To

Manaswini Mahapatra,

General Manager,

Securities and Exchange Board of India,

Plot No. C-4 A, G Block,

Bandra Kurla Complex, Bandra East,

Mumbai, Maharashtra – 400 051.

June 8, 2023

Sub: Comments on SEBI consultation paper on review of total expense ratio ("TER") by Asset Management Companies ("AMC") to schemes of mutual funds to facilitate greater transparency and accrual of benefits of economies of scale to investors ("Consultation Paper")

Dear Ma'am,

1. We, the Foundation of Independent Financial Advisors ("**FIFA**"), write to you in reference to the changes proposed by the Securities and Exchange Board of India ("**SEBI**") in the Consultation Paper on the above captioned matter issued by SEBI on May 18, 2023.

2. FIFA is a pan India association of Independent Mutual Fund Distributors ("**MFDs**") and Registered Investment Advisors ("**RIAs**") and, formed with the primary objective of enabling knowledge sharing between members to ensure favourable outcomes for investors, facilitating discussion over areas of common interest in the distribution community and promoting the interest of the MFD and RIA community with policy makers and regulators, including SEBI.

3. In pursuance of the said objective, FIFA seeks to put forth its comments on recommended changes to the present framework governing fees and expenses charged by mutual funds.

Summary of proposals made by SEBI

4. The Consultation Paper talks about changing the method for calculation of TER, and an overall reduction in the TER limits. SEBI had carried out a similar exercise in 2018, wherein it revisited the prevailing practice of calculating slab-wise TER. Accordingly, SEBI revised the TER applicable for various categories of schemes vide the SEBI (Mutual Fund) (Fourth Amendment) Regulations, 2018.

5. Presently, SEBI has proposed various measures to revise the method of calculation of TER and reduce the present TER limits. The proposal also includes measures to introduce transparency in the additional expenses charged under Regulation 52(6A) of the MF Regulations, 1996, reduce the total TER that may be charged, and the additional TER that may be charged in B 30 cities. These proposals have been made with an objective to pass on the benefits arising from economies of scale to the investors, reduce splitting and churning of portfolios for earning additional commission, and to include expenses such as brokerage and transaction costs within the TER limits. However, it may be noted that majority of these proposals can be addressed through pre-existing provisions in the TER regime.

6. Our detailed comments on specific proposals by SEBI have been elaborated below. In order to calculate the impact of the proposed changes, FIFA carried out a study on the impact of the proposed changes. The methodology used while conducting such study is provided in **Annexure 1**. In this letter, we have referred to this study to substantiate our comments on the proposals.

Brief Background

7. Prior to providing our comments to the Consultation Paper, it is pertinent to highlight the previous instances of revision of costs pertaining to the mutual funds industry and the impact it had on the market.

8. The objective of the regulator should be to balance the objective of passing on the benefits of economies of scale to the investors with leaving enough room to ensure growth of the industry. In the past changes to the TER and other costs had an almost directly inverse reaction to the growth of the market. While the changes may have been necessary, their impact cannot be overlooked while studying the current proposals. Any proposal to alter the TER and other fees/costs should be studied from this historical standpoint to comprehensively understand the implications.

9. Over the past decade, the growth of the mutual funds industry has largely been a function of the increase in equity investments. This is fueled by relentless efforts of MFDs in helping the retail community make better financial decisions. The following table demonstrates the skewed impact of the equity funds, when compared to debt and liquid funds:

Existing	**AUM (in Cr.)**		**Change**	**2012– 22**		**CAGR**
AUM (Dec)	**2012**	**2022**	**2012-2022**	**Flow**	**MTM**	**Growth**
Equity + Hybrid	2,09,795	20,22,969	18,13,174	9,94,131	8,19,043	25%
Debt + Liquid	5,34,278	12,65,127	7,30,849	1,32,590	5,98,260	9%
Others	15,922	7,00,639	6,84,717	4,89,690	1,95,027	46%
Total	**7,59,995**	**39,88,735**	**32,28,740**	**16,16,410**	**16,12,330**	**18%**

10. Thus, in light of the above, it is relevant to see the changes to the flow of money into equity funds over the last 2 decades to understand the impact of changes brought about the SEBI. The following table outlines the history in brief:

Net Flows in Equity Oriented Funds			
Calendar Year	**Net Flows (in Cr.)**	**Aum Dec. End (in Cr.)**	**% to AUM**
CY 2002	-	30,014	
CY 2003	3,426	29,494	11.4%
CY 2004	7,185	38,763	24.4%
CY 2005	23,997	77,904	61.9%
CY 2006	38,216	1,37,434	49.1%
CY 2007	31,414	2,31,129	22.9%
CY 2008	32,932	1,22,006	14.2%
Average			**30.6%**
CY 2009	484	2,15,480	0.4%
CY 2010	-15,088	2,27,721	-7.0%
CY 2011	8,980	1,75,798	3.9%
CY 2012	-15,978	2,09,795	-9.1%
CY 2013	-11,184	1,99,475	-5.3%
Average			**-3.4%**

CY 2014	55,880	3,43,968	28.0%
CY 2015	1,12,238	4,47,855	32.6%
CY 2016	79,739	5,34,629	17.8%
CY 2017	2,36,642	9,38,519	44.3%
CY 2018	1,60,618	10,23,465	17.1%
Average			**28%**
CY 2019	77,231	11,61,987	7.5%
CY 2020	-51,054	12,54,378	-.4.4%
CY 2021	1,82,409	18,14,723	14.5%
CY 2022	1,53,559	20,22,969	8.5%
Average			**6.5%**

11. As is evident from the above table, the industry witnessed the robust flow between 2003-2008. The abolition of entry loads by SEBI around 2008-09 led to a drastic reduction in the commission paid to MFDs. Thereafter, the period between 2009-2013 were characterized by very low inflow. Things took a turn for the better after 2013, when steps were introduced to reenergize the mutual fund industry by introducing B-30 incentives and other measures. This was followed by a period (2014-18) of robust flows. Once again with the introduction of reduced TER and sliding slab levels in 2018, the net flows reduced. For the next two years, there was a moderation in net flows as shown in the table above.

12. As hereinabove stated, MFDs have been the backbone for growth of the industry. However, for every change leading to reduction in TER, MFDs had to bear the maximum brunt. This unintentionally led to disincentivizing the distributor community. For example, as shown in the below table, the impact of **8 bps** on account of TER reduction over 2018 to 2022 on the regular plans (Equity, Hybrid and Debt Funds) was fully borne, and some more, by MFDs (**9 bps**).

Regular Plan	December 2018		December 2022	
	INR (in Crore)	TER %	INR (in Crore)	TER %
Total expenses	17,233.00	1.66	32,359.86	1.58
Commission	9,714.00	0.94	17,372.41	0.85
AMC fees + other expenses	7,509.00	0.72	14,987.45	0.73
AUM (in lakh crores)1	10.36		20.44	

13. The Consultation Paper states that the benefit arising out of economies of scale is not being passed on to the investors. It should be noted that this observation is based on certain incorrect assumptions. In Para 4.10, it is incorrectly stated that economies of scale accruing in equity and hybrid schemes have not been passed on to the investors. From 2018 to 2022, there has been a 54 bps reduction of TER of open ended equity oriented funds. This proves that that costs have come down with an increase in scale.

1The AUM figure includes AUM of equity oriented funds, including hybrid funds, and debt funds, but excludes other funds.

14. In Para 4.11, the Consultation Paper compares the weighted average TER of open-ended equity schemes and states that the actual expense to investor of a regular plan (after including all additional expenses such as brokerage, transaction costs, incentives for B30 etc.) is higher than the prescribed base TER for regular plan. The actual expenses are bound to be higher than base TER as these are additional expenses allowed by SEBI for which limits have been provided. Further, brokerage and transaction costs are determined by portfolio turnover and other charges like Securities Transaction Tax ("**STT**").

15. Further, in Para 4.17, the Consultation Paper calculates the PBT margin as a ratio to the total revenue. On the contrary, this should be a function of the AUM. While the average AUM for FY 2021 – 22 was around 35 lakh crore, the total PBT is merely INR 10941 crore, which is only a mere 0.31%. After tax, this further reduces to 0.23% (tax at 25%). An increase in AUM through the efforts of the industry should not be rewarded with reduction in profits.

16. The following section deals with the specific proposals mentioned in the Consultation Paper:

Proposal 5.1: Inclusion of all charges and expenses in TER: With a view to increase transparency regarding the manner in which unitholders are charged, SEBI has proposed to include all additional expenses within the TER limits. Accordingly, SEBI has proposed the following in relation to each of the following additional expenses:

A. 5.1.1Inclusion of Brokerage Cost and Other Transactions into TER: The Consultation Paper recognizes that the brokerage and transaction costs are charged separately to the investors. In this regard, it is observed that brokerage and transaction costs are part of the recurring expenses that can be charged to a scheme. The additional expense limit is specified as up to 0.12 % of trade value in case of cash market transactions and 0.05 % of trade value in case of derivative transactions, and any payments above the mentioned limits, are permitted to be charged to the schemes as recurring expenses, within the maximum limit of TER.2 Therefore, the brokerage and transaction costs charged to the investors depend on the actual number and value of transactions undertaken by any scheme with no upper cap.

It is further observed that AMCs often rely on brokerage houses to provide sell side research, and thereby pay high brokerage fees which are charged to the investors. This acts as a double expense along with the investment management fee charged by the AMC. Accordingly, with a view to increase transparency and create accountability, SEBI has proposed to include brokerage costs and other transactions within the TER limit.

In this regard, SEBI has proposed that brokerage and transaction costs may be brought within the TER limits, and the transaction wise limit prescribed to the brokerage and transaction costs may not be applicable.

