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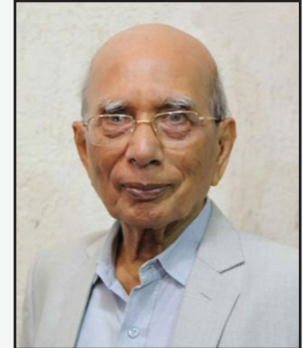
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Editorial - February 2025

IMPORTANCE OF SAVINGS

We Indians have traditionally been savers. Most of us avoid ostentatious spending. The saving culture help us to overcome the difficult times. World Bank has reported that Savings in India is 29.31% of its Gross Domestic Product. This is higher than the world average of 26%.

The significance of savings need not be stressed. The longevity of our lives has increased but the retirement age at 60 years remains virtually constant for most people. In such a scenario one has almost couple of decades to take care of one self after retirement. Savings become imperative to ensure a comfortable life post-retirement. Let us look at some of the important reasons to save.

1. To maintain comfortable life style post-retirement. One would not like to significantly curtail the habits formed during the earning period.
2. To take care of medical emergencies. Unfortunately, in our country the medical insurance is many times not sufficient to take care of the medical exigencies.
3. To beat inflation. Inflation is a constant in our country. Prices of most commodities keep on rising year on year.
4. To live life with self-respect. To be self sufficient and not to be dependent on any one is very important for one's self-respect.
5. To do philanthropy. At an elderly age there is always an urge to help others. If one has savings that exceeds the needs, helping some one more needy is the greatest source of joy.
6. To take care of hobbies like travel, exploring new avenues like music, art etc.

If one has followed certain basic principles during the earning life time , it is not difficult to save. Let us look at the basic rules/principles of savings.

1. Start the savings habit early in life. Start small but learn the habit of saving from as early as possible. The power of compounding will be more effective if one has started to save early in life.
 2. Save regularly. Some savers have developed the habit of setting aside a certain percentage of their earnings on the first day of each month to a separate bank account meant only to save.
 3. Limit the use of Credit Card. Do not look at credit card as means of spending but look at it as a means of convenience. Do not delay the payment of credit card dues. The interest charged on delay beyond the due date is phenomenal.
 4. Look for practical alternatives to reduce unnecessary spending. For example, Public Transport is a much cheaper & faster mode of travel in city like Mumbai at a very reasonable price as compared to a private vehicle /taxi. Similarly look out for alternatives to branded products. Avoid 5 star culture and try & settle for less expensive restaurants serving equally delicious food at a much reasonable rates.
 5. Reduce your desires & wants. As one grow in age, its time to find joy in simpler things like reading books & taking a walk in the Garden. It also improves the quality of life. Spend time with friends, grandchildren. They give immense joy & does not cost anything.
 6. Maintain good health with regular physical activities. Go for medical check ups at a regular interval. It will cost some money but will help you to identify something going majorly wrong in your health which could lead to huge expenses.
 7. Do not lend money unless you can afford not seeing it returned back to you. It is said that when you lend money you not only lose money but lose the friend as well to whom you have lent.
- You have worked hard & you deserve to lead a comfortable life. Follow the above principles and ensure a healthy, happy life.

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INVESTORS RELATED DEVELOPMENTS IN CAPITAL MARKET

MONTH - FEBRUARY 2025

(Courtesy: BSE IPF/SEBI)

➤ **Service platform for investors to trace inactive and unclaimed Mutual Fund folios-MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)**

It is observed that Mutual Fund investors sometimes lose track of their investments considering investments might have been made in physical form with bare minimum KYC details. The investments in open-ended growth option mutual fund schemes may remain invested perpetually until and unless investor/his nominee/legal heir approaches the concerned AMC for redemption/transfer/transmission. Due to non-availability of PAN, email ID or valid address it is also possible that these MF folios may not appear in the unitholder's Consolidated Account Statement. Thus, inactivity in Mutual Fund folios could be on account of the investor losing track of his/her investment, demise etc. Such inactive folios may become susceptible to fraudulent redemptions. In order to address the aforesaid concerns, SEBI vide its circular dated February 12, 2025 has announced a MITRA platform which is developed by the RTAs to provide investors with a searchable database of inactive and unclaimed Mutual Fund folios at an industry-level which will empower the investors in following manner

1. Enable investors to identify the overlooked investments or any investments made by any other person for which he/she may be rightful legal claimant
2. Encourage investors to do KYC as per the current norms thus reducing the number of non-KYC compliant folios
3. The MITRA platform will lead to reduction in the unclaimed Mutual Fund folios.
4. Contribute towards building a transparent financial ecosystem and will be reliable medium for investors to find their inactive and unclaimed Mutual Fund investments.
5. Build and incorporate mitigants against fraud risk.

