferor Scheme**	**Transferee Scheme**
Category of scheme		
Pre trade duration of scheme		
Post trade duration of scheme		
Interest rate view of Fund Manager		
Request for Quote (RFQ) screen shot		
Declaration: 1. IST is in the interest of unit holders. 2. Quality of security under ISTs is not suspect i.e. no adverse news or rumors in the mainstream media about the said security, nor any credit alert for last four months. 3. Fund Manager of transferee scheme confirms that he/she has done full credit risk assessment of security before buying the same through ISTs, and the same is documented.		
Name and Signature of Fund Managers		
Name and Signature of Chief Investment officer		
Name and Signature of Compliance officer		

c. <u>For Issuer/Sector/Group rebalancing</u>

Template for ISTs to rebalance Issuer/Sector/Group concentration		
ISIN of security to be transferred		
Name of security to be transferred		
Date and time of ISTs		
Particular	**Transferor Scheme**	**Transferee Scheme**
Category of scheme		

Pre trade concentration of Issuer/Sector/Group		
Limit specified in SEBI Regulations/circular/ guidelines for Issuer/Sector/Group		
Post trade concentration of Issuer/Sector/Group		
Outlook of Fund Manager of transferee scheme about security at the time ISTs		
Request for Quote screen shot		
Declaration: 1. IST is in the interest of unit holders. 2. Quality of security under ISTs is not suspect i.e. no adverse news or rumors in the mainstream media about the said security, nor any credit alert for last four months. 3. Fund Manager of transferee scheme confirms that he/she has done full credit risk assessment of security before buying the same through ISTs, and the same is documented.		
Name and Signature of Fund Managers		
Name and Signature of Chief Investment officer		
Name and Signature of Compliance officer		

12. INVESTOR CHARTER FOR MUTUAL FUNDS[720]

VISION

- To develop the Indian Mutual Fund Industry and bring a high degree of professionalism transparency and ethics by enacting regulations to govern the functioning of mutual funds in order to enhance and maintain standards to protect and promote the interests of unit holders of mutual funds.

MISSION

- To support the development of a vibrant, transparent, ethical and globally competitive asset management industry.

- To enact and enforce rules and regulations that promote the maintenance of high professional and ethical standards in all areas of operation of the mutual fund industry.

- To work closely with the mutual fund industry in order to recommend and promote good business practices and a code of conduct to be followed by all asset management companies engaged in the activities of investment management in the best interests of unitholders / investors.

- To recommend standardized operational processes to be followed by the Mutual Fund industry for the convenience and benefit of the investors..

- To undertake nationwide investor awareness programmes, so as to inform and educate existing and prospective investors about mutual funds as an asset class and to educate the public about the concept and working of mutual funds.

- To protect the interest of investors/unit holders.

[720] SEBI/HO/IMD-II/IMD-II_DOF10/P/CIR/2021/00677 dated December 10, 2021

DESCRIPTION OF ACTIVITIES / BUSINESS OF THE ENTITY

- To offer investment opportunities to the investors through various schemes.
- To pool money by issuing units to the investors at the applicable Net Asset Value (NAV).
- Deploy the monies pooled from investors in various securities and manage the portfolio in accordance with objectives as disclosed in offer document and in compliance with all applicable regulations.
- Disclose various information including NAV on daily basis, Risk-o-meter of schemes, portfolio of the schemes, performance of the schemes, annual report or abridged annual report etc.
- Pay redemption proceeds, dividends etc. to the investors.
- Process investor's financial and non – financial transactions / service requests.

SERVICES PROVIDED FOR INVESTORS

Non-Financial Transaction		
Sr. no	**Description of Service / Activity**	**Time taken for providing service**
1	Providing Consolidated Account Statement (CAS) for each calendar month	by 15th of succeeding month
2	Providing Consolidated Account Statement (CAS) for the half year	By 21st of succeeding month
3	Request for Dematerialisation of units	2 Days *
Financial Transactions (Commercial Transactions)		
Sr. no.	**Description of Service / Activity**	**Time taken for providing service**
1	Pay-out of redemption proceeds	10 Days
2	Pay-out of dividend from the record date	15 Calendar days
3	Pay-out of proceeds on maturity of a close- ended scheme	10 Days
4	Issue of statement of accounts specifying the number of units allotted or issue units in the dematerialized form	5 days from the date of closure of the initial subscription list or from the date of receipt of the application
5	Refund of subscription Money in case of New Fund Offer	5 days from the date of closure of the initial subscription list
Complaints/Requests		
Sr. no.	**Description of Service / Activity**	**Time taken for providing service***
1	Submission of ATR to SEBI in respect of complaint received from investor through SCORES	30 days
Disclosure / Reports		
Sr. no.	**Description of Service / Activity**	**Time taken for providing service**
1	Intimation regarding change in TER of schemes	3 days in advance of TER effective date
2	Intimation regarding change in Fundamental Attributes of schemes (Exit Window)	30 days prior to the effective date of Fundamental Attribute change
3	Intimation regarding Merger of schemes	30 days prior to the effective date of Merger
4	Intimation regarding Conversion of Close Ended Scheme to Open Ended Scheme	30 days prior to the effective date of conversion
5	Disclosure of Daily NAV other than FOF Schemes	Daily by 11 pm

6	Disclosure of Daily NAV of FOF Schemes	T+1 by 10 am
7	Disclosure of Fortnightly Portfolio of Schemes (Debt Schemes)	within 5 calendar days.
8	Disclosure of Monthly Portfolio of Schemes	within 10 calendar days
9	Disclosure of half Yearly Portfolio of Schemes	within 10 calendar days
10	Disclosure of Risk-o-meter	by 10th of calendar day
11	Disclosure of TER of scheme	Every day
12	Disclosure of Annual report of Schemes / abridged scheme wise Annual Report	Every year before July 31
13	Disclosure of Annual report of AMC	Within 4 months from the end of the financial year
14	Disclosure of half Yearly Unaudited Financials	within 1 month
15	Disclosure of notice in respect of Dividend declaration	5 calendar days prior to declaration of dividend
16	Disclosure of Complaints redressal report	2 months of the close of the financial year
17	Disclosure of Asset Under Management	7 days from the end of the month
18	Disclosure of transactions in debt and money market securities	15 days from each transaction day
19	Disclosure of half yearly updated scheme information document	1 month from the end of the half-year
20	Disclosure of half yearly updated Key Information Memorandum	1 month from the end of the half-year
21	Disclosure of statement of additional information	3 months from end of financial year
22	Disclosure of Executive Remuneration	1 month from the end of financial year.

Notes:

1. * All the above mentioned time taken for providing service (Financial & Non-Financial) will be subject to receipt of complete documentation/information from the investor.
2. Day refers to working day unless otherwise specified.
3. The Asset Management Companies which fail to meet the stipulated timelines maybe liable for suitable action as deemed fir in terms of SEBI Act, 1992 or regulations framed thereunder.

GRIEVANCE REDRESSAL MECHANISM FOR INVESTORS

1. In case of any grievance / complaint, an investor should approach the concerned Mutual Fund / Investor Service Centre of the Mutual Fund. If

the complaint remains unresolved, the investor may write to the designated Investor Relations Officer of the mutual fund. The name of the Investor Relations Officer / contact person is generally mentioned in the Scheme Information Document (SID) of the mutual fund scheme, and also on the website of the concerned mutual fund, whom one may approach / write to in case of any query, complaints or grievance.

2. If the investor's complaint is not redressed satisfactorily, one may lodge a complaint with SEBI on SEBI's portal, named , 'SCORES', which is a centralized web based complaints redress system. SEBI takes up the complaints registered via SCORES (https://scores.gov.in/scores/Welcome.html) with the concerned mutual fund / intermediary for timely redressal. SCORES facilitates tracking the status of the complaint.