Our Response:

17. We understand that the detailed inspection conducted by SEBI on TER related data of mutual fund schemes, has revealed high transaction costs are charged to schemes. However, transaction costs should be seen in comparison to the AUM. In this regard, it is pertinent to consider the amounts spent as transaction costs as a percentage of the AUM of the scheme, as illustrated in the table below:

Transaction Cost – no limit as a % of AUM	**Cost as a % of AUM**	
Nature of Scheme	**Average %**	**Median %**
Open ended Equity Oriented Schemes	0.2531%	0.1608%
Close ended Equity Oriented Schemes	0.3775%	0.1475%
Actively Managed FOFs	0.0057%	0.0001%

2While this is mentioned in Para 5.1.1.1 of the Consultation Paper, as per Regulation 52(7), any expense in excess of limits prescribed in 52(6) & (6A) should be borne by the AMC, trustee or sponsor

Open Ended Debt Schemes	0.0084%	0.0062%
Passive Fund	0.1762%	0.0457%
Interval & Close Ended – Other than Equity Scheme	0.0027%	0.0008%

18. In this regard, it may be noted that bringing brokerage and transaction cost within the overall limit of TER may not be required, as brokerage and transaction cost are already subject to the limit prescribed under Regulation 52(6A) of the MF Regulations, 1996, based on the value of each transaction. As observed from the table above, the average cost of brokerage and transaction costs for debt funds is less than 0.01% of the AUM. The simple average transaction cost for actively managed open ended equity-oriented funds is 0.25%, while the median cost is 0.16%. The average transaction cost for passive funds is 0.17% and the median cost is 0.05%. Hence, the transaction costs are reasonable.

19. It may further be noted that, as per the Consultation Paper, in F.Y. 2021-22, AMCs spent a total of INR 4366 crores towards brokerage and transaction costs. However, it has not been clarified whether this was restricted to only equity schemes, or all schemes in total. Assuming this figure was in relation to equity schemes, the AAUM for equity schemes in FY 2021 – 22 was INR 17 lakh crores, and therefore, the brokerage and transaction costs would only amount to 20 bps. In this regard it pertinent to note that the securities transaction tax ("**STT**") constitutes around 60% of this amount, and therefore the brokerage cost actually paid would only be 8bps. STT by its nature is a tax on the buy and sell of securities, and therefore higher the turnover rate, higher will be the STT levied. The turnover rate in any scheme is subject to the nature of the scheme, and the investment strategy followed by the AMC. Certain categories like dynamic and arbitrage funds will observe a higher turnover rate than other schemes. Therefore, it is firstly important to note that the high transaction costs observed by SEBI may be attributable to STT rather than brokerage. Secondly, if SEBI is to bring brokerage and transaction costs under TER, then they will be restricted to a certain percentage of the AUM, which will indirectly establish an 'AUM to turnover' ratio that may hamper the AMCs ability to run the scheme as per its investment strategy.

20. The brokerage cost on transactions is a part of the cost of acquiring securities. By limiting the brokerage and transaction cost as a percentage of the AUM (under the prescribed TER), the regulations will be indirectly prescribing the maximum portfolio turnover ratio. Further, by stating that bringing brokerage within TER limits may discourage fund managers from reshuffling portfolios, the Consultation Paper makes an incorrect assumption that transactions are done with the specific intention of churning the portfolio. Rather, the purchase and sale of securities is done based on mandate of the scheme and other investment considerations. These indirect limits on portfolio turnover will affect schemes such as dynamic asset funds, arbitrage funds, diversified funds, and dynamic bond funds much more than other debt funds, as these schemes, by nature, face a higher reshuffle and may be at variance with the cost of managing funds. As per the research done by FIFA, there is a variance in brokerage and transaction costs not only between the broad categories of Equity, Hybrid etc. but also within the underlying scheme categories and further within the schemes in each category. For example, in arbitrage funds, where on account of the nature of the product itself the portfolio has to be turned over every month, the transaction cost alone would be very high. The weighted TER of arbitrage funds is 0.67%. However, the weighted average transaction cost (brokerage + STT) is 1.34%. Thus, if brokerage and STT are to be brought under TER, then these funds (especially in case of large fund houses with high AUM figures) won't be able to perform and fulfil their objectives.

21. The below table shows the variation in Brokerage and transaction cost and STT, largely arising because of the variations in Portfolio Turnover Ratios. The data indicates it would not be appropriate to fix these charges as a % of AUM.

	Brokerage+STT Rate (%)			Portfolio Turnover Ratio		
Scheme Category	**Max**	**Min**	**Wgt. Avg**	**Max**	**Min**	**Wgt. Avg**
Equity Scheme	**2.089**	**0.001**	**0.13%**	**646.7**	**0.4**	**39**
Contra Fund	0.730	0.066	0.39%	226.0	20.4	120
Dividend Yield Fund	0.171	0.015	0.08%	53.0	4.8	25
ELSS	0.457	0.014	0.13%	141.5	4.4	40
Flexi Cap Fund	0.803	0.027	0.10%	248.5	8.4	31

Focused Fund	0.895	0.003	0.19%	276.9	1.0	60
Large & Mid Cap Fund	0.769	0.028	0.15%	238.1	8.8	47
Large Cap Fund	0.599	0.030	0.10%	185.4	9.4	31
Mid Cap Fund	0.553	0.011	0.11%	171.3	3.3	33
Multi Cap Fund	0.341	0.023	0.16%	105.7	7.3	49
Sectoral/ Thematic	2.089	0.001	0.15%	646.7	0.4	46
Small Cap Fund	0.338	0.021	0.08%	104.8	6.5	26
Value Fund	0.437	0.024	0.18%	135.2	7.3	54
Hybrid Scheme	**2.662**	**0.009**	**0.44%**	**2,088.7**	**4.1**	**286**
Aggressive Hybrid Fund	0.590	0.009	0.28%	266.3	4.1	128
Arbitrage Fund	2.662	0.110	1.34%	2,088.7	86.4	1,048
Conservative Hybrid Fund	0.200	0.041	0.09%	230.9	47.8	109
Dynamic Asset Allocation or Balanced Advantage	1.185	0.043	0.24%	592.4	21.8	121
Equity Savings	0.869	0.047	0.36%	531.1	28.8	223
Multi Asset Allocation	0.578	0.031	0.11%	311.8	16.7	61
Solution Oriented Scheme	**0.116**	**0.010**	**0.06%**	**67.9**	**6.0**	**34**
Children s Fund	0.116	0.010	0.04%	67.9	6.0	25
Retirement Fund	0.114	0.024	0.07%	66.9	14.3	40
Grand Total	**2.662**	**0.001**	**0.20%**	**2,088.7**	**0.4**	**100**

22. Further, the Consultation Paper has noted that sometimes AMCs engage with brokers who are not the top brokers and who charge higher brokerage. It should be noted that cost may not be the only consideration behind choosing a broker. A broker who does not feature in the top 10 list may provide better service to some AMCs in certain situations, and such broker may charge marginally additional brokerage in comparison to the top brokers. Further, as per the MF Regulations, an AMC is permitted to conduct only 5% transactions through any single broker, and therefore, an AMC would be required to have at least 20 stock brokers empanelled with them. Hence, all AMCs will be required to empanel brokers that do not feature in the top 10 list.

23. It is also pertinent to take cognizance of the number of cases where such excesses have occurred, and consider such cases against the overall functioning of the industry. A few cases in isolation, without appropriate reason, cannot form the basis of overhauling the existing

regulations which have worked well over time. As a remedy, schemes may be asked to disclose brokerage and transaction costs as percentage of their NAV for transparency in the brokerage and transaction costs incurred by such schemes. Further, the concern of lack of board oversight on high brokerage charges can be remedied by mandating the AMC boards to review the brokerage and transaction costs in cases where they increase beyond a certain level.

24. In relation to the concern regarding payment of high brokerage fees for availing sell side research from brokerage houses, and charging investors for the same, it may be noted that the principle of brokerage is for the payment on transaction in securities, rather than any research services that may be provided by the broking entity. Further, obtaining sell side research is a service outsourced by an AMC to registered intermediaries, that work within SEBI's regulatory ambit. Furthermore, AMCs cannot be expected to have track of all the scrips listed on the stock exchanges, or even the top 500 scrips on their own, and if required to set up a research team of this capacity, it will be a huge expense that will ultimately be passed on to the investors. Therefore, in order to address this limited concern, the brokerage fee presently charged by brokerage houses offering bundled service of research may be segregated into brokerage fee and research fee, and the AMCs may be required to disclose the receipt of such research and break up of these costs. This would address the concerns without the need to bring brokerage costs within the TER, which would have other consequences.

25. Accordingly, it is suggested that brokerage and transaction fees may not be included within the overall TER limit, as it would restrict the scope of transactions that may be carried out by a scheme by prescribing a maximum portfolio turnover ratio. Disclosures, as suggested above can help achieve the desired transparency to the investors in relation to brokerage and transaction costs.

B. 5.1.2 Limited Purpose membership of stock exchanges: With a view to bring down the brokerage and transaction cost incurred by a mutual fund scheme, SEBI has proposed to permit AMCs to obtain a limited purpose membership of the stock exchanges for executing trades. The choice of obtaining such membership would be optional for AMCs that seek to voluntarily execute such transactions.

Our Response:

26. The proposal to permit AMCs to have a limited purpose membership of the stock exchanges may not be a positive change. While the intended reason of reducing brokerage may be achieved, this is essentially a method of regulators getting into the domain of business and compelling AMCs to engage in a non-core activity. If this proposal is adopted, it should only be voluntary.

