

**Pre-Bid meeting held on 28.11.2018 -  
Clarifications on the RFP for appointment of AMC for creation & launch of Debt ETF**

Sl. No.	Clarification Sought	Clause of RFP	Clarification
1.	Please clarify that Rs.15,000 crore AUM should be average quarterly Jul-Sep 18 quarter AUM for either of Debt Mutual Fund or ETFs or Debt Assets.	Clause 3.1 of RFP	Yes, the symbol “/” as employed in the RFP to be construed as “or”.
2.	Please clarify the definition of Debt Assets AUM mentioned in this clause and even across document. Does Debt Assets definition cover assets managed other than that in Debt Mutual Fund Schemes/ETFs i.e. assets managed on behalf of EPFO as fund manager or as fund manager to CMPFO or any other debt Assets which may not be part of mutual fund AUM but may fall under Portfolio Management Services (PMS) offered by AMC Can you confirm if “Debt Assets” would include PMS mandates and AIF assets?	Clause 3.1 of RFP	(i) The RFP Clause 1(1.2) clearly defines the composition of underlying securities under the proposed Debt ETF being Bonds, Credit Linked Notes, Debentures, Promissory Notes etc. The same are included in the definition of Debt Assets for the purpose of this RFP. (ii) “AUM” would need to be construed as Asset which are managed by the bidders, wherein the bidders are authorized for the decisions relating to management of such assets
3.	Does the definition of Debt Mutual Funds include liquid funds?	Clause 3.1 of RFP	Liquid funds forming part of Debt Mutual funds can be included
4.	Who can be considered as sister concern in this regard, further can the reference of sister concern be deleted from the certificate if applicable?	Clause 3.2 of RFP	Sister concerns to be taken as group companies under the same ownership and in close affiliation or closely related to each other.
5.	The certification requirement will restrict the AMC from launching products similar to debt ETF, however with	Clause 3.2 of RFP	Similar product would mean a product similar to the product of the RFP, i.e. a Debt ETF comprising

	<p>regards to launch of FMPs there may be the possibility that in future the AMC proposes to launch a FMP or a series of FMPs consisting of CPSEs CPSEs / PSBs / PSUs Bonds, CLN, debentures, promissory notes etc., so will this amount to violation of the undertaking given in the certificate?</p> <p>Further HDFC AMC currently manages HDFC Banking and PSU debt fund (An open ended debt scheme predominantly (80%-100%) investing in debt instruments and Municipal Bonds). The Fund on an ongoing basis will continue to accept the subscription and redemption, so will there be any conflict of interest with reference to the undertaking provided in the certificate.</p>		<p>exclusive portfolio consisting of Bonds, Credit Linked Note, Debentures, Promissory Notes etc. as underlying instruments issued by CPSEs/PSBs/PSUs.</p>
6.	<p>Please clarify that if the portfolio of other schemes is constructed with CPSEs /PSBs/PSUs bonds having less than 95% of weightage in the portfolio, then it will not qualify as similar product as per this clause.</p>	<p>Clause 3.2 of RFP</p>	<p>Schemes proposed to be constructed with CPSEs /PSBs/PSUs bonds, CLN, debentures, promissory notes etc. having less than 95% of weight in the portfolio shall not qualify as a similar product as per this clause.</p>
7.	<p>Please clarify whether this question should have details from Debt research perspective or from equity research perspective or from both. We believe Debt Research perspective may be required since this is a Debt ETF RFP.</p>	<p>Clause 4.4 (B) (ix) &amp; (x) of RFP</p>	<p>Since the purpose of this clause is to assess an AMC's experience and expertise, the information requested is to be taken as all-embracing.</p>
8.	<p>We believe that the investment team structure and investment decision process and research is required for Debt mutual fund team as this is a Debt ETF RFP and not equity mutual fund team; request clarification on the same.</p>	<p>Clause 4.4 (C) (i) of RFP:</p>	<p>Since the purpose of this clause is to assess an AMC's Deal team Qualification and manpower commitment to the Deal, the information requested is for Debt mutual fund /ETFs/Debt Assets team as the "Deal" denotes a Debt ETF as per RFP.</p>