3. Investors may send their physical complaints to: Office of Investor Assistance and Education, Securities and Exchange Board of India, SEBI Bhavan. Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

DO's and DON'Ts FOR INVESTORS

Do's

1. Check registration status of the Mutual Fund on SEBI website before transacting with them.

2. Read all Scheme related documents and understand the scheme features and the risks involved and suitability of the scheme to the investor's risk profile.

3. Provide and keep updated KYC details including address, tax status, residency, and other key information such as PAN & bank account details.

4. Provide own email address and mobile number and to promptly notify changes to this information, if any.

5. Check Account Statement & Common Account Statements for discrepancy, if any and promptly bring any such discrepancies to the notice of the Asset Management Company

6. Read communications / notices / addendums / press releases, etc. sent / or published by the mutual fund via newspapers, email, etc.

7. Consider availing nomination facility in respect of investments made in Mutual Funds.

8. Choose the plan for investments i.e. Direct Plan or Regular Plan.

9. Invest through registered and regulated entities

10. Keep confidential critical information such as user ID, password, etc.

11. Invest by issuing payments in the name of the Mutual fund / scheme only and not in the name of any other entity.

Don'ts

1. Do not invest based on speculation, rumor or informal advice.

2. Do not fall for the promise of indicative or exorbitant or assured returns.

3. Do not issue blank cheques or blank signed transaction instructions.

4. Do not use third-party bank accounts for fund flows for subscription or redemption of units.

RIGHTS OF INVESTORS

1. Right to receive information and details about the scheme including about its investment philosophy, risk profile, portfolio holdings, fees, charges and expenses and such other information as may be required under SEBI regulations to enable investors to make an informed decision about investing in a scheme, prior to making any such investment.

2. Right to timely receipt of account statement evidencing a transaction as specified in the SEBI Mutual Funds Regulations, or to receive such statements on request.

3. Right to receive Consolidated Account Statement (CAS) at a periodic frequency as specified by SEBI.

4. Right to timely disclosure of daily Net Asset Values (NAV), Portfolio and Performance of each scheme including scheme's AUM, investment objective, expense ratios on mutual fund website.

5. Right to receive Annual report / abridged annual report of the scheme(s) invested in,

6. Right to timely receipt of redemption proceeds / dividend payments / refunds, as applicable.

7. Right to be notified about any change in the fundamental attributes (features) of a mutual fund scheme in which the investor has investments and to be provided a right to exit the scheme without cost, if so desired, as a result of the fundamental attribute change.

8. Right to be informed about such disclosures which may have a material bearing on their investments in mutual fund schemes.

9. Right to privacy of information in accordance with the applicable laws of the land.

10. Right to security of, and access to, information provided to Asset Management Companies and their service providers in relation to investments in mutual funds. Right to have such information corrected and receive confirmation of such correction.

11. Right to information about how complaints are handled and can be escalated in the event investors are not satisfied with the resolution provided.

12. Right to timely redressal of grievances and complaints within the timelines specified by regulations and the right to escalate complaint not resolved satisfactorily to the Investor Grievance Officer of the respective Asset Management Company.

13. Right to escalate unresolved complaints to SEBI via the SCORES portal.

RESPONSIBILITIES OF INVESTORS

1. To check registration status of the Mutual Fund on SEBI website before transacting with them.

2. To read all Scheme related documents and understand the scheme features and the risks involved and suitability of the scheme to the investor's risk profile.

3. To provide and keep updated KYC details including address, tax status, residency, and other key information such as PAN & bank account details.

4. To provide own email address and mobile number and to promptly notify changes to this information, if any.

5. To check Account Statement & Consolidated Account Statements for discrepancy, if any and promptly bring any such discrepancies to the notice of the Asset Management Company

6. To read communications / notices / addendums / press releases, etc. sent / or published by the mutual fund via newspapers, email, etc.

7. To consider availing facility to nominate in respect of investments made in Mutual Funds.

8. To choose the plan for investments i.e. Direct Plan or Regular Plan.

9. To invest through registered and regulated entities and not to invest based on speculation, rumor or informal advice

10. To keep confidential critical information such as user ID, password, etc.

11. To invest by issuing payments in the name of the Mutual fund / scheme only and not in the name of any other entity.

12. To protect oneself by not falling for the promise of indicative or exorbitant or assured returns.

13. To protect oneself by not issuing blank cheques or blank signed transaction instructions.

14. To avoid using third-party bank accounts for fund flows for subscription or redemption of units.

****

13. REPORTING FORMATS FOR OFFSITE INSPECTION

A. FORMATS PERTAINING TO MFS AND RTAS

1.1. **Tables pertaining to MFs**

S. No.	Table Name
1	Monthly Investment Report
2	Monthly AUM Report
3	Monthly Investment Transaction Report
4	Monthly Potential Outflow Factor Report
5	Monthly Risk-O-Meter Report
6	Monthly Potential Risk Class Report

1.2. **Tables pertaining to RTAs**

S. No.	Table Name
1	Investor Master
2	Investor Bank account details
3	Distributor Details
4	Scheme Master
5	Plan Master
6	NAV Details
7	MF Investor Transaction Details
8	MF Investor Holding Details
9	AMC Master
10	Scheme level RTA AUM
11	Plan level RTA AUM

B. DATA FROM MUTUAL FUNDS

• AMCs have to submit data for all days including the date of holidays. In case there are no changes in the data on holiday date, the data of previous business day may be given for such days.

• Also, AMCs have to submit Asset under Management (AuM) data for all corresponding days for which investment data is being submitted.

Table B1: Monthly Investment Report

Sr No	Field	Data Type	Mandatory	Allowed Character	Comments
1.	EXPOSURE DATE	DATE	Y	DD/MM/YYYY format	Exposure date
2.	SCHEME CODE	STRING	Y	Maximum 20 length String	FA Scheme Code
3.	ASSET TYPE	STRING	Y	Please Refer Annexure 'I' given below	Asset Type for e.g. Equity Shares
4.	INSTRUMENT TYPE	STRING	Y	Please Refer Annexure 'II' given below	Instrument type. For e.g. Equity
5.	ISSUER CODE	STRING(50)	N	50 long Maximum characters String	been entered into. Issuer of the security which is being hedged must not appear as Issuer Name in case of IRS. However, if AMC has transacted in IRS through

					an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, issuer name in such instances would be CCIL.
6.	ISSUER NAME	STRING(50)	N	Maximum 50 character long String	Issuer Name For IRS, Issuer name would be the name of the counterparty with which the IRS has

					been entered into. Issuer of the security which is being hedged must not appear as Issuer Name in case of IRS. However, if AMC has transacted in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, issuer name in such instances would be CCIL.
7.	SECURITY NAME	STRING(100)	N	Maximum 100 character long String	Security Name

8.	ISIN	STRING	N	Maximum 12 Alpha numeric Character long String	ISIN Number For equity derivatives, kindly provide ISIN of underlying securities (wherever applicable)
9.	MATURITY DATE	DATE	N	DD/MM/YYYY format	Maturity date of the security (wherever applicable) For Derivatives such as Futures, Options, ETCD, Expiry date of the contract
10.	QUANTITY	DECIMAL	N	20 Digits number with 6 decimal	Quantity/No of units of security held as per Fund Accountant (FA) books (wherever applicable) In case part redemption has happened by

					reducing the units, provide residual quantity In case of derivatives specify total quantity of underlying securities on which exposure is taken. Cannot be negative if Asset Type is 'Cash'. For Asset Type is 'Cash' report quantity same as market value/total exposure.
11.	MARKET VALUE	DECIMAL	Y	20 Digits number with 6 decimal	Current Market Value (For Swaps: Difference of payable and receivable shall be considered For Futures: Notional market value of the security shall be considered) Cannot be negative if Asset Type is 'Cash'. For Asset Type is 'Cash' report market value same as quantity/total exposure.

