

SCHEME

Specified Undertaking of the Unit Trust of India (Management of Schemes, Assets, Investment, Term of Office, Fees, Allowances and Conditions of Appointment of Advisers and Miscellaneous Provisions) Scheme, 2003

NOTIFICATION NO. SO 854(E), DATED 25-7-2003, ISSUED BY DEPARTMENT OF ECONOMIC AFFAIRS

In exercise of the powers conferred by sub-section (1) of section 20, read with sub-section (2) of section 9 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002), the Central Government hereby makes the following Scheme, namely :—

Short title and commencement

1. (1) This Scheme may be called the Specified Undertaking of the Unit Trust of India (Management of Schemes, Assets, Investment, Term of Office, Fees, Allowances and Conditions of Appointment of Advisers and Miscellaneous Provisions) Scheme, 2003.

(2) It shall come into force on the date of its publication in the Official Gazette.

Definitions

2. In this Scheme, unless the context otherwise requires,—

(a) "Act" means the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

(b) "Adviser" means a person appointed as a member of the Board of Advisers under sub-section (1) of section 9 of the Act;

(c) "Board of Advisers" means a Board consisting of such members appointed by the Central Government under sub-section (1) of section 9;

(d) "Scheme" means the scheme made by the Central Government under section 20 of the Act;

(e) Words and expressions used herein and not defined in this Scheme but defined in the Act shall have the meanings respectively assigned to them in the Act.

Management of the Affairs of the Specified Undertaking

3. (1) The Administrator (including the executives of the Specified Undertaking) shall transact the management functions of the schemes mentioned in Schedule I of the Act in accordance with the procedures laid down in Annex A to this Scheme.

(2) The investment/dis-investment decisions in respect of Asset Reconstruction Fund, Children Welfare Fund, Senior Citizen Welfare Fund, Rajlakshmi Women Welfare Fund and Investor Protection Fund Terminated Schemes shall be taken by the Administrator under the overall guidance of the Board of Advisers.

(3) If the Administrator is of the opinion that the circumstances exist which render it necessary for him to take immediate action in matters relating to sub-rules (1) and (2) above, where the interest of the specified undertaking may be prejudicially affected if such action is deferred until after the next meeting of the Board of Advisers, the Administrator may take such action, but in every such case, he shall as soon as may be after the action is taken, make a written report to the Board of Advisers and to the Central Government containing a statement of the action taken and circumstances under which it was taken.

Qualifications, Terms of office, Disqualification, Vacation of office of members of the Board of Advisers

4. (1) The Member shall be a person of ability, integrity and standing who has adequate knowledge or experience or shown capacity in dealing with the problems relating to economics, law, commerce, banking, finance, industry, public affairs or administration or in any other discipline which in the opinion of the Central Government shall be useful to the Board of Advisers.

(2) Before appointing any member of the Board of Advisers, the Central Government shall satisfy itself that the person does not have any such financial or other interest as is likely to affect prejudicially his functions as member.

- (3) Every member shall hold office for a period of one year or until further orders, whichever is earlier, but shall be eligible for reappointment.
- (4) Every Member of Board of Advisers (and Administrator) shall before entering upon his office make and subscribe to an oath of office and of secrecy in Form at Annex B to this scheme before assuming the office.
- (5) A person shall be disqualified for being appointed as, and for being an Adviser,—
 - (a) if he has at any time been adjudicated as insolvent; or
 - (b) if he has been found to be unsound mind and stand so declared by a competent court; or
 - (c) if he has been convicted by a criminal court of an offence which involves moral turpitude.
- (6) If an Adviser is absent without leave of the Board for more than three consecutive meetings thereof, he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.

Resignation/Removal from Office

5. The Administrator or any Adviser may by writing under his hand and addressed to the Central Government resigns his office at any time :
Provided that the member shall, unless he is permitted by the Central Government to relinquish office sooner, continue to hold office until the expiry of one month from the date of receipt of such notice or until a person duly appointed as a successor enters upon his office or until the expiry of his term of office, whichever is the earliest.

Casual Vacancy

6. A casual vacancy caused by the resignation or removal of any member of the Board of Advisers under para 5 or otherwise shall be filled by fresh appointment.

Defects in appointments not to invalidate acts etc.