C. **5.1.3 Additional TER charged to investors for distribution commission for inflows from B-30 cities**: Presently, AMCs are allowed to charge 30bps if the net inflows from B30 cities amount to either 30% of the gross new inflows in the scheme or constitute at least 15% of the total AUM of the scheme. This additional expense is used to pay for the distribution expense for bringing inflows from the B30 cities. However, SEBI has observed various irregularities including uneven application of B30 expenses by AMCs, and several instances of splitting and churning of investor portfolios by MFDs in order to get additional commission. Accordingly, SEBI has proposed that such expenses will be only charged on a new investor (new PAN) and shall be fixed at 1% of the size of the 1st application or amount committed through SIP, subject to a maximum of Rs. 2000. Further, this cost can be paid from the investor education fund under the proposed framework. SEBI has also stated that the *actual* cost towards the B-30 commission should be charged to the schemes and it should not be based on projected new inflows from B-30 cities.

Our Response:

27. In this regard, it is firstly important to understand the impact of MFDs in bringing investments from such cities to the mutual fund industry, and the role played by the incentives provided in effecting the same. We are providing certain statistics that highlight

how **B-30 incentives have been instrumental in greatly improving the financial inclusion in the B 30 cities/towns**:

i. 400 out of 1430 pin codes in the top 30 cities had an AUM of less than 100 crores, whereas around 1000 pin codes in the B 30 pin codes had an AUM of more than 100 crores.

ii. Of the 43.34 crore individual PAN card holders, only 8 per cent or about 3.37 crore have invested in mutual fund schemes. The industry had 2.28 crore investors registered with unique PAN in FY21, according to the Association of Mutual Funds in India ("**AMFI**") data.

iii. The number of new investors added based on PAN increased 49 per cent to 3.32 crore last fiscal against 2.23 crore in FY21.

iv. India is at a penetration level of 15% of GDP and a long way to go to deepen the penetration.

28. Therefore, the proposal to reduce TER, and reduce or remove any B 30 incentives would be detrimental to the growth of the industry.

29. In relation to concerns relating to churning and splitting of portfolios, the table below highlights the data relating to the same:

B30 – Churn and Splitting Observed *(CY 2022)*	**Count (%)**	**Rs. (In Crores)**
Churning		6
Splitting		2900
Total: Churn and Split		**2906**
Gross Mobilisation in B30 in CY 22		95000

Retail AUM/flows in B30 estimated	62%	58900
% of Churn/Splitting to total		3%
% of Churn/Splitting to Retail		5%

30. It may be noted that gross mobilisation in calendar year 2022 from B30 cities is about INR 95,000 crores. Of this, 62% are retail flows i.e. INR 58,900 crores, as may be observed from the above table. Of this amount, a churn of INR 6 crores and splitting of around INR 2900 crores has been observed. This amounts to 3% of shuffling of the total mobilisation, and 5% of the retail mobilisation. Given the scale of mobilisation from these cities/towns, and the minuscule amount of shuffling in comparison, this does not warrant rescinding of the incentives provided for distribution of mutual fund products in such areas. Rather, these issues may be dealt with on an individual basis at the AMC level and action may be taken against such individual MFDs.

31. Technology alone cannot help the growth of the market. In order to service a large section of the population, MFDs have to incur substantial costs. Given the nascent stage of the growth of the market in B-30 areas, the incentive should not be severely restricted as suggested in the proposal.

32. In relation to the proposal of fixing the B-30 incentives to 1% of the first commitment or SIP subject to a maximum of INR 2000, it is submitted that this reduction in B-30 incentives may act as a disincentive for MFDs to carry out distribution activities in the B-30 cities or from expanding their scope of business in such cities.

33. Further, not only should the incentives be continued, but also that the incentive be given to all retail investors. In case a flat amount is being considered, then besides the lump sum per transaction, an incentive of 2% can be paid to distributor only on completion of 3 years holding period to encourage no churning of portfolio.

D. **5.1.4 Additional expenses credited due to exit load:** SEBI has observed that AMCs can charge up to 5bps even when there is no claw back/exit load in the scheme. Accordingly, SEBI has proposed to discontinue the provision of charging this additional 5 bps by the AMCs.

Our Response:

34. Premature withdrawal may affect the liquidity of funds and AMCs may be forced to incur additional expenses/loss to honor the redemption requests. Hence, exit loads are charged to the investors. It has been observed that the amount of additional expenses charged to the scheme is lesser than the amount recovered, and also AMCs can currently charge additional 5 bps even without any exit load credited to the scheme. Thus, SEBI intends to remove this additional expense.

    The amount received from exit loads is returned to the scheme, benefiting the remaining investors. Globally, exit loads are used to promote and grow distribution activities. The amount of exit load that may be charged has already been brought down from 20bps to 5bps in 2018. Instead of removing this expense, SEBI should retain the provision of charging exit loads as they can be used by AMC to further distribution activities. SEBI may allow AMCs to only charge such additional percentage as expense as the exit load credited to the schemes.

E. **5.1.5 GST under TER limits**: SEBI has proposed the inclusion of GST on investment and advisory fees within the TER limit with the intent to increase transparency.

Our Response:

35. It is proposed that all additional expenses including GST paid on investment and advisory fee may be brought within the TER limits. In this regard, it may be noted that the proposal emanates from the observation that at times AMCs reverses certain amount of investment and advisory fees to the scheme. During such times, the scheme is left to bear the GST on the reversed amount. Before bringing GST into the ambit of TER, SEBI should determine the reasons for such reversal of investment and advisory fees.

36. Further, it may be noted that GST is a tax on services rendered, and not an expense itself. In service related aspects, GST is generally not part of the regulatory cap. Even in banking charges, processing fees etc, GST is not part of regulatory cap. Inclusion in the permissible TER of the tax paid on any expenses incurred while running the scheme indirectly limits the value of expenses that may incurred while running the scheme. Furthermore, it can also be considered to treat GST on total TER as a passthrough.

Proposal 5.2: Review of TER-slab structure: SEBI has observed that the slab wise TER structure in the MF Regulations has been specified to enable passing of some of the benefit of economies of scale achieved by AMCs, to investors. However, while there is substantial growth in the revenue and profits of the AMCs as observed in paragraph 4.16 of the Consultation Paper, SEBI is of the view that the benefits arising from such economies of scale are not being passed on to the investors. Further, SEBI has also observed that there is an arbitrage opportunity for AMCs under the present sliding scale structure of TER, wherein they launch new schemes with low AUMs that allow them to charge a higher TER as compared to existing schemes with high AUMs that restrict the TER that may be charged.

Furthermore, SEBI has observed that the manpower for research and other core activities of AMCs may be different for equity and debt products, and hence the costs required would also be different.

In light of the above, SEBI has proposed that TER may be calculated on an AMC level rather than a scheme level such that AUM of open-ended schemes, wherein slab based TER is presently applicable, may be bucketed into Equity based AUM (equity & equity related instruments) and other than equity based AUM of the AMC (other than equity & equity related instruments). In relation to overnight funds, SEBI has proposed that AUM of such schemes may not be considered in any of the above referred buckets for the purpose of calculation of TER. However, TER rate derived based on all investments other than equity & equity related product shall be the maximum TER for Overnight funds also.

Our Response:

37. Presently, TER for open ended schemes is calculated as per slabs of AUM of the scheme, tapering as the AUM increases. In 2018, SEBI had brought down the TER applicable for various categories in order to pass on the benefit arising from economies of scale, allowed additional 30 bps for new inflows from retail investors from B-30 cities, and mandated payment of commission on trail basis. The below table outlines the presently applicable TER for open ended schemes:

Assets under management Slab (In Rs. crore)	Total expense ratio limits for equity oriented schemes	Total expense ratio limits for other than equity oriented schemes
on the first Rs.500 crores of the daily net assets	2.25%	2.00%
on the next Rs.250 crores of the daily net assets	2.00%	1.75%
on the next Rs.1,250 crores of the daily net assets	1.75%	1.50%
on the next Rs.3,000 crores of the daily net assets	1.60%	1.35%
on the next Rs.5,000 crores of the daily net assets	1.50%	1.25%
On the next Rs.40,000 crores of the daily net assets	Total expense ratio reduction of 0.05% for every increase of Rs.5,000 crores of daily net assets or part thereof.	
On the balance assets	1.05%	0.8%

38. We would like to bring to attention that the current terminal rate of 1.05% at a scheme level for the regular plan of equity oriented fund is too low. This works out to 0.89% net of GST.

39. As per the Consultation Paper, the benefit arising out of economies of scale is not being passed on to the investors, and therefore AMCs may be required to charge TER on the basis of the AUM of the AMC, rather than a scheme wise TER being charged. As per the study conducted by FIFA, if such proposal is implemented, schemes through regular plans pertaining to various categories will experience a <u>substantial reduction in TER</u> as outlined below:

Trend in TER of Regular Plans	Weighted Average TER		
Equity Funds	**2018**	**2022**	**Revised**
TER before Brokerage and transaction Cost and STT *	2.35	1.81	1.58
Add Brokerage & Transaction Cost	0.20	0.20	0.20
Total Cost	2.55	2.01	1.78
Reduction in TER in bps		-0.54	-0.23
Reduction in % terms		-21%	-11%
Debt Funds Excl Liquid /MM Funds	**2018**	**2022**	**Revised**
Total TER excluding transaction cost	1.29	0.97	0.82
Reduction in TER in bps		-0.32	-0.16
Reduction in % terms		-25%	-16%

40. The 2018 numbers are based on a study of expense ratios done by FIFA and the 2022 numbers are also arrived at by applying a similar methodology to the December 2022 quarterly average AUM and the latest available expense ratios. Between 2018 and 2022, there has been a decline in weighted average TER for equity funds by 54 bps (-21%) and for debt funds (other than Liquid funds, Overnight funds, Money Market Funds) by 32bps (-25%). There has already been a substantial decrease in TER and the same has been passed on, as benefits of economies of scale, to investors over the years. Further, given the sliding scale nature of the TER presently applicable, it is ensured that such benefit continues to be passed on to the investors. The impact of such reduction in TER has been mentioned in Para 10 and 11 above, where it is noted that the net flows into equity-oriented funds reduced in comparison to the half-decade immediately prior to 2018. Any further change is bound to affect the growth of the industry.