Criterion for classifying a Mutual Fund folio as inactive.

- a. An inactive folio shall be defined as "Mutual Fund Folio(s) where no investor initiated transaction/s (financial and non-financial) have taken place in the last 10 years but unit balance is available.

This platform will be made operational within 15 days from the issuance of this circular

The other provisions of the circular in detail can be accessed at the link provided below.

Impact on Investors: This is yet another important step taken by SEBI in co-ordination with RTAs for the direct benefits to the investors as enumerated above.

Link of circular : https://www.sebi.gov.in/legal/circulars/feb-2025/service-platform-for-investors-to-trace-inactive-and-unclaimed-mutual-fund-folios-mitra-mutual-fund-investment-tracing-and-retrieval-assistant-_91847.html

➤ **Revised timelines for issuance of Consolidated Account Statement (CAS) by Depositories**

SEBI had earlier vide its circular for Depositories dated December 3, 2024 prescribed the modalities for issuance of CAS for all securities assets, according to which CAS is required to be generated on a monthly basis. The depositories are required to consolidate MF holdings also and dispatch the CAS within ten days from the month end.

To enhance ease of compliance with the timelines, SEBI has vide its circular dated February 14, 2025 has decided to rationalize the timelines for issuance of CAS. Accordingly, it has been decided that the Depositories, shall consolidate MF holdings with other securities and dispatch the monthly CAS to investors that have opted for delivery via electronic mode (e-CAS) by the twelfth (12th) day from the month end and to investors that have opted for delivery via physical mode by the fifteenth (15th) day from the month end.

Further, in respect of half yearly CAS, it has been decided that the depositories shall consolidate and dispatch the CAS to investors that have opted for e-CAS on or before the eighteenth (18th) day of April and October and to investors that have opted for delivery via physical mode by the twenty first (21st) day of April and October.

In case there is no transaction in any of the mutual fund and demat accounts then CAS with holding details shall be sent to the investors by email on half yearly basis. In respect of half-yearly CAS, the AMCs/MF-RTAs shall provide the data with respect to the common PANs to the depositories on or before eighth(8th) day of April and October every year. The depositories shall then consolidate and dispatch the CAS to investors that have opted for delivery via electronic mode, on or before the eighteenth (18th) day of April and October and to investors that have opted for delivery via physical mode, on or before the twenty-first(21st) day of April and October. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered with the Depositories and the AMCs/MF-RTAs.

The circular shall be effective from May 14, 2025.

Impact on Investors: With this SEBI has made important process change to enhance ease of compliance, which will ultimately benefit the common investors to receive the CAS accurately at a fixed periodicity.

Link of circular

https://www.sebi.gov.in/legal/circulars/feb-2025/revised-timelines-for-issuance-of-consolidated-account-statement-cas-by-depositories_91927.html

➤ **Most Important Terms and Conditions (MITC) for Investment Advisors (IA) and Research Analysts (RA)**

As per SEBI regulation, an IA and RA is required to disclose the terms and conditions of services to the clients and take consent of the clients thereon. SEBI, vide its circular dated January 08, 2025 has inter alia specified the minimum mandatory terms and conditions to be disclosed by IA and RA, at the time of onboarding their clients.

Now, SEBI vide its circulars dated February 17, 2025 has specified the MITC for the services of IAs and RAs, which are placed at Annexure A of the circulars.

For existing clients, the MITC shall be informed by the IAs and RAs to their clients via email or any other suitable mode of communication (which can be preserved) by June 30, 2025. IAs and RAs shall incorporate the MITC into the 'Terms and Conditions' of providing services and shall disclose the 'Terms and Conditions' to the clients and take consent thereon.

The provisions of this circulars shall come into force with immediate effect.

Impact on Investors: With this measure, SEBI has brought further transparency and clarity in the process of services of IAs and RAs being availed by the investors which will help in reducing the any probable disputes in future.

Link of circular : https://www.sebi.gov.in/legal/circulars/feb-2025/most-important-terms-and-conditions-mitc-for-research-analysts_91965.html

https://www.sebi.gov.in/legal/circulars/feb-2025/most-important-terms-and-conditions-mitc-for-investment-advisers_91963.html

➤ **Opening of Demat Account in the name of Association of Persons**

SEBI received representations to permit opening of demat accounts directly in the name of Association of Persons (AoP), which was hitherto not allowed. Upon examination of the relevant legal provisions and with a view to foster and ensure ease of doing business, SEBI vide its circular dated February 25, 2025 has decided to allow opening of demat account in the name of the AoP for holding securities, such as units of mutual funds, corporate bonds and Government Securities in demat account, subject to the following conditions:

1. AoP shall be responsible for ensuring that it only subscribes to the financial instrument/securities that are permitted by statutes governing the constitution of AoP.
2. The PAN Card details of the AoP and the Principal Officer of the AoP shall be obtained. For this purpose, "Principal Officer" with reference to AoP means the secretary, treasurer, manager or agent or any person connected with the management or administration of the AoP.
3. In case of any dispute, the Principal Officer of the AoP shall be treated as the legal representative of the AoP. At all times, members of the AoP shall be jointly and severally liable on behalf of the AoP.