12.	ACCRUED INTEREST	DECIMAL	N	20 Digits number with 6 decimal	Accrued interest for coupon bearing bonds. For all other non-coupon bearing debt securities (i.e. zero coupon bonds, CPs, CDs, Deep Discount Bonds etc.) kindly provide '0'
13.	TOTAL EXPOSURE	DECIMAL	Y	20 Digits number with 6 decimal	Total value of the exposure I,e, summation of Market value and accrued interest. Cannot be negative if Asset Type is 'Cash'. For Asset Type is 'Cash' report total exposure same as market value/quantity.
14.	FACE VALUE	DECIMAL	N	20 Digits number with 6 decimal	Face Value of the Security as per FA. In case part redemption has happened by reducing the Face Value, provide residual FV

15.	COST OF ACQUISITION	DECIMAL	N	20 Digits number with 6 decimal	Total cost of acquisition of the security including amortized cost wherever applicable. In futures the cost of acquisition is a notional derived value as the gain/loss is crystallized

					when futures are closed. For Options, the cost can be the premium cost Cash, margin and Cash Equivalents cost and market value would be same
16.	MARKET PRICE PER UNIT	DECIMAL	N	20 Digits number with 6 decimal	Market price of an unit Per Unit Market Price of security as per FA books (wherever applicable)

17.	RATING	STRING	N	Please Refer Annexure 'III' given below	Ratings. For e.g. AAA Prevailing rating of the security used for valuation For unrated security, this field will be "UNRATED" Name of rating agency should not be part rating.
					In case security is rated by multiple CRAs then the lowest rating should be provided (wherever applicable)
18.	RATING AGENCY	STRING	N	Please Refer Annexure 'IV' given below	Rating agency which provided the rating. For e.g. CARE
19.	LISTED STATUS	STRING	N	This indicates whether the security is listed or not 1 – Listed/Going to be listed 0 – Unlisted (wherever listing is not applicable please leave the field blank)	1 if listed or going to be listed (Securities awaiting listing post IPO allotment, Rights shares which are to be listed, etc.), 0 if not listed

20.	PFI PSB FLAG	STRING	N	This indicates whether the security is issued by an PFI/PSB or not 0– No 1- Yes	PFI PSB Flag
21.	PSU FLAG	STRING	N	This indicates whether the security is issued by an PSU or not 0– No 1– Yes	1 if PSU, 0 if not PSU
22.	BASIC INDUSTRY CLASSIFICATION	STRING(60)	N	String with length 60	Basic Industry Classification as per AMFI classification (wherever applicable)
23.	SECTOR	STRING(60)	N	String with length 60	Sector to which the issuer belongs to (Nomenclature of sector should be same as used by AMFI) (wherever applicable)
24.	GROUPCODE	STRING(30)	N	String with length 30	Internal Code used by AMC to identify group companies

25.	SECURITY CODE	STRING(30)	N	String with length 30	Internal code used by AMC to identify securities without ISIN (to be given only for those
					securities which does not have ISIN)
26.	CALL PUT DATE	DATE	N	DD/MM/YYYY format	Only to be provided when Call and Put for debt instrument fall on the same day and have same put and call option price, otherwise please leave blank
27.	OPTION TYPE	STRING	N	CALL/PUT	To be filled only in case of derivative options contracts – CALL, PUT
28.	ISSUER FLAG	STRING	N	Choose the appropriate flag	

				(integer) as per the list below or leave it blank if not applicable: 1 – Issuer is Sponsor of MF 2- Issuer is Associate Company of sponsor 3 - Issuer is Group Company of sponsor	Issuer flag

				4- Issuer is the group company of the AMC 5-Issuer is associate of AMC	
29.	COUPON RESET DATE	DATE	N	DD/MM/YYYY format	Next Coupon reset date for floating rate papers, otherwise please leave it blank Whenever the reset is automatic due to benchmark being reset automaticall y, give the next coupon date
30.	PRINCIPAL EXCHANGE	STRING	N	Name of Stock Exchange (kindly mention the	

				numeric code as per the mapping given below): 1 - NSE 2 - BSE 3 - MSEI 4- Foreign Exchange 5 – MCX 6 – NCDEX 7 - ICEX	Principal exchange on which security is traded

31.	YIELD OF SECURITY	DECIMAL	N	20 Digits number with 6 decimal	Day end yield of the security. E.g. 7.132
32.	UNSUPPORTED RATING	STRING(10)	N	Prevailing unsupported rating of the security used for valuation. Name of rating agency should not be part rating. In case security is rated by multiple CRAs then the lowest unsupported rating should be provided (wherever applicable)	Cannot be blank if 'Rating' has (CE) as suffix

33.	OUTSTANDING ISSUANCE	NUMERIC(20, 5)	N	Outstanding Issuance for ISIN where Asset Type is either 1. ReITs 2. InVITs 3. Additional Tier 1 Bonds and Tier II Bonds under Basel III Framework 4. Any other such debt instrument which have features of subordination to equity (loss absorption before equity capital) and/or convertible to equity upon trigger of pre specified event for loss absorption	In case of ReITs and InVITs provide outstanding units of the issuer, in other cases eg AT1/TIER 2 provide outstanding quantity of that ISIN of that issuer. Cannot be blank for Asset Type: - ReITs , InVITs, AT1 Bond, T2 Bond

34.	BESPOKE FLAG	SMALLINT	N	This indicates whether the security is bespoke or not 1 – For Bespoke Securities 0 – For other than Bespoke securities	-
35.	MACAULAY DURATION	NUMERIC (10,6)	N	Macaulay Duration of the security in years (wherever applicable)	For certain asset types like TREPS etc. Maculay duration should be in terms of residual maturity or as followed by AMCs for calculation of macaulay duration in determining overall portfolio duration for duration based funds. Cannot be blank for Instrument Type 'Debt - Money Market' and 'Debt - Non Money Market'
36.	PUT DATE	DATE	N	Next Date on which Put option can be exercised in case of debt securities having embedded options (wherever not applicable leave Blank)	-

37.	CALL DATE	DATE	N	Next Date on which Call option can be exercised by the issuer in case of debt securities having embedded options (wherever not applicable leave Blank)	-

Table B2: Monthly AUM Report

SN	Field Name	Type	Remarks
1.	AUM Date	DATE	AUM Date
2.	MF Code	VARCHAR(30)	SEBI Registration No of MF
3.	Scheme Code	VARCHAR(20)	AMC Scheme Code as per FA data
4.	Total AUM	NUMERIC(20,4)	Closing Asset Under Management in Fund Accountant (FA) book
5.	AUM – Regular	NUMERIC(20,4)	Closing Asset Under Management in FA book under Regular Plan
6.	AUM – Direct	NUMERIC(20,4)	Closing Asset Under Management in FA book under Direct Plan
7.	Investment & Advisory Fees (IAF) – Regular	NUMERIC(20,4)	To be given in amount for a day, after excluding GST for Regular Plan
8.	GST on Investment & Advisory Fees (IAF) – Regular	NUMERIC(20,4)	GST charged on Investment & Advisory Fees in Regular Plan for a day
9.	Other Expenses – Regular	NUMERIC(20,4)	To be given in amount for Regular Plan for a day (all expenses other than IAF and Distribution)
10.	Investment & Advisory Fees (IAF) – Direct	NUMERIC(20,4)	To be given in amount, after excluding GST for Direct Plan for a day

11.	GST on Investment & Advisory Fees – Direct	NUMERIC(20,4)	GST charged on Investment & Advisory Fees in Direct Plan for a day
12.	Other Expenses – Direct	NUMERIC(20,4)	To be given in amount for Direct Plan for a day (all expenses other than IAF)
13.	Distribution Commission - Regular	NUMERIC(20,4)	To be given in amount after excluding B-30 commission for a day
14.	B-30 Commission	NUMERIC(20,4)	To be given in amount for a day
15.	Base TER - Regular	NUMERIC(7,4)	Maximum permissible base TER percentage at the given total AUM as per Regulation 52(6) for a day (in percentage) (after applying the regulatory slabs and arriving at weighted average rate)
16.	Base TER - Direct	NUMERIC(7,4)	Maximum permissible base TER percentage at the given total AUM as per Regulation 52(6) for a day (in percentage) (after applying the regulatory slabs and arriving at weighted average rate)
17.	Actual TER charged excluding GST – Regular	NUMERIC(20,4)	Actual TER in INR terms (value) charged by scheme – Regular plan
18.	Actual TER charged excluding GST – Direct	NUMERIC(20,4)	Actual TER in INR terms charged by scheme – Direct plan
19.	Additional Expense under Reg 52(6A)(c) – Regular	NUMERIC(7,4)	In percentage Terms
20.	Additional Expense under Reg 52(6A)(c) – Direct	NUMERIC(7,4)	In percentage Terms
21.	GST – Direct	NUMERIC(20,4)	Total GST charged on Direct Plan for a day in INR terms

