REPORT OF THE TASK FORCE ON MONEY MARKET MUTUAL FUNDS

RESERVE BANK OF INDIA
BOMBAY
JANUARY 1992

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भारतीय रिज़र्व बैंक
केन्द्रीय कार्यालय
ऋण आयोजना कक्ष
बंबई

RESERVE BANK OF INDIA
CENTRAL OFFICE
CREDIT PLANNING CELL
BOMBAY

January 21, 1992
Magha 1, 1913 (S)

The Governor,
Reserve Bank of India,
Bombay.

Dear Sir,

We submit herewith the Report of the Task Force on Money Market Mutual Funds.

Yours faithfully,

D.Basu (Chairman)

Ramesh Gelli

B.R. Kamath

A.P. Kurien

P.J. Nayak

A.T.Pannirselvam

N.D.Parameswaran

(Smt.)K.S. Shere

A.S. Thiyagarajan

G.G.Vaidya

M.V. Raghavachari

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Chapter I

INTRODUCTION

Due to various measures taken by the Reserve Bank of India, short-term money market during the past four years or so has attained certain depth, stability and maturity. It was considered necessary to further develop the market. Also, during recent years, the household sector in India — a major source of savings in the country — has increasingly become conscious of returns on investments. This is evident not only in their active participation in the capital market but also in their investment in new schemes floated by various Mutual Funds. In this context, with a view to providing an additional short-term avenue to investors and to bring money market instruments within the reach of individuals, the Reserve Bank of India in the credit policy announcement of April 12, 1991, outlined a broad framework of the scheme for setting up Money Market Mutual Funds (MMMFs). The relative extract from the credit policy circular letter dated April 12, 1991, of the Governor, Reserve Bank of India, to all scheduled commercial banks is set out in Annexure I. It was indicated that the broad framework referred to above would need to be fully developed and implication of such a scheme studied in detail and a Task Force would be set up by the Reserve Bank of India to work out the detailed operative guidelines and documentation for MMMFs.

1.2 Accordingly, the Reserve Bank of India appointed on September 3, 1991, a Task Force on Money Market Mutual Funds consisting of the following :

(1) Shri D. Basu, Deputy Managing Director, State Bank of India, Bombay.	Chairman
(2) Shri Ramesh Gelli, Chairman, Vysya Bank Ltd., Bangalore.	Member

(3) Shri B. R. Kamath, Member
Executive (Operations),
Indian Banks' Association,
Bombay.

(4) Shri A. P. Kurien, Member
Executive Trustee,
Unit Trust of India,
Bombay.

(5) Dr. P. J. Nayak, Member
Joint Secretary,
Ministry of Finance,
Department of Economic Affairs,
(Banking Division),
Government of India,
New Delhi.

(6) Shri A. T. Pannirselvam, Member
Executive Director,
Bank of India,
Bombay.

(7) Shri N. D. Parameswaran, Member
Chief Officer,
Department of Banking
Operations and Development,
Reserve Bank of India,
Bombay.

(8) Smt. K. S. Shere, Member
Legal Adviser,
Legal Department,
Reserve Bank of India,
Bombay.

(9) Shri A. S. Thiyagarajan, Member
Vice President,
Citibank N. A.,
Bombay.

(10) Shri G. G. Vaidya, Chief General Manager, Discount and Finance House of India Ltd., Bombay. — Member

(11) Shri M. V. Raghavachari, Adviser-in-Charge, Credit Planning Cell, Reserve Bank of India, Bombay. — Member-Secretary

1.3 The terms of reference of the Task Force were :

i) To set out detailed guidelines from the view-point of implementation of the scheme of MMMFs.

ii) To devise the precise formats of the negotiable/ transferable instruments.

iii) To formulate the investment guidelines (i. e. portfolio mix) of MMMFs in consonance with the broad outline indicated in the credit policy circular.

iv) Any other issue having a bearing on the setting up and functioning of MMMFs.

The Memorandum appointing the Task Force is at Annexure II.

1.4 At the outset of the deliberations, the Task Force had the benefit of briefing by Shri S. S. Tarapore, Executive Director, Reserve Bank of India. Shri Tarapore observed that money market instruments are beyond the reach of the individuals and therefore, the Scheme of Money Market Mutual Funds (MMMFs) has been envisaged which would provide individuals' access to these instruments. Shri Tarapore stated that MMMFs would be more useful to banks as they would provide banks with flexibility to obtain funds at market rate which could match their earnings. Referring to MMMFs abroad which enjoy cheque facility, Shri Tarapore observed that in the present framework, it might not be possible to extend such facility in our country. He requested the Task Force to consider prescribing strong prudential norms which are simple, clear and rule-based.

1.5 The Task Force held six meetings at Bombay. Apart from the background papers prepared by the Secretariat, the Task Force had the benefit of perusing papers prepared by members of the Task Force. The Task Force had extensive and useful discussions with the chief executives/representatives of the following Mutual Funds, viz., SBI Mutual Fund, Canbank Mutual Fund, BOI Mutual Fund, LIC Mutual Fund, PNB Mutual Fund, Indian Bank Mutual Fund and GIC Mutual Fund. A list of persons with whom the Task Force had discussions is furnished in Annexure III. The Task Force would like to thank all those individuals and institutions who conveyed their suggestions and views to the Task Force. The Secretariat for the Task Force was provided by the Credit Planning Cell, Reserve Bank of India. Shri A. L. Verma, Director, Shri A. R. Dalvi, Assistant Chief Officer, and Shri M. P. Baliga, Banking Officer of the Credit Planning Cell were associated with the deliberations of the Task Force. The tight schedule put a heavy burden on the Secretariat. The Task Force would like to record its appreciation of the exemplary support provided by these Officers of the Reserve Bank of India in the preparation of the Report of the Task Force.

Chapter II

OBJECTIVES OF MONEY MARKET MUTUAL FUNDS

Since early 1970's, the financial system in the western countries witnessed the emergence of many new Short-term Investment Pooling Arrangements to cater to the requirements of investors; the most well known of which is the Money Market Mutual Funds (MMMFs). Most of the money market instruments are beyond the reach of investors of small means, particularly individuals because of their high denominations. MMMFs allow such investors to gain access to market related yields with small amount of money which historically were only accessible to institutional investors. The emergence of MMMFs in the 1970's as an important financial intermediary was facilitated by the ceiling on interest rates on deposits. Other factors like technological progress in computers and telecommunications industries also spurred the growth of MMMFs. Money Market Mutual Funds are mutual funds which invest in money market instruments of a high quality and of short maturities. They also ensure to maintain a high level of liquidity.