9.	We believe that fund manager details and performance of managed funds required will be for Debt mutual fund schemes as this is a Debt ETF RFP and not equity mutual fund scheme; request clarification on the same.	Clause 4.4 (C)(ii) of RFP	Since the purpose of this clause is to assess an AMC's Deal team Qualification and manpower commitment to the Deal, the information requested is for Debt mutual fund /ETFs/Debt Assets team as the "Deal" denotes a Debt ETF as per RFP.
10	Please clarify whether the whole section in Clause 4.4(f) needs to cover research or research related data/analysis from Debt research/team perspective or from equity research/team perspective or from both. We believe Debt Research/ team perspective may be required since this is a Debt ETF RFP	Clause 4.4 (F) of RFP	Clause 4.4 Section (F) clearly specifies the research requirements in each of the sub section(s).
11	<p>Request you to re-consider on requirement of questions in Clause 4.4 (F) (i), (iii), (iv), (v) as most of them are similar questions with same objective as question no (ii) of this same section. We believe that answers to these questions can run into pages. Also we would like to highlight that, the earlier CPSE ETF as well as Bharat 22 ETF RFP did not have these questions and only had question no (ii) mentioned in this clause, which gave an overall perspective of research capability of AMC/Mutual Fund, which we believe is the ultimate objective of Clause 4.4(F).</p> <p>Request you to eliminate question at clause 4.4 (F) (vii) due to duplication, as the same question is already covered in Clause 4.4(D)(1)(xiii).</p> <p>Given the word limit/page number restriction mentioned in Para 4.5, can we state the response once</p>	Clause 4.4 (F) and Clause 4.5	If the bidder feels that some points are similar/overlapping, they can provide reference to the information once furnished in subsequent paras of RFP

	<p>(in Para 4.4, Section (D) xiii) and provide the reference of response in the next question (in Para 4.4, Section (F) vii)?</p> <p>Please let us know your expectation for repetitive question?</p>		
12	<p>Please clarify Rs.25 Crs marketing/ advertising and distribution/promotional expenses will be on the assumption that NFO AUM will be Rs.10,000 Crs which translates it to 25bps or 0.25%. In case the NFO AUM will be less than or more than Rs.10,000 Crs then 25bps or 0.25% of that reduced/increased AUM will have to be incurred as marketing/ advertising and distribution/promotional expenditure.</p> <p>Considering the above clause, request you to link the marketing/advertising and distribution/ promotional expenses to basis point/percentage of NFO/FFO/Tap/Tranche AUM for better clarity.</p>	Clause 6.1 of RFP	<p>As per RFP, it is defined that the selected AMC/Debt ETF provider shall incur marketing/advertising and distribution/promotion expenses to the extent of at least Rs. 25 crore under NFO expenses. Hence, Rs. 25 crore is not linked to the size of NFO. It has also been mentioned that the AMC will also need to incur additional expenses on marketing / advertising and distribution / promotion as FFO, Tap, Tranche and any other additional offering expenses, for the proposed Debt ETF. The minimum expense that the AMC shall be required to incur towards the additional offerings will depend on the Tranche size / Tap quota and will be proportionate to the expense incurred for the NFO.</p> <p><b>In the past also, this amount was kept flat (Rs.15 crore in the NFO of CPSE ETF as well as Bharat 22 ETF). Debt ETF, being new to investors, would need good amount of marketing and communication to investors. However, keeping in view the concerns of Bidders, it has been decided to reduce the said expenses from Rs.25 crore to Rs.20 crore in the current RFP. A corrigendum has been issued on 05.12.2018.</b></p>

