

## **FAQ – Uniform Applicability of NAV with effect from 1<sup>st</sup> February 2021**

### **What is the change and it is applicable from which date?**

As per the SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2020/175 dated September 17, 2020 and SEBI circular SEBI/HO/IMD/DF2/CIR/P/2020/253, dated December 31, 2020 on Uniformity in applicability of Net Asset Value (NAV) across various schemes upon realization of funds Capital market regulator, SEBI has partially modified rules on applicability of Net Asset Value (NAV) in case of purchase of mutual fund units.

For understanding purpose, currently realisation based NAV is applicable for (purchase/switch-in) in all schemes (except Liquid & Overnight fund) for a value of Rs. 2 Lakh and above. However, with reference to above SEBI circular, realisation based NAV will be applicable for any amount i.e. including less than 2 Lakh value purchases/switch-in.

This will be applicable from February 01, 2021.

### **Is this circular applicable for lump sum purchase and switch-in?**

Realisation based NAV wef February 01, 2021 will be applicable to all type of purchase and switch in transactions which includes:

Lump sum & SIP Purchases

Switch-In of any value including STP switch in and Trigger Transaction.

### **Will there be any change in applicability for Liquid Fund & Overnight Fund?**

The existing provision of NAV applicability for liquid and overnight funds and cut-off timings for all other scheme types shall remain unchanged.

### **Will it also bring any change in cut-off timing for Equity and Debt Schemes transactions?**

There is no change in the cut off timings of Equity and Debt Schemes. However, unit allotment will be based on credit realization.

### **Will this cover Fund of Fund (FOF) schemes as well?**

Yes. The above mentioned circular will also include FOF schemes.

### **Will it impact online/exchange/channel/MFU mode of transactions also?**

Yes. Irrespective of mode of transaction the allotment of units will be based on credit realization.

### **What will be the impact for investors and distributors?**

As per existing process, investors having investment amount of less than 2 lakh for (Purchase/SIP/Switch/STP) in Equity & Debt schemes and the transaction is submitted before cut-off time, said transaction will get processed with the same day NAV irrespective of credit receipt date and time. Investor can view the unit allotment under respective schemes on the very next day in their account statement. However post February 01, 2021 unit allotment will happen only on realization of funds i.e. units will be allotted only on realization of funds.

Example:-

SIP date of an investor is 10<sup>th</sup> of every month for an SIP instalment of 2k.

Current scenario: Investor gets NAV of 10<sup>th</sup> of every month subject to the same being a business day irrespective of fund realization on same or later date.

New scenario: : Effective February 01, 2021, suppose the funds are received on 11<sup>th</sup> February '21 before the cut-off time for the SIP dated 10<sup>th</sup> February '21, the unit allotment will happen with the NAV of 11<sup>th</sup> February'21 and not with NAV of 10<sup>th</sup> February'21

### **What will be the process for NFO Purchase and NFO Switches?**

In case of NFO subscriptions, allotment date will be considered irrespective of credit date / NFO application submitted on or before NFO closure date.

In case of switches into NFO schemes from the existing schemes, Switch-Out will be processed on the existing schemes based on time-stamped date and time, Switch-In units will be allotted only on NFO Allotment date.

### **How the NAV will be allotted where funds are transferred first and application is submitted thereafter?**

If the funds are transferred first and purchase application is submitted at a later date the time-stamped date and time will be considered for NAV applicability.

### **If investor's account is debited on X date before cut-off whether investor will get that X days NAV for debt & equity funds?**

The NAV allotment will be based on receipt of funds in Scheme/AMC/Mutual fund account.

### **What will be the impact on units created through Dividend Reinvestment?**

The circular is not applicable for Dividend Reinvestment since funds will be available in same scheme

### **What will be impact on Purchase transaction submitted before cut-off time on January 29, 2021 but credit is received post cut-off January 29, 2020 (Equity & Debt Funds)?**

Transactions less than 2 lakh – NAV as of January 29, 2020.

Transactions  $\geq$  2 lakh – NAV as and when funds are available for utilization

Transactions time stamped post cut-off on January 29, 2020 will be processed according to the new regime.

**What will be impact on Switch transaction submitted before cut-off time on January 29, 2020 (Equity & Debt Funds) for value less than 2 Lakh?**

Prevailing rules for switch applies since the time stamping was done prior to cut-off on January 29, 2021.

Transactions time stamped post cut-off on January 29, 2021 will be processed according to the new regime.