Name of the person/entity proposing comments	Indian Association of Investment Professionals (CFA Society India)
Category (Listed Entity / MII / Market Intermediary /	Association of Investment Professionals
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Sr. No.	**Proposal**	**Confirmity to Proposal**	**Comments**	**Rationale**
1	Comments/suggestions for the nomenclature of the 'New Asset Class'.	Partially Agree	The suggested nomenclature 'New Asset Class' may be confusing for some investors and may not accurately describe the nature of the product. Some of the proposed nomenclature are "New Product Category" or "Restricted Funds," with a slight leaning towards terms that emphasize the restricted nature of the funds, such as "Restricted Funds."	The term "new asset class" may sound confusing and may not accurately describe the nature of the product. In Singapore similar products are called "restricted schemes." which highlights the restricted nature of the investment for certain sections of people. "New Product Category" may also be a better and more accurate definition.
2	Whether the eligibility criteria mentioned under Strong Track Record route and Alternate route, as specified in para 3.2 & 3.3 above, are appropriate? Please provide comments/suggestions with appropriate rationale.	Disagree	**Strong Track Record Route** 1)**Relevance of Experience:** The criteria should consider the specific experience in managing similar asset classes, not just the duration and size of the AUM. This would ensure that AMCs with relevant expertise, even if newer or smaller, can participate. 2)**Flexibility in Criteria:** Instead of rigid criteria, there should be a focus on the quality and relevance of the AMC's experience in managing innovative and complex strategies globally, as these products might be new to the Indian market. **Alternate Route:** 1)**Broadening Eligibility:** The experience should include relevant global expertise, not just limited to the Indian market. This would allow seasoned professionals with significant international experience in similar asset classes to qualify. 2)**Qualification Criteria:** Emphasize the suitability and relevance of the experience rather than just the number of years or size of AUM managed. This would allow for a more nuanced evaluation of the candidate's capabilities.	Even though the eligibility criteria specified have guardrails we think that the eligibility criterias should be more flexible and inclusive, focusing on relevant expertise and experience, including global experience. This approach would foster innovation, ensure a level playing field, and protect investor interests.

3	Comments/suggestions on any other criteria of eligibility for the New Asset Class that can be considered?	Disagree	**General Comments:** **Inclusivity of Non-AMCs:** The eligibility should not be limited to existing AMCs. Other asset managers with the required expertise and credibility should also be allowed to participate. This would foster competition and innovation. **Ensuring a Level Playing Field:** Limiting the eligibility to AMCs might create an uneven playing field. Allowing other credible players to enter would enhance investor choice and uphold the competitive spirit of the capital markets. Investor Protection and Regulation: While expanding eligibility, ensure that all participants adhere to stringent disclosure requirements, risk management practices, and regulatory oversight to protect investor interests.	Even though the eligibility criteria specified have guardrails we think that the eligibility criterias should be more flexible and inclusive, focusing on relevant expertise and experience, including global experience. This approach would foster innovation, ensure a level playing field, and protect investor interests.
4	Whether the proposals mentioned under para 4 above are appropriate? Please provide comments/suggestions with appropriate rationale.	Partially Agree	**Inclusion of Other Entities** The proposal currently focuses on mutual funds for the new application, but we think that other entities like PMS (Portfolio Management Services) or AIF (Alternative Investment Funds) could also be included. Expanding eligibility to PMS and AIF could foster innovation and competition, which is beneficial for market development. However, these entities should adhere to similar regulations to ensure consistency and investor protection. Proposing a framework for other entities to apply for this new asset class could be advantageous. **Separate Arm for New Asset Class** This seems reasonable as it allows the new asset class to leverage the existing framework and trust in mutual funds. However, it is essential to ensure that this separation is clear to investors to avoid confusion.	

5	Whether the proposals regarding branding of the New Asset Class mentioned under para 5 above are appropriate? Please provide comments/suggestions with appropriate rationale.	Agree	This proposals seems appropriate as they aim to create a clear distinction between the new asset class and traditional mutual funds. This is crucial because the new asset class is recognized to be relatively riskier, and distinguishing it from traditional mutual funds will help manage investor expectations and protect the overall brand of mutual funds. Comments/Suggestions: 1) **Regulatory Oversight:** It may be appropriate that SEBI have a strict regulatory oversight to ensure that the branding guidelines are followed meticulously. Regular audits and checks can help in maintaining the integrity of the branding. 2) **Investor Education:** Along with distinct branding, a robust investor education program maybe undertaken. This will help investors understand the new asset class, its risks, and potential rewards.	