13	<p>Please clarify that the marketing/advertising and distribution/promotional expenses include the expenses (Roadshow, printing etc.) mentioned in Section 2 of RFP especially Section 2(xii) &amp; Section 2(xiii), as was the case with Bharat 22 ETF RFP.</p>	Clause 6 (6.1)	<p>Yes, the marketing/advertising and distribution/promotion expenses include expenses relating to Road shows, printing etc.</p>
14	<p>Please note, given that ETFs have only Direct plan in which no brokerage can be paid as per regulations, hence no brokerage etc. is paid to incentivise intermediaries on ongoing basis in ETFs.</p> <p>Para 6.1 and Para 6.2 asks AMCs to incur additional scheme related expenses including incentives to distributors etc.</p> <p>Para 6.2 and Para 6.4 asks AMCs to bear brokerage</p> <p>As per the SEBI Circular dated October 22, 2018, Under Section A, Para 1, all scheme related expenses including commissions paid to distributors in any name can only be paid from the scheme and not from AMC.</p> <p>In the light of the above-mentioned regulation, please clarify.</p> <p>As per regulations, ETFs are not allowed to pay brokerage. Please clarify</p>	<p>Clause 6. Details of Key Expenses &amp; its sub sections 6.1 to 6.4</p>	<p>Such expenses, as may be applicable, and required to be incurred by AMC/Debt ETF provider subject to any restriction under applicable SEBI circular/regulations are to be construed to be incurred by the “proposed Debt ETF scheme” and accordingly would form part of the total expenses limit (%) to be quoted by bidders under the clause 8 relating to Requirements for Financial Bids</p>
15	<p>What Frequency will be considered real time, whether an hourly or 2 hourly disclosure of NAV will be considered real-time in case of Debt ETF as unlike</p>	Clause 2 (iv)	<p>Not related to bidding. [appropriate frequency shall be discovered in consultation with the appointed AMC]</p>

	equities there is no corporate debt trading platform, the real time prices of underlying debt securities will have to be sourced from the third party vendor at specified interval and basis that AMC will be able to provide NAV.		
16	Is there a complete list of CPSEs, PSBs etc that are interested in participating through this product, available on your website or will it be provided by the Government in due course of time for enabling the structuring of the product?	-	DIPAM has already initiated the process for identification of participating CPSEs, PSBs etc. Further, Clause 2 Section 1 of the RFP clarifies the query
17	To the extent that deviations from present regulations w.r.t ETFs are required, is the capital markets regulator SEBI on board with providing these exceptions? The deviation sought shall be wr.t. market making activity by AMCs.	-	Not related to RFP.
18	With respect to the liquidity provision to investors and / or absorption of excess subscriptions, will a committed schedule of interest be available from participating CPSE?	-	Not related to RFP.
19	Would DIPAM have an agreement with the issuers regarding "On Tap" issuances?	-	Not related to RFP.
20	Would DIPAM stipulate the number of PSU issuers? If so, how many? Also, would the weightage for investing with the issuers be pre-defined? And if pre-defined, would there be a cap on % of exposure in these instruments based on credit quality?	-	Not related to RFP.

21	If there is no predefined list of issuers, on whom would the responsibility lie to liaise with the issuers?	-	Not related to RFP.
22	Since multiple investors would be participating in this product, is there a possibility of a special dispensation w.r.t to DDT (on dividends), whether this can be TDS akin to Bank Deposits?	-	Not related to RFP.
23	Since the debt markets are open later than the ETF cut-off timing, would the timing for this product be extended?	-	Not related to RFP.
24	Since exposure to fixed income mutual fund for PFs is limited to 5%, would this limit be relaxed for the said product?	-	Not related to RFP.
25	Will DIPAM be exploring any tax benefits for this product similar to ELSS mutual fund products?	-	Not related to RFP.
26	Para 4.4, Section (B) i, ii, iii, iv, v, etc. asks for "AUM details", "number of individual/retail investors", "number of ETF investors" "number of people" etc. Should these data be given as of September 30, 2018 similar to Para 3.1 or can it be the latest available data?	Clause 4.4 of RFP	Details required under Clause 4.4, unless specified otherwise, is to be submitted updated to the date of submission of proposal.
27	Request for extension of last date of submission of proposals received from the bidders	Clauses 4.1 and 4.2 of RFP	It has been decided to extend the last date of submission of proposals received from the bidders from 17.12.2018 to 24.12.2018. A corrigendum has been issued on 05.12.2018.