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CIRCULAR

PFRDA/2018/60/PF/3

Date: 2nd November, 2018

SUBJECT: Clarifications on Circular No. PFRDA/2018/56/PF/2 dated 20th August, 2018 issued by the Authority for Change in Investment Guidelines for NPS Schemes

1. Reference is invited to Circular No. PFRDA/2018/56/PF/2 dated 20th August, 2018 issued by the Authority regarding change in investment guidelines for NPS Schemes (Applicable to Scheme CG, Scheme SG, Corporate CG and NPS Lite Schemes and APY) and Investment Guidelines for NPS Schemes {Other than Govt. Sector (CG & SG), Corporate CG, NPS Lite and APY}NPS Schemes. This circular provides clarification on the issues being faced by Pension Funds while implementing the revised guidelines for investment in Equity Mutual funds, ETFs or Index Funds as mentioned in the circular dated 20th August 2018.
2. The Authority issues following clarifications on Circular No. PFRDA/2018/56/PF/2 dated 20.08.2018:

Sl. No.	Reference Clause of the Circular dated 20.08.2018	Clarification
i.	Para 3: Further, it has been decided that the amount of investment in any mutual fund mentioned in any of the categories or ETFs or Index Funds made by Pension Funds through professional fund/asset managers shall be excluded for the purpose of computing their investment management fees.	Investments made by Pension Funds in Liquid Mutual Funds would not be excluded for payment of investment management fee. Accordingly, Pension Funds shall be eligible for payment of IMF for investment in liquid mutual Funds.
ii.		In order to protect the interest of subscribers, PF may continue holding of the mutual fund units till they complete one year so that the exit load is avoided The PF shall redeem these units as soon as possible when the exit load ceases to adhere the provisions of the circular.

iii.	<p><u>Para 5:</u> Further, it may be noted that while investing in MFs, ETFs and Index Funds, the underlying scrips of these MFs, ETFs or Index Funds should also comply with stipulations for investments in Equity directly, i.e.</p> <p>i. Shares of body corporates listed on BSE or NSE which have Market Capitalization of not less than Rs.5000 crore as on the date of investment;</p> <p>ii. Derivative with the shares as underlying traded in either of the two stock exchanges.</p>	Matter under examination & consideration. Suitable clarity on the matter shall be issued in due course.
iv.	<p><u>Para 6</u> The revision shall be effective from the date of this circular.</p>	<p>Investment management fee (IMF) shall be allowed to be charged on all investments including those in ETFs etc. when the PFs were allowed to charge IMF on such investments prior to the issuance of the Circular dated 20.08.2018.</p> <p>But Investment Management Fee (IMF) on the Mutual funds (excluding liquid mutual funds), ETFs or Index fund investments made on or after the issuance of Circular shall be excluded for the purpose of computing investment management fee.</p>

3. Other terms and conditions as mentioned in Circular No. PFRDA/2018/56/PF/2 dated 20th August, 2018 shall remain unchanged.

4. This circular is issued in terms of the powers vested with the Authority under sub-clause (b) of sub-section (2) of Section 14 of the Pension Fund Regulatory and Development Authority Act, 2013 read with Regulation 14 and 43 of the Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015.

The implementation of the Circular shall be effective from 20th August, 2018.


 (Venkateswarlu Peri)
 Chief General Manager