6	In addition to the proposals mentioned under para 5.3, what other branding or advertising guidelines or restrictions should be considered to ensure distinction between Mutual Funds and products under the New Asset Class?	Agree	**1) Visual Differentiation:** The new asset class should have a completely different visual identity compared to traditional mutual funds. This includes different color schemes, logos, and design elements in all marketing materials. **2) Unique Product Names:** Each product under the new asset class should have unique names that do not resemble traditional mutual fund names. This avoids confusion and clearly signals to investors that they are dealing with a different product. **3) Risk Indicators:** Incorporate a risk indicator on all marketing materials for the new asset class. This should be more detailed than the current riskometers used for mutual funds, highlighting specific risks associated with the new asset class. **4) Mandatory Disclaimers:** Every advertisement and marketing material should have a prominent disclaimer about the higher risk associated with the new asset class. This disclaimer should be more noticeable than those used for traditional mutual funds. **5) Advisor Requirement:** Initially, products under the new asset class maybe be sold through registered investment advisors (RIAs) . This ensures that investors receive proper guidance and understand the risks before investing. **6) Marketing Channels:** Limit the marketing of these new asset class products to channels that are frequented by more sophisticated or high-net-worth investors. This includes financial publications, investment seminars, and targeted digital marketing campaigns. **7) Regular Reporting:** Ensure that investors receive regular, transparent reports about their investments in the new asset	By incorporating these additional guidelines, the distinction between mutual funds and the new asset class can be maintained effectively, protecting both investor interests and the integrity of the mutual fund brand.
7	Is the nomenclature 'Investment Strategy' appropriate for the products/schemes offered under the New Asset Class? Please provide comments/suggestions with appropriate rationale.	No comments		
8	Whether the overall structure of the New Asset Class, as specified in para 6 above, is appropriate?	No comments		

9	What are your suggestions for various potential 'Investment Strategies' that can be launched under the New Asset Class as mentioned in para 6.7?	Agree	There are several potential investment strategies suitable for investors seeking diverse and sophisticated options: 1. Long-Short Equity Funds:These funds take both long and short positions in equities, enabling investors to profit from market movements in either direction. This approach allows for potential gains in both rising and falling markets. 2. Inverse ETFs/Funds: Inverse ETFs are designed to deliver returns opposite to the performance of a specific index. They are particularly useful for investors who anticipate a market downturn and want to benefit from declining markets. 3. Thematic Investing:This strategy focuses on investing in stocks or funds centered around specific themes, such as electric vehicles, renewable energy, or water management. It allows investors to capitalize on long-term macroeconomic trends and technological advancements. 4. Global Macro Strategies: These strategies involve making investment decisions based on global macroeconomic trends and geopolitical events. Investors might take positions in various asset classes, including currencies and commodities, to leverage global market shifts. 5. Absolute Return Strategies: The goal of these strategies is to achieve positive returns in all market conditions. They typically involve a mix of asset classes, such as equities, bonds, and derivatives, aiming to provide steady performance through market fluctuations. 6. Event-Driven Strategies: This involves investing in opportunities arising from corporate events like mergers, acquisitions, or restructurings. These strategies aim to profit	These strategies provide a wide range of options that align with SEBI's regulatory framework, catering to different investment philosophies and risk tolerances
10	Whether the minimum investment threshold of INR 10 lakh is appropriate? Please provide your comments/suggestions with appropriate rationale.	Partially Agree	The minimum threshold of 10 lakh is appropriate as it helps to ensure that only sophisticated investors participate in this new asset class. This threshold is a good balance, making the product accessible to serious investors while deterring retail investors who may not fully understand the risks involved. However, a suggestion would be to consider raising the threshold to 25 lakh to further ensure that only those with significant financial knowledge and risk tolerance participate. This would align more closely with the threshold in the PMS (Portfolio Management Services) structure, which requires a minimum of 50 lakh.	