2.2 The MMMFs are mainly designed for individuals whose short-term investible surplus funds do not have access to the full range of instruments and avenues of money market investments. MMMFs are intended to provide such access. The MMMFs also offer economic advantage of size intermediation such as bulk purchases, access to money markets, expertise of professional Fund Managers and seek to provide as high a yield potential as is available from short-term money market instruments. Investment in the funds may relieve the investor of many of his administrative problems usually associated with direct purchase of financial instruments, scheduling of maturities and reinvestment, safe keeping of instruments, surveying the market for the best price at which to buy and sell and separating principal and income, record keeping and so on. MMMFs provide high liquidity because of their redemption features and reduced risk resulting from diversification of assets.

2.3 MMMFs will enable individuals to park their funds temporarily in money market instruments until some long-term investment avenues open up. Yet another advantage of MMMFs is that they will bring within the reach of some individual investors the money market instruments which hitherto they could not invest in because of the requirement of a large minimum amount of investment. Third advantage of MMMFs is that individuals, as stated earlier, are assured of high liquidity and relatively better yields coupled with safety of investments. MMMFs are expected to stimulate the financial savings and enhance the share of such savings in the overall savings of household sector. Thus, MMMFs will improve the cash management of individuals who invest in them.

2.4 The access to new money market instruments like Certificates of Deposit (CDs), Commercial Paper (CP), 182 Days Treasury Bills and so on requires large investments. The minimum investment in CDs and CP is Rs. 25 lakh each. Similarly, for participation in the auctions of 182 Days Treasury Bills, minimum investment amount is prescribed at Rs. 1 lakh. For the participation of an entity in the bills rediscounting scheme and call money market, an investment of Rs. 20 crore per transaction for any lender is required. The money market instruments like CDs, CP, etc. are, thus, means for raising bulk funds. Therefore, the access to these instruments has been confined to banks, financial institutions and some large public sector undertakings and business houses. Furthermore, even though some small bodies and individual investors may be able to mobilise enough resources for investment in various money market instruments, they may not be able to obtain optimum yield on their investments due to lack of required expertise and diversified portfolio of investment. The transactions cost involved in managing these investments to a single investor would be much higher and this would bring down the return on investments.

2.5 In order to provide access to various money market instruments for small investors, particularly individuals, the Money Market Mutual Funds (MMMFs) Scheme has been formulated. Under the scheme, the MMMF is designed to collect funds in smaller lots (which may be specified by the Reserve Bank of India) from individuals and others for investing in various specified short-term money market instruments of high quality. MMMFs, thus, offer an economic advantage of block purchase of money market instruments and diversification of investments which would ensure optimum yield on investments. MMMFs would be able to buy required instruments directly from issues in the primary market in large blocks at a lower price. Likewise, MMMFs would endeavour to buy various instruments in the secondary market at a more competitive price. Thus, the MMMFs would be able to offer investors the opportunity to participate in a more diversified selection of money market instruments both in terms of issues and maturities than the size of the investor's portfolio might otherwise permit the investments in various money market instruments. Net income earned by MMMFs on their investment portfolios would be distributed amongst the Fund participants. The return on investments in MMMFs would depend upon the prevailing interest rates on various money market instruments.

2.6 MMMFs would also offer the facility of disinvestment to investors after the minimum lock-in period. This facility would impart the element of liquidity to the investments in MMMFs. The primary objective of MMMF Scheme is, thus, to provide high rate of return on short-term investments consistent with liquidity and preservation of capital through maintenance of a high quality investment portfolio.

Chapter III

STRUCTURE OF MMMFs

In the recent years, the introduction of new money market instruments like CDs, CP and 182 Days Treasury Bills has deepened and widened the Indian money market. However, the minimum size of investments in CDs and CP is Rs. 25 lakh each and, therefore, the access to such instruments has been confined to institutional investors. Therefore, in the credit policy announcement of April 12, 1991, it was, *inter alia,* stated by the Reserve Bank of India that :

> "With a view to providing an additional short-term avenue to investors and to bring money market instruments within the reach of individuals and small bodies, it may be desirable to allow scheduled commercial banks and their subsidiaries to set up Money Market Mutual Funds (MMMFs)."

3.2 The Task Force discussed at length the matter as to whether scheduled commercial banks and their subsidiaries/mutual funds set up by them only should be allowed to set up MMMFs or whether other non-banking financial institutions and non-financial institutions should also be permitted to set up MMMFs. The Task Force recommends that to begin with MMMFs be set up only by scheduled commercial banks and public financial institutions as defined under Section 4A of the Companies Act, 1956 directly or through their existing mutual funds/subsidiaries engaged in funds management. The presence of a large number of players would create a more competitive environment for MMMFs and investors would get the benefit of efficient and professional management. At present, notified Mutual Funds set up by public sector banks and public financial institutions are exempt from payment of income tax under section 10(23D) of the Income Tax Act, 1961. Since MMMFs will also be set up by private sector banks, the Task Force strongly recommends that the provision of exemption from payment of income tax should be extended to MMMFs set up by private sector banks and subsidiaries of public sector banks and private sector banks by suitable amendment to sub-section (23D) of Section 10 of the Income Tax Act, 1961.

3.3 Since the MMMFs would be dealing in money market instruments, the Task Force is of the opinion that they should be governed by such guidelines laid down by the monetary authority, i. e. the Reserve Bank of India. MMMFs should, therefore, not be subject to guidelines of any other regulatory authority. The Task Force recommends that MMMFs to be set up by banks, their subsidiaries and non-bank institutions like the existing Mutual Funds, be required to comply with the guidelines and directives that may be issued from time to time by the Reserve Bank of India only.

