

Consultation paper on modifying the requirement of uploading initial draft Scheme Information Documents (SIDs) on SEBI website

1. Objective

1.1. The objective of this consultation paper is to seek comments from the public on the proposal to reduce the number of days from 21 working days to 5 working days for which the draft Scheme Information Documents (SIDs) submitted by Asset Management Companies (AMCs) are to be made available on SEBI website.

2. Background

2.1. As per para 1.1.3.1 of SEBI Master Circular for mutual funds dated June 27, 2024, AMCs are required to file soft copy of the draft SID to SEBI which is to be made available on SEBI website for 21 working days from the date of filing. The said requirement was introduced vide SEBI circular no. IMARP/MF/CIR/06/793/98 dated March 31, 1998 in order to solicit public comments on the adequacy of disclosures made in the SID.

2.2. This requirement was mandated more than two decades ago. Since then the contents of SIDs and the categories of schemes have been largely standardized, starting in May 2008 when the format of SID and SAI were revised. This was followed by issuance of circular on categorization and rationalization of schemes in October 2017 and December 2017 and revision in the format of SID in November 2023.

2.3. SEBI has noted instances wherein AMCs which file SID based on new product lose the first mover advantage due to the upload of the initial draft SID on SEBI website. It has been observed that once a draft SID proposing a new product is uploaded on SEBI website, other AMCs tend to follow suit. At times, this leads to a situation where NFO of an AMC which followed suit precedes the NFO of AMC that conceived the idea and the AMC proposing the new product loses its first mover advantage.

2.4. Further, SID processing time has reduced significantly from the date of introduction of the said requirement and it has been observed that generally SEBI observation letters are issued within 21 working days from the date of receipt of application.

3. Recommendation from Industry

3.1. To address the concerns, discussions were held with mutual fund industry and AMFI to arrive at an optimum stage when draft SID should be uploaded on SEBI website and the minimum duration for which it should be available for public comments.

4. Consultation proposal:

4.1. Though various disclosures in scheme related documents have been standardized, conversely, certain schemes may offer new features/asset class/combo of asset classes/ investment strategies which are innovative and ingenious in nature. For example, a new theme or a strategy under Thematic Fund category or a scheme based on a new index. Features of such new product necessitate the uploading of draft SID on SEBI website to provide an opportunity for public to offer its views and comments on the same.

4.2. Hence, certain modifications may be made w.r.t. the stage at which SIDs are to be uploaded on SEBI website and the time period for which they are to be made available on the website as proposed below ('Proposed Framework') with an objective to strike an optimum balance between the time available for public to comments and to address the industry concern of losing the first mover advantage.

4.3. Proposed Framework:

4.3.1. Uploading of SID on SEBI website at the initial draft filing stage may be done away with. Instead SIDs on which SEBI observations have been issued may be uploaded on the website;

4.3.2. The said SIDs may be made available on SEBI website for at least 5 working days prior to launch of the scheme for public comments;

4.3.3. On closure of the above mentioned period, AMC may file final offer documents (final SID and final KIM) which shall be at least two working days prior to the launch of the scheme as per para 1.1.3.3(a) of SEBI Master Circular on mutual funds dated June 27, 2024.

4.4. Comprehensive infographic representation of the proposed framework at para 4.3 above along with the existing framework is attached at Annexure 1.

5. Public Comments on this Consultation Paper

- 5.1. Kindly provide your comments separately for each of the below items along with supporting rationale:
- 5.1.1. Can the 'Proposed Framework' of uploading the Scheme Information Documents (SIDs) after the issuance of SEBI observation rather than at the initial draft filing stage, be considered as a suitable alternative to the existing provisions?
 - 5.1.2. Is the proposed timeframe of at least 5 working days for seeking public comments before the launch of the scheme an ample time for obtaining public comments?
 - 5.1.3. Is there a need for any other conditions and/or safeguards in relation to the proposed framework? If yes, please indicate the same and provide supporting rationale for your response.
 - 5.1.4. The draft circular in respect of the above proposal is enclosed with the consultation paper and comments on the same may be provided.
6. Public comments are invited for the items as stated at para 5.1 above latest by November 20, 2024. The comments may be submitted through the following link: <https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>
7. The instructions to submit comments on the consultation paper are as under:
- i. Before initiating the process, please read the instructions given on top left of the web form as "Instructions".
 - ii. Select the consultation paper you want to comment upon from the dropdown under the tab –"Consultation Paper" after entering the requisite information in the form.
 - iii. All fields in the form are mandatory;
 - iv. Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.
 - v. If you represent any organization other than the types mentioned under dropdown in "Organization Type", please select "Others" and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select "Others" and mention "Not Applicable" in the text box.
 - vi. There will be a dropdown of Proposals in the form. Please select the proposals one-by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.

