



Mirae Asset Investment Managers (India) Private Limited
Unit No. 606, 6th Floor, Windsor Building,
Off CST Road, Off Kalina Santacruz (E), Mumbai – 400098.
Tel: +91 22 6780 0300 Fax: +91 22 6725 3942
CIN: U65990MH2019PTC324625

Ref: 005/SEBI/September-2020

September 28, 2020

Securities and Exchange Board of India
Investment Management Department -II
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai - 400 051

Re: SEBI Regn. No: MF/055/07/03

Dear Sir,

Sub: Request for Informal Guidance by way of interpretative letter under the provisions of SEBI (Informal Guidance) Scheme, 2003

Ref: SEBI (Mutual Funds) Regulations, 1996

We submit this letter for seeking an informal guidance in the form of an interpretative letter under the provisions of SEBI (Informal Guidance) Scheme, 2003 (“Scheme”), in connection with SEBI (Mutual Funds) Regulations, 1996 specifically with respect to applicability of NAV, as more particularly described herein.

Background:

Mirae Asset Mutual Fund (“the Fund”) is registered with SEBI vide Regn. No: MF/055/07/03 as a mutual fund under SEBI (Mutual Funds) Regulations, 1996. Mirae Asset Trustee Company Private Limited (“the Trustee”) acts as the Trustee to the Fund and Mirae Asset Investment Managers (India) Private Limited (“the Applicant/ the AMC”) acts as the investment manager to the schemes launched by the Fund.

The applicant has been receiving various queries/complaints from investors with respect to applicability of NAV in certain scenarios wherein the applicant is of the view that it seeks intervention of SEBI in terms of interpretation of certain provisions connected with applicability of NAV in case of switch out from liquid scheme to non-liquid scheme on Friday (or a day preceding a non-business day).

Applicable provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued from time to time:

SEBI Circular SEBI/ IMD/CIR No. 10/77780/2006 dated September 28, 2006, SEBI Circular No. SEBI/IMD/CIR No. 11/78450/06 dated October 11, 2006, Circular No SEBI/IMD/DF/15/2010 dated November 26, 2010, SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, SEBI Circular No SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019 read with Master circular dated August 24, 2020 with respect to “Switch and Sweep transactions”, 8.3.7: Switch and Sweep Transactions.

Actions taken by the Fund:

In accordance with the aforesaid circulars and further SEBI vide its clarificatory email dated August 30, 2010 (email enclosed herewith), below is our understanding and the same has been followed till date:

In case of switch out from liquid/overnight scheme to non-liquid/Equity scheme on a Friday (or a day preceding a non-business day), the following NAVs shall be applicable:

Sr.No	Transaction	Applicable NAV*
01	Switch out from Liquid schemes on Friday* (application received before the applicable cut-off time)	Sunday, if Monday is a business day, else the closing NAV of the day immediately preceding the next business day.
02	Switch in to income/ debt schemes (other than liquid) where amount is more than Rs 2 lakhs (present limit).	NAV of the day on which funds are available for utilization for the switched-in scheme. Hence, NAV of Friday cannot be given.
03	Switch in to schemes other than mentioned at 2 above.	NAV of the date of application (if application received before applicable cut-off time with a local cheque or demand draft payable at par at the place where it is received.)

**Similar principle mentioned above shall be followed for the days where next day is a non-business day.*

Hence, if a switch application from Liquid to Non-Liquid or Overnight/Equity scheme is received on a Friday, the investor would get NAV of Sunday for switch out scheme and NAV of Monday for switch in scheme. However, we have been receiving queries from investors wherein they have stated that for less than 2 lakhs transactions, the NAV of Friday should be applicable for both switch-in and switch-out scheme.

We have been receiving numerous investor complaints stating that the above is not consistent or not in line with the rule applied by select Mutual Funds. Please refer below extracts from the Master circular dated August 24, 2020 with respect to “Switch and Sweep transactions”:

8.3.7 Switch and Sweep Transactions

8.3.7.1 Paragraphs 8.3.5 and 8.3.6 shall apply to ‘switch in’ transactions as if they were purchase transactions and to ‘switch out’ transactions as if they were repurchase transactions.

8.3.7.2 Paragraphs 8.3.5 and 8.3.6 shall apply to ‘sweep’ transactions as if they were purchase transactions and to ‘reverse sweep’ transactions as if they were repurchase transactions.

8.3.7.3 In case of ‘switch’ transactions from one scheme to another, the allocation shall be in line with redemption payouts.

In line with the above requirement, we have been following that any switch out from Liquid to Non-Liquid schemes on a Friday or a day where the next day is a non-business day, the NAV applicable to the Transferor scheme has to be considered as Sunday NAV (Liquid out NAV)

and NAV applicable to the Transferee scheme has to be considered for ‘Monday’ for Non-Liquid Funds. We have considered all switch outs from Liquid at par with redemptions and hence this interpretation.

However, as highlighted earlier, we have been receiving complaints from investors stating that the NAV applicable to the Transferor scheme has to be considered as ‘Friday’ NAV (Liquid out NAV) and NAV applicable to the Transferee scheme also has to be considered for ‘Friday’ for Non-Liquid Funds. We would like to highlight that while an investor who had applied for ‘only redemption’ from Liquid fund as a stand-alone transaction request would get a Sunday NAV (payout on Monday), whereas if he had applied for switch i.e., switch-out from Liquid to Non-Liquid, the investor expects a Friday ‘out NAV’ for Liquid Fund.

Request for Guidance:

In terms of Clause 5(ii) of the Scheme, we hereby request you to kindly issue an interpretative letter with your guidance on:

- a. The correct applicable NAV for the Transferor and the Transferee scheme, in case of switch transaction request from Liquid/Overnight scheme to Non-Liquid/Equity scheme on Friday or on a day preceding a non-business day, received before the applicable cut-off time for value less than Rs.2 lakhs, in line with the said circulars and guidelines as mentioned in this letter.
- b. The correct applicable NAV for the Transferor and the Transferee scheme, in case of switch transaction request from Liquid/Overnight scheme to Non-Liquid/Equity scheme on Friday or on a day preceding a non-business day, received before the applicable cut-off time for value more than Rs.2 lakhs, also more particularly read in line with Clause 1.1 & 1.2 of the recent SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2020/175 dated September 17, 2020, issued in this regard.

We would request SEBI to kindly advise us on the correct interpretation in this matter so that we comply with the regulations, in letter and spirit.

Confidentiality:

We waive the option of request for confidential treatment of this application for an interpretative letter under Paragraph 11 of the SEBI (Informal Guidance) Scheme, 2003.

Compliance with the Scheme:

We request you to issue an interpretative letter under the provisions of paragraph 4 of the SEBI (Informal Guidance) Scheme, 2003. As per the requirements prescribed under the Informal Guidance Scheme, we have transferred Rs. 25,000 (Twenty Five Thousand only) to the below account, the Transaction reference number of which is HSBCN20272706196.

All material facts and legal provisions, which in our opinion are relevant for the purpose of determination of this request, have been stated in the application.

In the event you require any clarifications or further information in this regard, you may contact the below:





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Mr. Ritesh Patel

Head-Compliance, Legal, Risk & Company Secretary

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Email: patel.ritesh@miraeasset.com

Thanking You,

For **Mirae Asset Investment Managers (India) Pvt. Ltd.**

A handwritten signature in black ink, appearing to read 'Ritesh Patel', with a large, stylized checkmark or flourish at the end.

Ritesh Patel

Head-Compliance, Legal, Risk & Company Secretary

Encl: As above