3.4 The Task Force also considered the issue whether MMMFs could be set up as a part of a bank in the form of a Division/ Department (hereafter referred to as 'in-house MMMFs') and the assets and liabilities of such MMMFs thus forming part of the bank's balance sheet or it could be set up as a separate entity e.g., as a 'Trust'. The Task Force is of the view that MMMFs could be set up as a part of a bank. In the USA, many MMMFs have been set up as part of banks and no major difficulties have been experienced in such arrangements. If MMMFs are set up as a part of banks, the wide branch network would be helpful in mobilising funds. The existing infrastructure of banks would also be available to MMMFs and the overheads/ administrative cost for managing funds would, therefore, be less. Furthermore, by setting up MMMFs, banks would be able to offer competitive returns to their investors who are willing to invest in money market instruments. In case of smaller banks, the setting up of MMMFs as a part of the bank would be much more economical. However, the Task Force stressed that in-house MMMFs should take adequate and effective measures to ensure that management, accounting and custody of their assets should be kept distinct and separate from those relating to the investments of the bank. They should reflect characteristics of a mutual fund to get the benefit of Section 10(23D) of the Income Tax Act, 1961. In the case of in-house MMMFs, it should be ensured that there should be no conflict of interest between MMMFs and their parent organisation. The Task Force is also of the view that if some banks do not want to set up MMMFs as in-house MMMFs, such banks could set up MMMFs as a 'Trust' and entrust the management, etc. of MMMFs to their subsidiaries set up for carrying out investment management business. The Task Force recognised that the existing Mutual Funds are already having 'Trust' model with them and, therefore, it would be easier for them to set up MMMFs. Similarly, the infrastructure of subsidiaries and fund management expertise would be useful in managing MMMFs. On the other hand, banks are in a position to make use of their existing branch network for mobilising subscriptions for MMMFs and also take advantage of their infrastructure by setting up in-house MMMFs.

3.5 If MMMFs are set up as in-house bodies, they would be subject to reserve requirements viz., Cash Reserve Ratio (CRR) under the Reserve Bank of India Act, 1934 and Statutory Liquidity Ratio (SLR) under the Banking Regulation Act, 1949. The Task Force, therefore, feels that in that eventuality, in-house MMMFs set up by banks would be placed at a disadvantageous position as compared to those MMMFs set up by banks by way of trusts or by non-bank institutions which are not subject to reserve requirements. The Task Force noted that the Reserve Bank of India has powers under Section 42(7) of the Reserve Bank of India Act, 1934 to grant any scheduled bank such exemption from the provision of Cash Reserve Ratio requirements for such periods and subject to such conditions as may be specified. However, it was brought to the notice of the Task Force that under Section 24 of the Banking Regulation Act, 1949, banks are required to maintain SLR on their net demand and time liabilities in India and there is no provision under the Banking Regulation Act, 1949 under which banks can be exempted from the maintenance of minimum SLR of 25 per cent in respect of the said liabilities arising out of in-house MMMFs. Thus, grant of exemption to banks from the maintenance of SLR would require amendment to the Banking Regulation Act, 1949. The amendment to the Banking Regulation Act is a time consuming process. It is for the Reserve Bank of India to consider what action it would take to grant exemption to banks from maintaining SLR in respect of liabilities arising out of funds obtained by in-house MMMFs. The Task Force, therefore, strongly recommends that the Reserve Bank of India may consider exempting in-house MMMFs set up by banks from the reserve requirements. The Task Force is of the further view that to begin with, the Reserve Bank of India could prescribe a statutory minimum SLR of 25 per cent under the Banking Regulation Act, 1949 be maintained by investments, *inter alia,* in 182 Days Treasury Bills as envisaged in the prudential investment guidelines.

3.6 Money Market Mutual Fund Scheme is usually in two forms such as "Money Market Deposit Account" (MMDA) or "Money Market Mutual Funds" (MMMFs). While in the case of MMDAs, the investors are issued deposit receipts, in the case of MMMFs, they are issued instruments in the form of shares, units or Certificates of Deposit. In the case of MMDAs, they would not be eligible for tax exemptions given under Section 10(23D) of the Income Tax Act, 1961. However, MMDAs would be subject to insurance cover provided by the Deposit Insurance and Credit Guarantee Corporation of India (DICGC). The shares, units or Certificates of Deposit would be negotiable instruments but they would attract stamp duty both at the time of issue of the documents in the primary market and also at the time of transfer of documents in the secondary market. On the other hand, the deposit 'receipt' would not attract stamp duty. However, deposit receipts are not transferable instruments. The scheme could be operated in the form of "Pass Book Account". In rural and semi-urban areas where investors may like to hold their investments for a longer period and may not encash their units frequently with the rise and fall of Net Asset Value of the Fund, Pass Book Account would be attractive to the investors. The Task Force feels that the *"modus operandi"* of the MMMF Scheme could be left to individual institutions. However, the Task Force would suggest that to begin with MMDAs be without any cheque book facility. The Task Force also recommends that the units/shares of MMMFs may be exempted from stamp duty both at the time of issue of instruments and at the time of transfer of instruments in the secondary market. This would provide impetus to the development of the secondary market for money market instruments. Accordingly, the Task Force suggests that the Reserve Bank of India should request the Government of India to remit stamp duty on such instruments. In this context, it may be recalled that to facilitate the growth of the bills rediscounting market, Government of India had, in August 1989, remitted stamp duty in respect of usance bills of exchange which are (i) payable not more than three months after date or sight, (ii) drawn on or made by or in favour of a commercial or a co-operative bank and (iii) arising out of bonafide commercial or trade transactions. The Task Force recommends that stamp duty chargeable in respect of all money market instruments, such as Certificates of Deposit, Commercial Paper, etc. be similarly remitted and the Reserve Bank of India may take up this aspect with the Government of India.

'Close' ended and 'Open' ended MMMFs Schemes

3.7 The Schemes launched by MMMFs could be either as 'close' ended or 'open' ended funds. The 'close' ended funds are set up for a fixed period. The size of the fund is also fixed and the opportunity given for investment in the fund is available for limited period. The units/shares of 'close' ended funds are redeemed at maturity. However, the secondary market may be available for disposal of shares/units of the fund. On the other hand, 'open' ended funds have no ceiling on the size of the funds and investors have facility to invest or disinvest their investment whenever they like. Thus, the 'open' ended funds are always available for investment of short-term funds and also have better liquidity. The regular flow of funds would enable the fund managers to diversify the investments which may ensure better return. Because of open opportunity for investments and better liquidity, MMMFs in many countries like the USA, the UK, Belgium have been set up as 'open' ended funds.

3.8 The resources raised by MMMFs set up by banks, their subsidiaries and public financial institutions as defined under Section 4A of the Companies Act, 1956 should be subject to a maximum size which may be specified by the Reserve Bank of India. In that sense, MMMFs could be called 'close' ended funds. However, there would be no restriction on the period for mobilisation of funds. Furthermore, the investors would have freedom to redeem their shares/units by selling to fund managers after the minimum lock-in period. Therefore, the fund managers would have flexibility to operate the fund. Thus, MMMFs would have combined features of 'open' and 'close' ended schemes. However, if some banks/institutions like to formulate special schemes of either 'close' or 'open' ended fund, adhering to the overall limit stipulated by the Reserve Bank of India, the Task Force recommends that it should be left to their option to do so.

