Name of entity / person / intermediary:

Name of organization (if applicable):

Pertains to paragraph (Mutual Funds)

1. Product structure

(A). The benchmarks should be made more relevant than they are today. Schemes should be periodically tested to see if the asset allocation is conforming to the benchmarks chosen.

(B). Similar schemes from the same fund house should be removed. Some of these were launched in the NFO boom to harvest the 6 per cent marketing cost. Such duplicate funds should be merged with others in the same fund house since they confuse investors.

(C). The regulator should ensure that the mutual funds are true to label. This means that the investment mandate in the information memorandum should be reflected in the active portfolio of the fund.

(D).The regulator should consider measures to encourage retail participation in ETFs.

(E).The regulator should put in place a free look policy and define the period for which it will hold.

2. Costs and commissions

(A). The cost caps within a overall TER should not be fungible.

(B). Upfronting of commissions should be totally removed. There is a current cap of 1 per cent that comes from the fund house capital or profits. This too should be removed.

(C). Distribution commissions should only be paid as level or reducing AUM based trail. In the case of lumpsum investment, or upon termination of a systematic investment plan, the trail commission should be declining (or nil after a specified period of time).

(D). The extra commission in B15 should be removed and a level playing field be created in the country. Manufacturers and distributors should on their own tap such unexplored markets to increase their sales and market share.

(E). No category of mutual funds should be exempt from the zero upfront (when it is put in place).

(F). Distributors should not be paid advance commissions by dipping into future expenses, their own profit or capital.

(G). Competition has not reduced costs much below the expense ratio that was fixed when the AUM of the industry was much lower. The regulator should lower the cost caps as the AUM rises over time.

3. Disclosures

(A). On no account should sales of new fund offers happen pitching the product as a “cheap” product that the investor is getting “at par” value of Rs.10. The regulator should impose heavy costs on distributors reported as doing this.

(B). The past returns of the scheme being sold, along with the benchmark returns, should be disclosed to the investor at the time of sale. Customers should be disclosed a range of past returns appropriate to the product tenure and should include returns of last 6 months and annualised returns since inception, and 2 year rests thereafter.

(C). Trail commissions on mutual funds should be disclosed at the time of sale.

(D). Disclaimer presently talks of a scheme’s performance being subject to market risks. Customers should be informed that in addition to market risk, the performance is also subject to fund house/manager’s competence.

(E). Any change in scheme fund manager should be disclosed to all investors.

(F). The AUM rankings published by the AMCs on their websites, Information Memorandum etc. are presently combined for all products, thereby giving a misleading picture. For retail products, the AUM rankings should be shown only for the retail AUM.

Name of entity / person / intermediary:

Name of organization (if applicable):

Pertains to paragraph (Insurance: Unit Linked Insurance Plans)

1. Product structure

(A). Mortality and investment should be bifurcated. For the investor, this would mean a clear understanding of what part of the premium goes to service the life cover and what part of the premium goes to work as an investment.

(B). The customer should be easily able to compute her net investment return by taking the point to point NAV of the fund.99 As an interim step, the insurance companies should be required to compute and disclose the net yield on the customer's annual premium net of mortality charges but before premium allocation charges

(C). The regulator should announce third party benchmarks that can be used to benchmark funds.

2. Costs and commissions

(A). The product should move to a TER model from a RIY. The RIY model, in a closed-end product, causes a problem for insurance companies in managing costs and keeping them within the caps over the years as the market goes up and down. Cost of each function (i.e. insurance, investment and annuity) should be disclosed. An industry standard in costs will help the customer compare similar products across various parts of the marketplace.

(B). Upfront commissions should be allowed only on the mortality part of the premium

(C). There should be no up fronts for the investment part of the premium. The investment part should attract only AUM based trail commissions. The trail commission treatment should be decided with consultations with the lead regulator in the market-linked investment space. These should be level or declining.

