



CIRCULAR

SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652

October 27, 2021

All Mutual Funds/

Asset Management Companies (AMCs)/

Trustee Companies/Boards of Trustees of Mutual Funds /

Association of Mutual Funds in India (AMFI)

Sir/ Madam,

Subject: Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes

1. In order to standardize and bring uniformity in the Benchmarks of Mutual Fund Schemes and taking into account the recommendations of Mutual Fund Advisory Committee (MFAC), it has been decided that there would be two-tiered structure for benchmarking of schemes for certain categories of schemes. The first tier benchmark shall be reflective of the category of the scheme, and the second tier benchmark should be demonstrative of the investment style / strategy of the Fund Manager within the category. All the benchmarks followed should necessarily be Total Return Indices.
2. The following are the guiding principles for first tier benchmarks:
 - i. For Income / Debt Oriented Schemes

First Tier: One Broad Market Index per Index Provider for each category
e.g.: NIFTY Ultra Short Duration Debt Index or CRISIL Ultra Short Term Debt Index for Ultra Short Duration Fund Category

Second Tier: Bespoke according to Investment Style/Strategy of the Index e.g.: AAA Bond Index



ii. For Growth / Equity Oriented Schemes

First Tier: One Broad Market Index per Index Provider for each category
e.g.: S&P BSE 100 Index or NSE 100 Index for Large Cap Fund Category

Second Tier: Bespoke according to Investment Style/Strategy of the Index
e.g.: Nifty 50 Index

iii. For Hybrid and Solution Oriented Schemes:

There would be a single benchmark, i.e., Broad Market Benchmark wherever available or bespoke to be created for schemes, which would then be applicable across industry.

iv. For Thematic / Sectoral schemes:

There would be a single benchmark as characteristics of the schemes are already tapered according to the theme/sector.

v. For Index Funds and Exchange Traded Funds (ETFs):

There would be a single benchmark as these schemes replicate an underlying index.

vi. For Fund of Funds Schemes (FoFs):

Similar to Index Fund and ETFs, if a FoF scheme is investing in a single fund, then benchmark of the underlying scheme shall be used for corresponding FoF.

However, in case a FoF scheme invests in multiple schemes, then Broad Market Index shall be applied.

vii. For Other Schemes:

Depending on underlying asset allocation, Broad Market benchmark may be arrived at.



3. AMFI is advised to publish:
 - (a) Benchmarks intended to be used by AMCs as first tier benchmarks within a period of one month from the date of issuance of this circular.
 - (b) Benchmarks intended to be used as first tier benchmark by AMCs for open ended debt schemes as per the Potential Risk Class Matrix on or before December 1, 2021.
4. The second tier Benchmark is optional and shall be decided by the AMCs according to Investment Style/Strategy of the Index.

Applicability of the circular

5. The framework specified by AMFI as referred at para 3(a) above shall come into force with effect from December 1, 2021 and the framework specified by AMFI as referred at para 3(b) above shall come into force with effect from January 1, 2022.
6. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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