7. (1) No act or proceedings of the Board of Advisers shall be invalid by reason only of the existence of any vacancy among its members or any defect in the constitution thereof; or
- (2) Any defect in the appointment of a person acting as a member of the Board of Advisers; or
- (3) Any irregularity in the procedure of the Board of Advisers not affecting the merits of the case.

Salary and Allowances

8. Every member of a Board of Advisers shall,—

- (1) receive a fee of two thousand rupees for each Board meeting which he attends;
- (2) be reimbursed his own actual travelling expenses, if any, and shall be paid halting allowance of two hundred eighty rupees every day reckoned from the time of departure of the Adviser from his headquarters or if the journey is made from another station, from such station;
- (3) An Adviser who is an officer of the Central Government shall be paid travelling and halting allowances in accordance with Government Notification No. S.O. 43(E) dated 15-1-2003.

Meetings of the Board of Advisers

9. (1) The Administrator shall be the Chairperson of the meetings of the Board of Advisers and shall convene and preside over the meetings of the Board of Advisers which may be held ordinarily at his office or at any other place in India.
- (2) The Board shall be free to frame its own procedure for transaction of its business from time to time.
- (3) Notwithstanding anything contained in the procedure of transaction of business of meetings of the Board of Advisers, on the notice given by minimum two Advisers of the Board of Advisers, a meeting of the Board of Advisers shall be convened.
- (4) If the Central Government is of the opinion that it is necessary to convene the meetings of the Board of Advisers for the purpose of carrying out the provisions of the Act, the Board of Advisers shall convene the meeting as such.
- (5) Ordinarily, a notice of not less than seven clear days shall be given for convening the meeting. In exigencies, the meeting could be convened at a notice of not less than twenty four hours.
- (6) Three members, including the Administrator, shall constitute a quorum. The Board shall take decision based on opinion of majority.

(7) Any member who has a direct or indirect pecuniary interest on any of the matter in the agenda of the Board shall disclose and shall not take part in the deliberation or decision with respect to that matter.

(8) The Administrator or any Adviser authorised in his absence by the Central Government shall circulate the proceedings of each meeting for information and confirmation of each Adviser within two days of the meeting.

(9) The Board of Advisers shall meet at least six times a year, and the gap between the two meetings shall not be more than seventy five days.

Borrowing Power

10. The Administrator may take all such acts or things as may be incidental to or consequential upon the discharge of his functions under section 10 of the Act.

Interpretation

11. If any question arises relating to the interpretation of any of the provisions of this Scheme, the same shall be referred to the decision of Central Government, which shall be final.

Annex A to the Scheme

[see section 3(1)]

Transactions shall be guided by the redemption requirements.

Primary Market (Equity) - Includes IPOs, Open offers, private placement, rights, buyback offers (other than through market operations), warrant conversions, etc.

<i>Primary Market</i>	<i>Recommended by</i>	<i>Vetting by</i>	<i>Approving authority</i>
(a) Purchase of Equity Shares : (IPOs, preferential allotment, rights, underwriting etc.)	Fund Managers of the respective scheme	The Head of Respective DFMs	Committee consisting of ED & Administrator : Upto Rs. 40 crore. Advisory Board : All the proposals above Rs. 40 crore.
(b) Sale of Equity Shares : [open offers, buybacks (other than through secondary market) etc.]	Fund Managers of the respective scheme	The Head of Respective DFMs	Committee consisting of ED & Administrator : Upto Rs. 40 crore Advisory Board : All the proposals above Rs. 40 crore.

For all primary market equity transactions, the disbursement of funds/tendering of equity shares by Department of Fund Accounts will be supported by scheme-wise recommendation of fund managers and approval thereof as above.

Approving authority would consider the investment/divestment only if the same is recommended by the concerned fund managers.

Secondary Market (Equity) - Secondary market equity transactions (excepting transactions under index funds) will be carried out by the Dealing Room (Equity) of UTI AMC based upon requisition notes originated by Fund Managers and approved as per the delegation of powers specified below :

Sections (A) and (B) list down the delegation of power to fund managers for transactions to be undertaken by each fund. Section (C) refers to the execution of transactions of the UTI-I as a whole. The limits for such executions have been set out in section (C) above.