(D). Mortality costs should be deducted before the premium is put in the investment fund. Thereafter, all the charges should collapse into one expense charge and there should be no separate (i) premium allocation charge or (ii) admin charge. NAV should be adjusted for this expense charge and customer should be able to take the point to point NAV and compute the growth in fund value.

(E). The costs of surrender from a ULIP should continue to be reasonable. After deduction of costs, the remaining money should belong to the exiting investors.

3. **Disclosures**

A). The life cover and premium in a bundled product should be disclosed. For comparison, the cost of a pure life cover for a similar sum assured should be disclosed alongside such that a customer is able to evaluate the true value of the product she is buying.

(B). The return benefits should be disclosed keeping basic tenants of finance in mind. This means that all returns should be disclosed as a percentage of the investment made by the customer

(C). The current practice of showing future returns benchmarked to four per cent and eight per cent should be discontinued since forecasting of returns is misleading. A risk meter or a colour coding system as used by the capital market regulator can be used to communicate the risk of the asset allocation chosen by the customer.

(D). Benefit illustrations in the sales document currently showcase the numbers for one age, premium and sum assured. The seller/advisor should give in writing what the benefit illustration will be for the customer buying the product in a manner that takes into account all the recommendations on disclosure in the report. Both seller and buyer should sign this to ensure that a right sale has been made.

(E). Asset allocation and portfolio disclosure should be made by all companies on their websites for consumers to access and the data feed be given to third party analyst firms to enhance research.

(F). Past net returns should be disclosed to the customer. The current practice of showing gross returns is misleading since the customer is more concerned about the net returns rather than gross returns, i.e., returns after costs have been deducted. Customers should be disclosed a range of past returns appropriate to the product tenure and should include returns of last 6 months and annualised returns since inception, and 2 year rests thereafter.

(G) All insurers should be required to provide online interactive calculators whereby a customer should be able to generate a customised and detailed benefit illustration based on her input of various available plan options.

(H) All insurers should be required to disclose NAV such that a customer is able to easily compute her net investment return by taking the point to point NAV of the fund. For example the net IRR on the invested amount for the previous years in the product benefit illustration should be given since inception and then at two year intervals. The past 6 month IRR should be given as well.

Comments/Suggestion
We believe that relevant benchmarks are being used . We agree schemes should be periodically tested to check with its offer document rathe than benchmark.
Identical duplicate funds should be merged but regualtor should not stifle innovation and restrict introduction of new products. Over time consumer need differentiated products
Agree
Don’t Agree - Regulator should not become adviser and suggest which product investor should invest in
Not required - Detailed note given in Feedabck Note
Regulator should prescribe overall costs and not micro manage sub costs - the overall TER prescribed by regualtor must exclude all taxes - for example service must be an automatic pass through to consumer
Don’t Agree - Suggest Commision structure be linked to Industry Goals and distributor Rating - Separate note given
Level of Trail commissons should on an increasing level till the money is invested - as it rewards long term . It will be a disaster if trails were to be stopped or reduced
Extra Commisions to achieve national/industry objectives must be allowed.
Don’t Agree - Suggest Commision structure be linked to Industry Goals and distributor Rating - Separate note given
Don’t Agree - Suggest Commision structure be linked to Industry Goals and distributor Rating - Separate note given
Competition has significantly reduced the cost of debt funds which are substantially lower than maximum TER prescribed by regulations. They account for about 60% of the total Industry AUM. So no need for regulator to lower cost caps. It is matter of scale and size
We believe investors have graduated and this is not relevant . Again a case of imposing additional regulation
Past returns should be disclosed periodically to distributors and to consumers on a need basis and not at time of every sale. Focus on returns alone could also lead to wrong .decisions
With total cap costs - again disclosure should be at manufacturer level and for each distributor segment level - periodically and not at time of sale.
Not required -
Not required - A public advertisment enough -

No harm - but not going to help retail investors in making better decisions