

Name of the person/entity proposing comments	Indian Association of Investment Professionals (CFA Society India)
Category (Listed Entity / MII / Market Intermediary / Professional /	Association of Investment Professionals
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Sr. No.	Proposal	Confirmity to Proposal	Comments	Rationale
1	Please consider the proposals at paragraphs 1.3.1 to 1.3.4 above and provide your comments separately for each of the recommendation along with the supporting rationale.	Partially Agree	<p>We commend SEBI for its forward-thinking approach in proposing the Mutual Funds Lite Regulations, a significant step towards fostering innovation, reducing compliance burdens, and enhancing market accessibility for passively managed mutual fund schemes.</p> <p>The proposed three-year shareholding lock-in period for the sponsor in the AMC under the MF Lite regulations raises some concerns, especially when compared to the five-year lock-in for regular mutual funds in order to keep alignment of interest in place</p> <p>It is also noted that the Minimum Net Worth requirement has been reduced to 75 cr from 150 cr for regular mutual funds to encourage smaller sponsors</p>	<p>A shorter lock-in period could undermine the long-term stability and commitment that is essential for investor confidence. It may also signal reduced oversight and due diligence, potentially exposing investors to higher risks. Ensuring a longer lock-in period could align better with the broader objectives of protecting investor interests and maintaining market integrity</p> <p>It is prudent to say after MF Lite when the AMC reaches 1 Lakh Cr size, then all regular MF requirements will get applicable as with larger size, the AMC would require more NW and the increase requirement of 150 cr would be factored in</p>
2	Please consider the proposals at paragraphs 2.3.1 to 2.3.4 above and provide your comments separately for each of the recommendation along with the supporting rationale.	Partially Agree	<p>Para 2.3.2: if existing MF goes for Hive Off route, there should be complete ring fence of Investment Management and Risk Management core functions. For certain other areas like support function, sales and marketing, HR, administration, there should be permission to share.</p>	<p>For existing MF making Hive Off, the core function of Investment Management and Risk Management should be completely segregated and kept separate. However, to motivate such a new division to be formed as a new company for lower cost structure, certain support functions such as HR, corporate services admin, marketing, etc should be permissible on a sharing basis till the MF Lite Hive Off division reaches Rs. 1 lakh crore size when the higher networth and other criteria gets applicable as per para 1.3.4. An outsourcing agreement should be in place with arms length pricing in case such sharing of resources takes place</p>

3	Please consider the proposal at paragraph 3.7 above and provide your comments w.r.t whether trustees should be made responsible for all these activities pertaining to related party transactions, conflicts of interest, undue influence of sponsor, mis-selling, misconduct including market abuse/ misuse of information including front running etc. or these may be delegated to the AMCs.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
4	Please consider the proposal at paragraphs 3.8 and 3.9 above and provide your comments along with the supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
5	Please consider the proposal at paragraph 4.3 above and provide your comments along with the supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
6	Please consider the proposal at paragraph 5.2 above and provide your comments along with the supporting rationale	Partially Agree	We believe that MF Lite AMCs should be permitted to engage in all activities related to passive investment funds and not just be limited to managing passive investments as it would limit their potential and utility in the broader investment ecosystem	Specifically, MF Lite AMCs should be allowed to provide management and advisory services for pooled assets such as offshore funds, insurance funds, pension funds, provident funds, and foreign portfolio investors, particularly in the context of passive investments. The existing investments by entities like the Employees' Provident Fund Organisation (EPFO) in passive investment ETFs illustrate the growing demand for specialized mandates in passive fund management. Additionally, other government-administered pension and provident funds may seek to delegate similar mandates in the future. Therefore, enabling MF Lite AMCs to offer these services will not only enhance their operational scope but also support the evolving needs of institutional investors.
7	Please consider the proposal at paragraph 6.2 above and provide your comments along with the supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
8	Please consider the proposal at paragraph 7.4 above and provide your comments along with the supporting rationale.	Disagree	Simpler advertisements do not mean that these could be less misleading. The advertisement code should be applied equally rigorously.	The risk of mis-selling a product will be the same. As more and more parts of the market become passive, both advertising and basic investor education would have to answer for investor protection and education.

