

CPSE ETF FFO

Frequently Asked Questions (FAQ)

1. What is CPSE ETF?

Government of India ("GOI"), as part of its disinvestment programme, approved the setting up of Central Public Sector Enterprise Exchange Traded Fund ("ETF") comprising equity shares of Central Public Sector Enterprises ("CPSE"), which was launched as a CPSE ETF mutual fund scheme.

The Scheme was launched in March, 2014, was offered to the public for Subscription by way of a New Fund Offer (NFO). The Units were listed (and continue to be listed) on the Stock Exchanges on April 4, 2014 in form of an ETF tracking the Nifty CPSE Index.

2. What is CPSE ETF FFO?

Due to overwhelming response to NFO of the scheme, Department of Investment and Public Asset Management (DIPAM) intends to divest further CPSE shares through the Scheme, the AMC has therefore formulated Further Fund Offer ("FFO") of the Scheme.

3. What is the underlying/ benchmark of CPSE ETF?

The Scheme invests in Securities which are constituents of Nifty CPSE Index which is the Benchmark Index of the Scheme, the constituents of the Index are as mentioned below:

Oil & Natural Gas Corporation Ltd	Power Finance Corporation Ltd
Coal India Ltd	Rural Electrification Corporation Ltd
Indian Oil Corporation Ltd	Bharat Electronics Ltd
Gail (India) Ltd	Oil India Ltd
Container Corporation Of India Ltd	Engineers India Ltd

4. How do I invest / where can I submit my application?

Applicant may submit the physical application at designated ISCs (RNLAM and Karvy Computershare Branches). Additionally, the below mentioned online modes will also be available:

- (i) **Reliance Mutual Fund website:** For Individual and Existing Non-Individual KRA compliant Investors
- (ii) **Reliance Mobile App:** For Individual KRA compliant Investors only
- (iii) **NSE MFSS:** For Individual, HUF and Body Corporate
- (iv) **BSE Star MF:** For Individual, HUF and Body Corporate
- (v) **NMF II platform of NSE:** For Individual, HUF and Body Corporate
- (vi) **e-ETF under web based NSE e-IPO platform:** For Individuals, HUF and Body Corporate
- (vii) **MF Utility:** For Individual, HUF and Body Corporate

Existing RMF investors may also avail the Switch-in Facility from any existing open ended Scheme (Except Reliance Japan Equity Fund and Reliance US Equity Opportunities Fund) of RMF and Auto Switch facility from specified Liquid and Debt open ended Scheme of RMF.

5. What is the minimum amount of investment?

- (i) For Anchor Investor – Qualified Institutional Buyer, applying under the Anchor Investor Portion, with a minimum application amount of Rs.10 Crores (Rupees Ten Crores). At least 25% of the application amount to be given during Anchor Investor FFO period and remaining portion before the end of Non Anchor investor FFO period.

- (ii) Retail Individual Investors (including HUFs applying through their Karta's and NRIs) can invest in the FFO of the Scheme with a minimum investment amount of Rs.5,000 (Rupees five thousand), and in multiples of Re.1 (Rupee One) thereafter up to Rs.200,000 (Rupees Two Lakhs). Any Applicant (Individual, NRI or HUF) applying above Rs. 200,000 (Rupees Two Lakhs) will be considered under Non Institutional Investors category.
- (iii) Non Institutional Investors (NII)/ Qualified Institutional Buyers (QIB) (other than Anchor Investors) can invest in the FFO with a minimum investment amount of Rs. 2,00,001 (Rupees Two Lakhs and One) and in multiples of Re. 1/- (Rupee One) thereafter.

6. Who is qualified to be an Anchor Investor?

An Anchor Investor is essentially to be a Qualified Institutional Buyer (QIB) who applies under the Anchor Investor Portion with a minimum application amount of Rs. 10 Crores.

The below categories of the investors are qualified to be a QIB:

- (i) A mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with the SEBI;
- (ii) FPI other than Category III FPI, registered with the SEBI;
- (iii) A public financial institution as defined in section 4A of the Companies Act, 1956 and /or section 2(72) of the Companies Act, 2013
- (iv) A scheduled commercial bank;
- (v) A multilateral and bilateral development financial institution;
- (vi) A state industrial development corporation;
- (vii) An insurance company registered with the Insurance Regulatory and Development Authority;
- (viii) A provident fund with minimum corpus of twenty five crore rupees
- (ix) A pension/ superannuation/ gratuity fund with minimum corpus of twenty five crore rupees
- (x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
- (xi) Insurance funds set up and managed by army, navy or air force of the Union of India.
- (xii) Insurance funds set up and managed by the Department of Posts, India

Anchor Investors can pay a margin of at least 25% of the Subscription amount during the Anchor Investor FFO period, with the balance to be paid on or before the closure of the Non Anchor Investor FFO Period. An application by an Anchor Investor cannot be submitted for more than 30% of the Maximum Amount to be raised and will have a lock-in period of 30 days from the date of Allotment of the units.

7. Can I submit multiple applications?

An Investor ideally should submit one application. If multiple applications are submitted by an investor/ investor(s) (with different holding pattern) the applications will be clubbed on first/ sole holder PAN for determining investor category (i.e. Retail Individual, NII). E.g. an Individual Investor A, submits two applications of Rs.1,50,000 each with two different demat accounts with holding pattern as A,B and A,C,B. The total investment under Investor A's PAN will be considered as Rs. 3,00,000, thus he will be categorized as NII and will not receive the allotment under Retail Individual Investor category. In case of over subscription in the Retail Individual Investor category, Investor A will not be eligible for any allotment.