Chapter IV

MOBILISATION OF RESOURCES BY MMMFs

In the credit policy announcement of April 12, 1991, it was stated by the Reserve Bank of India that "suitable ceilings may be fixed on mobilisation of such funds by banks and their subsidiaries (this could in the first instance, be equivalent to one per cent of aggregate deposits)". The Task Force discussed this issue at length and is of the view that the ceiling of one per cent of aggregate deposits of banks, referred to above, is too small from the point of view of economic viability of MMMFs. In view of this, the Task Force recommends that it could be raised to two per cent of aggregate deposits of banks. In the light of the experience that may be gained, the Reserve Bank of India may review this limit from time to time.

4.2 In the case of MMMFs set up by banks, the limit for raising resources by MMMFs may be fixed on the basis of their overall deposit size. If MMMFs are set up by banks' mutual funds/ subsidiaries, these MMMFs will need to operate within limit fixed for their parent banks. In the case of non-banking institutions, the limit for MMMFs may be related to their total long-term domestic borrowings. Accordingly, for MMMFs of non-banking financial institutions, the size could be specified at two per cent of long-term domestic borrowings of these institutions as indicated in their audited balance sheets. The policy to relate the size of MMMFs to the level of deposits may place larger banks at an advantageous position. On the other hand, some small banks having small deposit base may get a size of MMMF which may not be economically viable. The Task Force recommends that the minimum size of MMMF should be Rs. 50 crore. Therefore, the Task Force recommends that the limit for MMMFs may be fixed at two per cent of the fortnightly average aggregate deposits of the bank concerned in the previous financial year or Rs. 50 crore, whichever is higher. The Task Force also discussed the possibility that for some small banks, the setting up of MMMFs may not be economically viable.

In such circumstances, smaller banks could be allowed to set up MMMFs jointly. The Task Force recommends that the norm for determining the size of MMMF should be reviewed by the Reserve Bank periodically. The Task Force also recommends that for the setting up of MMMFs at the initial stage, prior authorisation of the Reserve Bank may be desirable. While granting authorisation, the Reserve Bank should formulate guidelines which are transparent and, *inter alia,* based on financial, managerial and operational aspects of the bank/financial institution.

4.3 The funds invested in MMMFs except those relating to MMDAs will not have insurance cover from the DICGC. However, since the investments of MMMFs will be made in high quality money market instruments, the risk for the investors in MMMFs will, therefore, be low. There may be a risk about the return which may fluctuate from time to time depending upon the changes in interest rates offered on a variety of money market instruments. Therefore, MMMFs should avoid giving any assurance to investors about the likely return on investments.

4.4 The Task Force discussed the issue relating to minimum size of investment in MMMFs. The Task Force is of the view that the minimum initial investment amount should not be very large which may keep MMMFs beyond the reach of a large section of population, particularly in rural areas. Likewise, the amount should not be so small that it would increase the number of investors in MMMFs substantially which may need large administrative set up and increase the overhead cost. Reserve Bank guidelines for MMMFs indicated that "the minimum size of investment would be Rs. 1 lakh". It was felt that for individual investors, this amount would be very large and it should be reduced. The Task Force after full discussion came to the view that no minimum size either for individual investors or others needs to be specified and the matter should be left to the discretion of MMMFs.

4.5 In the broad framework of MMMFs announced by the Reserve Bank of India, it was indicated that the investments in MMMFs "could be subject to a minimum lock-in period of 3 months". The Task Force feels that since one of the main objectives of MMMFs is to provide high liquidity to investment in MMMFs, there should be no lock-in period. The Task Force, however, noted that no interest is paid on term deposits with a maturity of less than 46 days by banks and also that unduly low lock-in period would significantly increase transaction costs. In view of the above and in order to impart greater liquidity to investment in MMMFs, the Task Force recommends that the minimum lock-in period should be reduced from 3 months to 46 days. The Task Force would urge the Reserve Bank of India to examine the feasibility of further reducing or even removing the minimum lock-in period at a future date.

Chapter V

INVESTMENT PATTERN OF MONEY MARKET MUTUAL FUNDS

In the credit policy announcement of April 12, 1991, it was, *inter alia,* indicated by the Reserve Bank of India that:

"MMMFs could be allowed to invest only in specified short-term money market instruments (CDs, CPs, 182 Days Treasury Bills, rediscounting of commercial bills and call and short-notice money) as lenders. A *minimum* of 20 per cent of the MMMFs funds could be required to be held in 182 Days Treasury Bills and a *maximum* of 20 per cent in call and short-notice money".

5.2 One of the terms of reference of the Task Force is to formulate the investment guidelines (i. e. portfolio mix) of MMMFs in consonance with the broad outline indicated in the credit policy circular. The Task Force strongly recommends that liquidity consideration be given top priority by the MMMFs while deciding on the types of instruments for investment. Accordingly, the Task Force would suggest that MMMFs should be permitted to invest only in high quality instruments and the risk taken by the MMMFs should be minimum. Since the instruments available for MMMFs are somewhat limited, the Task Force considered whether short-dated Government securities, units of Unit Trust of India, non-convertible debentures of near maturity and public sector bonds could also be considered for inclusion in the basket of instruments for investment by MMMFs. The Task Force further considered the question of permitting MMMFs to invest in capital market instruments and noted that while money market instruments are relatively liquid, there is limited liquidity for capital market instruments. It was emphasised that the liquidity of instruments is essential for investments by MMMFs. The Task Force came to the view that if MMMFs are permitted to deal in capital market instruments, it is likely that they may be exposed to corporate risk. In this context, the Task Force noted that there had been cases of default even by some well known companies in punctually repaying fixed deposits accepted by them. In view of the above, the Task Force recommends that MMMFs should not deploy their funds in capital market instruments, even if maturing within a year, so that their investments are not exposed to undue risks. The Task Force feels that though Government securities are not money market instruments, considering the security aspects, MMMFs could be allowed to invest in dated Government securities having an unexpired maturity of upto one year. Furthermore, MMMFs could also be allowed to invest in dated Government securities on 'Repo' basis for a period not exceeding one month.

