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FOR MFS, SEBI BRINGS IN FLEXI-CAP CATEGORY

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MF schemes in the new category will have to adopt the name flexi cap. Existing schemes can reclassify themselves to this category. However, this constitutes a change in attributes and such schemes will have to give investors a 30-day window to exit, without any fee

The markets regulator has introduced a ‘flexi-cap category’ for mutual funds (MFs), which will be required to invest at least 65% of the corpus in equity but will have no restrictions on investing in large-, mid- or small-cap company stocks.

In September, the Securities and Exchange Board of India (Sebi) came up with new rules for multi-cap funds, which are required to invest at least 25% of the corpus in large-, mid- and small-caps. It raised concerns among industry players over the possibility of existing multi-cap funds being forced to buy mid- and small-cap stocks despite these segments not having the liquidity to absorb large flows from MFs. After the circular was issued, the Association of Mutual Funds in India, or Amfi, asked Sebi to create a new flexi-cap category, which will not have such stipulations.

The new MF category will be called flexi-cap schemes. Existing schemes will be able to reclassify themselves. However, this constitutes a change in attributes, and such schemes will have to give investors a 30-day window to exit, without any exit load. “The option to convert an existing scheme into flexi-cap is very good. Rather than introducing new funds, fund houses should convert existing multi-cap funds into flexi-cap. This would be better for investors," said Viral Bhatt, founder of Money Mantra, a Mumbai-based mutual fund distributor.

Sebi has also restored the pre-covid cut-off timings of MFs with effect from 9 November. It has sent a letter to Amfi in this regard, of which Mint has seen a copy. In April, Sebi reduced the cut-off timings of all MFs from 3pm to 1pm and for liquid and overnight schemes from 1.30pm to 12.30pm. The action follows an RBI move to extend debt market timings for most securities to 3.30pm, also with effect from 9 November.

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