41. Further, the impact of TER reduction can be observed in close ended funds. In 2018, SEBI introduced a reduction in TER for close ended funds and reduced them to 1.25% for equity oriented schemes and 1.0% for other than equity oriented schemes. This resulted in a substantial decline in the launch of close ended funds. Data on the impact of the reduction in TER on the nature of schemes in the market is provided in the table below:

Year	March 2019		December 2022		Change (%)	
	No.	Amount in crores	No.	Amount in crores	No.	Amount
Open Ended Funds	894	21,67,650	1220	39,58,270	36.47%	82.61%
Close Ended Funds	1119	2,09,342	143	29,629	-87.22%	-85.85%
Interval Funds	29	2,492	12	836	-58.62%	-66.45%
Total	**2042**	**23,79,484**	**1375**	**39,88,735**	**-32.66%**	**67.63%**

42. From the above table, we see that from the 1119 close ended funds with a total AUM of INR 2,09,342 crores available in March, 2019, only 143 close ended funds remain in December, 2022 with a total AUM of INR 29,629 crores. Therefore, there was a reduction of 87.22 percent funds available, and a decline of 85.85% AUM in such funds. Conversely, the policy change favoured the growth of open ended funds such that from 894 schemes available in March, 2019 that had a total AUM of INR 21,67,650 crores, there was an increase to 1220 open ended schemes in December, 2022 with a total AUM of INR 39,58,270 crores i.e. an increase of 36.47% in the funds available in the market, and an increase of 82.61% AUM under such schemes.

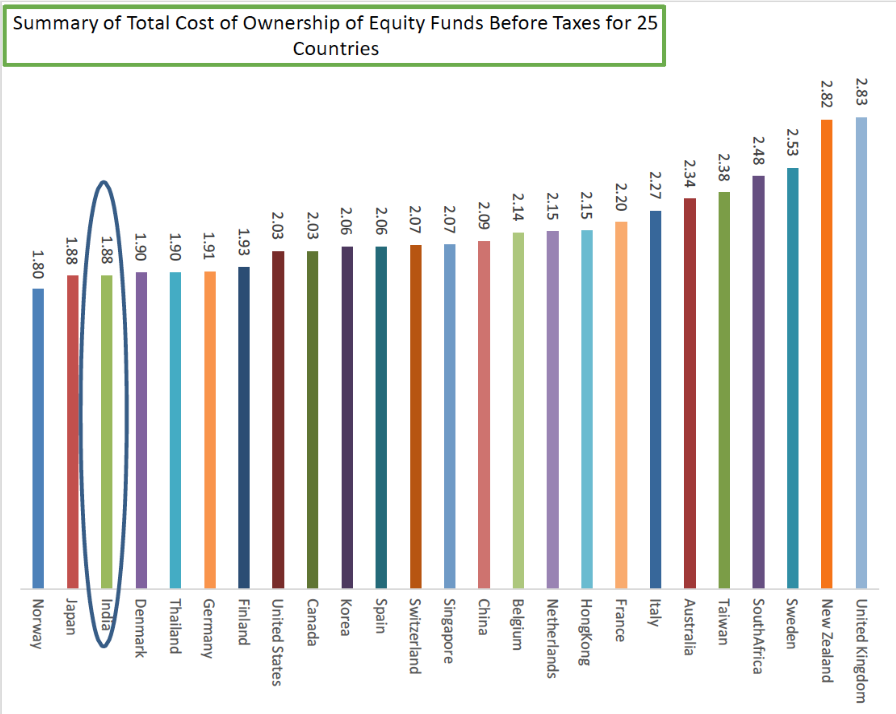
43. **Furthermore, it is submitted that India's TER for fixed income/debt funds is amongst the lowest in the world. The current TER of Equity funds at 1.81 % includes a GST component 0.28%. Thus the net fees received is only 1.54%.** This would make the TER charged by Indian MF industry among the lowest in the globe for retail investors. Given the low cost of investing, it needs to be seen whether there is any further scope of passing on the benefits of economies of scale to investors.

44. A table indicating the global cost of ownership of equity funds is provided herein below. This is part of the study conducted by FIFA in 2018.

Summary of total cost of ownership of equity funds before taxes for 25 countries

#	Country	Total Cost of Ownership						Revised ranking	Difference in ranking as per Morningstar
		Asset Weighted Median Expense Ratio for Equity Funds as per GFIE Report, 2017	Rank as per GFIE Report, 2017	Front load charges	Advisory + Platform charges	Less: GST / VAT	Total cost of ownership for Equity funds before taxes		
1	2	3	4	5	6	7	8=(3+5+6-7)	9	10=(4-9)
1	Norway	1.50	11	0.30			1.80	1	10
2	Japan	1.64	14	0.39		0.15	1.88	2	12
3	India	2.22	24	0.00		0.34	1.88	3	21
4	Denmark	1.43	8	0.47			1.90	4	4
5	Thailand	1.74	17	0.30		0.13	1.90	5	12
6	Germany	1.46	10	0.45			1.91	6	4
7	Finland	1.60	12	0.33			1.93	7	5
8	United States	0.67	2	0.11	1.25		2.03	8	-6
9	Canada	2.23	25	0.00		0.20	2.03	9	16
10	Korea	1.63	13	0.43			2.06	10	3
11	Spain	2.00	22	0.06			2.06	11	11
12	Switzerland	0.37	1	0.45	1.25		2.07	12	-11
13	Singapore	1.74	17	0.47		0.14	2.07	13	4
14	China	1.73	16	0.36			2.09	14	2
15	Belgium	1.75	19	0.47		0.08	2.14	15	4
16	Netherlands	0.67	2	0.23	1.25		2.15	16	-14
17	HongKong	1.72	15	0.43			2.15	17	-2
18	France	1.76	20	0.44			2.20	18	2
19	Italy	2.07	23	0.20			2.27	19	4
20	Australia	1.26	5	0.07	1.25	0.23	2.34	20	-15
21	Taiwan	1.91	21	0.47			2.38	21	0
22	South Africa	1.43	8	0.15	1.25	0.35	2.48	22	-14
23	Sweden	1.23	4	0.05	1.25		2.53	23	-19
24	New Zealand	1.38	7	0.19	1.25		2.82	24	-17
25	United kingdom	1.28	6	0.30	1.25		2.83	25	-19
Average Cost		**1.54**		**0.28**	**0.4**	**0.07**	**2.15**		

Source: GFIE report 2017, Morningstar Inc.



45. As per the Consultation Paper, the present sliding scale structure of TER incentivises AMCs to issue multiple schemes with a similar structure, in order to obtain the benefit of a higher TER at lower AUMs. Data regarding the amount garnered through the NFOs between April 2021 to September 2022 is provided below:

Switches in NFOs Period April 01, 2021 to September 30, 2022			
	Active	**Passive**	**Total**
No. of NFOs	47	39	86
Amount garnered in NFOs (in Cr.)	82,733	2,552	85,285

Garnered through switches in regular plans	22,437	386	22,823
% of switch by distributors	27.12%	15.13%	1.00%
Difference in commission			181.54
Comparison with total flows			
Gross flows mobilised during the period			8,67,346
% of amount garnered through NFOs to total flow garnered			10%
% of amount garnered through switches in NFO to total amounts mobilized			3%
Comparison with total commission on equity oriented funds – Estimate			**Amount %**
AUM in equity oriented funds – regular plan - 1st April 2021			10, 22, 923
AUM in equity oriented funds – regular plan – 30th July 2022			14, 50, 306
Average AUM during the period – 1st April 2021 to 30th September 2022			12, 36, 615
Average distribution commission paid at 1% p.a. for 1 year			12, 366
NFO difference in commission			181. 54
% of NFO difference in commission to total commission			1.47%
NB: AUM in regular plans is estimated at 75% of total AUM based on data shared in MFAC			

46. As observed from the table above, it can be seen that, of the INR 85,285 garnered through NFOs, only INR 22,823 crores were garnered from switches in the regular plans. Further, of the total amount of INR 8,67,346 crores garnered by the mutual fund industry during this

period, only 10% was garnered through NFOs, and **only 3% was through switches** to NFOs. Therefore, there is no substantial movement of funds from existing schemes to NFOs, and the amounts garnered through such switches are miniscule compared to the total investments attracted by the mutual fund industry through such period. It should also be considered that some of those switches might be in the genuine interest of the relevant investors. Further, while the above data is for a period of 18 months between FY2021-FY2022, this interpretation can be extrapolated to other periods too. A review of the data pertaining to other periods would provide the same conclusion.

47. SEBI referred to the table in Para 4.17 of the Consultation Paper which provides the profits generated by the industry to state that the profits have increased with AUM, but benefits have not been passed on to the investors. It should be noted that SEBI has calculated the PBT margin as a ratio to the total revenue. On the contrary, this should be a function of the AUM. While the average AUM for FY 2021 – 22 was around 35 lakh crore, the total PBT is merely INR 10941 crore, which is only a mere 0.31%. After tax, this further reduces to 0.23% (tax at 25%). An increase in AUM through the efforts of the industry should not be rewarded with reduction in profits.