5.3 One view expressed very strongly in the Task Force was that there should be no sub-ceiling or floor, respectively, for each eligible money market instrument for investment and MMMFs should be given the freedom to invest according to their perceptions. A view was also expressed that investment in 182 Days Treasury Bills should be made optional since the return on such bills is relatively low. It was suggested that there should be a floor on investment in call/notice money market and not a ceiling to enable MMMFs to optimise the return on their investments.

5.4 The Task Force felt that dispensing totally with the investment guidelines at this stage would not be in the interest of the MMMFs and it would also affect the growth of money market instruments. On the other hand, the Task Force felt that there is a need to enhance the tentative limits for certain investments indicated by the Reserve Bank in the guidelines. Accordingly, the Task Force recommends that the *minimum* investment in 182 Days Treasury Bills laid down in the guidelines should be raised from 20 per cent to 25 per cent, while the *maximum* investment in call/notice money market should also be raised from 20 to 30 per cent of the total investible funds of MMMF. In this context, the Task Force would urge the Reserve Bank of India to consider ways of increasing the yield on 182 Days Treasury Bills to enhance the attractiveness of this instrument.

5.5 On prudential considerations, the exposure of MMMFs to Commercial Paper (CP) should be moderated. The Task Force is of the view that the exposure to CP should not be more than 15 per cent of the total investible funds of the MMMF and the exposure to CP issued by a particular company should not be more than 20 per cent of the investible funds of MMMF in CP. The Task Force is of the opinion that there would not be any significant risk involved in rediscounting those bills of exchange having banks' acceptance or co-acceptance. Therefore, the Task Force recommends that MMMFs should rediscount only those bills which are accepted or co-accepted by banks. The Task Force recommends that for commercial bills accepted or co-accepted by banks too, the exposure should not be more than 20 per cent of the total investible funds so as to minimise any possible risk to MMMFs.

5.6 The Task Force considered the suggestion that in order to give a boost to the market and to provide a vital and active secondary market in the money market instruments, MMMFs should be permitted to invest/trade in one another's instruments. A view was also expressed that there is a need for such cross investments since units of MMMFs are new instruments in the market and to begin with some support may need to be provided to such units to make them popular; this may ideally be extended by MMMFs themselves. In view of the above, the Task Force recommends that a MMMF may be allowed to invest/trade in instruments of other MMMFs as underlying assets of all MMMFs would generally be of similar broad qualities and there would be no additional risk involved. In this context, the Task Force recommends that a cap of 10 per cent of investible funds may be prescribed for investments by one MMMF in shares/units of others.

5.7 As a money market institution, Discount and Finance House of India Ltd. (DFHI) operates in call/notice money market and also deals in 182 Days Treasury Bills, Commercial Bills, Certificates of Deposit and Commercial Paper. As MMMFs would invest their resources in short-term money market instruments, they could deal with DFHI in abovementioned money market instruments. MMMFs could also explore scope for 'Repo' facilities (i. e. buy-back and sell-back) in 182 Days Treasury Bills from DFHI and scheduled commercial banks.

5.8 To sum up, the Task Force recommends that MMMFs be required to invest a *minimum* of 25 per cent of their total investible funds at any point of time in 182 Days Treasury Bills and be permitted to invest a *maximum* of 30 per cent in call/ short notice money market. The exposure to CP should not be more than 15 per cent of the total investible funds and the exposure to CP issued by a particular company should not be more than 20 per cent of the investible funds of MMMF in CP. The exposure to commercial bills accepted or co-accepted by banks should not be more than 20 per cent of the investible funds of MMMF at any point of time. MMMFs may be permitted to invest/trade in instruments of other MMMFs subject to a cap of 10 per cent of their investible funds. MMMFs could also be allowed to invest in dated Government securities having an unexpired maturity of upto one year. They may also be permitted to invest in dated Government securities on 'Repo' basis for a period not exceeding one month. The Task Force recommends that not more than 25 per cent of the investible funds of MMMFs be invested in dated Government securities, including on 'Repo' basis.

Chapter VI

OPERATING GUIDELINES FOR MMMFs

In the earlier chapters, the various aspects relating to setting up of MMMFs have been discussed. In this chapter, the various operative guidelines on some important aspects which may be considered by the Reserve Bank of India while permitting banks, their subsidiaries and public financial institutions to set up MMMFs are outlined. These guidelines are considered necessary with a view to facilitating orderly functioning of MMMFs and also providing confidence to investors.

6.2 Management of MMMFs

a) Any scheduled commercial bank may, at its option, constitute MMMF either as in-house MMMF or by way of 'Trust'.

b) If MMMF is set up as in-house MMMF in the bank, accounts of MMMFs should be kept distinct from those of the bank's regular operations and should be subjected to separate audit.

c) The in-house MMMFs should take adequate and effective measures to ensure that management, accounting and custody of their assets should be kept distinct and separate from those of banks. In case the management of MMMF has been entrusted to a subsidiary of a bank, similar care must be exercised by the latter to avoid any clash of interest between itself and the beneficiaries under the various schemes of MMMFs.

d) It is envisaged that remuneration, administrative costs, etc., should be charged to the Fund. However, the Task Force does not consider it necessary to prescribe any ceiling in this regard.

6.3 Ceiling on Funds

MMMFs should not exceed at any point of time the ceiling limit specified by the Reserve Bank for mobilising funds under various schemes. This will be the responsibility of the bank or the financial institution setting up the MMMFs. In respect of MMMFs that may be set up by the existing Mutual Funds formed by certain banks and financial institutions, the responsibility of adhering to a prescribed ceiling will lie with those banks and financial institutions.

6.4 Investment Objectives and Policies

i) The investment objectives and policies of the MMMFs should be laid down by the sponsor bank/institution or concerned mutual fund and every scheme to be launched by MMMFs must be in accord with such broad objectives and policies and the rules and regulations framed in connection therewith.

ii) While inviting the subscriptions from the public, the MMMF should make a clear statement of investment objectives of the MMMFs and its investment policies besides the terms and conditions of the scheme.

iii) The subscription amounts collected by the MMMF are intended to be channelised only into money market instruments like call/notice money operations, 182 Days Treasury Bills, Bills rediscounting, Certificates of Deposit, Commercial Paper and Government Securities as mentioned in paragraph 5.8 and subject to the ceilings mentioned therein.

iv) The MMMFs should invariably take delivery of the money market instruments purchased and in the case of money market instruments sold give delivery thereof to the purchasers.

