

Chapter-IV

DISCLOSURE REQUIREMENTS AND FUND HOUSES' RESPONSE

The Indian Mutual Funds industry is regulated by Securities and Exchange Board of India (SEBI). Prior to the enactment of SEBI (Mutual Funds) Regulations, 1996, Reserve Bank of India (RBI) had been regulating the business of Money Market Mutual Funds undertaken by the banking entities. But, presently this also falls within the purview of SEBI. RBI being the guardian of the banking industry in India initially regulated the mutual fund business by banking entities. However, the regulation of all mutual funds including the ones operated by the banks was passed later on to SEBI which carries out its mandate by means of the SEBI (Mutual Funds) Regulations, 1996, as duly amended from time to time. The mutual fund industry now operates under the legal framework as has been put in place by the SEBI.

For effective regulation of the Mutual Funds Industry, the Securities & Exchange Board of India (SEBI) issues circulars from time to time. Hence, for having an overview of the regulatory framework prevailing in India with regard to mandatory disclosure of facts by fund houses, the master circular SEBI/IMD/DF/14/2013 dated September 11, 2013, issued on October 1, 2014 was considered.

The master circular is divided into 17 chapters of which chapter 5 specifically talks about the disclosure and reporting norms to be followed by the mutual funds. In addition to this, Chapter 1 specifies the facts to be disclosed in the Offer Document for schemes, Chapter 6 mentions the Governance Norms, Chapter 8 is about the regulations pertaining to the Net Asset Value, Chapter 9

and 10 guides the fund houses on Valuation of investments and Loads, Fees and Expenses to be charged by the fund houses which are presented in this chapter.

4.1 DISCLOSURES IN OFFER DOCUMENTS

Guidelines pertaining to offer documents are prescribed in the chapter 1 of SEBI master circular 2014. As per SEBI guidelines¹, the offer documents² shall have two parts i.e. Scheme Information Document (SID) and Statement of Additional Information (SAI). SID incorporates all information pertaining to a particular scheme. SAI specifies all statutory information on Mutual Fund. The Mutual Funds are required to prepare SID and SAI in the format prescribed by SEBI. All offer documents of Mutual Fund schemes are filed with SEBI in terms of the Regulation 28(1) of SEBI (Mutual Funds) Regulations, 1996. AMCs have to file a soft copy of SAI with the Board in PDF format along with printed copy of the same³, upload the SAI on its website and on AMFI website. The soft copy of SID should also be uploaded on AMFI website two working days prior to launch of the scheme⁴. In case of any changes, other than fundamental attributes, the AMC must issue an addendum and display it on its website. In case any information in SID is amended more than once, a public notice is to 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. A printed copy of SAI must be made available to the investor(s) on request. Any material changes in the SAI are to be made on an ongoing basis by way of updating on the Mutual Fund and AMFI website. Standard Observations have been prescribed to ensure minimum level of disclosures in the SID and SAI.

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.

² "Offer document" means any document by which a mutual fund invites public for subscription of units of a scheme.

³ SEBI Circular No. – SEBI/IMD/CIR No. 10/178129/09 dated September 29, 2009.

⁴ SEBI Circular No – SEBI/IMD/CIR No.10/178129/09 dated September 29, 2009.

4.1.1 Contents of Scheme Information Document (SID)

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 release of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers. The SID must provide information on the following broad areas:

a) Highlights/Summary of the scheme:

This section shall include the following:

- Investment Objective
- Liquidity
- Benchmark
- Transparency/NAV disclosure
- Loads
- Minimum Application Amount

b) Risk Factors:

- Standard Risk Factors
- Scheme Specific Risk Factors

c) Requirement of minimum investors in the Scheme.

d) Definitions of the terms used.

e) Due Diligence Certificate by the Asset Management Company

f) Information About the Scheme

- Type of the Scheme
- Investment Objective
- Asset Allocation Pattern

- Where will the Scheme Invest?
- Investment Strategies
- g) Fundamental Attributes
 - Type of a Scheme
 - Investment Objective
 - Terms of Issue
 - Instruction
- h) How will the scheme benchmark its performance?
- i) Fund Manager of the Scheme
- j) Investment Restrictions
- k) Performance of the Scheme
- l) Units and Offer
 - New Fund Offer
 - Ongoing offer details
 - Periodic Disclosures
 - Computation of NAV
- m) Fees and Expenses
 - New fund offer expenses
 - Annual Scheme recurring expenses
 - Load Structures
 - Waiver of Load for Direct Applications
- n) Rights of Unit Holders
- o) 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.

4.1.2 Contents of Statement of Additional Information (SAI)

The following information are to be furnished in the Statement of Additional Information (SAI):

- i. Information about Sponsor, AMC and Trustee Companies.
 - Constitution of the Mutual Fund
 - Sponsor (Financial performance of the sponsor for past three years)
 - The Trustee (Details of the trustee director)
 - Asset Management Company (Details of AMC Directors, Information on Key Personnel)
 - Service Providers (Custodian, Transfer Agent, Statutory Auditor, Legal Counsel, Fund Accountant and Collecting Bankers)
 - Condensed Financial Information (Historical Per Unit Statistics)
- ii. How to Apply
- iii. Rights of Unit Holders of the Scheme
- iv. Investment Valuation Norms
- v. Tax, Legal and General Information
 - Taxation on investing in Mutual Funds
 - Legal Information
 - General Information (Inter-Scheme transfer of investments, Associate Transactions, Documents available for inspection and Investor Grievance Redressal Mechanism)

4.1.3 Contents of Key Information Memorandum (KIM)

Application forms for subscription to schemes of mutual funds are to be accompanied by the KIM in terms of Regulation 29(4) of SEBI (Mutual Funds) Regulations, 1996. This Key Information Memorandum (KIM) sets

forth the information, which a prospective investor ought to know before investing. Contents of the KIM are as follows:

- i. Investment Objective
- ii. Asset Allocation Pattern of the Scheme
- iii. Risk Profile of the Scheme
- iv. Plans and Options
- v. Applicable NAV
- vi. Minimum Application Amount/Number of Units
- vii. Benchmark Index
- viii. Dividend Policy
- ix. Name of the Fund Manager
- x. Name of the Trustee Company,
- xi. Performance of the Scheme
- xii. Expenses of the Scheme
 - Load Structure
 - Recurring Expenses
- xiii. Waiver of Load for Direct Applications
- xiv. Tax Treatment for the investors
- xv. Daily Net Asset Value Publication
- xvi. Grievance Redressal mechanism
- xvii. Unit-holders' Information

4.2 DISCLOSURE AND REPORTING NORMS

Chapter 5 of SEBI Master Circular 2014 specifies the Disclosure and Reporting Norms in the areas of Monthly Portfolio Disclosures, Half Yearly Disclosures of Portfolios, Unaudited Half Yearly Financials, Disclosure of Large Unit Holdings, Asset Under Management (AuM) Disclosure, Commission Disclosure, Annual Reports of the AMC, Submission of Bio Data of Key Personnel, Disclosure of Investor Complaints with respect to mutual funds, Brokerage and Commission Paid to Associates. Each of these is discussed below:

4.2.1 MONTHLY PORTFOLIO DISCLOSURES⁵

Mutual funds/AMCs are to disclose portfolio as on the last day of the month for all their schemes on their respective website on or before the tenth day of the succeeding month in a user-friendly and downloadable format. The format for monthly portfolio disclosure is same as that of half yearly portfolio disclosure and must contain information as listed below-

- a) Name of the Mutual Fund
- b) Name of the Scheme
- c) Information about equity and equity related instruments which are listed or awaited to be listed on stock exchanges
- d) Details of unlisted equity investments
- e) Details of debt instruments which are listed or awaited to be listed on stock exchanges along with their ratings
- f) Details of Securitised Debt Instruments
- g) Investment in money market instruments
- h) Detail of hedging positions through futures and swaps

4.2.2 Half Yearly Disclosure of Portfolio⁶

Mutual Funds are required to send a complete statement of Scheme Portfolio to the unit holders before the expiry of one month from the closure of each Half Year (i.e. March 31 and September 30), if such statement is not published by way of advertisement⁷. The Scheme Portfolio(s) must also be disclosed on the Mutual Funds' web sites before the expiry of one month from the closure of each Half Year (i.e. March 31 and September 30) and a copy of the same shall

⁵ SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.