48. It may also be noted that in the existing slab-wise structure, the TER is levied as per the AUM of the scheme. If this new mechanism is to be implemented and TER is to be charged on an AMC level, wherein TER is charged as per the value of the assets held by the AMC, the volatility in the price of the underlying assets will be likely to cause a more frequent change in the TER across all the schemes of one asset class, such as equity funds or debt funds. For example, as per the proposal, when an AMC crosses 10000 crore AUM mark, the weighted average TER has to be a maximum of 2.4%. If a small to mid sized AMC is

currently at 9900 crores, the increase in AUM of the AMC above 10000 crore level can happen when there is an upswing movement in the markets. This may result in a change of TER. It may also happen that within a few days, with a downtrend in the market, the AUM falls below 10000 crore. In that case, the TER has to be revised again. This constant revision in TERs would create an additional administrative burden on the AMC. Further, this would create an additional burden on the MFD to update the investors regarding the revised TER. The frequent update to investors might leave them confused.

49. Furthermore, with such AMC AUM based TER slabs, innovation will die down. Any new innovative product requires additional expenses. For a large AMC, with the TER being very low, any innovation is disincentivised. This is contrary to investor interests.

50. Thus, changing the slab structure from scheme level to AMC level might be excessive regulation. The objective of passing on economies of scale is still being fulfilled. Change in slab structure will lead to a reduction in TER. As hereinabove stated, this will lead to a decline in net inflows, as observed in the past.

Proposal 5.3: Revising the TER limit: SEBI has proposed to revise the method of calculation of TER from scheme-based levels to AMC level with a view to pass on the benefits of economies of scale to the investors, and revise the prescribed TER limits with a view to accommodate the inclusion of other expenses such as brokerage and transaction costs, GST etc. within the TER limit. Accordingly, SEBI has prescribed revised slabs for equity schemes, as well as other than equity schemes such that the maximum TER that may be charged for an equity scheme can be up to 2.55% while the maximum TER that may be charged for other than equity scheme shall be 1.20%. As per SEBI analysis provided in paragraph 5.3.8 of the Consultation Paper, the impact of the proposed revision shall be reduction of total expenses charged from INR 30,806 crores to INR 29,404 crores i.e. a reduction of 4.55%.

Further, SEBI also proposed to provide a glide path for a transition from the present structure to the proposed TER structure, and a period of 6 months for AMCs to comply with the same.

Our Response:

51. Revising TER is not in the best interests of the mutual fund industry and this will lead to a decline in the growth. In the following paragraphs, reasons are provided as to the reasons for the same:

   a. **The expected impact is much more than the projections provided in the Consultation Paper**

52. In the Consultation Paper, SEBI has proposed that the maximum TER that may be charged by an AMC for open ended equity-oriented instruments shall be 2.55%, such that these limits also include GST on management fees. The above limit of 2.55% is for AUM of upto INR 2500 crores of an AMC from such instruments, and SEBI has provided for gradual reduction in applicable TER in various tranches. In relation to TER for instruments other than equity or equity related instruments, the proposed maximum TER is 1.20% with gradual reduction in applicable TER in various tranches. As per the Consultation Paper, adoption of the new method of calculation would result in a reduction of TER by 4.55%.

53. In this regard, it is submitted that no information has been provided by SEBI while arriving at the proposed TER limits, and the accommodation of various additional components such as brokerage and transaction costs, STT, and GST on investment management fees. Rather, SEBI has merely provided a maximum limit, and a tranche wise mechanism for reducing TER with subsequent additional tranches. SEBI may share the data considered while coming up with the limits proposed in the Consultation Paper.

54. In our view, SEBI's analysis that the total expenses charged would reduce by only 4.55% is not correct. While we do not know the period for which the abovementioned figures pertain to (i.e. INR 30,806 crores and INR 29,404 crores), FIFA has conducted its study by analysing AAUM as on December 31, 2022 to study the impact of the proposed changes to the TER. A table providing the projected reduction in TER, as per FIFAs calculations is provided below:

Trend in TER of Regular Plans	Weighted Average TER		
Equity Funds	**2018**	**2022**	**Revised**
TER before Brokerage and transaction Cost and STT *	2.35	1.81	1.58
Add Brokerage & Transaction Cost	0.20	0.20	0.20
Total Cost	2.55	2.01	1.78
Reduction in TER in bps		-0.54	-0.23
Reduction in % terms		-21%	-11%
Debt Funds Excl Liquid /MM Funds	**2018**	**2022**	**Revised**
Total TER excluding transaction cost	1.29	0.97	0.82
Reduction in TER in bps		-0.32	-0.16
Reduction in % terms		-25%	-16%

55. From the above table, it is seen that the total weighted average TER that may be charged in relation to equity funds would go down from the present 2.01% (including 20 bps of Brokerage and transaction charges including Securities Transaction Tax) to 1.78% i.e., a reduction of around 11.4%. Similarly, in case of debt funds, the total weighted average TER would go down from 0.97% to 0.82% i.e., a reduction of around 15.5%. Further, an in-depth analysis of the impact of the proposed change in calculation of various schemes is provided in the table below, as the AAUM as on December 31, 2022, and the key outcomes are summarised below:

Impact Analysis of proposals on TER based on AMC level AUM slabs for regular plans of open ended schemes based on AAUM as on 31/12/2022									
	Direct			Regular			Total		
Asset Class	Existing Expenses based on Current TER excluding Brokerage and Transaction Charge and STT								
	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)
Equity Oriented Funds	440,055	0.76	3,365	1,617,630	1.81	29,322	2,057,685	1.59	32,687
Debt	310,659	0.38	1,172	235,257	0.97	2,278	545,916	0.63	3,450
Debt - LP	561,057	0.18	1,025	190,674	0.40	759	751,731	0.24	1,784
Grand Total	**1,311,771**	**0.42**	**5,562**	**2,043,561**	**1.58**	**32,360**	**3,355,332**	**1.13**	**37,921**

Asset Class	Calculation of Total Cost with Brokerage and STT								
Category	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**
Equity Oriented Funds	440,055	1.03	4,525	1,617,630	1.99	32,267	2,057,685	1.79	36,792
Debt	310,659	0.38	1,172	235,257	0.97	2,278	545,916	0.63	3,450
Debt - LP	561,057	0.18	1,025	190,674	0.40	759	751,731	0.24	1,784
Grand Total	**1,311,771**	**0.51**	**6,722**	**2,043,561**	**1.73**	**35,304**	**3,355,332**	**1.25**	**42,027**
Asset Class	**Based on Proposed TER as per consultation paper of Sebi**								
Category	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**
Equity Oriented Funds	440,055	0.87	3,833	1,617,630	1.78	28,868	2,057,685	1.59	32,702
Debt	310,659	0.31	964	235,257	0.82	1,921	545,916	0.53	2,886
Debt - LP	561,057	0.18	1,015	190,674	0.39	747	751,731	0.23	1,762
Grand Total	**1,311,771**	**0.44**	**5,813**	**2,043,561**	**1.54**	**31,537**	**3,355,332**	**1.11**	**37,350**
Asset Class	**Change (Difference between Proposed & Total Cost with Brokerage and STT**								
Category		**WER**	**Total Exp (Crore)**		**WER**	**Total Exp (Crore)**		**WER**	**Total Exp (Crore)**
Equity Oriented Funds		-0.16	-692		-0.21	-3,399		-0.20	-4,090
Debt		-0.07	-208		-0.15	-357		-0.10	-564
Debt - LP		0.00	-10		-0.01	-12		0.00	-22
Grand Total		**-0.07**	**-910**		**-0.18**	**-3,767**		**-0.14**	**-4,677**

i. Equity oriented schemes through regular plans presently have an AAUM of INR 16,17,630 crores, and a TER of 1.81% that amounts to INR 29,322 crores and also incur approximately 0.18% (weighted average) by way of brokerage and transaction cost including STT which takes the total cost to Rs 32,267 crores

ii. As per the proposal, the applicable TER would be reduced from 1.99% to 1.78% of the AAUM. Thereby, the present TER amount of INR 32,267 crores would be reduced to INR 28,868 crores, i.e. a reduction by INR 3399 crores or **10.5%** of the present amount for regular plan equity oriented funds.

iii. Debt oriented schemes have an AAUM of INR 2,35,257 crores through regular plans, with a TER of 0.97%, that amounts to INR 2,278 crores.

iv. As per the proposal, with respect to debt-oriented schemes, the applicable TER would be reduced from 0.97% to 0.82% of the AAUM. Thereby, the present TER amount of INR 2278 crores would be reduced to INR 1,921 crores, i.e. a reduction by INR 357 crores, or **15.67%.**

v. The impact has been calculated after netting the gains of schemes where TER is increasing pursuant to the proposed change.

b. <u>Equity schemes provide runway to run other schemes: Reduction in TER of equity schemes would hurt all schemes</u>

56. It is pertinent to note that majority of the revenue earned by the AMCs comes from the equity-oriented schemes, which also allows them to run other schemes without charging a high TER. The below tables outline the revenue generated by AMCs from various schemes vis-à-vis their AUM for such schemes.3

3 It may be noted that the tables above provide data in relation to open ended funds excluding fund of funds, and exchange traded funds are considered as direct plans.

