

Info Capsule

CATEGORIZATION AND RATIONALIZATION OF MUTUAL FUND SCHEMES¹

1. 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.
2. In order to bring the desired uniformity in the practice, across Mutual Funds and to standardize the scheme categories and characteristics of each category, the issue was discussed in Mutual Fund Advisory Committee (MFAC). Accordingly, it has been decided to categorize the MF schemes as given below:

I. Categories of Schemes, Scheme Characteristics and Type of Scheme (Uniform Description of Schemes):

3. The Schemes would be broadly classified in the following groups:
 - a. Equity Schemes
 - b. Debt Schemes
 - c. Hybrid Schemes
 - d. Solution Oriented Schemes
 - e. Other Schemes

The details of the scheme categories under each of the aforesaid groups along with their characteristics and uniform description are given in the Annexure. The annexure could be accessed at http://www.sebi.gov.in/legal/circulars/oct-2017/categorization-and-rationalization-of-mutual-fund-schemes_36199.html

4. As per the annexure, the existing 'type of scheme' (presently mentioned below the scheme name in the offer documents/ advertisements/ marketing material/etc.) would be replaced with the type of scheme (given in the third column of the tables in the Annexure) as applicable to each category of scheme. This will enhance the existing disclosure.

Hence, for the purpose of alignment of the existing schemes with the provisions of this circular, change in "type of scheme" alone, would not be considered as a change in fundamental attribute.

5. In case of Solution oriented schemes, there will be specified period of lock in as stated in the Annexure.

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

¹ Available at: http://www.sebi.gov.in/media/press-releases/oct-2017/categorization-and-rationalization-of-mutual-fund-schemes_36200.html

on the date on which such scheme is getting realigned with the provisions of this circular.

6. 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.

II. Definition of Large Cap, Mid Cap and Small Cap:

7. 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:
 - a. Large Cap : 1st -100th company in terms of full market capitalization
 - b. Mid Cap : 101st – 250th company in terms of full market capitalization
 - c. Small Cap : 251st company onwards in terms of full market capitalization
8. 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:
 - a. 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;
 - b. 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.
 - c. 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.
9. 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.

III. Process to be followed for categorization and rationalization of schemes:

- a. 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
- b. Mutual Funds would be required to analyze each of their existing schemes in light of the list of categories stated herein and submit their proposals to SEBI after obtaining due approvals from their Trustees as early as possible but not later than 2 months from the date of this circular.
- c. The aforesaid proposals of the Mutual Funds would also include the proposed course of action (viz., winding up, merger, fundamental attribute change etc.) in respect of the existing similar schemes as well as those that are not in alignment to the categories stated herein.
- d. Subsequent to the observations issued by SEBI on the proposals, Mutual Funds would have to carry out the necessary changes in all respects within a maximum period of 3 months from the date of such observation.

- e. Where there is a merger of schemes/change of fundamental attribute(s) of a scheme (as laid down under SEBI Circular No. IIMARP/MF/CIR/01/294/98 dated February 4, 1998), the AMCs would be required to comply with Regulation 18 (15A) of SEBI (Mutual Funds Regulation, 1996).
- f. Mutual Funds are advised to strictly adhere to the scheme characteristics stated herein as well as to the spirit of this circular. Mutual Funds must ensure that the schemes so devised should not result in duplication/minor modifications of other schemes offered by them. The decision of SEBI in this regard shall be binding on all the mutual funds.

IV. Applicability of this circular:

- a. All existing open ended schemes of all Mutual Funds
- b. All such open ended schemes where SEBI has issued final observations but have not yet been launched.
- c. All open ended schemes in respect of which draft scheme documents have been filed with SEBI as on date
- d. All open ended schemes for which a mutual fund would file draft scheme document.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

NO EXTENSION OF LAST DATE FOR FILING GSTR-1 FOR JULY, 2017²

The last date for filing GSTR-1 for the month of July, 2017 is **October 10, 2017**. An extension of two months has already been given. There will be no further extension given to taxpayers for filing their GSTR-1 return for July. Taxpayers who have not yet filed their GSTR-1 for July are advised to do so immediately.

Once a taxpayer files GSTR-1 by October 10, the corresponding entries in GSTR-2A of his buyer shall get auto populated. The buyer shall finalize his GSTR-2 after making modifications (additions, corrections or deletions), if required, in GSTR-2A. The Input Tax Credit (ITC) shall be availed by the buyer based on his GSTR-2. If a taxpayer does not file GSTR-1 by October 10, then his buyer may face difficulty in availing ITC of the tax paid on his supplies. It is therefore advised that all suppliers of goods or services, especially B2B suppliers, furnish their outward supply details in GSTR-1 by the due date so that no difficulty is faced by their buyers in availing ITC and the return cycle can be completed in due course.

PRESIDENT OF INDIA INAUGURATES INDIA WATER WEEK-2017³

The President of India, Shri Ram Nath Kovind, inaugurated India Water Week-2017 on October 10, 2017 in New Delhi.

Speaking on the occasion, the President said that water is essential to life. It is fundamental to the economy and to ecology – and to human equity. The issue of water is becoming still more critical in view of climate change and related environmental concerns. Better and more efficient use of water is a challenge for Indian agriculture and industry alike. It requires us to set new benchmarks in both our villages and in the cities we build.

The President said that currently, 80 per cent of water in India is used by agriculture and only 15 per cent by industry. In the coming years, this ratio will change. The total demand for water

² Available at: <http://pib.nic.in/newsite/erelease.aspx>

³ Available at: <http://pib.nic.in/newsite/erelease.aspx>

will also rise. Efficiency of water use and reuse, therefore, has to be built into the blueprint of industrial projects. Business and industry need to be a part of the solution.

The President said that in urban India, 40 billion litres of waste water is produced every day. It is vital to adopt technology to reduce the toxic content of this water, and to deploy it for irrigation and other purposes. This has to be part of any urban planning programme.

The President urged a water management approach that is localised. He stated that it should empower village and neighbourhood communities and build their capacity to manage, allocate and value their water resources. Any 21st century water policy must factor in the concept of the value of water. It must encourage all stakeholders, including communities, to expand their minds – and to graduate from allocating a quantum of water to allocating a quantum of benefits.

The President said that access to water is a byword for human dignity. For India, providing safe drinking water to a population spread across six hundred thousand villages and urban areas is not just a project proposal. It is a sacred commitment. The government has prepared a strategic plan for ensuring drinking water supply in all rural areas by 2022, when India complete 75 years of Independence. By that year, the goal is to cover 90 per cent of rural households with piped water supply. We **cannot** fail. The deliberations of this conference have to ensure that we **do not fail**.

Among the dignitaries present on the occasion were Union Minister for Road Transport & Highways, Shipping, Water Resources, River Development and Ganga Rejuvenation, Shri Nitin Gadkari; Union Minister for Drinking Water and Sanitation, Sushri Uma Bharti; Minister of State for Parliamentary Affairs and Water Resources, River Development and Ganga Rejuvenation, Shri Arjun Ram Meghwal; and Minister of State for HRD and Water Resources, River Development & Ganga Rejuvenation, Dr Satya Pal Singh.

Team ICSI

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