⁶ SEBI Circular No. MFD/CIR No. 010/024/00 dated January 17, 2000, SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, SEBI Circular No. MFD/CIR No. 10/310/01 dated September 25, 2001, SEBI Circular No. MFD/CIR/14/18337/2002 dated September 19, 2002, SEBI Circular No. IMD/CIR 8/132968/2008 dated July 24, 2008.

⁷ Regulation 59A of the Mutual Funds Regulations & SEBI Circular No. MFD/CIR No. 010/024/00 dated January 17, 2000.

be filed with the Board along with the Half Yearly Results⁸. Information to be disclosed in the Half Yearly Portfolio Disclosure are mentioned below:

- A) Name of the Mutual Fund,
- B) Name of the Scheme,
- C) Half-yearly Portfolio Statement for the period ended _____,
- D) Name of the instrument-
 - i. Equity & Equity related,
 - a) Listed/awaiting listing on Stock Exchanges
 - b) Unlisted
 - ii. Debt instruments
 - a) Listed/awaiting listing on stock exchanges (Along with Rating)
 - b) Privately Placed/ Unlisted (Along with Rating)
 - c) Securitised Debt Instruments
 - iii. Money Market Instruments
 - iv. Others – cash etc. (specify)

The portfolio disclosure for derivative positions shall be made as follows:

- E) Hedging Positions through futures as on ...
 - Underlying
 - Long/Short
 - Futures Price when purchased
 - Current price of the contract
 - Margin maintained in ₹Lakhs
- Total percentage of existing assets hedged through futures

⁸ SEBI Circular No. MFD/CIR No. 10/310/01 dated September 25, 2001.

- 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

F) Other than Hedging Positions through Futures as on ...

- Underlying
- Long/Short
- Futures Price when purchased
- Current price of the contract
- Margin maintained in ₹ Lakhs
- Total exposure due to futures (non-hedging positions) as a percentage of net assets
- 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

G) Hedging Positions through Put Options as on ...

- Underlying
- Number of Contracts
- Option Price when purchased
- Current option Price
- Total percentage of existing assets hedged through put options
- Total Number of contracts entered into
- Gross Notional Value of contracts
- Net Profit/Loss on all contracts

H) 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 percentage of net assets
 - Total number of contracts entered into
 - Gross Notional Value of contracts
 - Net Profit/Loss on all contracts
- I) The following information may be given by way of footnotes:
- a. Total NPAs provided for and its percentage to NAV.
 - b. Total value and percentage of illiquid equity shares.
 - 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.
- J) 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.

K) 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.

L) Half Yearly portfolio statements should 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 NAV⁹.

M) Investments in foreign securities shall be disclosed in the prescribed format under a separate heading "Foreign Securities and/or overseas ETF(s)"¹⁰.

4.2.3 Unaudited Half Yearly Financials¹¹

The publication of the unaudited half-yearly results should be made according to the Regulation 59 of SEBI (Mutual Funds) Regulations, 1996, in the format prescribed in Twelfth Schedule. The half yearly disclosures¹² of the unaudited financial results on respective websites should be made in a user-friendly and downloadable format (preferably in a spreadsheet). Following are the important information to be disclosed in the unaudited half yearly financial report-

- a) Unit Capital at the beginning and end of the half year period
- b) Reserves and Surplus
- c) Total Net Assets at the beginning and end of the half year period
- d) NAV at the beginning and end of the half year period along with the dividend paid per unit

⁹ SEBI/IMD/CIR No. 1/91171/07 dated April 16, 2007.

¹⁰ SEBI Cir SEBI/IMD/CIR No. 7/104753/07 dated September 26, 2007.

¹¹ SEBI Circular No. MFD/CIR/1/200/2001 dated April 20, 2001 & SEBI Circular No. IMD/CIR No. 8/132968/2008 dated July 24, 2008.

¹² SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.

- e) Income, dividend, interest, profit/(loss) on sale/redemption of investments along with inter-scheme transfer/sale of investments
- f) Other income indicating nature
- g) Expenses, Management and Trustee fees
- h) Recurring expenses
- i) Percentage of Management Fees to daily/weekly average net assets
- j) Returns during the half-year
- k) Provision for doubtful income/debts
- l) Payments to associate/group companies
- m) Investment made in associate/group companies.

4.2.4 Disclosure of Large Holdings¹³

The number of investors holding over 25 per cent of the NAV in a scheme and their total holdings in percentage terms must be disclosed in the Statement of Accounts issued after the NFO and also in the Half Yearly and Annual Results.

4.2.5 Asset under Management (AUM) Disclosure¹⁴

The disclosure of AUM figures must be made available in terms of 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). All mutual funds must disclose the AUM data on their respective websites as well as to AMFI website. Mutual Funds are to disclose the following on monthly basis on their website and also share the same with Association of Mutual Funds in India¹⁵:

- (i) Monthly AAUM¹⁶ from different categories of schemes such as equity schemes, debt schemes, etc.

¹³ SEBI Circular No. MFD/CIR No. 3/211/2001 dated April 30, 2001.

¹⁴ SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011.

¹⁵ SEBI Circular No. Cir/IMD/DF/05/2014 dated March 24, 2014.

¹⁶ SEBI Circular No. CIR/IMD/DF/07/2014 dated April 2, 2014.

- (ii) Contribution to Monthly AAUM from B-15 cities (i.e. other than top 15 cities as identified by AMFI) and T-15 cities (Top 15 cities).
- (iii) Contribution to Monthly AAUM from sponsor and its associates.
- (iv) Contribution to Monthly AAUM from entities other than sponsor and its associates.
- (v) Contribution to Monthly AAUM from investors type (retail, corporate, etc.) in different scheme type (equity, debt, ETF, etc.).
- (vi) Monthly AAUM garnered through sponsor group/ non-sponsor group distributors.
- (vii) State-wise/Union Territory-wise contribution to MAAUM.

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

4.2.6 Annual Report

Regulation 50 (1) of SEBI (Mutual Funds) Regulation 1996 directs that every asset management company for each scheme must keep and maintain proper books of account, records and documents, for each scheme so as to explain its transaction and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Board the place where such books of accounts, records and documents are maintained. The asset management company must follow the accounting policies and standards as specified in Ninth Schedule so as to provide appropriate details of the scheme-wise disposition of the assets of the fund at the relevant accounting date and the performance during that period together with information regarding distribution or accumulation of income accruing to the unitholder in a fair and true manner. According to Regulation 54 of SEBI (Mutual Funds) Regulation, every mutual funds or asset

management company should prepare in respect of each financial year an annual report and annual statement of accounts of the schemes and funds as specified in Eleventh Schedule. Annual report containing accounts of the asset management companies should be displayed on the website of the mutual funds. It should also be mentioned in the annual report of the mutual fund schemes that the unitholders, if they so desire, may request for a copy of the annual report of the asset management company.

As per Eleventh Schedule of SEBI (Mutual Funds) Regulations, 1996 (Regulations 54, 56(2)), Annual Report shall contain

- i. Report of the Board of Trustees on the operation of the various schemes of the fund and the fund as a whole during the year and the future outlook of the fund ;
- ii. Balance Sheet and Revenue Account;
- iii. Auditor's Report;
- iv. Brief statement of the Board of Trustees on the following aspects:
 - a. Liabilities and Responsibilities of the Trustees and the Settlor;
 - b. Investment objective of each scheme;
 - c. Basis and policy of investment underlying the scheme;
 - d. If the schemes permits investment partly or wholly in shares, bonds, debentures, and other scrips or securities whose value can fluctuate, a statement on the following lines:

“The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments in securities or fair value in underlying real estate assets, as the case may be;”
 - e. Comments on the Trustees on the performance of the schemes, with full justification.

- v. Statement giving relevant perspective historical 'per unit' statistics.
- vi. Statement on the following lines :

“On written request, present and prospective unitholder/investor can obtain copy of the trust deed, the annual report at a price and the text of the relevant scheme.”