9	Please consider the proposal at paragraph 8.3 above and provide your comments along with the supporting rationale.	Disagree	The proposal in paragraph 8.3 to make the Risk Management Committee optional and transfer its responsibilities to the Audit Committee raises some concerns. High-stress scenarios, such as severe liquidity crises, demand specialized expertise and swift, strategic decision-making.	An Audit Committee, typically focused on financial oversight and compliance, may struggle with the complexities of any major liquidity issues in the market, leading to difficulties in accurately tracking the index and potentially resulting in a high tracking error. In contrast, a dedicated CRO, with focused expertise in risk management, would be better positioned to navigate these turbulent conditions, ensuring precise tracking and maintaining the operational integrity of the AMC.
10	Please consider the proposal at paragraph 9.4 above and provide your comments along with the supporting rationale	Agree	Para 9.2 correctly notes the market reality that Brokers may be less incentivized to undertake trade execution and market-making of passive schemes due to much lower brokerage rates hence a broker needs economies of scale in terms of volume	By allowing upto 25% of trade volumes to a single broker, we can have potential for higher scale, hence we agree with proposal 9.4 that higher allocation of business can be given to a single Broker
11	Please refer the format of the draft SID at Annexure A of this consultation paper and provide your comments along with the supporting rationale.	No comment		
12	Please consider the proposal at paragraph 11.2 above and provide your comments along with the supporting rationale.	Disagree	A rigorous information disclosure process should be applied to both forms of investing. For both formats, it is time that we consider XBRL, making information disclosure easy and periodic	
13	Please consider the proposals at paragraphs 12.3 and 12.5 above and provide your comments along with the supporting rationale.	Disagree	Investor awareness effort should be raised for the common good of everyone but not through differentiated regulation.	It is also to be noted that a lower fee structure, they would not have to advertise about investor awareness, would give passive funds an unfair advantage in terms of lower tracking error.
14	Please consider the proposals at paragraph 13.2 above and provide your comments along with the supporting rationale.	Partially Agree	13.2.2: Proposed category of "Debt Oriented" which is proposed as Equity:Debt - 25:75 should be considered as being changed to Equity:Debt - 35:65. 13.2.4: Minimum subscription at the time of NFO should be considered as lower at Rs. 5 Crore similar to Equity oriented schemes instead of Rs. 10 Crore 13.2.9: Based on the opinions gathered from market participant, we observed that TD of 1.25%; and that in stressful scenarios, this number tends to exceed the current proposed limit	13.2.2: This will enable such schemes to be eligible for long term capital gains tax and motivate investors to remain invested for longer time period. If we maintain 25:75 then such scheme will always get only short term capital gains tax at a higher rate. 13.2.4: This will encourage launches which can then gradually grow instead of higher mandatory size at NFO
15	Please consider the proposal at paragraph 14.2 above and provide your comments along with the supporting rationale.	No comment		

16	Please consider the proposals at paragraphs 15.1, 15.2 and 15.3 above and provide your comments separately along with the supporting rationale	No comment		
17	Please consider the proposals at paragraphs 16.2, 16.3 and 16.4 above and provide your comments separately along with the supporting rationale	No comment		
18	Please consider the proposal at paragraph 17.1.2 above and provide your comments separately along with the supporting rationale	Disagree	Actual TE is slightly higher in case of ETF and index funds and there might be a need to relook at these numbers	In certain cases of sharp market movements as well as in certain situations, we could result in higher TE as well as TD which needs to be factored in
19	Please consider the proposal at paragraph 17.2.3 above and provide your comments separately along with the supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
20	Please consider the proposal at paragraph 17.3 above and provide your comments separately along with the supporting rationale. Further, indicate whether a threshold of global AUM should be provided. If yes, please indicate the threshold along with supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
21	Please consider the proposal at paragraph 17.4.2 above and provide your comments separately along with the supporting rationale.	Agree	We agree with the proposal to introduce MF Lite Regulations, acknowledging the benefits of reduced compliance requirements and enhanced market accessibility	
22	Please consider Approaches 1 and 2 at paragraph 18.1 above and provide your comments separately with supporting rationale. - In respect of Approach 1, for domestic equity indices - whether an AUM threshold of minimum INR 10,000 Cr. or INR 5,000 Cr. would be appropriate OR no threshold should be provided	Partially Agree	1. Approach 1 is more prudent and allows only highly liquid broadbased indices to be constructed by AMCs under MF Lite but at the same time disadvantage them compared to a regular MF in term of launching new and innovative products. Though this would be prudent, it would limit the passive funds ability to offer variety or products and expand 2. Approach 2 on the other hand would have all existing ETFs and index funds, domestic and overseas FOFs investing in a single ETF under the MF Lite regulationh. This will ensure suitable and clear segregation of the investment management function between "active" and "passive". Further if a larger pool of products and complete range of offerings are not allowed, then the MF Lite AMC will have lesser number of takers. Globally	
23	Please provide your comments with supporting rationale w.r.t selection of debt indices to be considered under the proposed MF Lite Regulation.	No comment		