



CIRCULAR

CIR/IMD/DF/5/2013

March 18, 2013

**All Mutual Funds/Asset Management Companies (AMCs)/
Trustee Companies/Boards of Trustees of Mutual Funds/**

Sir/ Madam,

Sub: Product Labeling in Mutual Funds

1. In order to address the issue of mis-selling, a Committee was set up to examine the system of Product Labeling that would provide investors an easy understanding of the kind of product/scheme they are investing in and its suitability to them. Based on the recommendations of the Committee, it has been decided that all the mutual funds shall 'Label' their schemes on the parameters as mentioned under:

- a. Nature of scheme such as to create wealth or provide regular income in an indicative time horizon (short/ medium/ long term).
- b. A brief about the investment objective (in a single line sentence) followed by kind of product in which investor is investing (Equity/Debt).
- c. Level of risk, depicted by colour code boxes as under:
 - Blue – principal at low risk.
 - Yellow – principal at medium risk.
 - Brown – principal at high risk.

The colour codes shall also be described in text beside the colour code box.

- d. A disclaimer that investors should consult their financial advisers if they are not clear about the suitability of the product.



e. Few samples of product label for different schemes are illustrated at **Annexure I.**

2. Product label shall be disclosed in:

a. Front page of initial offering application forms, Key Information Memorandum (KIM) and Scheme Information Documents (SIDs).

b. Common application form – along with the information about the scheme.

The product label with respect to (a) & (b) above shall be placed in proximity to the caption of the scheme and shall be prominently visible.

c. Scheme advertisements – placed in manner so as to be prominently visible to investors.

3. This circular shall be applicable with effect from July 1, 2013, to all the existing schemes and all schemes to be launched on or thereafter. However, mutual funds may choose to adopt the provisions of this circular before the effective date.

4. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

PARAG BASU

General Manager

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Annexure I

Few samples of product label for different schemes are illustrated as under:

1. Enumeration of Product label of an Fixed Maturity Plan (FMP)

Product Label

This product is suitable for investors who are seeking*:
<ul style="list-style-type: none"> regular fixed income for short term. investment in Debt/Money Market Instrument/Govt. Securities. low risk. (BLUE)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

	(BLUE) investors understand that their principal will be at low risk		(YELLOW) investors understand that their principal will be at medium risk		(BROWN) investors understand that their principal will be at high risk
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2. Enumeration of Product label of a Hybrid Scheme

Product Label

This product is suitable for investors who are seeking*:
<ul style="list-style-type: none"> long term capital appreciation and current income. investment in equity and equity related securities as well as fixed income securities (debt and money market securities). medium risk. (YELLOW)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

	(BLUE) investors understand that their principal will be at low risk		(YELLOW) investors understand that their principal will be at medium risk		(BROWN) investors understand that their principal will be at high risk
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3. Enumeration of Product label of an Equity Scheme

Product Label

This product is suitable for investors who are seeking*:
<ul style="list-style-type: none"> long-term capital growth. investment in equity and equity-related securities including equity derivatives of top 200 companies by market capitalisation. high risk. (BROWN)

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

	(BLUE) investors understand that their principal will be at low risk		(YELLOW) investors understand that their principal will be at medium risk		(BROWN) investors understand that their principal will be at high risk
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