4.2.6.1 Contents of Balance Sheet

- i. The Balance Sheet must give scheme-wise particulars of its assets and liabilities. These particulars should contain information enumerated in Annexure 1A and 1B of the SEBI (Mutual Funds) Regulations, 1996. It should also disclose, *inter alia*, accounting policies relating to valuation of investments including real estate investment asset and other important areas.
- ii. If investments in securities are carried at costs or written down cost, their aggregate market value should be stated separately in respect of each type of investment, such as equity shares, preference shares, convertible debentures listed on recognised stock exchange, non-convertible debentures or bonds further differentiating between those listed on recognised stock exchange and those privately placed.
- iii. (A) The balance-sheet shall disclose under each type of investment(s) in securities the aggregate carrying value and market value of non-performing investments. An investment shall be regarded as non-performing if it has provided no returns in the form of dividend or interest for a period specified in the guidelines issued by the Board.
- iii. (B) The balance-sheet shall disclose under each category of real estate asset the aggregate carrying amount of nonperforming investment properties. A real estate asset shall be regarded as non-performing if it has provided no returns in the form of rental income for a period specified by the Board.

- iv. The Balance sheet should indicate the extent of provision made in the Revenue Account for the depreciation/loss in the value of non-performing investments in securities. However, if the investments in securities are valued at marked to market, provisions for depreciation will not be necessary.
- v. The Balance Sheet must disclose the per-unit net assets value (NAV) as at the end of the accounting year.
- vi. As in case of companies, the Balance Sheet must give against each item, the corresponding figures as at the end of the preceding accounting year.
- vii. The notes to the balance sheet should disclose the following information regarding investments:-
 - (a) All investments must be grouped under the major classification given in the balance sheet;
 - (b) Under each major classification, the total value of investments falling under each major industry group (which constitutes not less than 5 per cent of the total investment in the major classification) must be disclosed together with the percentage thereof in relation to the total investment within the classification;
 - (c) A full list of investments of the scheme should be made available for inspection with the Asset Management Company;
 - (d) The basis on which management fees have been paid to the Asset Management Company and the computation thereof;
 - (e) If brokerage, custodial fees or any other payment for services are paid to or payable to any entity in which the Asset Management Company or its major shareholders have a substantial interest

(being not less than 10 per cent of the equity capital), the amounts debited to the revenue account or amount treated as cost of investments in respect of such services must be separately disclosed together with details of the interest of the Asset Management Company or its major shareholders;

- (f) Aggregate value of purchases and sales of investments during the year and expressed as a percentage of average weekly net asset value.
- (g) Where the non-traded investments which have been valued “in good faith” exceed 5 per cent of the NAV at the end of the year, the aggregate value of such investments; and
- (h) Movement in unit capital should be stated.
- (i) The name of the company including the amount of investment made in each company of the group by each scheme and the aggregate investments made by all schemes in the group companies of the sponsor;
- (j) If the investments are marked to market, the total income of the scheme should include unrealised depreciation or appreciation on investment. There should be disclosure and unrealised appreciation deducted before arriving at the distributable income.

4.2.6.2 Contents of Revenue Account

- i. The Revenue Account should give scheme-wise particulars of the income, expenditure and surplus of the mutual fund. These particulars must contain information enumerated in Annexure 2 of the Eleventh Schedule of SEBI (Mutual Funds) Regulation, 1996.

- ii. If profit on sale of investments including real estate asset shown in the Revenue Account includes profit/loss on inter-scheme transfer of investments including real estate asset within the same mutual fund the aggregate of such profit recognised as realised, must be disclosed separately without being clubbed with the profit/loss on sale of investments to third parties.
- iii. Unprovided depreciation in value of investments in securities representing the difference between their aggregate market value and their carrying cost should be disclosed by way of a note forming part of the revenue account. Conversely, unrealised profit on investment representing the difference between their aggregate market value and carrying cost, must be disclosed by way of note to accounts. However, if investments are marked to market, depreciation may not be provided.
- iv. The Revenue Account must indicate the appropriation of surplus by way of transfer to reserves and dividend distributed.
- v. (A) The following disclosures must also be made in the revenue account:
 - (a) provision for aggregate value of doubtful deposits, debts and outstanding and accrued income;
 - (b) profit or loss in sale and redemption of investment may be shown on a net basis;
 - (c) custodian and registrar fees;
 - (d) total income and expenditure expressed as a percentage of average net assets, calculated on weekly basis.
- v. (B) In respect of real estate asset, the following additional disclosures shall be made:

- (a) rental income from real estate asset;
- (b) direct operating expense (including repairs and maintenance) arising from real estate asset that generated rental income during the period; and
- (c) direct operating expenses (including repairs and maintenance) arising from real estate asset that did not generate rental income during the period.

4.2.6.3 Auditor's Report

(i) All mutual funds are required to get their accounts audited in terms of a provision to that effect in their trust deeds. The Auditor's Report should form a part of the Annual Report. It should accompany the Abridged Balance Sheet and Revenue Account. The auditor is to report to the Board of Trustees and not to the unitholders.

(ii) The auditor should state whether:

1. he has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of his audit.
2. the Balance Sheet and the Revenue Account are in agreement with the books of account of the fund

(iii) The auditor must give his opinion as to whether:

1. the balance sheet gives a true and fair view of the scheme-wise state of affairs of the fund as at the balance sheet date, and

2. the Revenue Account gives a true and fair view of the scheme-wise surplus/deficit of the fund for the year/period ended at the balance sheet date.

4.2.6.4 Disclosure of Scheme-Wise Statistics

This statement shall disclose the following scheme-wise statistics for the past 3 years:

- (a) net asset value, per unit;
- (b) gross income per-unit broken up into the following components:
 - (i) Income other than profit on sale of investment, per unit;
 - (ii) Income from profit on inter-scheme sales/transfer of investment, per unit.
 - (iii) Income from profit on sale of investment to third party, per unit;
 - (iv) Transfer to revenue account from past year's reserve, per unit.
- (c) aggregate of expenses; write off, amortisation and charges, per unit.
- (d) net income, per unit;
- (e) unrealised appreciation/depreciation in value of investments, per unit;
- (f) if the units are traded or repurchased/resold, the highest and the lowest prices per unit during the year and the price-earning ratio;
- (g) per unit, ratio of expenses to average net assets by percentage;

(h) per unit, ratio of gross income to average net assets by percentage (excluding transfer to revenue account from past year's reserve but including unrealised appreciation on investments);

(i) per unit NAV.

4.2.7 Disclosure of Investor Complaints With Respect to Mutual Funds¹⁷

Mutual Funds must disclose 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 should be vetted and signed off by the Trustees of the concerned mutual fund.

The reporting of investors' complaints must be on the following parameters:

- Complaint Code
- Type of Complaint.
- Number of complaint pending at the beginning of the year.
- Number of complaints received during the year.
- Number of complaints resolved
- Number of non-actionable complaints
- Number of complaints pending to be resolved.

Complaints are classified as Type I, Type II and Type III.

Type I complaints are related to delay/noon-receipt of money which is further categorised as follows:-

Type IA is related with dividend on Units

Type IB is related with Interest on delayed payment of dividend

Type IC is related with redemption proceeds

Type ID is related with interest on delayed payment of redemption.

¹⁷ SEBI Circular No. CIR/IMD/DF/2/2010 dated May 13, 2010.

Type II complaints are related to Statement of Account/Unit Certificate/Annual Report which are of following categories-

Type IIA is related with Non receipt of statement of Account/Unit Certificate

Type IIB is related with Discrepancy in Statement of Account

Type IIC is related with Non receipt of Annual Report/ Abridged Summary.

Type III complaints are Service Related which are further classified as

Type IIIA related to Wrong switch between schemes

Type IIIB related to Unauthorised switch between schemes

Type IIIC related to Deviation from Scheme attributes

Type IIID related to Wrong/excess charges/load

Type IIIE related to Non updation of changes viz. address PAN, bank details, nomination, etc.

Type IV is related with any other type of complaints not specified under the previous three categories.

4.2.8 Commission Disclosure¹⁸

Mutual funds/AMCs must disclose on their respective websites the total commission and expenses paid to distributors who satisfy one or more of the following conditions with respect to non-institutional (retail and HNI) investors:-

- a) Multiple point of presence (More than 20 locations)

¹⁸ SEBI Circular No. Cir/IMD/DF/13/2011 dated August 22, 2011.