AAUM & Expenses									
	Direct			Regular			Total		
Asset Class	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)
Equity Oriented Funds	4,40,055	0.76	3,365	16,17,630	1.81	29,322	20,57,685	1.59	32,687
Debt	3,10,659	0.38	1,172	2,35,257	0.97	2,278	5,45,916	0.63	3,450
Debt - LP	5,61,057	0.18	1,025	1,90,674	0.40	759	7,51,731	0.24	1,784
Others	5,99,777	0.14	824	44,010	0.85	375	6,43,787	0.19	1,199
Grand Total	19,11,548	0.33	6,385	20,87,571	1.57	32,735	39,99,119	0.98	39,120

AAUM & Expenses in percentage of Total									
	Direct			Regular			Total		
Asset Class	AAUM	WE	Total Exp	AAUM	WER	Total Exp	AAUM	WER	Total Exp
Equity Oriented Funds	11%		9%	40%		75%	51%		84%
Debt	8%		3%	6%		6%	14%		9%
Debt - LP	14%		3%	5%		2%	19%		5%
Others	15%		2%	1%		1%	16%		3%
Grand Total	48%		16%	52%		84%	100%		100%

57. As may be observed from the tables above, while equity-oriented schemes account for 51% of the total AAUM, they generate 84% of the total revenue, whereas the rest of the categories account for the remaining 49% of the AAUM, and a mere 16% of the revenue generated by AMCs. <u>Therefore, any further reduction in the TER limits for equity-oriented schemes will have a significant impact on the revenue and profitability of the entire industry, and would also impact the viability of running other category schemes at low cost</u>.

c. **<u>Total expenses charged has not grown in proportion to AUM: Investors benefited</u>**

58. Furthermore, it may be observed that growth in total expenses charged *vis-à-vis* the growth in AUM of the equity-oriented schemes since 2018 has not been proportionate. The following table demonstrates that while there has been a significant increase in the AUM, there is a less than proportionate increase in the expense amount charged in the form of TER because of a significant fall in the TER rate

TER of Equity Oriented Funds under Regular Plan			
Equity Oriented Schemes	**Dec-18**	**Dec-22**	**Change (%)**
Total AUM (in Crore)	493,816	16,17,630	228%
Total TER (in Crore)	11,620	29,322	152%
TER as % of AUM	**2.35%**	**1.81%**	**-22.97%**

59. From the above table, it can be seen that as of December, 2018, the total AUM of equity oriented funds under regular plan was INR 4,93,816 crores, while a TER of INR 11,620 crores was charged to the investors. However, after the reduction of TER slabs in 2018, the

investors were charged a lower TER. Resultantly, while the total AUM of equity oriented funds under regular plan has gone up to INR 16,17,630 crores as of December 2022, and therefore experienced a growth of 228 % (approx.), the total TER charged has only risen to INR 29,322 crores (approx.), i.e. an increase of 152 %. From this, it can be seen that while the mutual fund industry has experienced substantial growth since 2018, the expenses charged to the investors have grown by a lower rate. Further, while the TER formed 2.35 percent of the total AUM in 2018, it only formed 1.81 percent of the total AUM in 2022, i.e. a decrease of approximately 23%. It may also be noted that such increase in the TER numbers is not inclusive of factors such as inflation, increased cost for the AMCs. Therefore, while there is a substantial increase in the total AUM, there is a marginal increase in the amount charged to the investors as TER. Therefore, the benefit arising out of economies of scale has been passed on to the investors.

60. In relation to the investment management fees, it may be argued that even if the number of schemes, or the AUM under a scheme goes up, the AMCs can service such additional schemes with the same investment management team. Accordingly, it may be seen that while there is a growth in the number of schemes or the AUM under such schemes, little to no change is required to the investment management team, and hence, no additional costs are incurred for managing such additional funds. Therefore, certain benefits may arise from the economies of scale in relation to the investment management fee charged by the AMCs. However, the benefits of economies of scale applicable to investment management fees cannot be extrapolated to all other components of TER.

61. It should be noted that each scheme has its own investment rationale, which might require additional expenses. For example, if an AMC has a large AUM, the TER of each new scheme to be launched cannot be more than the specified percentage. This would mean that the AMC cannot spend above a certain figure for research and management. However, a new thematic scheme might require additional amount to be spent by the scheme. The slab-based TER might reduce the effectiveness of a scheme, which will impact investors.

62. Further, in our view, trustees should be left with the decision of the appropriate TER of a scheme. They act in the best interests of unitholders. They can mandate a different TER for each scheme based on the requirements of a scheme. Regulator should not mandate a uniform TER for all schemes without appreciating the needs of each scheme.

d. Impact of the proposed reduction in TER on Mutual Fund Distributors

63. There are two major components of TER that may be impacted by economies of scale, i.e. the investment management fee charged by the AMCs, and the distributor commission paid. A table representing these components as a part of TER, and a comparison between the composition of TER between 2018 and 2022 is provided below:

Regular Plan	December 2018		December 2022	
	INR (in Crore)	TER %	INR (in Crore)	TER %
Total expenses	17,233.00	1.66	32,359.86	1.58
Commission	9,714.00	0.94	17,372.41	0.85
AMC fees + other expenses	7,509.00	0.72	14,987.45	0.73
AUM (in lakh crores)4	10.36		20.44	

4The AUM figure includes AUM of equity oriented funds, including hybrid funds, and debt funds, but excludes other funds.

64. It may be seen from the above table that while the total TER charged on equity and debt schemes through regular plans in 2018 was INR 17,223 crores, at a rate of 1.66% of the AUM, the distribution commission paid amounted to INR 9714 crores, i.e. 0.94% of the AUM, while the investment management fees amounted to INR 7509 crores, i.e. 0.72%. However, pursuant to the reduction in TER in 2018, there has been a decline in the distribution commission paid *vis-à-vis* the TER charged such that, of the INR 32,360 crores charged as TER in 2022 at a rate of 1.58% of the AUM, the distribution commission only amounts to INR 17,372 crores, or 0.85% of the AUM, while, the investment management fees charged during 2022 amount to INR 14,987 crores, or 0.73% of the total AUM. Hence, the total impact of the reduction in TER limits in 2018 was a reduction of 8 bps from the expense ratio charged to regular plans (from 1.66% in 2018 to 1.58% in 2022), of which the entire reduction (and somemore) was absorbed by the MFDs (from 0.94% in 2018 to 0.85% in 2022), while the AMCs share actually increased by 0.01% (from 0.72% in 2018 to 0.73% in 2022). Therefore, the reduction in TER in 2018 was entirely borne by the MFDs, and any benefits accruing from the economies of scale from distributor commission have already been passed on to the investors. Any further reduction in the commission paid may be detrimental to the mutual fund industry.

65. The below table summarises the impact of the proposed reduction in TER on the earnings of MFDs falling under various AUM brackets. The table showing the detailed working is attached as per Annexure (*)

MFD				Amount (in lakhs)			
AUM(In crs)							
From	To	No. of MFD	Cumulative No. of MFD	Income after Expenses under present structure	Expected Income after Expenses under new structure	Reduction in Income	Drop in% Income
1	2	3	4	5	6	7	8=(7/5)
0	1	72819	72819	0.28	0.18	-0.11	-37.50%
1	10	20101	92920	3.06	1.90	-1.16	-37.81%
10	25	9245	102165	9.72	6.04	-3.68	-37.83%
25	50	4039	106204	17.07	10.61	-6.46	-37.84%
50	100	1911	108115				
100	300	1215	109330				
300	500	1911	111241				
500	1000	100	111341				

66. The tables outline the present earnings of MFDs handling various tranches of AUM reduction in earnings of a MFD if the proposed reduction in TER is brought into effect. It may be noted that the simulation is provided on the assumption that the entire reduction in TER is absorbed by the MFD. From the table, it is seen that out of a total 1,11,341 MFDs presently operating, 92,920 i.e., approx. 83% of the MFDs handle an AUM of less than INR 10 crore, and presently earn an income after expenses INR 3.06 lakh, i.e. approx. INR 25,000 per month. If the proposed reduction in TER is implemented, such earning will go down to INR 1.90 lakhs i.e., approx. INR 16,000 per month. If the proposal is brought into effect, the MFDs will see a reduction in income of around 38%.

67. As seen from the table above, presently, a MFD is required to build an AUM of INR 10 – 25 crores to earn a total income of INR 9.72 lakhs, and an AUM of INR 25 – 50 crores to earn a total income of INR 17.01 lakhs per annum. If the proposed reduction in TER is adopted, the total earnings of a MFD with an AUM of INR 25 – 50 crores will drop from INR 17.01 lakhs to INR 10.61 lakhs i.e. a drop of 37.84% of their income from the MFD business. Given that all distributor commission is required to be paid on a trail basis, the MFD is required to spend substantial amount of money in creating infrastructure and acquiring clientele. Therefore, if such proposal to reduce the TER is passed, and the losses are passed on by the AMCs to the distribution network, the MFD industry stands to sustain substantial financial loss due to the same.

68. The proposed change will also have an impact on the penetration of the mutual fund industry. In USA, out of a population of 333 million, 102.6 million people own mutual funds, roughly 33% of the population. In India we have 3.36 crores mutual fund investors out of a population of 140.76 crores and if we have to reach 33%, 46.92 crore individuals should be individual mutual fund investors. The retail penetration and financial inclusion has increased but far away from the desired levels. The growth of the mutual fund industry and the retail penetration and financial inclusion is largely due to the untiring efforts over the years of the asset management companies and the MFD community. Any cut in TER which will lead to reduction in the remuneration payable to the AMC's as well as the distributors, and impact the growth of the industry.

69. Any cut of the TER, which is passed on the distributor hits the small distributor. A 20bps reduction in Equity TER increases the return of the investor marginally (where one expects a long term return of 10%, the return to the investor would increase to 10.2% which is a 0.20% improvement in his return). However, for a distributor a 20 bps reduction in TER results in a 30% reduction in his gross income and a 50% reduction of his net income.

70. In case of debt where the most of the scheme expenses are below the prescribed limits there is no need to consider any changes. The industry dynamics itself ensure that the TERs are

low. In case of hybrid /asset allocation funds, the maximum TER limit should continue to be in line with those of Equity Funds. These funds require higher fund management skills and efforts in deciding the appropriate asset allocation besides appropriate security selection and also require greater marketing efforts. These schemes could also require multiple fund managers to manage the funds.