22.	GST - Regular	NUMERIC(20,4)	Total GST charged on Regular Plan for a day in INR terms

Table B3: Monthly Investment Transaction Report

Sr No.	Tag	Data Type	Mandatory	Allowed Character	Comments
1	TRADE DATE	DATE	Y	DD/MM/YYYY format	Trade date of the security
2	SETTLEMENT DATE	DATE	Y	DD/MM/YYYY format	The date when securities are credited to the account is to be specified.
3	UNIQUE REF NO	STRING	Y	Maximum length allowed: 40	Unique identifier for particular transaction
4	SCHEME CODE	STRING	Y	Maximum length allowed: 20	AMC Scheme Code as per Fund Accountant (FA) data
5	ISIN	STRING	N	Maximum 12 Alpha numeric Character long String	ISIN of the security (wherever applicable. Otherwise leave blank)
6	SECURITY CODE	STRING	N	Maximum length allowed: 30	Internal code used by AMC to identify securities without ISIN
7	SECURITY NAME	STRING	Y	Maximum length allowed: 100	Name of the security
8	ISSUER CODE	STRING	Y	Maximum length allowed: 50	Internal code to identify issuer of security
9	ISSUER NAME	STRING	Y	Maximum length allowed: 50	Name of the issuer of security

10	INSTRUMENT TYPE	STRING	Y	Please Refer Annexure 'II' as given below.	Type of instrument based on Annexure II (Same as that of investment holding data structure communicated from time to time) Nomenclature should be based only on the list provided in Annexure II.
11	ASSET TYPE	STRING	Y	Please Refer Annexure 'I' as given below	Asset Type of security based on Annexure I (Same as that of investment holding data structure communicated from time to time) Nomenclature should be based only on the list provided in Annexure I.
12	TRANSACTION NATURE	NUMERIC	Y	1 – Primary 2 – Secondary 3 – Inter scheme Transfer 4 – Others	
13	TRANSACTION NATURE DESC	STRING	N	Maximum length allowed: 40	If <TRANSACTION_NATURE> has value 4 provide narration for the transaction nature such as Call, Put, Interest Reset, Part Redemption, Maturity, Right Issuance, Bonus, Buy Back, Split etc.
14	TRANSACTION TYPE	NUMERIC	Y	1 – Buy 2 – Sell	

15	QUANTITY	DECIMAL(20,4)	Y	20 digits with 4 decimal	1. For Equity quantity traded 2. For Equity Futures and Options the units traded i.e. Lot size * No. of Lots 3. For Debt, actual Quantity considering the FV as per the Information Memorandum (IM). In case partial redemption has happened by reducing the Quantity, then provide reduced Quantity.
16	FACE VALUE	DECIMAL(20,4)	N	20 digits with 4 decimal	1. For Debt, actual Face Value of the Security as per IM (not as per FA books). In case partial redemption has happened by reducing the Face Value, then provide reduced Face Value. (wherever applicable) 2. Kindly leave blank wherever not applicable
17	TRANSACTION PRICE	DECIMAL(20,6)	Y	20 digits with 6 decimal	1. For Debt securities, per unit

					price at which security is traded in terms of Rs. 100 till 6 decimal places (In case of Debt securities, provide clean price i.e. excluding accrued interest component. Further, for debt securities mention the clean price in terms of INR) 2. For Equity shares, the actual transaction Price. 3. For Equity Options, the premium paid/received (Premium in absolute terms viz without negative or positive sign shall be given) 4. For Equity Futures, the price of one unit
18	TRANSACTION VALUE	DECIMAL(20,4)	Y	20 digits with 4 decimal	1. For Debt securities, Transaction_Value = Quantity/unit * Face Value * Transaction_Price / 100 2. For Equity Shares, Transaction_Value =

					Quantity/unit * Transaction_Price 3. For Equity Options, Transaction_Value = Quantity/unit * Premium 4.For Equity Futures, Transaction_Value = Quantity/unit * Transaction_Price
19	ACCRUED INTEREST	DECIMAL(20,4)	N	20 digits with 4 decimal	Accrued Interest
20	STATUTORY LEVIES	DECIMAL(20,4)	N	20 digits with 4 decimal	Shall include STT, GST, Stamp Duty or any other statutory levy
21	BROKERAGE	DECIMAL(12,2)	N	12 digits with 2 decimal	Amount charged towards brokerage
22	GROSS VALUE	DECIMAL(20,4)	Y	20 digits with 4 decimal	Gross_Value = Transaction_Value + Accrued_Interest + Statutory Levies + Brokerage
23	YIELD OF SECURITY	DECIMAL(10,6)	N	10 digits with 6 decimal	Traded Yield to Maturity till 4 decimal (In percentage). Only to be given for debt securities.
24	MATURITY DATE	DATE	N	DD/MM/YYYY format	Final maturity date of the security (wherever applicable)

25	RATING	STRING	N	Please Refer Annexure 'III' as given below	Prevailing rating of the security used for valuation For unrated security, this field will be "UNRATED" Name of rating agency should not be part of rating. In case security is rated by multiple CRAs then the lowest rating should be provided (Wherever applicable). In case the security has structured obligation or credit enhancement, rating should invariably mention (SO) and (CE).
26	RATING AGENCY	STRING	N	Please Refer Annexure 'IV' as given below	Rating agency which provided the rating as in <RATING>
27	BROKER NAME	STRING	N	Maximum length allowed: 100	Name of the Broker (wherever applicable)
28	BROKER FLAG	NUMERIC	N	0 – No 1 – Yes	If broker is associated with the sponsor
29	COUNTERPARTY NAME	STRING	N	Maximum length allowed: 100	i. In case of ISTs, mention scheme name.

					Ii. In case counterparty is a Mutual Fund, complete name of that Mutual Fund, if known iii. For remaining counterparties, mention complete name of counter party, if available on best effort basis
30	COUNTERPARTY PAN	STRING	N	Maximum length allowed: 20	Provide PAN of counterparty on best effort basis. If not available, then leave blank. However in such cases, Counterparty ID may be provided.
31	COUNTERPARTY ID	STRING	N	Maximum length allowed: 20	Provide ID of counterparty on best effort basis. In case of ISTs, mention scheme code. In case of others, mention the Counterparty ID used to report the trade at trade reporting platforms. For trades with unregistered entities on CBRICS/ICDM, provide the PAN No. of the Counterparty. For Eg- For a CP settled at NSE and

					reported at F-TRAC, the counterparty ID should be the ID used to report the counterparty at FTRAC. Similarly, for a trade reported at ICDM/CBRICS, the counterparty should be the id used to report counterparty at ICDM/CBRICS, if available. For instance, if ID is not available when securities purchased on exchange/ CCIL where counterparty is not known, then it can be left blank.
32	EXCHANGE	NUMERIC	N	1 – NSE 2 – BSE 3 – MSEI 4 – Foreign Exchange 5 – MCX (Multi Commodity Exchange of India Ltd) 6 – NCDEX (National Commodity & Derivatives Exchange Ltd) 7 – ICEX (Indian Commodity Exchange Limited)	Stock Exchange where the trade is executed and/or settled (In case of other securities (including unlisted securities), leave it blank))
33	OPTION TYPE	STRING	N	CALL PUT	To be filled only in case of equity derivative options
					contracts mentioning CALL or PUT

34	TRADE EXEC TIME	STRING	N	HH:mm (24 hour format)	Trade execution time as per SEBI circular CIR/IMD/DF/6/2010 dated July 30, 2010 and circular CIR/MRD/DP/10 /2014 dated March 21, 2014. Provide the time for below mentioned cases 1. Equity: Trade execution time in system (Only for IST trades) 2.Debt: Trade execution time for all trades including ISTs This tag may be excluded in remaining scenarios Trade execution time for debt redemptions may be mentioned as 23:59

Table B4: Monthly Potential Outflow Factor Report
Data pertaining to all Open Ended Debt Schemes may be provided.