- b) AUM raised over ₹100 crore across industry in the non-institutional category but including high net worth individuals (HNIs).
- c) Commission received of over ₹1 crore p.a. across industry.
- d) Commission received of over ₹ 50 lakh from a single mutual fund/AMC.

Mutual Fund / AMCs should, in addition to the total commission and expenses paid to distributors, make additional disclosures¹⁹ 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 asset under management and ratio of AUM to gross inflows on their respective website on an yearly basis.

4.2.9 Brokerage and Commission Paid to Associates²⁰

Regulation 25(8) of SEBI (Mutual Funds) Regulations, 1996 govern payment of brokerage or commission, if any, to the sponsor or any of its associates, employees or their relatives. Disclosure on brokerage and commission paid to associates/related parties/group companies of sponsor/Asset Management Company in the unaudited half yearly financial results, the abridged scheme wise annual report and the SAI, should be made in the format as prescribed.

Information to be disclosed related to the brokerage paid to associates/related parties/ group companies of Sponsor/AMC are:

- a) Name of associate/related parties/group companies of Sponsor/AMC
- b) Nature of association/Nature of relation

¹⁹ SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012.

²⁰ SEBI Circular No. SEBI/IMD/CIR No. 18/198647/2010 dated March 15, 2010.

- c) Value of transaction and percentage of total value of transaction of the fund
- d) Volume and percentage of total brokerage paid by the fund.

For commission paid to associate/related parties/group companies of Sponsor/AMC, the following information is to be disclosed to the investors:

- a) Name of associate/related parties/group companies of Sponsor/AMC
- b) Nature of association/Nature of relation
- c) Business given both in terms of volume and percentage of total business received by the fund
- d) Volume and percentage of total commission paid by the fund.

4.3 CORPORATE RESPONSE TO DISCLOSURE REQUIREMENTS

In this section, the response of the selected eight fund houses to the statutory disclosure requirements is examined.

For the above purpose, the extent or the level of disclosure made by a fund house (vis-à-vis the statutory disclosure requirements) is taken as reflective of the houses' actual response. As the level of disclosure varies among the fund houses, for measuring and indicating the levels of disclosure of the different fund house, a scoring and ranking scheme is developed.

4.3.1 Scoring and Ranking Plan for Measuring Disclosure Level

For measuring the disclosure levels, at the outset ten specific disclosure areas are identified. These areas are:

- (i) Monthly Portfolio Disclosures,
- (ii) Half Yearly Disclosure of Portfolio,

- (iii) Unaudited Half-yearly Financials,
- (iv) Disclosure of Large Unit Holdings,
- (v) Assets Under Management (AUM) Disclosure,
- (vi) Commission Disclosure,
- (vii) Disclosure of Investor Complaints with Respect to Mutual Funds,
- (viii) Brokerage and Commission Paid to Associates,
- (ix) Disclosure in Offer Documents, and
- (x) Annual Report.

Knowingly, under each of the above ten areas, information are to be furnished by fund houses on a number of specific heads or items.

Relevant information regarding disclosures actually made by the fund houses on the various items pertaining to each of the ten disclosure areas were collected from their respective websites. The disclosure levels of the fund houses were first ascertained for each one of the ten disclosure areas separately and scores in terms of percentages were assigned to every single fund house based on their noticed disclosure levels. Thus, for instance, in the area of “monthly portfolio disclosure” where information is to be furnished by a fund house under eight specific heads, if a particular fund house has furnished in a certain year the information only on two head/items, then this fund house is to be assigned a score of only 25 per cent [i.e., $2/8 * 100$] for its disclosure in that area in that particular year. The scores (in terms of percentages) so assigned to the fund house in all the years under consideration are then averaged to find the mean score to be assigned to the fund house under the head *monthly portfolio disclosure*.

By following the above process, mean scores are assigned to all the eight selected fund houses for statutorily-prescribed ten disclosure areas. Based on the average of these mean scores, the fund houses are then ranked with higher rank being assigned to a fund house that could ensure better compliance of the disclosure requirements (in terms of the assigned average of mean scores). The rank so obtained by a fund house is taken as reflective of the relative response-levels of the fund house.

4.3.2 Measurement of Disclosure Levels

The analysis and examination of disclosure of facts by the selected fund houses, in terms of SEBI prescribed guidelines, are undertaken for a period of eight years during end-March 2008 to 2015 as the reports pertaining to the previous years are not available in the websites of the most of the fund houses. For some disclosure areas, which were introduced at a later date; the analysis is undertaken from the year of commencement of the circular till the year-end-March 2015. The secondary data relevant to each statutory disclosure area are collected from the respective websites of each fund houses and also from the AMFI website.

Table D-1 presents the disclosure levels of the eight fund houses in the area of Monthly Portfolio Disclosures.

Table D-1: Monthly Portfolio Disclosures: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)*				Average Disclosure Level (%)*
	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	62.50	62.50	50.00	50.00	56.25
Birla Sun Life Mutual Fund	75.00	75.00	62.50	75.00	71.88
Franklin Templeton Mutual Fund	50.00	50.00	50.00	50.00	50.00
HDFC Mutual Fund	50.00	50.00	62.50	87.50	62.50
JM Financial Mutual Fund	50.00	62.50	62.50	62.50	59.38
LIC Nomura Mutual Fund	0.00	75.00	62.50	62.50	50.00
Tata Mutual Fund	25.00	50.00	50.00	50.00	43.75
UTI Mutual Fund	62.50	62.50	62.50	62.50	62.50

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-1 depicts the disclosure levels of the selected fund houses in the area of *Monthly Portfolio Disclosure*. Mutual funds are required to disclose their portfolio as on last day of the month for all their schemes on their respective website as directed by SEBI under SEBI Circular No. CIR/IMD/DF/21/2012, dated September 13, 2012. Therefore, the disclosure of monthly portfolio of schemes by the sample fund houses is analysed for 4 years during 2012 to 2015, though there are some fund houses viz. HDFC Mutual Fund, JM Financial Mutual Fund, Tata Mutual Fund, etc. who started disclosing the monthly portfolio of schemes in their websites before the issue of the circular related to it by SEBI. There are total eight items to be disclosed under the monthly portfolio. But, not a single fund house is found to disclose information on all the eight facts as depicted in the Table D-1. Birla Sun Life Mutual Fund is found to have the highest disclosure during the period of analysis with close to 72 per cent average disclosure level followed by HDFC Mutual Fund and UTI

Mutual Fund, both of which are having an equal average disclosure level of 62.50 per cent. JM Financial Mutual Fund found to secure the third position with more than 59 per cent average disclosure followed by Baroda Pioneer Mutual Fund with 56.25 per cent average disclosure level of monthly portfolio. Franklin Templeton and LIC Nomura Mutual Fund just disclosed the half of the facts with 50 per cent average disclosure level. Tata Mutual Fund disclosed the least (43.75 per cent) amongst all as far as the monthly portfolio disclosure is concerned.

Table D-2 presents the disclosure levels of the eight fund houses in the area of Half Yearly Disclosure of Portfolio.

Table D-2: Half Yearly Disclosure of Portfolio: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)								Average Disclosure Level (%)
	2008	2009	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	16.36	16.36	20.00	21.82	21.82	23.64	20.00	20.00	20.00
Birla Sun Life Mutual Fund	18.18	21.82	20.00	90.91	89.09	89.09	89.09	89.09	63.41
Franklin Templeton Mutual Fund	20.00	20.00	20.00	12.73	12.73	12.73	12.73	12.73	15.45
HDFC Mutual Fund	23.64	29.09	29.09	100.00	100.00	89.09	29.09	80.00	60.00
JM Financial Mutual Fund	23.64	23.64	21.82	21.82	21.82	21.82	21.82	20.00	22.05
LIC Nomura Mutual Fund	0.00	0.00	0.00	0.00	0.00	89.09	92.73	92.73	34.32
Tata Mutual Fund	21.82	21.82	20.00	23.64	38.18	21.82	21.82	32.73	25.23
UTI Mutual Fund	21.82	23.64	23.64	96.36	92.73	89.09	92.73	52.73	61.59

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-2 depicts the disclosure levels of the eight fund houses in the area of *Half Yearly Portfolio Disclosure*. As per SEBI Circular No. MFD/CIR No. 010/024/00 dated January 17, 2000 and subsequent amendments made to the Act thereon, all fund houses should disclose the Scheme Portfolio(s) on their respective websites before the expiry of one month from the closure of each half year (i.e. March 31 and September 30). The format prescribed by SEBI for disclosure of half yearly portfolios requires the fund houses to provide information on as many as 55 different items. The information pertaining to the half yearly disclosure of portfolios of schemes of mutual funds during 2008 to 2015 are collected from the websites of the respective fund houses which are carefully scrutinised for each and every year.