6.5 Prudential Exposure Ceiling Limits

From the point of view of spreading the risk, it is necessary that the investment portfolio of the MMMFs be diversified. In this context, the Task Force suggests that the Reserve Bank of India should prescribe the exposure ceiling limits in respect of money market instruments as indicated below:

Instruments	Ceiling Limits
1) 182 Days Treasury Bills	No Ceiling. However, a minimum of 25 per cent of total investible funds of MMMFs to remain invested in this category at any point of time.
2) Call/Short notice money	Maximum 30 per cent of total investible funds of MMMFs at any point of time.
3) Commercial Paper	Not more than 15 per cent of total investible funds of MMMFs at any point of time and exposure to a particular company should not be more than 20 per cent of investible funds of MMMFs in CP.
4) Rediscounting of Commercial Bills accepted or co-accepted by banks	Not more than 20 per cent of the total investible funds of MMMFs at any point of time.
5) Instruments of other MMMFs	Not more than 10 per cent of total investible funds of MMMFs at any point of time.
6) Dated Government securities including on 'Repo' basis	Not more than 25 per cent of total investible funds of MMMFs at any point of time.

6.6 Income Distribution

MMMFs should not give any guarantee to the public as to the rate of return on investments while announcing any scheme. MMMFs may distribute their net earnings either by way of periodic income distribution or by quoting appropriate bid prices or a combination of both.

6.7 Statements of Accounts and Disclosures

i) MMMFs should maintain separate account of each scheme launched by it segregating the assets under each scheme.

ii) MMMFs should prepare an annual statement of accounts in respect of each of their schemes which should contain, *inter alia,* statements of assets and liabilities and income and expenditure account duly audited by qualified auditors. Furthermore, an abridged version of the annual accounts together with the reports of the auditors should be published for the information of subscribers to the concerned schemes.

iii) MMMFs should calculate Net Asset Value (NAV) of each scheme and disclose the NAV of each of the schemes and the method of valuation for the benefit of the concerned subscribers. To start with, MMMFs may determine 'NAV' of Fund once in a week. Thereafter 'NAV' may be determined more frequently.

6.8 Redemption

After holding the shares/units of MMMFs for the specified lock-in period, share/unit holder may be permitted by MMMFs to redeem them on any bank working day. After receiving the request for redemption, MMMFs may redeem all shares/units on the basis of latest 'NAV' along with dividend accrued, if any.

Chapter VII

LEGISLATIVE CHANGES TO FACILITATE THE DEVELOPMENT OF THE MMMFs AND DOCUMENTATION

The Task Force has identified a number of areas where some changes should be made to facilitate the establishment and development of MMMFs.

Stamp Duty Provisions

7.2 Existing Mutual Funds are issuing certificates in the form of share certificates, evidencing the right or title of the holders thereof to the units mentioned therein as shares in an incorporated company or a body corporate. Under Article 19 of Schedule I read with Section 5 of the Indian Stamp Act, 1899, these certificates are being issued after payment of consolidated stamp duty. Further, transfer of these certificates is being considered as transfer of shares in an incorporated company or other body corporate, falling under Article 62 of Schedule I to the Stamp Act and stamped accordingly. Under Section 9(2) (a) of the Stamp Act, the Central Government has, *inter alia,* the power to reduce or remit the stamp duty in respect of transfer of shares.

7.3 If MMMFs are to issue 'MMMF Certificate' in the form of share certificate as is being done by the existing Mutual Funds, stamp duty for issue of Certificate by MMMFs under Article 19 of Schedule I to the Stamp Act will have to be paid and for each transfer thereof, stamp duty under Article 62 of Schedule I would have to be paid. Since the stamp duty on transfer of such certificates would be quite substantial, unless remission is granted from such stamp duty, the scheme of setting up of MMMFs may not take off at all. The Task Force, therefore, recommends that to facilitate the development of MMMFs, Government of India should take necessary measures to remit fully the stamp duty on MMMF Certificates.

Provisions relating to Income Tax Act, 1961.

7.4 Under Section 10(23D) of the Income Tax Act, 1961 any income of Mutual Fund set up by a public sector bank or a public financial institution and subject to such conditions as the Central Government may, by Notification in the official Gazette, specify in that behalf, is exempt from payment of tax. Since the existing exemption covers only public sector banks/financial institutions, to enable the private sector banks and their subsidiaries to set up MMMFs, it would be necessary to amend the provisions of clause (23D) of Section 10 of the Income Tax Act, 1961. The Task Force strongly recommends amendment to the Income Tax Act, 1961 to provide exemption from income tax in respect of income of MMMFs set up by private sector banks and their subsidiaries.

7.5 Under Section 196A of the Income Tax Act, 1961, no deduction of tax at source is required to be made from any income payable in respect of units of a Mutual Fund, specified under clause (23D) of Section 10, to its unit holders being persons other than foreign companies. Accordingly, it would not be necessary for the MMMFs to deduct any tax at source in respect of the proceeds of the MMMF Certificates paid to the holders thereof.

Documentation — Format of the Negotiable/Transferable Instruments

7.6 MMMFs would be required to issue certificates to share/ unit holders. The exact format of such certificate may be decided by MMMFs themselves. However, an illustrative format of share certificate is given in Annexure IV. At the time of issue of certificates, stamp duty as per Article 19 of Schedule I to the Stamp Act would have to be paid. If full or part remission is not granted by the Central Government for transfer of such certificates, stamp duty thereon as specified in Article 62 of Schedule I to the Indian Stamp Act would have to be paid for transfer.

Chapter VIII

RECOMMENDATIONS OF THE TASK FORCE

The recommendations of the Task Force are summarised below:

Structure of MMMFs

1. To begin with, MMMFs be set up only by scheduled commercial banks and public financial institutions as defined under Section 4A of the Companies Act, 1956 directly or through their existing mutual funds/subsidiaries engaged in funds management (Paragraph 3.2)

2. MMMFs can be set up either as a part of a bank in the form of a Division/Department i.e., 'in-house' MMMFs or it could be set up as a separate entity as a 'Trust', (Paragraph 3.4)

3. MMMF Scheme can be usually in two forms such as 'Money Market Deposit Account' (MMDA) or 'Money Market Mutual Funds' (MMMFs). MMDA Scheme can be operated either by issuing deposit receipts or through issue of a 'Pass Book'. The *'modus operandi'* of the MMMF Scheme could be left to the individual institutions. The Pass Book Account Scheme should be without cheque book facility to begin with. (Paragraph 3.6)

4. MMMFs would have combined features of 'open' and 'close' ended schemes. However, if some banks/institutions like to formulate special schemes of either 'close' or 'open' ended fund, adhering to the overall limit stipulated by the Reserve Bank of India, it should be left to their option to do so. (Paragraph 3.8)