However, QIB may submit multiple applications, as Anchor Investor during Anchor FFO period and another under QIB/ NII during Non Anchor FFO period. Such applications will not be clubbed at PAN level for allotment purpose.

8. Do I need to pay any charges to distributor through whom I am applying in the FFO?

In case the Distributor has 'opted in' to receive Transaction Charges, Rs 150 (new investor in mutual fund) & Rs 100 (existing investor) will be deducted if the Subscription amount is Rs.10,000 & above.

9. I have invested through a broker on MFSS platform, how the transaction charges will be deducted?

Transaction charges are not applicable for exchange platform (i.e. NSE MFSS, BSE Star MF and NSE NMF II) transactions even if the broker is in 'Opt in' list. However the application through any other channel (i.e. physical, RMF online portal) with Broker code will be considered in net amount post deduction of Transaction charges (if any).

10. When the units will be allotted?

For all successful applications the units will be allotted within 15 days from the closure of the FFO period. Refunds (if any), allotment advices will be processed immediately after the allotment is completed. Allotment will be made in whole units only. The fractional unit payment would be made to client's bank account registered with DP.

11. Is CPSE ETF eligible under RGESS?

Yes, the scheme is eligible under RGESS. Applicants are requested to contact their stock broker for the eligibility criteria and lock-in period for FFO units.

12. Why does the allotment happen in 15 days and not in 5 business days?

As the Scheme is RGESS eligible, as per Regulatory guidelines the timeline to complete the allotment, refunds (if any), dispatch of allotment advice is 15 days from the FFO/ Issue closure. However, depending on the operational feasibility we may allot the Units prior to the completion of 15 days from the FFO closure date.

13. Will there be any Guaranteed Allotment for FFO application?

Maximum Anchor Investor Portion available for Subscription is 30% of the Maximum Amount to be raised in FFO. In case of over subscription of the Anchor Investment portion, the allotment will be on proportionate basis, there is no minimum guaranteed allotment for each Anchor Investor Application.

For Retail Individual Investor category, at least 70% of the Maximum amount to be raised plus any under subscription in Anchor Investor Portion will be available for subscription. An investor under Retail Individual Investor category will get the allotment of at least 5000 Units or no. of units eligible as per the application amount, whichever is less. In case of over subscription of Retail Individual Investors' portion all investors who had applied for more than 5000 units will first be given allotment of 5000 units and then, proportionate to their application amount in excess of 5000 FFO Units.

There is no minimum allotment guaranteed for QIB and NII category. However, if there is any under subscription by Retail Individual Investor Category then the QIB and NII will get allotment subject to first preference to be given to the Retirement Funds (i.e. provident funds, superannuation funds, gratuity funds & pension funds) in this category.

14. Is there any discount to investors?

GOI is offering discount of 5% on the underlying shares of Nifty CPSE Index. The same will be applicable to all categories of investors. The Discount offered by GOI may not be a discount to the closing market price of the underlying shares of Nifty CPSE Index on the FFO Allotment Date.

15. How do I receive allotment intimation?

The Allotment intimations will be sent through SMS on applicant's registered mobile number and/or allotment advice to registered email id / mailing address.

16. What will happen to the existing CPSE ETF listed on the exchange?

There will be no changes to the existing units of CPSE ETF listed on exchanges. Investor can buy / sell the existing units of CPSE ETF on the exchanges even during the FFO period at the prevailing market price.

17. Can I enrol nominee for this investment?

Mode of holding for CPSE ETF is compulsorily dematerialized, the allotment will happen in demat mode. Hence, the nomination details registered in your demat account will be applicable to this investment.

18. Will there be any Folio No. for future reference?

Since the ETF units are compulsorily held in Demat mode and ongoing transactions happen through Secondary market there will be no MF Folio number. For all future queries on allotment, investors need to refer the Demat account number and 1st/ Sole Holder's PAN which were used in FFO.

19. To which bank account the Refund will be credited?

For all successful applications the Refund (if any) will be credited to the investors' bank account as registered in his Demat account. For Invalid applications the Refund may be processed to source bank account from where the cheque was issued.

20. Is there any lock in period for this investment?

For Anchor Investors there will a lock-in for 30 days from the FFO allotment date. For all other investors there is no lock in period, however if the client is opting for RGESS the lock in period will be applicable.

21. When and how can I sell the FFO units allotted to me? Where are the units listed?

FFO units will be listed on the exchange (i.e. NSE & BSE) within 5 working days from the allotment date. Post listing of these FFO units, trading happens on the exchange similar to any other listed securities.

22. What documents I have to submit along with the application?

Please refer the documents 'Check List' for different type of investors, available in the FFO KIM cum Application Form.

23. Why should I subscribe to the FFO as the scheme units are already listed on the exchange?

FFO subscription benefit like upfront discount to all categories of investors is only applicable to investors who will subscribe to the CPSE FFO units.

For the Retail Individual Investors (RII) category, they will be given first preference in the allotment of the Non-Anchor Investors' investment portion plus any undersubscribed portion of Anchor Investment category. The other investors' categories (i.e. NII, QIB) will only get the allotment if there is any under subscription by RII category.

24. Is there any Separate NAV for FFO Units & the Existing units of the CPSE ETF?

For Ongoing Offer Period, the NAV of the FFO Units will be similar to the NAV being calculated for existing Units of the Scheme, there will be no separate NAV calculation for the FFO Units.

25. What is the Total Expense Ratio of the scheme?

Total Expense Ratio of the Scheme is 6.5 bps.

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