



Central Depository Services (India) Limited

Convenient ⊕ Dependable ⊕ Secure

COMMUNIQUÉ TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/POLCY/2022/106

May 24, 2022

CIRCULAR ON DEVELOPMENT OF PASSIVE FUNDS

Issuers / RTAs are advised to refer to SEBI Circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022, regarding **Circular on Development of Passive Funds** [refer Annexure].

Issuers/RTAs are advised to take note of the same.

Queries regarding this communiqué may be addressed to **CDSL – Helpdesk**: on telephone numbers (022) 2305-8624, 2305-8639, 2305-8642, 2305-8663, 2305-8640, 2300-2041 or 2300-2033. Emails may be sent to: helpdesk@cdslindia.com.

sd/-

Nilesh Shah
Asst. Vice President - Operations



CIRCULAR

SEBI/HO/IMD/DOF2/P/CIR/2022/69

May 23, 2022

To

All Recognized Stock Exchanges/

All Clearing Corporations/

All Depositories/

All Custodians/

All Mutual Funds/

All Asset Management Companies (AMCs)/

All Trustee Companies/ Boards of Trustees of Mutual Funds/

All Registrar and Transfer Agents (RTAs)/

Stock Brokers cum Market Makers/

Association of Mutual Funds in India (AMFI)

Dear Sir/ Madam,

Subject: Circular on Development of Passive Funds

1. Considering the emergence of passive funds i.e. Exchange Traded Funds (ETFs) and Index Funds as an investment product for retail investors globally and various advantages of passive investing like transparency, diversification, lower cost vis-à-vis active funds, a need was felt to review the regulatory framework for passive funds in India. In this regard, a Working Group (WG) was constituted with representation from various stakeholders in the passive funds' domain like AMCs, Mutual Fund Trustees, Stock Brokers, Market Makers, Stock Exchanges, Clearing Corporations, Industry Expert, etc.
2. The recommendations of the Working Group and the feedback received from the industry were deliberated in the Mutual Funds Advisory Committee (MFAC). Considering the recommendations of MFAC, the following have been decided:

I. Norms for Debt Exchange Traded Funds (Debt ETFs)/ Index Funds

Debt ETFs/ Index Funds could be based on indices comprising of

(a) Corporate Debt Securities (Corporate debt indices); or



- (b) Government Securities (G-sec), t-bills and/or State Development Loans (SDLs) (G-sec indices); or
- (c) A combination of Corporate Debt Securities and G-sec/t-bills/SDLs (Hybrid debt indices).

The detailed provisions in this regard are given below:

A. Debt ETFs/ Index Funds: Index Constitution

For Debt ETFs/ Index Funds, the AMCs shall ensure the following:

- i. Constituents of the index are aggregated at issuer level for the purpose of determining investment limits for single issuer, group, sector, etc.
- ii. Constituents of the index shall have a defined credit rating and defined maturity and the same shall be specified in the index methodology.
- iii. Rating of the constituents of the index shall be of investment grade and above.
- iv. Constituents of the index should have adequate liquidity and diversification (other than for the portion of indices comprising of G-sec and/or SDLs) at issuer level.
- v. Constituents of the index shall be periodically reviewed (at least on half-yearly basis).
- vi. Debt ETFs/ Index Funds shall replicate the underlying debt index. The portfolio of ETF/Index Funds shall be considered to be replicating the index subject to meeting the requirements specified at paragraph 2(I) [B, C & D] below.
- vii. Single issuer limit for debt indices shall be as follows:
 - a) For an index with at least 80% weight of corporate debt securities, single issuer limit shall be as under:
 - 1. In respect of AAA rated securities, a single issuer shall not have more than 15% weight in the index.
 - 2. In respect of AA rated securities, a single issuer shall not have more than 12.5% weight in the index.
 - 3. In respect of A and below rated securities, a single issuer shall not have more than 10% weight in the index.
 - b) For a hybrid index (comprising both corporate debt securities and G-sec /SDL) with up to 80% weight of corporate debt securities,
 - 1. In respect of AAA rated securities, a single issuer shall not have more than 10% weight in the index. However, for AAA rated securities of