5. Smaller banks could be allowed to set up MMMFs jointly. (Paragraph 4.2)

6. For setting up of MMMFs at the initial stage, prior authorisation from the Reserve Bank of India is desirable. The Reserve Bank should, however, formulate guidelines which are transparent and, *inter alia,* based on financial, managerial and operational aspects of banks/financial institutions. (Paragraph 4.2)

Mobilisation of Resources by MMMFs

7. In case of MMMFs set up by banks, the limit for raising resources by MMMFs may be fixed on the basis of their overall deposit size. The limit for MMMF may be fixed at 2 per cent of the fortnightly average aggregate deposits of the bank concerned in the previous financial year or Rs. 50 crore, whichever is higher. The limit will apply to MMMFs set up by them directly or through their Mutual Funds/subsidiaries engaged in funds management. The norm for determining the size of MMMF should be reviewed by the Reserve Bank periodically. (Paragraph 4.2)

8. In case of public financial institutions, the limit for MMMFs may be related to their total long-term domestic borrowings; the size could be specified at 2 per cent of long-term domestic borrowings as indicated in their audited balance sheets. As in the case of banks, this limit will apply also to MMMFs set up through their Mutual Funds/funds management subsidiaries. (Paragraph 4.2)

9. As regards minimum size of investments by individuals or others in MMMFs, the Task Force suggests that no minimum size either for individual investors or others needs to be specified and the matter should be left to the discretion of MMMFs. (Paragraph 4.4)

10. The minimum lock-in period for investment in MMMFs should be reduced from 3 months to 46 days. The Task Force would urge the Reserve Bank of India to examine the feasibility of further reducing or even removing the minimum lock-in period at a future date. (Paragraph 4.5)

Investment Pattern of MMMFs

11. Liquidity consideration be given top priority by the MMMFs while deciding on the types of instruments for investment. (Paragraph 5.2)

12. MMMFs should not deploy their funds in capital market instruments, even if maturing within a year, so that their investments are not exposed to undue risks. (Paragraph 5.2)

13. The Task Force feels that though dated Government securities are not money market instruments, considering the security aspects, MMMFs could be allowed to invest in dated Government securities having an unexpired maturity of upto one year. Furthermore, MMMFs could also be allowed to invest in dated Government securities on 'Repo' basis for a period not exceeding one month. The investments in dated Government securities including on 'Repo' basis should not exceed 25 per cent of investible funds of MMMFs at any point of time. (Paragraphs 5.2 and 5.8)

14. The *minimum* investment in 182 Days Treasury Bills laid down in the guidelines should be raised from 20 per cent to 25 per cent, while the *maximum* investment in call/notice money market should also be raised from 20 to 30 per cent of the total investible funds of MMMFs. In this context, the Task Force would urge the Reserve Bank of India to consider ways of increasing the yield on 182 Days Treasury Bills to enhance the attractiveness of this instrument. (Paragraph 5.4)

15. The exposure to CP should not be more than 15 per cent of the total investible funds of the MMMFs and the exposure to CP issued by a particular company should not be more than 20 per cent of the investible funds of MMMF in CP. (Paragraph 5.5)

16. MMMFs should rediscount only those bills which are accepted or co-accepted by banks. For commercial bills

accepted or co-accepted by banks too, the exposure should not be more than 20 per cent of the total investible funds so as to minimise any possible risk to MMMFs. (Paragraph 5.5)

17. MMMFs may be allowed to invest/trade in instruments of other MMMFs as underlying assets of all MMMFs would generally be of similar broad qualities and there would be no additional risk involved. A cap of 10 per cent of investible funds may be prescribed for investments by one MMMF in shares/units of others. (Paragraph 5.6)

Management of MMMFs

18. In-house MMMFs should take adequate and effective measures to ensure that management, accounting and custody of their assets should be kept distinct and separate from those relating to the investments of the bank and accounts should be subjected to separate audit. (Paragraph 3.4)

19. MMMFs should not give any guarantee to the public as to the rate of return on investments while announcing any scheme. MMMFs may distribute their net earnings either by way of periodic income distribution or by quoting appropriate bid prices or a combination of both. (Paragraph 6.6)

20. MMMFs should calculate Net Asset Value (NAV) of each scheme and disclose the NAV of each of the schemes and the method of valuation for the benefit of the concerned subscribers. To start with, MMMFs may determine and disclose 'NAV' of Fund once in a week. Thereafter 'NAV' may be determined more frequently. (Paragraph 6.7)

Regulatory Measures

21. The MMMFs to be set up by banks, their subsidiaries, public financial institutions and non-bank institutions like the existing Mutual Funds, be required to comply with the

guidelines and directives that may be issued from time to time by the Reserve Bank of India only. (Paragraph 3.3)

Legislative Changes

22. The provision of exemption from payment of income tax should be extended to MMMFs set up by private sector banks and subsidiaries of public sector banks and private sector banks by suitable amendment to sub-section (23D) of Section 10 of the Income Tax Act, 1961. (Paragraphs 3.2 and 7.4)

23. The Reserve Bank of India may consider exempting in-house MMMFs set up by banks from the reserve requirements. To begin with, the Reserve Bank of India could prescribe that a statutory minimum SLR of 25 per cent under the Banking Regulation Act, 1949 be maintained by investments, *inter alia,* in 182 Days Treasury Bills as envisaged in the prudential investment guidelines. (Paragraph 3.5)

24. The units/shares of MMMFs may be exempted from stamp duty both at the time of issue of instruments and at the time of transfer of instruments in the secondary market. This would provide impetus to the development of the secondary market for money market instruments. Accordingly, the Task Force suggests that the Reserve Bank of India should request the Government of India to remit stamp duty on such instruments. (Paragraphs 3.6 and 7.3)

25. The stamp duty chargeable in respect of all money market instruments, such as CDs, CP, etc., be remitted as in the case of Commercial Bills and the Reserve Bank of India may take up this aspect with the Government of India. (Paragraph 3.6)

Annexure I

MONEY MARKET MUTUAL FUNDS (MMMFs)