Sr No.	Tag	Data Type	Mandatory	Allowed Character	Comments

1	Effective Date	DATE	Y	DD/MM/YYYY format	i) Effective date of initial POFF values for applicable new schemes ii) Effective date of updated POFF values if there is a change in the same for any scheme due to back test failure iii) Last day of month for applicable schemes i.e., There will be minimum 1 record for each applicable scheme (last day of the month). Multiple records to be provided for scheme(s) wherein there is a change in POFF details of an existing scheme or when a new scheme is launched.
2	Scheme Code	STRING	Y	Maximum length allowed: 20	AMC Scheme Code as per Fund Accountant (FA) data
3	RAR_OUTFLOW_1	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (RaR) in 1st category – (0 to 1 Cr)
4	RAR_OUTFLOW_2	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (RaR) in 2nd category – (1 Cr to 5 Cr)

5	RAR_OUTFLOW_3	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (RaR) in 3rd category – (5 Cr to 100 Cr)
6	RAR_OUTFLOW_4	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (RaR) in 4th category – (> 100 Cr)
7	CRAR_OUTFLOW_1	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (CRaR) in 1st category – (0 to 1 Cr)
8	CRAR_OUTFLOW_2	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (CRaR) in 2nd category – (1 Cr to 5 Cr)
9	CRAR_OUTFLOW_3	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (CRaR) in 3rd category – (5 Cr to 100 Cr)
10	CRAR_OUTFLOW_4	DECIMAL	Y	Total Digits Allowed: 5 Decimal Digits Allowed: 4	Potential outflow factor (CRaR) in 4th category – (> 100 Cr)

Table B5: Monthly Risk-O-Meter Report

Sr No.	Tag	Data Type	Mandatory	Allowed Character	Comments
1	Effective Date	DATE	Y	DD/MM/YYYY format	i) Effective date of initial Risk-O-Meter value for new scheme ii) Effective date of updated Risk-O-Meter value if there is a change in the same for any scheme iii) Last day of month for all schemes There will be minimum 1 record for each scheme (last day of the month). Multiple records to be provided for scheme(s) wherein there is a change in

					ROM details of an existing scheme or when a new scheme is launched.
2	Scheme Code	STRING	Y	Maximum length allowed: 20	AMC Scheme Code as per Fund Accountant (FA) data
3	ROM Level	STRING	Y	1 2 3 4 5 6	Please refer SEBI Circular on Product Labelling in Mutual Fund schemes – Risk-o-meter SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020. 1-Low Risk 2-Low to Moderate Risk 3-Moderate Risk 4-Moderately High Risk 5-High Risk 6-Very High Risk
4	ROM Value	DECIMAL	Y	Total Digits Allowed: 4 Decimal Digits Allowed: 2	Please refer SEBI Circular on Product Labelling in Mutual Fund schemes – Risk-o-meter SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.
5	CRV	DECIMAL	N	Total Digits Allowed: 4 Decimal Digits Allowed: 2	Please refer SEBI Circular on Product Labelling in Mutual Fund schemes – Risk-o-meter SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020. Credit Risk Value (CRV) of a debt scheme shall be the weighted average of credit risk value of each instrument in the portfolio of the scheme; the weights based on their proportion in scheme's AUM. For other schemes, this tag may not be provided.
6	LRV	DECIMAL	N	Total Digits Allowed: 4 Decimal Digits Allowed: 2	Please refer SEBI Circular on Product Labelling in Mutual Fund schemes – Risk-o-meter SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020. Liquidity Risk Value (LRV) of a debt scheme shall be the weighted average of liquidity risk value of

					each instrument in the portfolio of the scheme; the weights based on their proportion in scheme's AUM. For other schemes, this tag may not be provided.
7	Macaulay Duration	DECIMAL	N	Total Digits Allowed: 4 Decimal Digits Allowed: 2	In terms of para 3(i)(b) of Annexure A of SEBI Circular on Product Labelling in Mutual Fund schemes – Risk-o-meter SEBI/HO/IMD/DF3/CIR/P/2020/197 dated October 05, 2020.

Table B6: Monthly Potential Risk Class Report

Sr No.	Tag	Data Type	Mandatory	Allowed Character	Comments
1	Effective Date	DATE	Y	DD/MM/YYYY format	iv) Effective date of initial PRC values for new scheme v) Effective date of updated PRC values if there is a change in the same for any scheme vi) Last day of month for all schemes i.e., There will be minimum 1 record for each scheme (last day of the month). Multiple records to be provided for scheme(s) wherein there is a change in PRC details of an existing scheme or when a new scheme is launched.
2	Scheme Code	STRING	Y	Maximum length allowed: 20	AMC Scheme Code as per Fund Accountant (FA) data
3	CRV Class	STRING	Y	1 2 3	Please refer SEBI Circular on Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021.

					Class to be specified / **Allowed Value** **A** / 1 **B** / 2 **C** / 3
4	IRRV Class	STRING	Y	1 2 3	Please refer SEBI Circular on Potential Risk Class Matrix for debt schemes based on Interest Rate Risk and Credit Risk SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/573 dated June 07, 2021. **Class to be specified** / **Allowed Value** **I** / 1 **II** / 2 **III** / 3

Annexure I - Allowed values for Asset Type

Equity Shares	Preference Shares	Warrants	Corporate Bonds	Debentures
Securitised Debt	Government Bonds	Treasury Bills	Commercial Paper	Certificate Of Deposit
STD With Banks	Mutual Fund Units	CBLO/TREPS	Bill Rediscounting Scheme	FRB/FRN
Reverse Repo	STD - Margin	Index Futures	Stock Futures	Index Options
Stock Options	Interest Rate Futures	ADR	GDR	IDR
Cash	Borrowing	Net Current Assets other than cash and borrowing	Swaps	Overseas Mutual Funds Units

Foreign Securities	Differential Voting Rights Shares	Zero Coupon Bonds/ Deep Discount Bond	Gold	Gold ETF
Forward Rate Agreements	ReITs	InVITs	AIF	Corporate Bond Repo
ETF	Commodity Future	Cash Management Bills	Gold Deposit Scheme	Gold Monetisation Scheme
Rights Entitlement	Stock Lending & Borrowing	AT1 Bond	Currency Futures	Physical Commodities
Securitised Debt - Retail Housing and/or Affordable Housing	Sovereign Gold Bond	Commodity Options	STRIPS	G-Sec Repo
Credit Default Swap	Non-convertible Preference share	Unlisted NCD	T2 Bond	Municipal Bonds
Reverse Repo in GSec	Silver	Reverse Repo in Corporate Bond	Index Options - Put	Index Options - Call
Stock Options - Put	Stock Options - Call			

Annexure II - Allowed values for Instrument Type

Debt - Money Market	Debt - Non Money Market	Equity	Equity Related Instruments	Others