It is clearly evident from the above table that other than Birla Sun Life Mutual Fund, HDFC Mutual Fund and UTI Mutual Fund, rest of the fund houses showed an extremely poor compliance on the disclosure of facts in the area of half yearly portfolio disclosure of schemes. Birla Sun Life Mutual Fund is found to have the highest level of disclosure with a yearly average of 63.41 per cent followed by UTI Mutual Fund with an average disclosure level of 61.59 per cent. HDFC mutual fund occupies the third position with 60 per cent average disclosure level. LIC Nomura Mutual Fund had a good yearly disclosure level for the last three financial years (2013, 2014, and 2015), but because of its non-disclosure in the earlier years, the average disclosure level came down to 34.32 per cent only. Baroda Pioneer Mutual Fund scored an average yearly disclosure of 20 per cent which is mainly because of its non-disclosure of facts related to derivative investments. It is observed from the half yearly portfolio report of Baroda Pioneer Mutual Fund that it is having outstanding exposure in derivative instruments the detail of which was not disclosed in the respective sections in any year during the period of study. Tata Mutual Fund and JM Financial Mutual Fund too did not have sufficient disclosure on their derivative exposure which led to an average disclosure level of 25.23 per cent and 22.05 per cent respectively throughout the period of the study.

Table D-3 presents the disclosure level of the eight fund houses in the area of Unaudited Half Yearly Financials.

Table D-3: Unaudited Half Yearly Financials: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)								Average Disclosure Level (%)
	2008	2009	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
HDFC Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
JM Financial Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIC Nomura Mutual Fund	0.00	0.00	0.00	0.00	0.00	100.00	100.00	100.00	37.50
Tata Mutual Fund	96.67	96.67	96.67	96.67	96.67	96.67	96.67	96.67	96.67
UTI Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-3 depicts the disclosure levels of the eight fund houses in the area of *Unaudited Half Yearly Financials*. Regulation 59 of SEBI (Mutual Funds) Regulations, 1996 suggests the publication of the unaudited half-yearly results in the format prescribed in Twelfth Schedule. This format requires disclosure of information on 30 different items. Except LIC Nomura Mutual Fund and Tata Mutual Fund, the remaining fund houses made full disclosure of facts in the area of unaudited half-yearly financials. Tata Mutual Fund had disclosure on 29 out of 30 items. Disclosure regarding returns earned during the respective half year periods could not be found in the examined area of disclosure for any year of the said mutual fund for the entire study period which led to a drop in average disclosure level to 96.67 per cent. For each of the three years during 2013 to 2015 for which the LIC Nomura Mutual Fund kept the Unaudited Half-yearly Financials reports available in its website, the fund house made full disclosure of facts in the reports. But, as the reports of the previous years are not found in its website, it led to an average disclosure level of 37.50 per cent in the area of unaudited half yearly financials for LIC Nomura Mutual Fund.

Table D-4 presents the disclosure levels of the eight fund houses in the area of Disclosure of Large Unit Holdings.

Table D-4: Disclosure of Large Unit Holdings: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)								Average Disclosure Level (%)
	2008	2009	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	50.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	93.75
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	0.00	100.00	100.00	100.00	50.00	100.00	100.00	100.00	81.25
HDFC Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
JM Financial Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIC Nomura Mutual Fund	0.00	0.00	0.00	0.00	0.00	100.00	100.00	100.00	37.50
Tata Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
UTI Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-4 shows the disclosure level of the eight fund houses in the area of *Disclosure of Large Unit Holdings*. All mutual funds, under SEBI Circular No. MFD/CIR No.3/211/2001 dated April 30, 2001, are required to disclose the number of investors holding over 25 per cent of the NAV in a scheme and their total holdings in percentage terms in the Statement of Accounts issued after the NFO and also in the Half Yearly and Annual Results. There are only two items (number of investors and their total holdings in percentage) to be disclosed in two reports (half-yearly and annual reports) resulting in a total number of four items. Based on this, Table D-4 reveals that Birla Sun Life Mutual Fund, HDFC Mutual Fund, JM Financial Mutual Fund, Tata Mutual Fund and UTI Mutual Fund have secured 100 per cent average disclosure level in the area of disclosure of large unit holdings. Baroda Pioneer Mutual Fund scored 93.75 per cent as the information of its large unit holdings was not disclosed in the half-yearly report during the year 2008. The average disclosure level of Franklin Templeton Mutual Fund on was found to be 81.25 per cent as neither of its half-yearly report nor its annual report for the year end March 2008 provide any information on this area. Moreover, the same is not disclosed in the annual report of 2012 too. Despite its full disclosure during 2013 to 2015, LIC Nomura Mutual Fund scored only 37.50 per cent in the examined area of disclosure as both of its half-yearly and annual reports for the financial year 2008 to 2012 could not be traced in its website.

Table D-5 presents the disclosure levels of the eight fund houses in the area of Asset under Management (AUM) Disclosure.

Table D-5: Asset under Management (AUM) Disclosure: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)		Average Disclosure Level (%)
	2014	2015	
Baroda Pioneer Mutual Fund	100.00	100.00	100.00
Birla Sun Life Mutual Fund	100.00	100.00	100.00
Franklin Templeton Mutual Fund	100.00	100.00	100.00
HDFC Mutual Fund	100.00	100.00	100.00
JM Financial Mutual Fund	100.00	100.00	100.00
LIC Nomura Mutual Fund	100.00	100.00	100.00
Tata Mutual Fund	100.00	100.00	100.00
UTI Mutual Fund	100.00	100.00	100.00

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-5 presents the levels of disclosure of the eight fund houses in the area of *Asset Under Management (AUM) Disclosure*. According to SEBI Circular No. CIR/IMD/DF/05/2014 dated March 24, 2014, mutual funds should disclose on monthly basis the information on average asset under management (AAUM) from different categories of schemes such as equity schemes, debt schemes, etc., contribution to monthly AAUM from B-15 cities (i.e. other than top 15 cities as identified by AMFI) and T-15 cities (Top 15 cities), contribution to monthly AAUM from sponsor and its associates, from entities other than sponsor and its associates, from investors type (retail, corporate etc.) in different scheme type (equity, debt, ETF etc.), monthly AAUM garnered through sponsor group/ non-sponsor group distributors and state-wise/ Union territory-wise contribution to AAUM on monthly basis on their website. But, for the purpose of analysis, only the year-end report disclosed in the month of March for two years i.e. 2014 and 2015 are considered. As per the format prescribed by SEBI for the disclosure of AUM, the mutual funds need to disclose information on 26 items. Table D-5 shows that all the selected fund

houses made full disclosure of information on all the 26 items in both the years resulting in a 100 per cent average disclosure level on asset under management.

Table D-6 presents the disclosure levels of the eight fund houses in the area of Commission Disclosure.