(A) For all schemes except Index funds :

Overall Limit at fund level

Secondary

Market Transaction (Equity)	*Approving Authority			Advisory Board
	Fund manager @	Head of the DFM	Administrator	
Total value of transaction by a single scheme in one day	Rs. 10 crore	Rs. 20 crore	Rs. 40 crore	All powers in excess of the delegated authority
	OR Not more than 5% of the fund size of the respective funds	OR Not more than 7.5% of the fund size of the respective funds	OR Not more than 10% of the fund size of the respective funds	
	Whichever is Lower	Whichever is lower	Whichever is lower	

(b) Company-wise limit in a fund

Secondary Market Transaction (Equity)	*Approving Authority			Advisory Board
	Fund manager @	Head of the DFM	Administrator	
(b) Total number of shares/value transacted by a single scheme in one day in one company	*Rs. 5 crore	Rs. 10 crore	Rs. 20 crore	All powers in excess of the delegated authority
	OR	OR	OR	
	Not more than 2% of fund for one company	Not more than 5% of fund for one company	Not more than 5% of fund for one company	
	OR	OR	OR	
	Not more than 0.5% of paid-up equity capital of the said company, whichever is lower	Not more than 1% of paid-up equity capital of the said company, whichever is lower	Not more than 1% of paid-up equity capital of the said company, whichever is lower	

@ To be signed by at least two officers of the respective DFMs of Grade B and above, of which at least one is the designated Fund Manager of the Scheme.

(c) For calculation of transaction value, fund size etc., the closing price of previous day is considered.

(d) Above-mentioned limits will also include all the equity transactions done by a single scheme through inter-scheme transfer on that day.

EXECUTION IN SECONDARY MARKET

Secondary Market Transaction (Equity)	*Approval for Execution		Advisory board
	GM	Administrator	
Total transaction	GM (in-charge of Dealing-	CGM/ED (in-charge	More than 5% of

in terms of number of shares of a company in a day by UTI on consolidated basis	Secondary market) : 1% & above 1% upto 3% of the paid-up equity capital of the company	of Dealing-Secondary market) : above 3% & upto 5% of the paid-up equity capital of the company	the paid-up equity capital of the company
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Reporting

PRIMARY MARKET TRANSACTIONS

All the primary market equity transactions should be reported to the CGM/ED (Deptt. of Dealing) and Administrator on the same day by Deptt. of Dealing (Primary Markets).

Report on all primary market purchase of equity shares and sale of equity shares will be placed to Advisory Board meeting for information.

Secondary Market Transactions

- All the transactions in the secondary market by a fund are reported to Head of DFM & CGM/ED in-charge of the DFM on a daily basis.
- Department of Dealing (Secondary Market) prepares on daily basis a report on orders placed which are forwarded to CGM/ED (Dealing) and Administrator for information.
- Summary of all secondary equity market transactions and broker-wise business are placed for the information of Advisory Board in the subsequent meeting.

Control and corrective actions

The above listed delegation of power are controlled through the system driven mechanism whereby checks and balances are established to ensure strict adherence to delegation of power.

If by any chance, there is a violation at any level i.e. transacted amount exceeds the delegated authority, then it is immediately reported to the authority of higher level (who has the delegation for such transaction) along with explanation to seek ratification of the said violation.

Authority to restrict the delegated power

If the situation warrants, Administrator may direct in writing either a particular Fund or all the funds managed by a particular fund manager/s, to seek the approval of the higher level irrespective of the above delegation.

Delegation of power for investments other than equity (Debt) - Currently, the investments in debt (all instruments other than equity) takes place through Department of Dealing-DOD Debt Section in case of secondary market transactions and through Department of Dealing Primary Market Section in case of primary market transactions. The respective sections will obtain the approvals of the appropriate authority, by following the procedure mentioned below.

In the case of primary market debt instruments the DOD sends the proposals received at their end to the Department of Fund Management-DFM (Debt-I, Debt-II and US 64). The DOD, on getting the DFM's interest on the proposal, sends the same to the Committee comprising of ED and Administrator. The PMIC, in case a positive view is taken on the proposal, recommends the proposal to the Administrator for approval.

In the case of secondary market debt instruments the DOD sends the proposals received at their end to the Department of Fund Management (Debt-I, Debt-II and US 64). The DOD, on getting the DFM's interest on the proposal, sends the same to the Administrator for approval.