Annexure III - Allowed values for Ratings

AAA	AA+	AA	AA-	A+	A
A-	BBB+	BBB	BBB-	BB+	BB
BB-	B+	B	B-	C+	C
C-	A1+	A1	A2+	A2	A3+
A3	A4+	A4	Privately Rated	SOVEREIGN	UNRATED
AAA(SO)	AA+(SO)	AA(SO)	AA-(SO)	A+(SO)	A(SO)
A-(SO)	BBB+(SO)	BBB(SO)	BBB-(SO)	BB+(SO)	BB(SO)
BB-(SO)	B+(SO)	B(SO)	B-(SO)	C+(SO)	C(SO)
C-(SO)	D(SO)	AAA(CE)	A1+(SO)	A1(SO)	A2+(SO)
A2(SO)	A3+(SO)	A3(SO)	A4+(SO)	A4(SO)	AA+(CE)
AA(CE)	AA-(CE)	A+(CE)	A(CE)	A-(CE)	BBB+(CE)
BBB(CE)	BBB-(CE)	BB+(CE)	BB(CE)	BB-(CE)	B+(CE)
B(CE)	B-(CE)	C+(CE)	C(CE)	C-(CE)	D(CE)
A1+(CE)	A1(CE)	A2+(CE)	A2(CE)	A3+(CE)	A3(CE)
A4+(CE)		A4(CE)		D	

Annexure IV- Allowed values for Rating Agency

CARE	CRISIL	ICRA
FITCH	BWR	IVR

ACUITE	IND	SMERA

C. DATA FROM RTAs – TABLE C1-C11

Table C1: Investor Master

SN	Field Name	Type	Remarks
1	PAN	VARCHAR2(45)	PAN Number
2	FOLIO_NO	VARCHAR2(15)	Folio Number
3	MF_SEBI_REG_NO	VARCHAR2(30)	SEBI registration of the Mutual Fund
4	INVESTOR_FIRST_NAME	VARCHAR2(150)	Investor First Name
5	INVESTOR_MIDDLE_NAME	VARCHAR2(35)	Investor Middle Name
6	INVESTOR_LAST_NAME	VARCHAR2(35)	Investor Last Name
7	GUARDIAN_NAME	VARCHAR2(150)	Guardian Name
8	ADDRESS1	VARCHAR2(120)	Address 1
9	ADDRESS2	VARCHAR2(120)	Address 2
10	ADDRESS3	VARCHAR2(120)	Address 3
11	ADDRESS4	VARCHAR2(120)	Address 4
12	CITY	VARCHAR2(100)	City
13	STATE	VARCHAR2(35)	State Name
14	PINCODE	VARCHAR2(20)	PIN Code
15	COUNTRY	VARCHAR2(35)	Country Name
16	MOBILE_NO	VARCHAR2(40)	Primary Mobile No
17	EMAIL	VARCHAR2(500)	Email Id
18	JH1	VARCHAR2(150)	Second Holder name (Joint holder 1)
19	JH2	VARCHAR2(150)	Third Holder name (Joint Holder 2)
20	JH1_PAN_NO	VARCHAR2(45)	Joint Holder 1 PAN Number
21	JH2_PAN_NO	VARCHAR2(45)	Joint Holder 2 PAN Number
22	GUARDIAN_PAN_NO	VARCHAR2(45)	Guardian PAN Number

23	HOLDING_NATURE	VARCHAR2(35)	Holding Nature SINGLE ANYONE OR SURVIOR JOINT EITHER OR SURVIOR FIRST OR SURVIOR NOT APPLICABLE
24	KYC_STATUS	VARCHAR2(35)	KYC Status of First Holder as PER SCAS logic. Values can be - KYC OK KYC NOT OK KYC NOT DONE KYC PENDING
25	JOINT1_KYC	VARCHAR2(35)	KYC Status of Joint Holder 1 as PER SCAS logic. Values can be - KYC OK KYC NOT OK KYC NOT DONE KYC PENDING
26	JOINT2_KYC	VARCHAR2(35)	KYC Status of Joint Holder 2 as PER SCAS logic. Values can be - KYC OK KYC NOT OK KYC NOT DONE KYC PENDING
27	GUARDIAN_KYC	VARCHAR2(35)	KYC Status of Guardian as PER SCAS logic. Values can be - KYC OK KYC NOT OK KYC NOT DONE KYC PENDING
28	Tax Status	VARCHAR2(100)	Tax Status Description
29	RTA_CODE	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
30	PEKRN_FH	VARCHAR2(15)	PAN Exempted KRA Reference Number of 1st holder
31	PEKRN_JH1	VARCHAR2(50)	PAN Exempted KRA Reference Number of 2nd holder

32	PEKRN_JH2	VARCHAR2(50)	PAN Exempted KRA Reference Number of 3rd holder
33	PEKRN_G	VARCHAR2(15)	PAN Exempted KRA Reference Number of Guardian
34	Income Slab	varchar2(40)	Income Slab
35	Gender	VARCHAR2(10)	Gender MALE FEMALE NA OTHERS
36	DOB	DATE	Date of Birth in YYYY-MM-DD format. For non-individuals, date of incorporation will be returned wherever available
37	Nationality	VARCHAR2(40)	Nationality
38	Occupation	VARCHAR2(100)	Occupation
39	PEP flag	VARCHAR(25)	PEP flag PEP RPEP NPEP
40	DP_CLIENT_ID	VARCHAR2(20)	DP + Client ID
41	INVESTOR CATEGORY	VARCHAR2(40)	Classification is in line with the Annual unit holding pattern information (ASR-Annual Statistical Report) which is submitted at the end of closing day of Financial year. Retail HNI NRI FPI Corporate/Institution/Others

Table C2: Investor Bank account details

SN	Field Name	Type	Remarks
1	MF_SEBI_REG_NO	VARCHAR2(30 BYTE)	SEBI registration of the Mutual Fund
2	RTA_CODE	VARCHAR2(20 BYTE)	CAMS/ KARVY/DB/SUN
3	REF_ID	VARCHAR2(40 BYTE)	RTA Unique Identifier for Bank
4	FOLIO_NO	VARCHAR2(15 BYTE)	Folio Number
5	BANK_ACCOUNT_NO	VARCHAR2(40 BYTE)	Investor Bank Account Number
6	IFSC_CODE	VARCHAR2(40 BYTE)	Bank IFSC Code
7	PURPOSE	VARCHAR2(50 BYTE)	Pay-In/Payout status

8	ACTIVE	CHAR(1)	Allowed Values : Y/N
9	RECORD DATE	DATE	Date on which either the bank account was added or modified

Table C3: Distributor Details

SN	Field Name	Type	Remarks
1	RTA_CODE	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
2	BROKCODE	VARCHAR2(20)	Distributor Code
3	MF_SEBI_REG_NO	VARCHAR2(30)	SEBI registration of the Mutual Fund
4	BROKNAME	VARCHAR2(70)	Distributor Name
5	ADDRESS1	VARCHAR2(120)	Address 1
6	ADDRESS2	VARCHAR2(120)	Address 2
7	ADDRESS3	VARCHAR2(120)	Address 3
8	ADDRESS4	VARCHAR2(120)	Address 4
9	CITY	VARCHAR2(100)	City
10	STATE	VARCHAR2(35)	This will contain State Name
11	PINCODE	VARCHAR2(20)	PIN Code
12	PHONE	VARCHAR2(40)	Phone Number
13	MOBILE_NO	VARCHAR2(40)	Primary Mobile No
14	CONTACTPER	VARCHAR2(45)	Contact Person Name
15	EMAIL	VARCHAR2(500)	Email Id
16	FAX	VARCHAR2(40)	Fax Number
17	AMFIREGNO	VARCHAR2(40)	AMFI Registration Number
18	PAN	VARCHAR2(45)	PAN Number
19	SELFCERTIFLAG	VARCHAR(1)	Self Certification Flag Y if the self-certification provided is currently active; else N

Table C4: Scheme Master

SN	Field Name	Type	Remarks
1	RTA Code	VARCHAR2(20)	CAMS/KARVY/ FT/DB/SUN
2	MF SEBI Reg No	VARCHAR2(30)	SEBI registration of the Mutual Fund
3	Scheme Code	VARCHAR2(20)	Scheme Code unique for a scheme
4	Scheme Name	VARCHAR2(200)	Scheme Name