71. In light of the various considerations highlighted in our submissions in relation to the proposals at Paragraphs 5.2 and 5.3 of the Consultation Paper, it is suggested that SEBI may carry out an in-depth study while considering various factors as elaborated above. In this study, SEBI should consider the impact of such policy change on the industry, the nature of products offered by the industry, whether any further benefits may arise out of economies of scale, the threshold at which such benefits may accrue, and may be passed on the investors, and the impact on the earnings of the MFDs. Such study shall also take in consideration the data relied upon, the factors considered, and the objectives with which SEBI had revised the TER norms in 2018, to see if the objectives have been fulfilled, and whether future growth was factored in while reducing the TER. The reduction in TER in 2018 must have been pursuant to a detailed analysis, which factored in the future growth of the market to determine the economies of scale. Thus, the requirement of a new study becomes all the more relevant to determine the changes in the industry that demand a further reduction in just 5 years. In the study, SEBI may also consider the projections of the TER when the AUM of the industry grows over years, and compare whether the expected outcome under the proposals will be achieved under the present TER limits. As highlighted above, any policy level change in the TER regime has far reaching impact on the entire mutual fund industry, and therefore, SEBI needs to provide a structure that can be relied on for a long period of time.

72. Furthermore, it may be noted that while the TER charged to the equity schemes is closer to the prescribed limit, the TER charged to debt schemes is much lower that the statutory limit. Hence, while conducting the new study, SEBI may analyse whether it should remove the limits on TER for debt products.

73. It is therefore recommended that SEBI conducts an in-depth study, considering the various factors flagged hereinabove while determining if any further benefits may arise out of economies of scale that could be passed on the investors, before introducing any policy change including a change in the method of calculation of TER from scheme level to AMC level.

5.4 Other Proposals:

5.4.1: Commission/fees paid to the distributors: As per the SEBI Circular no. CIR/IMD/DF/13/2011 dated August 22, 2011, AMCs are presently permitted to deduct transaction charges of INR 100/- for existing investors in a Mutual Fund and INR 150/- for first time investor in Mutual Fund per subscription of INR 10,000/- and above from the subscriptionamount of the investor. The amount deduced as transaction charges is paid to the distributor. Keeping in line with the idea of keeping all expenses within TER, SEBI has proposed that the payment of upfront commission by investor made directly to the distributors and transaction costs deductible from investments of investors, shall not be permitted.

Our Response:

74. The objective of keeping all expenses within TER cannot be universally applied without an analysis of its impact. The impact of deducting expenses on MFDs has hereinabove been discussed. An upfront payment of small amounts of INR 100-150 helps in the additional costs that an MFD has to bear to ensure investments of clients are timely processed. This is more like a reimbursement of expenses than income of any sort. A disclosure can be made of this additional cost at the beginning to the investor. However, not permitting this charge might be detrimental to MFDs.

75. Further, it should be noted that the Consultation Paper has not provided any data based on which this proposal is made. Any proposed change should be analysed on the basis of data to understand the impact of the change.

5.4.2: Expense ratio for fund of funds (“FoF”): Presently, the TER charged for FoFs is calculated on the TER charged to the underlying schemes, and it is specified that the TER charged to be charged over and above the weighted average of TERs shall not be more than twice of weighed average TER charged by the underlying schemes. Recognising the fact that large international funds have a low-cost structure, SEBI has proposed that for AMCs launching FoFs (Funds of Funds) in international funds, the TER calculated over and above the weighted TER of underlying scheme, shall not exceed higher of two times the weighted average of the TER levied by the underlying scheme and the actual cost of running a scheme including distribution commission of not more than 50 bps, but excluding AMC Management Fees.

Our Response:

76. International funds provide much needed diversification to investors. Many investors may not understand the same. On account of this, MFDs play a very important role in educating investors and helping them invest appropriately. By capping the distribution commission, SEBI is disincentivising MFDs from recommending international funds to investors. While TER can be capped for international funds based on the formula suggested by SEBI, the internal cap for distribution commission would not help in the growth of these schemes. Marketing of international schemes requires a lot of effort by MFDs. If at all a cap is proposed to be incorporated, it should be at least 100 bps.

5.4.3 Switch transactions and distribution commission: As per the data provided by SEBI in the Consultation Paper, for the period between April 01, 2021 to September 30, 2022, there were a total of 86 NFOs in active as well as passive schemes that garnered a total of INR 85,285 crores. Of this, INR 22,823 crores or 26.76% were garnered through switches in regular schemes. However, no switches were observed in the direct plans of these schemes.

The present sliding scale structure of TER allows AMCs to charge a higher TER to scheme with a lower AUM thereby incentivizing them to launch new schemes similar to existing ones. Thus, AMCs can be motivated to give high distribution commission for new NFO schemes wherein it can charge high TER and nudge the switch transactions from existing schemes with large size AUM to the new schemes with smaller AUM size.

In order to remedy this, SEBI has proposed that in case of a switch transaction, the distributor shall be entitled to the lower commission offered under the two schemes, and the commission to distributor should be in increasing trend with the first year's commission not being more than 25% committed to the distributor for first three years, or the commission paid to distributor should be equal for all years.

Our Response:

77. SEBI has observed that majority of switches from existing schemes to NFOs occur in regular plans of active schemes, and as per SEBIs data, 26.76% of the total AUM garnered in NFOs during April 01, 2021 – to September 30, 2022 came from switches in regular plans. In this regard, certain additional data, as gathered by FIFA is reproduced below:

Switches in NFOs Period April 01, 2021 to September 30, 2022			
	Active	**Passive**	**Total**
No. of NFOs	47	39	86
Amount garnered in NFOs (in Cr.)	82,733	2,552	85,285
Garnered through switches in regular plans	22,437	386	22,823
% of switch by distributors	27.12%	15.13%	1.00%
Difference in commission			181.54
Comparison with total flows			
Gross flows mobilised during the period			8,67,346
% of amount garnered through NFOs to total flow garnered			10%
% of amount garnered through switches in NFO to total amounts mobilised			3%

Comparison with total commission on equity oriented funds – Estimate	**Amount %**
AUM in equity oriented funds – regular plan - 1st April 2021	10, 22, 923
AUM in equity oriented funds – regular plan – 30th July 2022	14, 50, 306
Average AUM during the period – 1st April 2021 to 30th September 2022	12, 36, 615
Average distribution commission paid at 1% p.a. for 1 year	12, 366
NFO difference in commission	181. 54
% of NFO difference in commission to total commission	1.47%
NB: AUM in regular plans is estimated at 75% of total AUM based on data shared in MFAC	

78. From the above table, it can be seen that the amount garnered through NFOs is 10% of the total gross mobilisation of equity funds and the amounts garnered by way of switches of Rs 22,823 is less than 3% of the on the total gross equity mobilisation. There is a presumption that all switches are done with a view to get the benefit of higher TER slabs which would be in the interest of the AMC and the distributors. Investments, including switches in NFO's, may have been done because there is a bonafide case for investing in the scheme for the investor, for partial or total booking of profits in the existing scheme, expectation of better returns from schemes having a smaller AUM etc. Hence, whilst there is a higher pricing for new schemes, it cannot be presumed that switches are done only for higher TER's and higher distribution commissions.

79. In relation to the proposal regarding payment of lower distribution commission between the two schemes, we believe that this will act as a disincentive for MFDs to study and recommend new funds to the investors, as the costs associated with educating their staff regarding such new schemes, and sharing informational documents may not be recovered if they continue to receive lower distribution commission, as payable in the older scheme.

5.4.4 Exit Load: SEBI has proposed that the maximum exit load that may be charged on an open-ended scheme may be lowered from the present limit of 5% of the NAV to 2%.

Our Response:

80. The exit loads charged by schemes is generally less than 2%, as per the data provided by SEBI. Thus, reducing it to 2% will not have any major impact.

5.4.5 Issue and redemption expenses: Expenses that may be charged to a scheme are laid out in Regulation 52(2) and (4) of the MF Regulations, while Regulation 52(5) prescribes that that any expenses other than those specified in the Regulations 52(2) and 52(4), shall be borne by the AMC or trustee or sponsors.

SEBI has proposed to amend the MF Regulations to clarify that any expense other than those mentioned in Regulation 52(2) and 52(4), including initial expenses of launching scheme, shall be borne by the AMC or trustee or sponsors. In relation to payment of distribution commission upon winding up of the scheme, that fall under Regulation 52(4) of the MF Regulations, SEBI has proposed that after the announcement of winding-up of the scheme, unless the decision is reversed by the investors, the expenses charged to the scheme/investors shall be restricted to the recurring expenses permitted under Regulation 52(4)(b) that pertain to winding up of the scheme.

Our Response:

81. This proposal is reiterating an order by the Supreme Court of India. At the time of winding up, MFDs still provide their services to investors. They should be compensated for it. Thus, the regulations should be amended to allow distributors to be paid for the services rendered by them during winding up.

5.4.6 Performance based TER: SEBI has provided data in relation performance of schemes vis-à-vis applicable benchmarks under direct as well as regular plans over a period of 1, 3, 5, and 10 years. As per this data, more than 22% of the regular plans of schemes have underperformance of more than 1.25% (equivalent to max. tracking difference permissible for debt ETFs/Index Funds) vis-à-vis the benchmark for all periods.

