

SEBI/HO/IMD/PoD1/CIR/P/2024/150

November 05, 2024

To,
All Mutual Funds (MFs)
Asset Management Companies (AMCs)
All Trustee Companies/ Board of Trustees of Mutual Funds
All Registrar to an Issue and Share Transfer Agents ('RTAs')
Association of Mutual Funds in India (AMFI)

Sir / Madam,

Subject: Disclosure of expenses, half yearly returns, yield and risk-o-meter of schemes of Mutual Funds

1. Under the current regulatory framework for Mutual Funds, various disclosure requirements have been mandated, which include disclosures by Mutual Funds with respect to expenses and risks pertaining to schemes. In order to facilitate enhanced transparency, ease of comprehension by investors and a standardised approach towards disclosures by the Mutual Fund industry, based on the recommendation of Mutual Fund Advisory Committee, following has been decided:

A. Disclosure of expenses, half yearly returns and yield of a scheme

2. Investments under direct plan of a mutual fund scheme, which was introduced vide circular dated September 13, 2012 and came into effect from January 01, 2013, are investments which are not routed through distributors of Mutual Funds. As distribution expenses and commission cannot be charged to investors of a direct plan, the expense ratio of direct plan of any scheme is lower than that of the regular plan of the same scheme and hence the returns of the direct and regular plans also differ.
3. Accordingly, disclosure of expenses, returns during the half year and yield of direct and regular plans shall be as under:

- 3.1. The expenses disclosed in terms of Sl. No. 6.4 of Twelfth Schedule read with Regulation 59 SEBI (Mutual Funds) Regulations, 1996 shall contain separate disclosures for total recurring expenses for direct and regular plans, apart from the disclosure of total recurring expenses of the scheme.
- 3.2. In terms of Sl. No. 7.1 and 7.2 of Twelfth Schedule read with Regulation 59 SEBI (Mutual Funds) Regulations, 1996, returns during the half year and compounded annualized yields respectively shall be separately disclosed for direct and regular plans.
4. To standardise the above disclosures, the format for half-yearly financial statement for MF schemes shall be reviewed and finalised by AMFI, in consultation with SEBI.
5. For all other regulatory disclosures where expenses, expense ratio, returns and/or yield of the schemes are required to be disclosed, separate disclosures shall be made for both regular and direct plans.

B. Colour Scheme for Risk-o-meter

6. Clause 17.4 of the Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024 for Mutual Funds (“Master Circular”), specifies the provisions pertaining to product labelling in Mutual Funds. Based on the recommendation of MFAC, it has been decided that in addition to the existing labels relating to levels of risk i.e. Low, Low to Moderate, Moderate, Moderately High, High and Very High, the Risk-o-meter shall also be depicted using a colour scheme. Accordingly, para 17.4.1(d) of the Master Circular stands modified as under:

“Risk-o-meter shall have following six levels of risk for mutual funds with the given colour scheme –

- i. *Low Risk – Irish Green [#08A04B]¹*
- ii. *Low to Moderate Risk –Chartreuse [#7FFF00]*
- iii. *Moderate Risk – Neon Yellow [#FFFF33]*

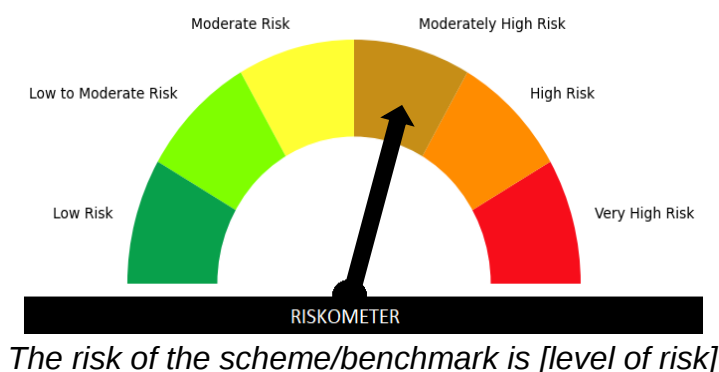
¹ HTML Color Code

- iv. Moderately High Risk – Caramel [#C68E17]
- v. High Risk – Dark Orange [#FF8C00]
- vi. Very High Risk –Red [#F70D1A]

The above given colour scheme of risk-o-meter shall be applicable for all digital and polychrome printed promotion materials/disclosures for the schemes.”

7. Further, para 17.4.1(e) of the Master Circular stands modified as under:

“Riskometer: Risk level of the scheme shall be depicted by “Risk-o-meter” as given below –



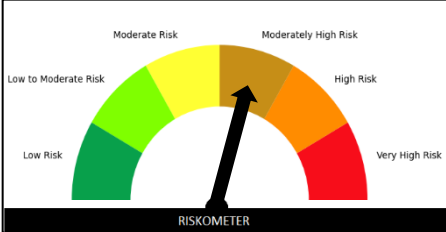
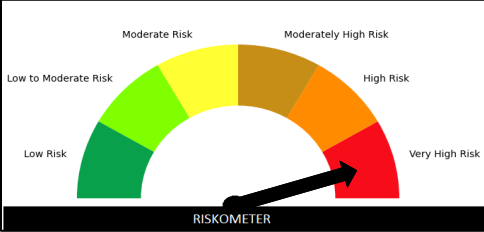
For example, the risk depicted in the above risk-o-meter is Moderately High”

C. Disclosure of change in Risk-o-meter

8. As per clause 17.4.1 (h) of the Master circular, any change in the risk-o-meter shall be communicated to unitholders of that particular scheme by way of a Notice cum Addendum as well as an e-mail or SMS.
9. In order to standardise the format of disclosure and for ease of understanding of the change in level of risk for unitholders, the Mutual Funds shall disclose the existing risk-o-meter along with the revised risk-o-meter. Accordingly, clause 17.4.1 (h) of the Master Circular stands modified as under:

“Any change in risk-o-meter of the scheme or its benchmark shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of

that particular scheme. The format for disclosure of change in Risk-o-meter shall be as under:

Name of the Scheme(s)	Existing Risk-o-meter of Scheme/Benchmark	Revised Risk-o-meter of Scheme/Benchmark
XXXX Large and Midcap Fund	 The risk of the scheme is moderately high	 The risk of the scheme is very high

10. The provisions of this circular shall come into effect from December 05, 2024.
11. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 29(1), 58(1), 59(1) read with 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.
12. This Circular is available at www.sebi.gov.in under the link “Legal ---Circulars”.

Yours faithfully,

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