With a view to providing an additional short-term avenue to investors and to bring money market instruments within the reach of individuals and small bodies, it may be desirable to allow scheduled commercial banks and their subsidiaries to set up Money Market Mutual Funds (MMMFs). The MMMFs are a special genre of mutual funds which invest only in high quality money market instruments of a short-term nature. The recent introduction of several new money market instruments like the Certificates of Deposit, Commercial Paper and 182 Days Treasury Bills was essentially meant to tap bulk funds and as such a relatively high minimum transaction amount has been stipulated. By bringing a wide range of short-term money market instruments within the reach of individual investors, the MMMFs would undertake a size intermediation. It is in this context that MMMFs assume significance. A broad framework of the scheme for MMMFs is set out below:

i) Only banks and their subsidiaries would be permitted to set up MMMFs.

ii) Individuals and other bodies would be permitted to invest their resources in MMMF in the form of negotiable/transferable instruments and MMMF deposit accounts. Suitable ceilings may be fixed on mobilisation of such funds by banks and their subsidiaries (this could, in the first instance, be equivalent to one per cent of aggregate deposits).

iii) The minimum size of investment would be Rupees one lakh and repurchases could be subject to a minimum lock-in period of 3 months.

iv) MMMFs could be allowed to invest only in specified short-term money market instruments (CDs, CPs, 182 Days Treasury Bills, rediscounting of commercial bills and call and short-notice money) as lenders. A *minimum* of 20 per cent of the MMMFs funds could be required to be held in 182 Days Treasury Bills and a *maximum* of 20 per cent in call and short-notice money.

v) The funds mobilised by MMMFs would not be subject to reserve requirements as these funds are in turn invested in money market instruments.

vi) The question of stamp duty would need to be examined.

The broad framework outlined above would need to be fully developed and the implication of such a scheme studied in detail. Accordingly, a Task Force consisting of representatives of banks and the Reserve Bank of India will be set up very shortly by the Reserve Bank to work out the detailed operative guidelines and documentation for MMMFs.

[Extract of paragraph 13 (j) of Governor's Circular No. CPC. BC. 111/279A-91 dated April 12, 1991 addressed to all Scheduled Commercial Banks]

Annexure II

RESERVE BANK OF INDIA
CENTRAL OFFICE
BOMBAY

September 3, 1991
Bhadra 12, 1913 (S)

MEMORANDUM

Task Force on Money Market Mutual Funds

A broad framework of the scheme for setting up Money Market Mutual Funds (MMMFs) was outlined in the credit policy announcement of April 12, 1991. It was also indicated that a Task Force would work out the operative guidelines and documentation for setting up MMMFs. Accordingly, Reserve Bank of India appoints a Task Force with the following terms of reference:

i) To set out detailed guidelines from the viewpoint of implementation of the scheme of MMMFs.

ii) To devise the precise formats of the negotiable/transferable instruments.

iii) To formulate the investment guidelines (i. e., portfolio mix) of MMMFs in consonance with the broad outline indicated in the credit policy circular.

iv) Any other issue having a bearing on the setting up and functioning of MMMFs.

2. The following will be the composition of the Task Force.

1) Shri D. Basu — Chairman
Deputy Managing Director,
State Bank of India,
Bombay.

2) Shri Ramesh Gelli, Chairman Vysya Bank Ltd., Bangalore.	Member
3) Shri B. R. Kamath, Executive (Operations), Indian Banks' Association, Bombay.	'ember
4) Shri A. P. Kurien, Executive Trustee, Unit Trust of India, Bombay.	Member
5) Dr. P. J. Nayak, Joint Secretary, Ministry of Finance, Department of Economic Affairs, (Banking Division), Government of India, New Delhi.	Member
6) Shri A. T. Pannirselvam, Executive Director, Bank of India, Bombay.	Member
7) Shri N. D. Parameswaran, Chief Officer, Department of Banking Operations and Development, Reserve Bank of India, Bombay.	Member
8) Smt. K. S. Shere, Legal Adviser, Legal Department, Reserve Bank of India, Bombay.	Member

9)	Shri A. S. Thiyagarajan, Vice President, Citibank N. A., Bombay.	Member
10)	Shri G. G. Vaidya, Chief General Manager, Discount and Finance House of India Ltd., Bombay.	Member
11)	Shri M. V. Raghavachari, Adviser, Credit Planning Cell, Reserve Bank of India, Bombay.	Member- Secretary

3. The Secretariat for the Task Force will be provided by the Credit Planning Cell, Reserve Bank of India, Central Office, Bombay.

4. The Task Force will submit its Report within two months.

Sd/-
(S. Venkitaramanan)
Governor

Annexure III

List of persons with whom the Task Force had discussions

1. Shri P. K. Pandit,
   Executive Trustee,
   LIC Mutual Fund,
   Bombay.

2. Shri S. K. Mitra,
   Chief Executive,
   GIC Mutual Fund
   Bombay.

3. Shri B. A. Vyas,
   Executive Trustee,
   BOI Mutual Fund,
   Bombay.

4. Shri S. K. Agarwal,
   Executive Trustee,
   PNB Mutual Fund,
   New Delhi.

5. Shri S. M. Subramanian,
   President,
   Indian Bank Mutual Fund,
   Bombay.

6. Shri N. Sriram,
   General Manager,
   SBI Mutual Fund,
   Bombay.

7. Shri C. S. Gopalakrishna,
   General Manager,
   CANBANK Mutual Fund,
   Bangalore.

8. Shri U. R. Bhat,
   Executive Vice-President,
   Indian Bank Mutual Fund,
   Bombay.

9. Shri R. Muralidharan,
   Senior Vice-President,
   PNB Mutual Fund,
   New Delhi.

10. Shri V. Narayanan,
    General Manager (Finance),
    LIC Mutual Fund,
    Bombay.

Annexure IV

_______________Bank MMMF

(Set up by____________________Bank)

MMMF CERTIFICATE

MMMF (199___) SCHEME I or II or

THIS IS TO CERTIFY that the person(s) named in this Certificate is/are the holder(s) of the within mentioned MMMF Units bearing the distinctive number(s) herein specified. The said MMMF Units are issued subject to the Scheme, Rules and Regulations of MMMF (199___) SCHEME I or II or

MMMF Units EACH OF Rs.____________

Reg. Folio No.________ Certificate No.________

Name(s) of MMMF Unit Holder(s)

Number of
MMMF Units held __________ ____________
(in words) (in figures)

For_______________BANK MMMF

Authorised Signatories

Consolidated
Stamp Duty paid.

Place:

Date:

(P.T.O.)

MEMORANDUM OF TRANSFER________MMMF________

MENTIONED OVERLEAF

DATE	TRANSFER NO.	REG. FOLIO NO.	NAME(S) OF TRANSFEREE(S)	AUTHORISED SIGNATORY