Impact on Investors: With this measure, SEBI has met the demand of those investors who act a AoPs while investing in securities market which is a direct benefit extended to them.

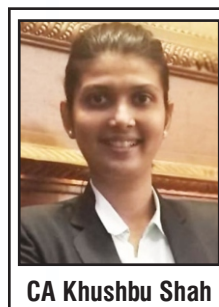
Link of circular : https://www.sebi.gov.in/legal/circulars/feb-2025/opening-of-demat-account-in-the-name-of-association-of-persons_92170.html

GETTING FAMILIAR WITH ACTIVE MANAGEMENT V/S PASSIVE MANAGEMENT OF MUTUAL FUND

Active Management as the name implies takes a hands-on approach and requires someone to act in the role of Fund Manager. The fund manager seeks to pick stocks with the aim of beating the benchmark and generating alpha.

A fund manager cannot possibly invest in the same stocks as he has to take a call on picking stocks outside the index or keeping the exposure of sectors different from the index.

A fund is considered to be passively managed if the fund manager replicates the index with exactly the same stocks and in the same proportion. Here the fund manager tries to replicate the index performance with as little tracking error as possible. Since the fund manager has to mimic the index, he will have very little cash and that too, only to meet redemption proceeds. Index funds and ETFs are one of the most common examples of passively managed funds.



CA Khushbu Shah

Key Differences between Active and Passive Management

S No.	Particulars	Active Management	Passive Management
1.	Expense Ratio	Higher Expense Ratio, as an actively managed fund will have a team of analysts and fund managers who will study the various parameters of the economy and take calls on sectors and stocks in order to generate higher returns.	Lower expense ratio, as these funds need less management, given that they simply have to mimic the index.
2.	Turnover Ratio	High Turnover Ratio because a lot of active stock calls are taken continuously in active management.	Lower Turnover ratio, as the churn is only when there is a change in a stock in the index or when the fund has huge inflows and the same needs to be deployed in the index stocks.
3.	Performance & Volatility	In actively managed funds, the fund manager aims to create alpha. There is also a possibility that the fund may underperform if its calls go wrong. Active management also at times lead to higher volatility in returns compared with benchmark.	Since a passively managed fund mirrors its benchmark in every aspect, the possibility that the fund may underperform its index by a huge margin is Low. At best the return differential could arise as a result of tracking error.
4	Flexibility & Diversification	In active funds you can choose funds from different market cap segments or funds using different strategies (such as growth or value). You can also choose funds with a combination of equity and debt or those that invest based on market valuations.	Passively managed funds offer little choice in the Indian context. There are very less funds that will invest in a combination of asset classes
5	Managing Liquidity	In case of a market correction, actively managed funds can sell the stocks in the fund and move the money to cash or money market funds to prevent further erosion of investment.	In case of passively managed funds such as index funds and ETFs, it will not be able to move the money to liquid instruments.

RIGHTS AND OBLIGATIONS OF INVESTORS

(Annexure-2 by SEBI)

(Courtesy- Security and Exchange Board of India)

Rights of Investors

- Get Unique Client Code (UCC) allotted from broker.
- Get a copy of KYC and other documents executed from intermediary.
- Get trades executed in only your UCC.
- Place order on meeting the norms agreed to with the Member.
- Get best price.
- Get the contract note for trades executed.
- Ask the details of charges levied.
- Receive funds and securities on time.
- Receive statement of accounts from trading member.
- Ask for settlement of accounts.
- Get statements as per agreed schedule.

Obligations of Investors

- Execute Know Your Client (KYC) documents and provide supporting documents.
- Understand the voluntary conditions being agreed with the trading member.
- Understand the rights given to the Trading Members.
- Read Risk Disclosure Document.
- Understand the product and operational framework and deadlines. Pay margins in time.
- Pay funds and securities for settlement in time.
- Verify details of trades, Verify bank account and DP account for funds and securities movement.
- Review contract notes and statement of account.

Disclaimer : - The illustration are merely indicative in nature which should not be construed as investment advice and neither ensure you profits nor protect you from making a loss in declining market.

INVESTOR PROTECTION THROUGH EDUCATION

On behalf of Investor Education & Welfare Association.