(A) The following delegation, as a part of internal guidelines, is for debt investments like G-Secs, Corporate debentures (including FCDs, NCDs, PCDs, OFCDs etc.), securitised debt, preference shares etc. (all investments other than equity).

Primary Market Investment (Debt—other than Govt. securities)

1. Includes IPOs, Private placements, Exercising Put option. Subscription to Rights issue etc. (all transactions other than secondary market transactions).

Purchases : The powers applicable will be per company per day

<i>Company/ Instrument Rating</i>	<i>Scrutiny</i>	<i>Recommended by</i>	<i>Approving authority</i>
AA-and above (or any equivalent rating) and NBFCs rated only 'AAA'	Primary Mkt. section by note*	Fund Manager	Ed and Administrator : On the recommendation of Fund Manager, upto Rs. 40 crore for all schemes put together Advisory Board : On recommendation of Fund Manager and PMIC above Rs. 40 crore by EC/ Board for all Schemes put together

	<i>Company/Instrument Rating</i>	<i>Delegation</i>
Purchase	A+ and below (or any equivalent ratings) and NBFCs rated below AAA	Advisory Board : On recommendation of the Fund Manager and Committee consisting of ED and Administrator for all schemes put together
Sale	All transactions like buy-back of debt prepayment etc. irrespective of rating	Administrator : Upto Rs. 40 crore. Advisory Board : Beyond Rs. 40 crore. On recommendation of Fund Manager and Internal Committee.
	Put option on securities	Administrator : Upto Rs. 40 crore. Advisory Board : Beyond Rs. 40 crore. On recommendation of Fund Manager and Internal Committee

Exposure Norms

It is also proposed that the exposure in a single NBFC may be limited to a maximum of the Networth of the NBFC as per the latest audited balance sheet, for all future investments (as against the earlier cap of Rs. 100 crore per NBFC). Networth for this purpose may be computed as :

Networth = Paid-up Share Capital + Reserves and Surplus (excluding Revaluation Reserves) - Miscellaneous Expenditure not written off - Accumulated Losses, if any.

It is also clarified that investment in NBFCs excludes investment in Housing Finance Companies (for which there are separate norms) and Tier II Bonds issued by Banks.

Secondary Market Investment (Debt—other than Govt. securities)

2. *Purchases* - The powers applicable will be per company per day.

<i>Company/Instrument rating</i>	<i>Scrutiny</i>	<i>Recommended by</i>	<i>Approving authority</i>
AA- and above (or any equivalent ratings)** and NBFCs with credit rating only 'AAA'	Office note by Secondary Mkt. section (debt) (detailed in part B of the memorandum)	Fund Manager	Fund Manager : Upto 2% of Assets under Manage- ment of a scheme Or Rs. 5 crore for a scheme which- ever is lower. Committee consisting of Executive

Director and Administrator :

On recommendation of Fund Manager, Upto 5% of Assets under Management of a scheme

Or Rs. 20 crore for a scheme whichever is lower.

Advisory Board :

On recommendation of Fund Manager Above Rs. 20 crore for a scheme

A+ and below (or any equi. Ratings) and NBFCs below rating of AAA	Detailed note by Secondary Mkt. section (debt)****	Fund Manager	Advisory Board
Non-Investment Grade (other instrument without rating)	Detailed note by Secondary Mkt. section (debt)**** (detailed in part B of the memorandum)	Fund Manager	Advisory Board On recommendation of Fund Manager

Sales : The powers applicable will be per company, per day.

Company/Instrument rating	Scrutiny	Recommended by	Approving authority
AA-and above (or any Equivalent ratings)**	Office note by Secondary Mkt. section (debt) (detailed in part B of the memorandum)	Fund Manager	Fund Manager : Upto 2% of Assets under Management of a scheme Or Rs. 5 crore for a scheme whichever is lower. Committee consisting of Executive Director and Administrator : On recommendation of Fund Manager, Upto 5% of Assets under Management of a scheme Or Rs. 20 crore for a scheme whichever is lower. Advisory Board : On recommendation of Fund Manager above Rs. 20 crore for a scheme
A+ and below (or any equi. Ratings) and NBFCs securities of all ratings	Detailed note by Secondary Mkt. section (debt)****	Fund Manager	Fund Manager : Upto 2% of Assets under Management of a scheme Or Rs. 5 crore for a scheme whichever is lower. Committee consisting of Executive Director and

Administrator :

On recommendation of Fund Manager, Upto 5% of Assets under Management of a scheme
Or Rs. 20 crore for a scheme whichever is lower.