Table D-6: Commission Disclosure: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)			Average Disclosure Level (%)
	2013	2014	2015	
Baroda Pioneer Mutual Fund	100.00	87.50	87.50	91.67
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	100.00	100.00	100.00	100.00
HDFC Mutual Fund	100.00	100.00	100.00	100.00
JM Financial Mutual Fund	0.00	0.00	0.00	0.00
LIC Nomura Mutual Fund	87.50	87.50	100.00	91.67
Tata Mutual Fund	75.00	100.00	100.00	91.67
UTI Mutual Fund	0.00	100.00	100.00	66.67

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-6 shows the disclosure levels of the eight fund houses in the area of *Commission Disclosure*. Mutual funds/ AMCs, as per SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, must disclose on their respective websites on an yearly basis the total commission and expenses paid to distributors, 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. The format prescribed by SEBI for the disclosure of commission by mutual funds encompasses a total of eight disclosure areas. Reports collected from respective websites of mutual funds related to commission disclosure are carefully examined to find out the yearly disclosure levels. It is

evident from the table that Birla Sun Life Mutual Fund, Franklin Templeton Mutual Fund, and HDFC Mutual Fund made 100 per cent disclosure on all the eight items during the three financial years (2013, 2014 and 2015). Baroda Pioneer Mutual Fund, LIC Nomura Mutual Fund and Tata Mutual Fund scored equal (91.67 per cent) in the area of commission disclosure. The drop in disclosure level for Baroda Pioneer Mutual Fund and LIC Nomura Mutual Fund is primarily caused by unavailability of information related to 'ratio of AUM to gross inflow' in the commission disclosure report for the financial years 2013-14 and 2014-15 and 2012-13 and 2013-14 respectively. For Tata Mutual Fund, it is due to the non-disclosure of information related to total commission and expenses paid during 2012-13. The Commission Disclosure report for JM Financial Mutual Fund could not be traced in their website which resulted in zero average disclosure level for both the fund houses.

Table D-7 presents the disclosure levels of the eight fund houses in the area of Disclosure of Investor Complaints with respect to Mutual Funds.

Table D-7: Disclosure of investor Complaints with respect to Mutual Funds : The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)						Average Disclosure Level (%)
	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
HDFC Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
JM Financial Mutual Fund	50.00	50.00	50.00	50.00	50.00	50.00	50.00
LIC Nomura Mutual Fund	0.00	0.00	0.00	100.00	100.00	100.00	50.00
Tata Mutual Fund	50.00	50.00	50.00	50.00	50.00	50.00	50.00
UTI Mutual Fund	0.00	50.00	100.00	100.00	100.00	100.00	75.00

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-7 depicts the disclosure levels of the eight fund houses in the area of *Disclosure of Investor Complaints with Respect to Mutual Funds*. All mutual funds need to disclose on their website, on the AMFI website as well as in their Annual Reports, details of investor complaints received by them from all sources. This is required as per the guidelines provided under SEBI Circular No. Cir/IMD/DF/2/2010 dated May 13, 2010. There are six items to be disclosed in the report related with investor complaints as suggested by SEBI and disclosure of this in the website and annual reports of the respective fund houses are considered for the purpose of the study. This results in a disclosure of twelve items to be made by each fund houses in a particular year. It is reflected from the above table that Baroda Pioneer Mutual Fund, Birla Sun Life Mutual Fund, Franklin Templeton Mutual Fund and HDFC Mutual Fund made full disclosure in the area of investor complaints in both of their website and annual reports. UTI Mutual Fund's average disclosure level in the area of investor complaints during the period of the study is found to be 75 per cent as the disclosure of investor complaint related to the fund house was unavailable in its website for the financial years 2010 and 2011 and it was also not presented in its annual report for the year-ended March 2010. JM Financial Mutual Fund, LIC Nomura Mutual Fund and Tata Mutual Fund each scored an average disclosure level of 50 per cent during the study period. For JM Financial Mutual Fund, the low disclosure level is attributable to the unavailability of disclosure report related to investor complaints in its website throughout the study period. For LIC Nomura Mutual Fund, the disclosure is available in both the website and annual report only for the last three financial years i.e. 2013, 2014 and 2015. Reports pertaining to the previous years are unavailable in its website. Tata Mutual Fund disclosed its report on investor complaints only in annual reports whereas the same was not found in the fund house's website.

Table D-8 presents the disclosure levels of the eight fund houses in the area of Brokerage and Commission Paid to Associates.

Table D-8: Brokerage and Commission Paid to Associates: The Disclosure Levels of Fund Houses

Fund House	Year-wise Disclosure Level (%)						Average Disclosure Level (%)
	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	90.00	95.00	95.00	100.00	100.00	100.00	96.67
HDFC Mutual Fund	50.00	100.00	100.00	100.00	100.00	100.00	91.67
JM Financial Mutual Fund	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIC Nomura Mutual Fund	0.00	0.00	0.00	70.00	75.00	75.00	36.67
Tata Mutual Fund	50.00	50.00	50.00	50.00	50.00	50.00	50.00
UTI Mutual Fund	0.00	100.00	100.00	100.00	100.00	100.00	83.33

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-8 shows the disclosure levels of the eight fund houses in the area of *Brokerage and Commission Paid to Associates*. Regulation 25 (8) of SEBI (Mutual Funds) Regulations, 1996 govern payment of brokerage or commission if any, to the sponsor or any of its associates, employees or their relatives. As per the SEBI Circular No. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010, disclosure on brokerage and commission paid to associates/related parties/group companies of sponsor/Asset Management Company must be made in the unaudited half yearly financial results, the abridged scheme wise annual report and in the SAI. As the SAI is not prepared year-wise, disclosure made only in unaudited half yearly financials and abridged scheme wise annual reports are considered for the purpose of the study. As per the format prescribed by SEBI, a mutual fund needs to make disclosure on five items related to the payment of both the brokerage and commission to associates in two separate reports, one for commission payment and the other for brokerage payment, and since the same report is

disclosed in both the unaudited half yearly financials and annual reports, a total disclosure on all the ten items in both the reports will lead to secure full disclosure by a fund house. It is revealed by Table D-8 that Baroda Pioneer Mutual Fund, Birla Sun Life Mutual Fund and JM Financial Mutual Fund made full disclosure of brokerage and commission paid to associates throughout the period of the study which resulted in securing 100 per cent average disclosure levels by all the three fund houses. Both Franklin Templeton Mutual Fund and HDFC Mutual Fund scored 91.67 per cent on the disclosure of brokerage and commission paid to associates. It is observed that Franklin Templeton Mutual Fund did not disclose the information about the brokerage paid to its associates in the 'previous half-year' in the unaudited half yearly financial report for the year ended March 2010 and the same was not mentioned too in the Abridged Annual Reports of 2010, 2011 and 2012. As a result of this, though the fund made full disclosure of the brokerage paid to its associates during the years 2013 to 2015 and also full disclosure of commission paid to associates during the applicable time period, it failed to score 100 per cent on average disclosure level. For HDFC Mutual Fund, the disclosure of brokerage and commission paid to its associates was not made in the abridged scheme-wise annual report for the year-ended March 2010 which resulted in the drop in average disclosure level of the fund house despite having full disclosure in all the aspects in both the reports during the rest of the years. The average disclosure level of 83.33 per cent on brokerage and commission paid to associates by UTI Mutual Fund is contributed by the unavailability of relevant information in the unaudited half yearly financial report of the fund house during the financial year 2010 and the abridged annual report for the same year could not be traced in its website. Tata Mutual Fund secured average disclosure level of 50 per cent on the examined area of disclosure during the period of 2010 to 2015 because of the unavailability of abridged annual report in its website. The average disclosure level of LIC Nomura Mutual Fund on the disclosure of brokerage and commission paid to its associates is found to be lowest (36.67 per cent) amongst all the fund houses as the information related

to the brokerage paid by the fund was not disclosed in its abridged annual report in any year in addition to the unavailability of reports prior to the financial year 2012-13 in its website.

Table D-9 presents the disclosure levels of the eight fund houses in the area of Offer Document.