Further, SEBI has stated that any significant underperformance against the benchmark is not in the interest of the investors, while AMCs may charge a higher management if the schemes significantly outperform the respective benchmarks. Accordingly, SEBI has proposed two approaches for charging a performance-based TER:

a. During the period in which the investor remains invested, the base expense ratio may be charged to the investor. At the time of redemption, the management fees may be charged if return of more than indicative rate is generated or annualised returns received by the investor is above the hurdle rate. The maximum management fees may also be specified to discourage fund managers from taking imprudent risk in order to earn higher fees. The NAV paid out at the time of redemption may be netted for the management fees and the balance amount may be paid to the investor.

b. Higher expense limit for performance based TER may be fixed and TER inclusive of management fees is charged to the investor. The TER charged by the schemes in such cases should be based on the schemes' performance during the previous year. At the time of redemption by the investor, if AMC fails to generate return above the indicative returns for investor or the annualised returns for the investor is below the hurdle rate fixed in advance, the AMC may retain base TER as may be applicable and return the remaining expenses charged to the investor, along with the redemption amount.

SEBI has proposed to keep it optional for AMCs to adopt either approach, and as this would be a new concept, such performance-based TER would be tested under the regulatory sandbox.

Our Response:

82. Performance based TER is required to be appropriately tested before being operationalized. It would be tricky to do so as the performance would be a function of the point of investment of a particular investor. In light of the same, Approach A may be opted for which ensures

that only the base TER is charged initially and the performance fee is charged at the time of redemption.

5.4.7: Financial inclusion of women: SEBI has observed that the participation of women investors in mutual funds is quite low, such that only 25% of the total folios below to women investors. In order to incentivize inclusion of women, SEBI has proposed various norms including providing incentives to the distributors for obtaining new investments from women investors (new PAN) at the industry level. These incentives are line with the B-30 incentives discussed above, and therefore, SEBI has proposed that for investments coming from B-30 cities, either of the incentives should be paid out the MFDs.

Our Response:

83. This is a positive step and should be adopted. However, the incentive is not very effective. SEBI should change the incentive structure. Kindly refer to our comments on the B-30 incentives in Para 27 to 33 above.

5.4.8 Increase in TER in locked in, and quasi-locked in schemes: SEBI has proposed that in case of an increase in TER, unitholders shall be given an option to exit at the prevailing NAV without any exit load. Further for schemes where investment of investors is under a lock-in or quasi lock-in scheme, the TER shall not be increased for the existing investors, and the existing investments in such schemes shall be grandfathered in. However, any such exit to investors or grandfathering of investments may not be required if the increase in TER of a Mutual Fund scheme is as per the regulatory requirement due to change in AUM.

Our Response:

84. TER of schemes may sometimes increase marginally to account for change in circumstances. Allowing exit for any minor change may lead to unnecessary complications for the AMCs. SEBI may consider allowing exit, without exit loads being charged, in case the TER has been increased by a certain specified percentage in a specified period.

5.4.9: TER of direct and regular plans: Presently, the regulatory framework for mutual funds prescribes that the fees charged under various heads of a direct plan shall not be more than those charged under corresponding heads in a regular plan. For enhancing uniformity, SEBI has now explicitly mentioned that the only point of difference between a regular and a direct plan shall be the expenses towards distribution commission, while the rest of the expenses remain the same.

Our Response:

85. This proposal will remove any ambiguities in the law and is a positive step.

Thanking you.

Yours faithfully,

Dhruv Mehta

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Annexure I

METHODOLOGY FOR STUDYING IMPACT ANALYSIS OF THE PROPOSED CHANGE IN TER

1. In order to do the impact analysis, we have calculated the weighted average TER instead of using a simple average or a median,as the weighted average (Weighted by AUM) truly represents the real cost that incurred by all investors in aggregate.

2. The weighted average was calculated for equity-oriented funds, and debt funds, as per the present TER structure, with a scheme-wise AAUM as on December 31, 2022 taken from the AMFI website. The present AAUM for equity-oriented funds was taken from Morningstar Workstation, and from the MFI Explorer by ICRA for debt funds.

3. Calculated TER, Brokerage & STT for all equityoriented schemes based on the Portfolio Turnover Ratio. The Portfolio Turnover Rate is average of 12 months. Brokerage is at 8bps for Delivery; 2 bps on Arbitrage & STT of 10bps on the scheme. On an average its13 bps for equity schemes&134bps on arbitrage schemes.

4. **Calculation of TER as per the proposed TER structure**:

   i. The proposed TER structure is based on the TER slabs at AMC AAUMs which also includes Brokerage & STT.

   ii. For Equity Schemes: TER slabs based on total AUM of AMC in pure equity funds;

   iii. For Debt Funds: TER slabs based on total AUM of AMC in debt funds excluding Overnight Funds;

   iv. For hybrid schemes and solution-oriented schemes: TER will be based on the equity and debt allocation and the respective equity and debt TER for the AMC;

   v. The AUM for open ended equity funds is taken as 100% Equity instruments.

5. In respect of hybrid schemes, it is assumed 65% allocation to equity instruments and 35% allocation to debt instruments. For Solution Oriented Funds it is considered that 50% allocation to Equity and 50% allocation to debt.

6. The Total AUM of equity instruments at AMC level has been worked out and applied the TER based on slabs proposed by SEBI on Total AUM of equity-oriented funds for an AMC. Similarly, the total AUM of non-equity instruments at AMC level has been worked out to arrive at the TER slabs for an AMC and the applicable TER for debt funds.

7. AAUM in Other category mentioned in AMFI AUM Report has not been considered for arriving at AMC level AUM for determining slabs.This includes index funds, gold funds, Other ETF's and fund of funds investing overseas.

8. The summary results are as under:

Impact Analysis of proposals on TER based on AMC level AUM slabs for regular plans of open ended schemes based on AAUM as on 31/12/2022									
	Direct			Regular			Total		
Asset Class	**Existing Expenses based on Current TER excluding Brokerage and Transaction Charge and STT**								
	AAUM (Crore)	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**
Equity Oriented Funds	440,055	0.76	3,365	1,617,630	1.81	29,322	2,057,685	1.59	32,687
Debt	310,659	0.38	1,172	235,257	0.97	2,278	545,916	0.63	3,450
Debt - LP	561,057	0.18	1,025	190,674	0.40	759	751,731	0.24	1,784
Grand Total	**1,311,771**	**0.42**	**5,562**	**2,043,561**	**1.58**	**32,360**	**3,355,332**	**1.13**	**37,921**
Asset Class	**Calculation of Total Cost with Brokerage and STT**								
Category	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**	**AAUM (Crore)**	**WER**	**Total Exp (Crore)**
Equity Oriented Funds	440,055	1.03	4,525	1,617,630	1.99	32,267	2,057,685	1.79	36,792
Debt	310,659	0.38	1,172	235,257	0.97	2,278	545,916	0.63	3,450
Debt - LP	561,057	0.18	1,025	190,674	0.40	759	751,731	0.24	1,784
Grand Total	**1,311,771**	**0.51**	**6,722**	**2,043,561**	**1.73**	**35,304**	**3,355,332**	**1.25**	**42,027**
Asset Class	**Based on Proposed TER as per consultation paper of SEBI**								

Category	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)	AAUM (Crore)	WER	Total Exp (Crore)
Equity Oriented Funds	440,055	0.87	3,833	1,617,630	1.78	28,868	2,057,685	1.59	32,702
Debt	310,659	0.31	964	235,257	0.82	1,921	545,916	0.53	2,886
Debt - LP	561,057	0.18	1,015	190,674	0.39	747	751,731	0.23	1,762
Grand Total	**1,311,771**	**0.44**	**5,813**	**2,043,561**	**1.54**	**31,537**	**3,355,332**	**1.11**	**37,350**
Asset Class	**Change (Difference between Proposed & Total Cost with Brokerage and STT**								
Category		**WER**	**Total Exp (Crore)**		**WER**	**Total Exp (Crore)**		**WER**	**Total Exp (Crore)**
Equity Oriented Funds		-0.16	-692		-0.21	-3,398		-0.20	-4,090
Debt		-0.07	-208		-0.15	-357		-0.10	-564
Debt - LP		0.00	-10		-0.01	-12		0.00	-22
Grand Total		**-0.07**	**-910**		**-0.18**	**-3,767**		**-0.14**	**-4,677**

Table on impact of the proposed changes to the TER on MFDs

MFDs																					
AUM (in Crs)				Income data for distributors under present structure							Income data for distributors under new scheme										
From	To	No. of MFD	Cumulative No. of MFD	Average AUM	Average Brokerage	Average Annual income (in Lakhs)	GST (in Lakhs)	Income after GST (in Lakhs)	Less: Expenses assuming 50% of earnings	Income after Expenses	Average AUM	Average Brokerage	Average Annual income (in Lakhs)	GST (in Lakhs)	Income after GST (in Lakhs)	Less: Expenses assuming 50% of earnings	Income after Expenses	Reduction in Income	Drop in % Income
1	2	3	4	5=(1+2)/2	6	7	8	9	10	11	5=(1+2)/2	6	7	8	9	10	11	12	13=(12/11)
0	1	72819	72819	0.5	0.85%	0.56	0	0.56	0.28	0.28	0.5	0.67%	0.35	0	0.35	0.18	0.18	-0.11	-37.50%
1	10	20101	92920	5.5	0.85%	6.11	0	6.11	3.06	3.06	5.5	0.67%	3.8	0	3.8	1.9	1.9	-1.16	-37.81%
10	25	9245	102165	17.5	0.85%	19.43	0	19.43	9.72	9.72	17.5	0.67%	12.08	0	12.08	6.04	6.04	-3.68	-37.83%
25	50	4039	106204	37.5	0.85%	41.63	7.49	34.14	17.07	17.07	37.5		25.88	4.66	21.22	10.61	10.61	-6.46	-37.84%
50	100	1911	108115																
100	300	1215	109330									-21.18%							
300	500	1911	111241																
500	1000	100	111341																