- vii. If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “Do you want to comment on the proposal” and use the text boxes provided for the same.
 - viii. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
 - ix. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “Skip this proposal” and move to the next proposal.
 - x. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “Check your response before submitting” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
 - xi. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.
8. In case of any technical issue in submitting your comments through web based public comments form, you may contact the following through email with a subject “Consultation Paper on Modifying requirement of uploading initial draft SIDs on SEBI website”:
- i. Ms. Anupma Chadha, General Manager (anupmac@sebi.gov.in)
 - ii. Mr. Vrajesh Ojha, Assistant Manager (vrajesho@sebi.gov.in)

Encl.: Annexure 1 and Draft Circular

Issued on: October 30, 2024

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Infographic Presentation of the timelines under the Existing Framework

Step 1

Draft SID filed with SEBI to be made available on SEBI website for public comments for
21 working days
(as per para 1.1.3.1(a) of SEBI Master circular dated June 27,2024)

Step 2

Final SID and KIM available on SEBI website
T-2
(as required under para 1.1.3.3(a) of SEBI Master circular dated June 27,2024)



1st possible NFO opening date
T

**Infographic Presentation of the timelines under the
Proposed Framework**

Draft SID which has received SEBI observation to be made available on SEBI website for public comments
T-7
(Available for at least 5 working days prior to launch of scheme)



Final SID and KIM available on SEBI website
T-2
(as required under para 1.1.3.3(a) of SEBI Master circular dated June 27,2024)



1st possible NFO opening date
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DRAFT CIRCULAR

SEBI/HO/IMD/RAC1/_____

November xxxx 2024

To
All Mutual Funds
All Asset Management Companies (AMCs)
All Trustee Companies/ Boards of Trustees of Mutual Funds
Association of Mutual Funds in India (AMFI)

Dear Sir/Madam,

Subject: Simplification of Offer Document

1. Clause 1.1.3.1 of Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024 for Mutual Funds ('Master Circular') read with Circular No. IIMARP/MF/CIR/06/793/98 dated March 31, 1998 inter alia, prescribes that Asset Management Companies (AMCs) are required to submit soft copy of the draft Scheme Information Documents (SIDs) with SEBI which are to be made available on SEBI's website for 21 working days from the date of filing for receiving the public comment on the adequacy of disclosures made in the document.
2. It has been more than two decades since the issuance of the above requirement and over these years the structure and content of SIDs has been standardized vide SEBI Circulars SEBI/IMD/CIR No. 5/126096/08 dated May 23 2008, SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017. Further, in order to streamline the dissemination of relevant information to investors, rationalizing the preparation of SID and facilitating its periodic updation by mutual funds SEBI vide Circular SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/000175 dated November 01 2023, revised format for SID. Accordingly, the requirement of uploading SID for 21 working days on SEBI website was reviewed.
3. It has been decided that draft SIDs initially filed with SEBI shall no longer be uploaded on SEBI website. Henceforth, last SID on which observations have been issued by SEBI shall be uploaded on the SEBI website for at least 5 working days for receiving public comments on the adequacy of disclosures made in the document.
4. On closure of the above mentioned period, AMC may file final offer documents (final SID and final KIM). The requirement of filing Final SID and KIM at least two working days prior to launch of the scheme as per para 1.1.3.3 of SEBI master circular dated June 27, 2024 shall remain applicable.
5. The provisions of this circular shall come into force with immediate effect.

6. The circular is issued in exercise of powers conferred under Section 11(1) of Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interest of investors in securities and to promote the development of, and to regulate the Securities Market.

Yours faithfully,

Anupma Chadha
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Investment Management Department
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