Table D-9: Offer Document: The Disclosure Levels of Fund Houses

Fund House	Disclosure Level on			Average Disclosure Level (%)
	SID (%)	SAI (%)	KIM (%)	
Baroda Pioneer Mutual Fund	100.00	100.00	72.00	90.67
Birla Sun Life Mutual Fund	100.00	100.00	100.00	100.00
Franklin Templeton Mutual Fund	93.10	100.00	100.00	97.70
HDFC Mutual Fund	93.10	100.00	100.00	97.70
JM Financial Mutual Fund	96.55	90.00	72.00	86.18
LIC Nomura Mutual Fund	100.00	100.00	100.00	100.00
Tata Mutual Fund	96.55	100.00	100.00	98.85
UTI Mutual Fund	89.66	100.00	94.00	94.55

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-9 represents the disclosure levels of the eight fund houses in the area of Offer Document. It is evident from Table D-9 that out of the eight selected fund houses, only Birla Sun Life Mutual Fund and LIC Nomura Mutual Fund scored 100 per cent disclosure on all the three sections of the offer document. Tata Mutual Fund made full disclosure on SAI and KIM but information about New Fund Offer under Units and Offer was not found in the SID which led to an average disclosure level of 98.85 per cent for the fund house. Franklin Templeton Mutual Fund and HDFC Mutual Fund scored equal (97.70 per cent) on the disclosure of information in Offer Document. Both the fund houses made full disclosure in SAI and KIM, but as the information related to 'liquidity

of the schemes' of HDFC Mutual Fund and 'new fund offer' under 'units and offer' by Franklin Templeton Mutual Fund and 'fees and expenses of new fund offer' by both the fund houses were not mentioned in the SID, their average disclosure level dropped to 97.70 per cent. The average disclosure level of UTI Mutual Fund is found to be 94.55 per cent as information related to new fund offer, NFO expenses and waiver of load for direct schemes in SID and profile of schemes in KIM were not disclosed, though the fund made full disclosure in SAI. Baroda Pioneer Mutual Fund scored an average disclosure of 90.67 per cent. Though, the fund house made full disclosure in SID and SAI, but because of non-disclosure of information related to waiver of load for direct applications, tax treatment for unit holders, daily NAV publication, grievance redressal contact and unit-holders' information in KIM, its average disclosure level dropped to 90.67 per cent. JM Financial Mutual Fund scored the lowest in the area of disclosure examined, with average disclosure level of 86.18 per cent as, like Baroda Pioneer Mutual Fund; the fund did not disclose the same information in the KIM. Moreover, the condensed financial information in SAI and information related to NFO expenses in SID was not disclosed.

Table D-10 presents the disclosure levels of the eight fund houses in the area of Annual Report.

Table D-10: Annual Report: The Disclosure Levels of Fund Houses

Fund Houses	Year-wise Disclosure Level (%)								Average Disclosure Level (%)
	2008	2009	2010	2011	2012	2013	2014	2015	
Baroda Pioneer Mutual Fund	69.25	41.89	68.92	69.09	74.40	69.74	70.23	66.98	66.31
Birla Sun Life Mutual Fund	62.96	69.59	75.38	70.99	69.09	70.53	70.99	68.91	69.80
Franklin Templeton Mutual Fund	58.46	60.08	63.60	62.62	39.71	61.98	65.69	64.22	59.54
HDFC Mutual Fund	72.53	73.17	73.66	73.66	74.15	74.15	74.15	74.15	73.70
JM Financial Mutual Fund	67.11	52.04	74.46	71.06	66.89	66.89	66.40	70.57	66.93
LIC Nomura Mutual Fund	0.00	0.00	0.00	0.00	58.87	79.70	47.80	43.15	28.69
Tata Mutual Fund	58.95	47.16	41.86	49.70	45.53	49.21	49.21	43.53	48.14
UTI Mutual Fund	60.51	47.64	28.92	48.77	68.14	67.65	68.29	67.80	57.22

* The disclosure levels of fund houses have been ascertained by following the methodology outlined in sub-section 4.2.1 in this Chapter.

Source: Compiled on the basis of the data collected from the websites of the selected fund houses.

Table D-10 presents the disclosure levels of the eight fund houses in the area of *Annual Reports*. The heads/items to be disclosure in the annual report are collected from the Eleventh Schedule of the SEBI (Mutual Funds) Regulations, 1996 and are divided into 4 parts which are trustee report, revenue account, balance sheet and perspective historical per unit statistics (PHPS). Trustee Report includes six items under it whereas revenue account, balance sheet and PHPS incorporate twenty two, fifty one and twelve items respectively. From Table D-10, it is clear that not a single fund house under study had full disclosure in the area of annual report. The highest level of disclosure is exhibited by HDFC Mutual Fund with average disclosure level of 73.70 per cent followed by Birla Sun Life Mutual Fund (69.80 per cent) and JM Financial Mutual Fund (66.93 per cent). HDFC Mutual Fund is found to have full disclosure (100 per cent) on PHPS throughout the study period, but comparatively lesser levels of disclosure in Trustee Report (83.33 per cent), revenue account (67.61 per cent) and balance sheet (43.87 per cent). Birla Sun Life Mutual Fund had full disclosure on trustee report and 90.62 per cent disclosure on PHPS, but because of its unavailability of information on revenue account and poor disclosure level on balance sheet (30.64 per cent), the fund house's average disclosure level on annual report dropped to 69.80 per cent. Baroda Pioneer Mutual Fund (66.31 per cent) and JM Financial Mutual Fund (66.93 per cent) scored almost equal on the average disclosure level on annual report. Baroda Pioneer Mutual Fund had relatively better disclosure on trustee report (83.33 per cent) and PHPS (87.50 per cent) than revenue account (66.48 per cent) and balance sheet (27.94 per cent). JM Financial Mutual Fund had poor disclosure on balance sheet (37.50 per cent) and comparatively better disclosure on PHPS (86.46 per cent), trustee report (75 per cent) and revenue account (68.75 per cent). Franklin Templeton (59.54 per cent) and UTI Mutual Fund (57.22 per cent) made almost equal level of disclosure but it is found to be below 50 per cent for LIC Nomura and Tata Mutual Fund with LIC Nomura Mutual Fund scoring just 28.69 per cent average disclosure level in the area of annual report.

Table D-11 depicts the composite ranking of the eight selected fund houses on the basis of aggregate disclosure level during the period of the study.

Table D-11: Composite Disclosure Rank of Selected Fund Houses

Fund Houses	Disclosure Level on Statutory Areas (%)										Mean Score (%)	Composite Disclosure Rank
	Monthly Portfolio	Half-yearly Portfolio	Half-yearly Financials	Large Unit Holdings	AUM	Commission	Investor Complaints	Brokerage & Commission	Offer Document	Annual Report		
Baroda Pioneer Mutual Fund	56.25	20.00	100.00	93.75	100.00	91.67	100.00	100.00	90.67	66.31	81.86	3
Birla Sun Life Mutual Fund	71.88	63.41	100.00	100.00	100.00	100.00	100.00	100.00	100.00	69.80	90.51	1
Franklin Templeton Mutual Fund	50.00	15.45	100.00	81.25	100.00	100.00	100.00	96.67	97.70	59.54	80.06	5
HDFC Mutual Fund	62.50	60.00	100.00	100.00	100.00	100.00	100.00	91.67	97.70	73.70	88.56	2
JM Financial Mutual Fund	59.38	22.05	100.00	100.00	100.00	0.00	50.00	100.00	86.18	66.93	68.45	7
LIC Nomura Mutual Fund	50.00	34.32	37.50	37.50	100.00	91.67	50.00	36.67	100.00	28.69	56.63	8
Tata Mutual Fund	43.75	25.23	96.67	100.00	100.00	91.67	50.00	50.00	98.85	48.14	70.43	6
UTI Mutual Fund	62.50	61.59	100.00	100.00	100.00	66.67	75.00	83.33	94.55	57.22	80.09	4

Source: Compiled on the basis of data furnished in the Table No. D-1 to D-10 in this Chapter.

Table D-11 shows the ranks assigned ultimately to the fund houses based on their mean disclosure scores. It is evident from the table that Birla Sun Life Mutual Fund topped the list with the highest average disclosure level of 90.51 per cent. Out of the ten disclosure parameters, Birla Sun Life Mutual Fund is found to have full disclosure levels on seven parameters which has contributed the fund to top the list. The second position is secured by HDFC Mutual Fund with average disclosure level of 88.56 per cent. HDFC Mutual Fund made full disclosure on five areas, but in rest of the five areas; it was found to have relatively low level of disclosure. Baroda Pioneer (81.86 per cent), UTI (80.09 per cent) and Franklin Templeton Mutual Fund (80.06 per cent) are found to have marginal difference in their average disclosure level and are ranked as 3rd, 4th and 5th respectively. Baroda Pioneer Mutual Fund made full disclosure on four areas, but because of its poor disclosure on the *half-yearly portfolio disclosure*; its average disclosure level declined. Franklin Templeton and UTI Mutual Fund scored almost equal. The average disclosure level of Tata Mutual Fund is found to be 70.43 per cent which enabled it to be ranked with 6th position. JM Financial Mutual Fund is found to have an average disclosure level of 68.45 per cent and is ranked 7th which may be attributable to its non-disclosure of information in relation to payment of commission and expenses to distributors. Its disclosure level (22.05 per cent) on half-yearly portfolio is also found to be poor. LIC Nomura Mutual Fund is found to have the lowest disclosure level (56.63 per cent) and is ranked as 8th. This poor disclosure level of LIC Nomura Mutual Fund is mainly because of its unavailability of relevant information during the period of March 2008 to 2012.