Advisory Board :

Above Rs. 20 crore for a scheme.
On recommendation of Fund Manager.

Amounts mentioned are in face value except in case of discounted bonds where cost of acquisition shall be considered for the purpose.

In case the proposal is for purchase of securities of NBFC the same is put up to the Advisory Board for its approval.

In case the yields at which the recommendation is made is lower/higher for purchases/sales than the yields mentioned for the corresponding rating and modified duration in the matrix used for valuation, at the time of taking decision, the same is approved by the next higher authority as per the delegation.

****The secondary market section does the financial analysis, indicate default status, adherence to the financial norms as prescribed for primary market Investments and regulatory requirements and explicitly state their views on the company's financials.

Execution in Secondary Market : (for UTI-1 as a whole)

Secondary market transactions (other than equity)	AGM	GM	ED
For UTI-1 as a whole per company per day	Rs. 10 crore	Rs. 25 crore	>Rs. 25 crore

I. GOVERNMENT SECURITIES

For the investments in Central Government Securities both through primary and secondary route ten times the amount limits as mentioned under the secondary market investment (debt) shall be applicable with % limits of Assets under Management remaining the same.

Central Government Securities per day : Primary and Secondary Market : Purchase and Sales combined**Approving authority****Fund Manager :**

Upto 4% of Assets under Management of a scheme
Or Rs. 20 crore for a scheme whichever is lower.

Committee consisting of Executive Director and Administrator :

On recommendation of Fund Manager, Upto 10% of Assets under Management of a scheme
Or Rs. 100 crore for a scheme whichever is lower.

Advisory Board :

On recommendation of Fund Manager Above Rs. 100 crore for a scheme

For the investments in State Government Securities both through primary and secondary route five times the amount limits as mentioned under the secondary market investment (debt) shall be applicable with % limits of Assets under Management remaining the same.

State Government Securities per day

Approving authority

Fund Manager :

Upto 4% of Assets under Management of a scheme

Or Rs. 10 crore for a scheme whichever is lower.

Committee consisting of Executive Director and Administrator :

On recommendation of Fund Manager, Upto 10% of Assets under Management of a scheme

Or Rs. 50 crore for a scheme whichever is lower.

Advisory Board :

On recommendation of Fund Manager Above Rs. 50 crore for a scheme

The Fund Manager ensures that all the investment decisions are based on each fund's liquidity, investment objectives, internal guidelines and regulatory restrictions.

Others

The Inter-Scheme Transfers of assets are akin to a secondary market transfer of assets which are based on the current valuations/prices. They do not lead to any fresh exposure for the UTI-I. Hence, the delegation for Inter-Scheme Transfers for companies rated AA and above and 'AAA' rated NBFCs would be the same as applicable for secondary market transactions. The Inter-Scheme Transfers of NBFCs other than 'AAA' rated and papers rated A+ or below but which are of investment grade are to be approved by Administrator.

(B) *Decision making process/recording of investment decisions* - Details as per Chapter III of Manual of Investment Policies, Guidelines and Risk Control Framework.

(C) *Reporting* - A report on the investments made is put up by the primary market section/secondary market section to the Executive Directors and Administrator on a daily basis for information. A summary of the same is also be placed for the information of Advisory Board on a regular basis.

(D) *Control and corrective actions* - The above listed delegation of power are controlled through a system driven mechanism (when introduced) whereby checks and balances are established to ensure strict adherence to delegation of power.

If by any chance, there is a non-adherence at any level i.e., the transacted amount exceeds the delegated authority, it is immediately reported to the competent authority to seek ratification.

ANNEX B

Declaration of fidelity and secrecy

[See section 4(4)]

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Administrator or Adviser of the Administrator of the Specified Undertaking of Unit Trust of India (Specified Undertaking) and which relate to the office or position held by me in the said Specified Undertaking.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Specified Undertaking or to the affairs of any person having any dealing with the said Specified Undertaking; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the Specified Undertaking and relating to the business of the said Specified Undertaking or the business of any person having any dealing with the said Specified Undertaking.

