



CIRCULAR

SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39

March 30, 2022

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: Timelines for Rebalancing of Portfolios of Mutual Fund Schemes

1. In order to bring uniformity across Mutual Funds with respect to timelines for rebalancing of portfolio, the following has been decided:
 - a. In the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs), rebalancing period across schemes shall be as follows:

| Sl. No. | Category of Scheme | Mandated Rebalancing Period |
|----------------|--|------------------------------------|
| i. | Overnight Fund | NA |
| ii. | All schemes other than Index Funds and Exchange Traded Funds | Thirty (30) business days |

- b. In case the portfolio of schemes mentioned at para 1 (a) (ii) above are not rebalanced within the above mandated timelines, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed



before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period.

- c. In case the portfolio of schemes is not rebalanced within the aforementioned mandated plus extended timelines, AMCs shall:
- i. not be permitted to launch any new scheme till the time the portfolio is rebalanced.
 - ii. not to levy exit load, if any, on the investors exiting such scheme(s).

d. Reporting and Disclosure Requirements:

- i. AMCs to report the deviation to Trustees at each stage.
 - ii. In case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of scheme:
 1. AMCs have to immediately disclose the same to the investors through SMS and email / letter including details of portfolio not rebalanced.
 2. AMCs shall also have to immediately communicate to investors through SMS and email / letter when the portfolio is rebalanced.
 3. Subject line of the aforementioned emails / letters should be uniform across industry and clearly indicate “breach of” / “deviation” from mandated asset allocation.
 - iii. AMCs have to disclose any deviation from the mandated asset allocation to investors along with periodic portfolio disclosures as specified by SEBI from the date of lapse of mandated plus extended rebalancing timelines.
2. The above mentioned norms shall be applicable to main portfolio only and not to segregated portfolio(s), if any and shall be effective from July 01, 2022.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

3. 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,

Bithin Mahanta

General Manager

Tel no.: 022-26449634

Email: bithinm@sebi.gov.in