4.4 SUMMING UP THE FINDINGS

In this Chapter, the response of the selected eight fund houses to the statutory disclosure requirements was examined. For measuring the disclosure levels, at the outset ten specific disclosure areas were identified. These areas were:

- (i) Monthly Portfolio Disclosures,

- (ii) Half Yearly Disclosure of Portfolio,
- (iii) Unaudited Half-yearly Financials,
- (iv) Disclosure of Large Unit Holdings,
- (v) Assets Under Management (AUM) Disclosure,
- (vi) Commission Disclosure,
- (vii) Disclosure of Investor Complaints with Respect to Mutual Funds,
- (viii) Brokerage and Commission Paid to Associates,
- (ix) Disclosure in Offer Documents, and
- (x) Annual Report.

Knowingly, under each of the above ten areas, information are to be furnished by fund houses on a number of specific heads or items.

Relevant information regarding disclosures actually made by the fund houses on the various items pertaining to each of the ten disclosure areas were collected from their respective websites during the period of 2008-2015. The disclosure levels of the fund houses were first ascertained for each one of the ten disclosure areas separately and scores in terms of percentages were assigned to every single fund house based on their noticed disclosure levels.

Following this, mean scores were assigned to all the eight selected fund houses for statutorily-prescribed ten disclosure areas. Based on the average of these mean scores, the fund houses are then ranked with higher rank being assigned to a fund house that could ensure better compliance of the disclosure requirements (in terms of the assigned average of mean scores). The rank so obtained by a fund house is taken as reflective of the relative response-levels of the fund house. The following facts came out from the analysis:

1. Amongst the eight selected fund houses, not a single one was found to making full disclosure of information on the *monthly portfolio report*. However, Birla Sun Life Mutual Fund made the highest level of disclosure (71.88 per cent) followed by HDFC Mutual Fund and UTI Mutual Fund; both of which found to have equal level of disclosure (62.50 per cent). JM Financial Mutual Fund secured the third position with 59.38 per cent average disclosure level on monthly portfolio report followed by Baroda Pioneer Mutual Fund (56.25 per cent). Franklin Templeton and LIC Nomura Mutual Fund scored exactly 50 per cent while Tata Mutual Fund made the poorest disclosure amongst all (43.75 per cent) as revealed by the study.
2. In the area of *half-yearly portfolio disclosure*, the highest average disclosure level was found to be secured by Birla Sun Life Mutual Fund (63.41 per cent) followed by UTI Mutual Fund (61.59 per cent) and HDFC Mutual Fund (60 per cent). The disclosure level of the remaining five fund houses were found to be less than 35 per cent with Franklin Templeton Mutual Fund having the lowest disclosure level (15.45 per cent) in the area of half yearly disclosure of portfolio.
3. Barring few, the disclosure levels in the *Unaudited Half Yearly Financials* by the selected fund houses were found to be very impressive. Out of the eight fund houses studied, six were found to have full disclosure (100 per cent) of facts in the unaudited half yearly financials throughout the study period. The disclosure level of Tata Mutual Fund on the said area was found to be 96.97 per cent while LIC Nomura Mutual Fund found to have the lowest disclosure level (37.50 per cent) on the same.
4. Except Franklin Templeton and LIC Nomura Mutual Fund, all other fund houses considered in the study made good disclosure in the area of *disclosure of large unit holdings* during the study period. Birla

Sun Life, HDFC, JM Financial, Tata and UTI Mutual Fund consistently made full disclosure in the area of large unit holdings throughout the study period. Baroda Pioneer Mutual Fund was found to have a disclosure level of 93.75 per cent which was found to be 81.25 per cent for Franklin Templeton Mutual Fund. LIC Nomura Mutual Fund had a disclosure level of 37.50 per cent in the said area.

5. The *Asset under Management (AUM) disclosure* for the two years, i.e. 2014 to 2015 during which the regulation was effective, was found to be excellent as all the studied fund houses scored 100 per cent i.e. made full disclosure of facts on the area.
6. During 2013 to 2015, only three fund houses were found to have full disclosure (100 per cent) in the area of *commission disclosure*, namely, Birla Sun Life, Franklin Templeton and HDFC Mutual Fund. Among the remaining five fund houses, Baroda Pioneer, LIC Nomura, Tata and UTI Mutual Funds were found to have equal disclosure level (91.67 per cent) while no information was available in the website of JM Financial Mutual Fund regarding disclosure of commission payment.
7. Four fund houses viz. Baroda Pioneer, Birla Sun Life, Franklin Templeton and HDFC Mutual Fund were found to make full disclosure of information related to *investor complaints with respect to mutual funds*. UTI Mutual Fund had a disclosure level of 75 per cent while JM Financial, LIC Nomura and Tata Mutual Fund made equal level of disclosure (50 per cent) on the said area.
8. In the area of *disclosure of brokerage and commission paid to associates*, Baroda Pioneer, Birla Sun Life and JM Financial Mutual Fund topped the list with 100 per cent disclosure levels followed by Franklin Templeton Mutual Fund (96.67 per cent) and HDFC Mutual Fund (91.67 per cent). UTI Mutual Fund scored 83.33 per cent on the

same while LIC Nomura (36.67 per cent) and Tata Mutual Fund (50 per cent) were found to have the poorest level of disclosure amongst all.

9. Apart from Birla Sun Life and LIC Nomura Mutual Fund, no other fund houses were found to have full disclosure in all the three different sections of the *offer document*. The score of Tata Mutual Fund was found to be 98.85 per cent followed by Franklin Templeton and HDFC Mutual Fund, both of which were found to score 97.70 per cent. UTI Mutual Fund made a disclosure level of 94.55 per cent and that of Baroda Pioneer Mutual Fund was found to be 90.67 per cent. JM Financial Mutual Fund was found to have the lowest score with 86.18 per cent disclosure level in offer document.
10. The analysis of disclosure levels of the selected mutual funds on *annual reports* during the period of the study revealed that no mutual fund made full disclosure in the annual report. The highest disclosure level of 73.70 per cent was scored by HDFC Mutual Fund followed by Birla Sun Life Mutual Fund (69.80 per cent), JM Financial Mutual Fund (66.93 per cent) and Baroda Pioneer Mutual Fund (66.31 per cent). Franklin Templeton Mutual Fund was found to have a disclosure level of 59.54 per cent while that of UTI Mutual Fund and Tata Mutual Fund was found to be 57.22 per cent and 48.14 per cent respectively. LIC Nomura Mutual Fund, with average annual disclosure level of 28.69 per cent on annual report, was found to have the lowest disclosure level among all.
11. The ranking of the selected fund houses on the basis of the average of the mean scores obtained by each fund house on each of the ten disclosure areas revealed that, Birla Sun Life Mutual Fund with the highest of 90.51 per cent of disclosure level secured the top position followed by HDFC Mutual Fund with a disclosure level of 88.56 per

cent. The third, fourth and fifth position was secured by Baroda Pioneer Mutual Fund (81.86 per cent), UTI Mutual Fund (80.09 per cent) and Franklin Templeton Mutual Fund (80.06 per cent) respectively. With 70.43 per cent score, Tata Mutual Fund was ranked 6th and JM Financial Mutual Fund (68.45 per cent) was ranked 7th. LIC Nomura Mutual Fund was found to have the poorest disclosure level amongst all with an average disclosure level of 56.63 per cent and was ranked 8th.
