



## Association of Mutual Funds in India

135/BP/45 /2013-14

March 14, 2014

To All members

Dear Sir / Madam,

### **Sub : AMFI Best Practices on standardizing Product Labeling**

In terms of SEBI letter No. IMD/DF/VB/OW/20225/2013 dated August 14, 2013, AMFI was requested to work out the methodology for Standardization of Product Labeling for its uniform application across the Mutual Fund Industry. The Board had constituted a Group to formulate uniform product labeling norms. The recommendations made by the Group were discussed and as suggested by the Board the Best Practice guidelines as under have been formulized:

- a. All debt-oriented schemes, comparatively lower in risk, be Colour-coded as '**Blue**'.
- b. All diversified/blended schemes, with a mix of debt and equity into the portfolio construct, be Colour-coded as '**Yellow**' to indicate moderate risk.
- c. All equity-oriented schemes, because of their volatile nature, be Colour-coded as '**Brown**' to show higher risk.
- d. All static allocations domestic feeder funds which have a predominant equity allocation should be Colour-coded as '**Brown**' and which have a predominant debt allocation should be Colour-coded as '**Yellow**'
- e. All active allocations domestic feeder funds (ie where the allocation is based on a model or parameter etc) should be colour-coded as '**Brown**'
- f. All foreign feeder funds should be colour-coded as '**Brown**', considering the additional risk that arise on account of exposure to a foreign region and foreign exchange fluctuations.

We would also like to mention that SEBI has taken note of the above guidelines and has emphasized that simple product label will help retail investors to understand it better.

These guidelines shall be reviewed after gaining sufficient experience on Product Labeling and further refinements can be thought of in due course.

All AMCs are requested to confirm having noted the contents of this circular for due compliance **with effect from July 01, 2014**. They are also advised to put up this Circular in the immediate next meeting of their Trustees for information.

With regards

**V RAMESH**  
**Dy Chief Executive**