5	Nature	VARCHAR2(40)	Open or Close / Interval ended fund OPEN CLOSE INTERVAL SEGREGATED
6	Scheme Category	VARCHAR2(40)	Scheme Category. Kindly refer the sheet "Scheme Category" below.
7	Scheme Sub Category	VARCHAR2(40)	Scheme Sub Category. Kindly refer the sheet "Scheme Sub Category" below.
8	MCRID	VARCHAR2(40)	Keep it blank. It is reserved for future use.
9	AMC Scheme Code	VARCHAR2(20)	RTA needs to submit the Scheme Code which is also available at AMC

Scheme Category

Type
Equity Schemes
Debt Schemes
Hybrid Schemes
Solution Oriented Schemes
Other Schemes

Scheme Sub Category

Sub category type
Aggressive Hybrid Fund
Arbitrage Fund
Balanced Advantage
Balanced Hybrid Fund
Banking and PSU Fund
Capital Protection Oriented Schemes
Children’s Fund
Conservative Hybrid Fund
Contra Fund
Corporate Bond Fund
Credit Risk Fund
Hybrid Debt ETF
Silver ETF
Corporate Debt ETF
Equity ETF

Other ETF
G-sec ETF
Dividend Yield Fund
Dynamic Asset Allocation
Dynamic Bond
ELSS
Equity Savings
Fixed Term Plan
Floater Fund
Focused Fund
Fund of Funds Investing Overseas
Fund of Funds Scheme (Domestic)
Gilt Fund
Gilt Fund with 10 year constant duration
Gold ETF
G-sec Index Fund
Corporate Debt Index Fund
Hybrid Debt Index Fund
Equity Index Fund
Large & Mid Cap Fund
Large Cap Fund
Liquid Fund
Long Duration Fund
Low Duration Fund
Medium Duration Fund
Medium to Long Duration Fund
Mid Cap Fund
Money Market Fund
Multi Asset Allocation
Multi Cap Fund
Overnight Fund
Retirement Fund
Sectoral/ Thematic
Short Duration Fund
Small cap Fund
Ultra Short Duration Fund
Value Fund
Infrastructure Debt Fund
Flexi Cap Fund

Table C5: Plan Master

SN	Field Name	Type	Remarks
1	RTA Code	VARCHAR2(20)	CAMS/KARVY/ FT/DB/SUN
2	MF SEBI Reg No	VARCHAR2(30)	SEBI registration of the Mutual Fund
3	Scheme Code	VARCHAR2(20)	Scheme Code from Scheme Master
4	Plan Code	VARCHAR2(20)	Scheme Plan Code unique to each Plan
5	Option Code	VARCHAR2(5)	Option Code - Z - Growth N - Dividend Reinvestment Y - Dividend Payout
6	Open Date	DATE	NFO Open Date in YYYY-MM-DD format
7	Close Date	DATE	NFO Close Date in YYYY-MM-DD format
8	ISIN	VARCHAR2(15)	ISIN
9	Plan Type	VARCHAR2(20)	Plan Type DIRECT REGULAR
10	Maturity Date	DATE	For close ended schemes, the date of maturity in YYYY-MM-DD format
11	Plan Description	VARCHAR(50)	Should include remaining description of the scheme plan including the plan level and option level information
12	Allotment Date	DATE	Allotment date in YYYY-MM-DD format
13	Winding up Date	DATE	Winding up date in YYYY-MM-DD format
14	Winding up flag	VARCHAR(3)	Y - Yes N- No
15	Retirement age	NUMERIC(2,0)	65/60 (only applicable for retirement funds i.e. scheme subcategory 'Retirement Fund')

Table C6: NAV Details

SN	Field Name	Type	Remarks
1	RTA_CODE	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
2	MF_SEBI_REG_NO	VARCHAR2(30)	SEBI registration of the Mutual Fund
3	SCHEME_CODE	VARCHAR2(20)	Scheme Code

4	Plan Code	VARCHAR2(20)	Plan Code
5	NAV_DATE	DATE	Applicable NAV Date in YYYY-MM-DD format
6	NAV	NUMERIC(24,8)	NAV that is used for valuation will be provided

Table C7: MF Investor Transaction Details

SN	Field Name	Type	Remarks
1	REF_NO	VARCHAR2(100)	Reference number (Unique Field)
2	RTA_CODE	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
3	MF_SEBI_REG_NO	VARCHAR2(30)	SEBI registration of the Mutual Fund
4	SCHEME_CODE	VARCHAR2(20)	Scheme Code
5	PLAN_TYPE	VARCHAR2(20)	Plan Type DIRECT REGULAR
6	FOLIO_NO	VARCHAR2(15)	Folio Number
7	TSMSLNO	VARCHAR2(40)	Time stamp Machine serial no including machine identifier
8	NAV_DATE	DATE	Applicable NAV Date in YYYY-MM-DD format
9	CREDITDT	VARCHAR2(100)	Credit realization date Flag for NAV decision such as before cut-off or after cut-off. If date and time is maintained, then it will be provided in the format YYYYMMDDHH24MI
10	PROCESSDT	DATE	Process Date
11	AMT	FLOAT	The net amount against which units has been alloted or extinguished after adjusting "LOADAMT" and "Statutory Levies".
12	UNITS	NUMERIC(24,8)	Units
13	NAV	NUMERIC(24,8)	NAV
14	POP	NUMERIC(24,8)	Applicable Price (Inclusive Load)
15	TRXN_TYPE	VARCHAR2(100)	Transaction Type description
16	BROKCODE	VARCHAR2(20)	Distributor Code
17	SUB_BRK_CODE	VARCHAR2(20)	Sub Broker Code
18	SUB_BRK_ARN_CODE	VARCHAR2(20)	Sub Broker arn Code
19	LOADAMT	FLOAT	Load Amount
20	TRXN_SIGN	VARCHAR2(1)	Transaction symbol + or -
21	TRANCHARGE	NUMERIC(22,2)	Transaction Charge deducted, for this particular transactions

22	EUIN	VARCHAR2(10)	Employee Unique Identification No. Employee is the employee of distributor
23	TER_FLAG	VARCHAR2(10)	City Category. T - Top B - Below
24	TRXNSOURCE	VARCHAR2(10)	Transaction Source - ONLINE OFFLINE OTHERS Others will include transactions such as corporate actions (dividend, scheme merger etc), reversals, triggers (SIP, Event based etc)
25	FT_ACCOUNT_NO	VARCHAR2(13)	FT Account Number Only FT will provide their sub account number, other RTAs will provide blank value
26	Plan Code	VARCHAR(20)	Plan Code
27	Standard Transaction Type	VARCHAR2(40)	Standard Transaction Type presrcibed by SEBI
28	Statutory Levies	NUMERIC(24,8)	Any statutory levy such as Stamp Duty, etc. deducted from Gross transaction amount (viz subscription, redemption, switch etc) excluding load amount. (Gross Transaction amount= Amount as per Sr. No. 11+ Statutary Levies as Sr. No. 29+ LoadAMT as per Sr. No. 19)
29	Original Txn NO	VARCHAR (100)	Original Transaction reference for rejection/reversal transaction. To be kept blank in other instances
30	Bank Account No	NUMERIC(20)	Bank Account from which credit happened in case of Purchase/ SIP Purchase or to which redemption proceeds were credited ; whichever is the case
31	IFSC Code	VARCHAR (10)	IFSC Code of Bank Account

Table C8: MF Investor Holding Details

SN	Field Name	Type	Remarks
1	Holding Date	DATE	Holding date in YYYY-MM-DD format
2	Reserved	VARCHAR(10)	Blank
3	Folio No	VARCHAR2(15)	Folio Number
4	MF Reg No	VARCHAR2(30)	SEBI registration of the Mutual Fund

5	Scheme Code	VARCHAR2(20)	Scheme Code
6	Plan Type	VARCHAR2(20)	Plan Type DIRECT REGULAR
7	Unit Balance	NUMBER(25,8)	Closing Balance as on report generation date and time for the folio and scheme
8	RTA Code	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
9	ISIN	VARCHAR2(15)	ISIN
10	Reinvest Flag	VARCHAR(1)	Scheme Reinvest Code - Z - Not Applicable N - Dividend Reinvestment Y - Dividend Payout
11	DEMAT Flag	VARCHAR(3)	DEMAT Flag Y - Yes N - No
12	Plan Code	VARCHAR(20)	Plan Code
13	Holding Value	NUMBER(25,2)	Closing Balance in Rs.