11	Should the minimum investment threshold be applied at the per investment strategy level or at the level of New Asset Class within an AMC/MF?	Disagree	The minimum investment threshold may be applied at the per investment strategy level rather than at the new asset class level within an AMC or mutual fund. This approach prevents the retailization of the product and ensures that each investment strategy within the new asset class receives a substantial commitment from investors. This way, the sophistication and intent behind each investment remain clear, and it avoids the dilution of the threshold across multiple strategies, which could otherwise lead to smaller, less committed investments.	
12	Whether any other investments, apart from those permitted to Mutual Funds and as mentioned in para 8 above, be made available for investments under the New Asset Class? Please provide comments/suggestions with appropriate rationale.	Strongly Agree	The consensus favors allowing additional financial instruments within the new asset class beyond what is currently available to mutual funds, such as currencies, currency funds, and currency derivative instruments. Introducing these multiple instruments under the new asset class will be beneficial for both fund managers and investors. This expansion will enable fund managers to hedge their currency risk against export-oriented stocks more effectively.	
13	Whether the New Asset Class should be allowed to take exposure in derivatives for purposes other than hedging and portfolio rebalancing? Please provide comments/suggestions with appropriate rationale.	Agree	Allowing derivatives to be used for taking exposure, in addition to hedging and rebalancing, provides fund managers with a powerful tool to enhance returns and manage risk more effectively. This flexibility can improve portfolio performance by enabling strategies such as leveraging, arbitrage, and tactical asset allocation. It also allows managers to respond more dynamically to market conditions, capturing opportunities and mitigating risks in a timely manner.	
14	Whether the relaxations from the provisions of the MF Regulations and Master Circular, as specified at para 9 above, are appropriate? Please provide comments/suggestions with appropriate rationale.	No comments		
15	Any other relaxations/restrictions that may be considered for the New Asset Class? Please provide comments/suggestions with appropriate rationale.	No comments		

16	Whether the proposal under para 10 above is appropriate? Provide comments/suggestions with appropriate rationale.	Disagree	For strategies primarily designed around **derivatives**, permitting higher exposure levels is reasonable, as investors in such strategies are typically aware of and prepared for the associated higher potential volatility. Furthermore, the current 100% exposure limit may not be practical for **long-short strategies.** For instance, if a fund manager goes long 50 and short 50, they would already reach the 100% exposure limit. Therefore, a 100% exposure cap is not viable for effectively managing long-short strategies.	Imposing an exposure limit in the derivatives segment will constrain the performance of the investment strategy
17	Whether the limit of 50% on the exposure in derivative segment, as specified in para 10.2.1, is appropriate?	Disagree	The limit on total exposures through exchange-traded derivative instruments, currently set to not exceed 50% of the net asset value of the investment strategy, should be reconsidered for greater flexibility. Allowing higher notional exposure is justifiable and can be beneficial.	
18	Whether the nomenclature and depiction of Risk Band suggested at para 11.1 above, is appropriate? Please provide your comments/suggestions with appropriate rationale.	Partially Agree	We partially agree that investment strategies under the new asset class should also be categorized using a Risk O Meter. This Risk O Meter should be depicted in the same manner as it is for Mutual Funds, enabling investors to easily understand and compare these strategies with Mutual Fund schemes. Otherwise, there is a higher risk of mis-selling or mis-advisory if different depictions and nomenclature are used compared to those of Mutual Fund schemes	Categorizing new asset class investment strategies with a Risk O Meter similar to Mutual Funds will prevent mis-selling or mis-advisory by ensuring consistent investor understanding and comparison
19	Whether provisions regarding Portfolio Disclosure, frequency of such disclosure and constitutional documents, as specified at para 11.2 & 11.3, are appropriate?	Disagree	As this product lies between Portfolio Management Services (PMS) and Mutual Funds, it is positioned at the forefront of the investment curve. Given its purpose to generate substantial alpha, it would be prudent to provide relaxation from monthly disclosures. A quarterly disclosure would be more appropriate.	Quarterly disclosures are more suitable than monthly for this product, given its advanced position and alpha generation focus between PMS and Mutual Funds.
20	What additional information, if any, should be disclosed to the public regarding the investment strategies under the New Asset Class, to enhance transparency and investor protection?	Strongly Agree	As this product is not intended for retail investors, the information document should include a clear and mandatory headline stating **'Not Suitable for Retail Investors"**.	

21	Any other suggestions or comments on the overall proposal for the New Asset Class as outlined in this Consultation paper?	Strongly Agree	This consulation paper is a good thought process to bridge the gap between Mutual Funds and PMS. Overall, we have few more suggestions for your consideration: 1) It would be great to not encourage simple long only equity or debt strategies that can be approved under MF or AIF (AMCs may try to charge more for the same product as we see in equity AIFs) under the New Asset Class framework. 2) We may also think about ways to consider performance fee caps for unique strategies, or some framework / rules around that calculation. Many AIFs have very low target return requirements for simple equity funds and this may help address that gap. 3) Another point to consider is separation of fund managers from MF: given the MF framework, firms may be encourage to set up a separate investment team (like PMS / AIF) to prevent conflict of interest (due to different fee structures) and help enable the industry competitiveness