



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/BP/ 72/2018-19

Date: June 26, 2018

To,
All AMFI Members

Dear Members,

AMFI Best Practices Guidelines Circular No. 72/ 2018-19
Total Expense Ratio (TER) - Disclosure in Factsheet

As per AMFI Best Practice Guidelines circular no.135/BP/61/2015-16 dated September 14, 2015 regarding standardized disclosure of information in monthly factsheets, AMC's provide weighted-average monthly TER for both Regular and Direct Plan in the fact sheets.

Currently the Average TER disclosures across fund houses vary, as some AMC's publish Average Gross TER **including** additional commission on sales beyond B30 locations and Goods and Service Tax (GST), while some disclose the Average TER **excluding** GST and additional commission as mentioned above.

In the light of SEBI Circular no. SEBI/ HO/ IMD/ DF2/ CIR/ P/ 2018/ 18 dated February 05, 2018 on Disclosure of Total Expense Ratio, read with SEBI letter no. SEBI/ HO/ IMD/ DF2/ OW/ P/ 2018/ 13813/ 1 dated May 09, 2018, AMFI's Operations Committee felt that it was expedient to have uniformity in TER disclosure in Factsheets as well, besides ensuring uniformity in website disclosure, and suggested that AMFI should issue Best Practice guidelines in this regard.

The matter was discussed at the AMFI Board Meeting held on May 14, 2018 and the Board concurred with the above suggestion, and it was decided to form a Work Group to recommend the format and manner of TER disclosure in Fact Sheet as Best Practice guidelines. Accordingly, a Working Group headed by Mr. Sanjay Sapre, Director & Chairman of AMFI Operations Committee was constituted in this regard.

The Working Group, after examining the matter, has recommended as follows:

1. Total TER as per Annexure A of SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2018/18 dated 5 February 2018 including additional expenses per Regulations 52(6A)(b) and 52(6A)(c) and GST should be provided for both Regular and Direct Plans. Fund houses may provide further details including break-up of the TER into its various components such as Base TER, Additional Expenses and GST at their discretion.
2. Month- end TER should be disclosed in the Factsheet, as against the current practice of showing Average TER for the month presently.

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Rationale for the change recommended:

- Daily TER rates are now updated on the websites of the fund houses for investors to access and review.
- Changes in TER are notified to investors via sms/ email. Further, active TER changes are notified 3 business days in advance.
- The recommended disclosure would ease reconciliation of Factsheet TER with the TER provided on the websites and would bring consistency in all data shown in the factsheet consistent as month-end data.

The above recommendations were discussed and approved by the Board of Directors of AMFI at the AMFI Board Meeting held on June 14, 2018 for being adopted by all AMFI Members uniformly as a Best Practice, effective immediately.

Members are requested to confirm having noted the contents of this circular for compliance and to place the circular before their Trustees for information at their next meeting.

With best regards,


N. S. Venkatesh
Chief Executive