Table C9: AMC Master

SN	Field Name	Type	Remarks
1	MF_SEBI_REG_NO	VARCHAR2(30)	SEBI registration of the Mutual Fund
2	AMC_NAME	VARCHAR2(100)	Name of Mutual Fund
3	RTA_CODE	VARCHAR2(20)	CAMS/ KARVY / FT/DB/SUN
4	AMC_PAN	CHAR(10)	PAN of AMC

Table C10: Scheme level RTA AUM

S.No	Field Name	Type	Remarks
1	Scheme AUM date	DATE	Scheme AUM Date
2	RTA Code	VARCHAR2(20)	CAMS/KARVY
3	MF SEBI Reg No	VARCHAR2(30)	SEBI registration of the Mutual Fund
4	Scheme Code	VARCHAR2(20)	Scheme Code unique for a scheme

5	Scheme RTA AUM Details - Direct Plan	NUMBER(25,2)	Summation of RTA AUM of the Scheme for Direct Plans i.e without distributor
6	Scheme RTA AUM Details - Regular Plan	NUMBER(25,2)	Summation of RTA AUM of the Scheme for Regular Plans i.e with distributor
7	Scheme RTA AUM Details - Other Plan	NUMBER(25,2)	RTA AUM of the Scheme for Other Plan, if any. Please fill this as 0 if the same is not applicable for a particular scheme
8	Scheme RTA AUM Details - Total	NUMBER(25,2)	Scheme level RTA AUM of the Scheme

Table C11: Plan level RTA AUM

Sr. No	Field Name	Type	Remarks
1	Plan NAV Date	DATE	Plan NAV date
2	RTA Code	VARCHAR2(20)	CAMS/KARVY
3	MF SEBI Reg No	VARCHAR2(30)	SEBI registration of the Mutual Fund
4	Scheme Code	VARCHAR2(20)	Scheme Code unique for a scheme
5	Plan Code	VARCHAR2(20)	Plan Code unique to each Plan
6	Plan ISIN	VARCHAR2(16)	ISIN
7	REINVEST TAG	VARCHAR(1)	Scheme Reinvest Code - Z - Not Applicable N - Dividend Reinvestment Y - Dividend Payout
8	Plan Units	NUMBER(25,8)	Day end Units
9	Plan NAV	NUMERIC(25,8)	Day end Plan Level NAV
10	Plan AUM	NUMBER(25,2)	Day end Plan Level AUM

D. DETAILS OF REPORTING REQUIREMENTS AS PER THE PROVISIONS OF THE MASTER CIRCULAR

Details of the requirements prescribed under various clauses of the Master Circular that are covered through the offsite inspection reporting formats, are as under:

Paragraph Reference number of the Master Circular	**Requirement**	**Table Reference**
2.6	Categories of Schemes, Scheme Characteristics and Type of Scheme (Uniform Description of Schemes)	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
2.9	Timelines for Rebalancing of Portfolios of Mutual Fund Schemes	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
3.2	Gold Exchange Traded Fund Scheme	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
3.3	Norms for Silver Exchange Traded Funds (Silver ETFs)	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
3.4	Portfolio Concentration Norms for Equity Exchange Traded Funds (ETFs) and Index Funds	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
3.5	Norms for Debt Exchange Traded Funds (ETFs)/Index Funds	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
3.7	Capital Protection Oriented Scheme	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.

4.1	With the overall objective of management of key risks involved in mutual fund operation, the Risk Management Framework (RMF) shall provide a set of principles or standards, which inter alia comprise the policies, procedures, risk management functions and roles & responsibilities of the management, the Board of AMC and the Board of Trustees.	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report.
4.4	Creation of segregated portfolio in mutual fund schemes	Monthly Investment Report, Scheme Master.
4.5	Risk management framework for liquid and overnight funds	Monthly Investment Report, Scheme Master.

4.6	Prudential Norms for Liquidity Risk Management of Open Ended Debt Schemes	MF investment details, Scheme Master, Monthly Potential Outflow Factor Report
7.2.6	The AMC, its sponsor, employees of AMC and Trustee shall not be permitted to transact (buy or sell) in the units of such schemes that are under the process of being wound up. The compliance of the same shall be monitored both by the Board of AMC and Trustee.	MF Investor Transaction Details, Plan Master, Scheme Master.
9.7.1	Aggregate value of "illiquid securities" under a scheme, which are defined as nontraded, thinly traded and unlisted equity shares, shall not exceed 15 per cent of the total assets of the scheme and any illiquid securities held above 15 per cent of the total assets shall be assigned zero value.	Monthly Investment Report
9.17.1	All AMC's shall ensure that similar securities held under its various schemes shall be valued consistently.	Monthly Investment Report
10.5	Transaction Charge	MF Investor Transaction Details
12.1	Investment in Listed and Unrated Debt Instruments	Monthly Investment Report, Scheme Master

12.2	Investment in Instruments having Special Features	Monthly Investment Report, Scheme Master
12.3	Restrictions on Investment in debt instruments having Structured Obligations / Credit Enhancements:	Monthly Investment Report, Scheme Master

12.5	Investments by Index Funds	Monthly Investment Report, Scheme Master.
12.6	Investments by Liquid Schemes and plans	Monthly Investment Report, Scheme Master, Plan Master
12.7	Investment by close ended debt schemes	Monthly Investment Report, Scheme Master
12.9	Prudential limits and disclosures on portfolio concentration risk in debt oriented mutual fund schemes	Monthly Investment Report, Scheme Master
12.10	Investment in Non-convertible Preference Shares	Monthly Investment Report, Scheme Master
12.13	Investments in Units of Venture Capital Funds	Monthly Investment Report, Scheme Master
12.14	Investment limit for government guaranteed debt securities	Monthly Investment Report, Scheme Master
12.15	Investment Restrictions for Securitised Debt	Monthly Investment Report, Scheme Master
12.16	Investments in Short Term Deposits (STDs) of Scheduled Commercial Banks - pending deployment	Monthly Investment Report, Scheme Master
12.18	Participation of Mutual Funds in repo corporate debt securities	Monthly Investment Report, Scheme Master, Monthly Investment Transaction Report
12.19	Overseas Investment limits for Mutual Funds	Monthly Investment Report, Scheme Master
12.20	Investments in Indian Depository Receipts (IDRs)	Monthly Investment Report, Scheme Master
12.21	Investments in units of REITs / InvITs	Monthly Investment Report, Scheme Master
12.25	Norms for investment and disclosure by Mutual Funds in derivatives	Monthly Investment Report, Scheme Master

12.25.8	Writing of Covered Call Options by Mutual Fund Schemes : Mutual funds have been permitted to write call options under a covered call strategy	Monthly Investment Report, Scheme Master
12.26	Participation of mutual funds in Exchange Traded Commodity Derivatives	Monthly Investment Report, Scheme Master
12.27	Interval Schemes/Plans	Monthly Investment Report, Scheme Master
12.28	CDS – mutual funds as users (protection buyers)	Monthly Investment Report, Scheme Master
12.30	Inter Scheme Transfer of Securities	Monthly Investment Transaction Report
16.7	Cash Investments in mutual funds	MF Investor Transaction Details
17.4	Product Labelling in Mutual Funds	Monthly Investment Transaction Report, Monthly Risk-O-Meter Report, Scheme Master
17.5	Potential Risk Class Matrix	Monthly Investment Transaction Report, Monthly Potential Risk Class Report, Scheme Master

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