- PSU and AAA rated securities of PFI issuers the said limit shall be 15%.
2. In respect of AA rated securities, a single issuer shall not have more than 8% weight in the index.
 3. In respect of A and below rated securities, a single issuer shall not have more than 6% weight in the index.
- c) For an index based on G-Sec and SDLs, single issuer limit shall not be applicable.
- viii. The index shall not have more than 25% weight in a particular group (excluding securities issued by Public Sector Units (PSUs), Public Financial Institutions (PFIs) and Public Sector Banks (PSBs)). For the purpose of this provision, 'group' shall have the same meaning as defined in paragraph B(3)(b) of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2016/35 dated February 15, 2016.
- ix. The index shall not have more than 25% weight in a particular sector (excluding G-sec, t-bills, SDLs and AAA rated securities issued by PSUs, PFIs and PSBs). However, this provision shall not be applicable for sectoral or thematic debt indices.
- x. AMCs shall ensure that the updated constituents of the indices and methodology for all their Debt ETFs/ Index Funds are available on their respective websites at all points of time. Further, the historical data with respect to constituents of the indices since inception of schemes shall also be disclosed on their website.
- xi. To start with, AMFI shall issue a list of debt indices for launching of debt ETFs/ Index Funds. The list shall be issued by AMFI within 1 month from the date of issuance of this circular.

B. Corporate Debt ETF/Index Funds: Debt ETFs/ Index Funds based on Index of Corporate Debt Securities

Debt ETFs/ Index Funds based on index comprising of only corporate debt securities shall be considered to be replicating the underlying debt index provided:

- i. Investment in securities of issuers accounting for at least 60% of weight in the index, represents at least 80% of net asset value (NAV) of the ETF/ Index Fund.
- ii. At no point of time the securities of issuers not forming part of the index exceed 20% of NAV of the ETF/ Index Fund.



- iii. At least 8 issuers from the underlying index form part of the portfolio of the ETF/ Index Fund.
- iv. The investment in various securities are aggregated at issuer level for the purpose of exposure limits.
- v. The exposure limit to a single issuer by the ETF/ Index Fund shall be as under:
 - a) For AAA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 15% weight in the portfolio.
 - b) For AA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 12.5% weight in the portfolio.
 - c) For A and below rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 10% weight in the portfolio.
- vi. Total exposure of the ETF/ Index Fund in a particular group (excluding investments in securities issued by PSUs, PFIs and PSBs) shall not exceed 25% of NAV of the scheme. For the purpose of this provision, 'group' shall have the same meaning as defined in paragraph B(3)(b) of SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2016/35 dated February 15, 2016.
- vii. Total exposure of the ETF/ Index Fund in a particular sector (excluding G-sec, t-Bills, SDLs and AAA rated securities issued by PSUs, PFIs and PSBs) shall not exceed 25% of the NAV of the scheme. However, this provision shall not be applicable for schemes based on sectoral or thematic debt indices.
- viii. The Macaulay Duration (hereinafter referred as "duration") of the portfolio of the ETF/ Index Fund replicates the duration of the underlying index within a maximum permissible deviation of +/- 10%.

In case of Target Maturity (or Target Date) ETFs/ Index Funds, the following norms for permissible deviation in duration shall apply:

 - a) For portfolio with residual maturity of greater than 5 years: Either +/- 6 months or +/- 10% of duration, whichever is higher.
 - b) For a portfolio with residual maturity of up to 5 years: Either +/- 3 months or +/- 10% of duration, whichever is higher.
 - c) However, at no point of time, the residual maturity of any security forming part of the portfolio shall be beyond the target maturity date of the ETF/ Index Fund.
- ix. The rating wise weightage of debt securities in the portfolio of ETF/ Index Fund replicates the underlying index. However, greater allocation of up to 10% of the portfolio may be made to higher rated debt securities.



x. Rebalancing Period:

For rebalancing the portfolio of the ETF/ Index Fund, the following norms shall apply:

- a) In case of change in constituents of the index due to periodic review, the portfolio of ETF/ Index Funds be rebalanced within 7 calendar days.
- b) In case the rating of any security is downgraded to below the rating mandated in the index methodology (including downgrade to below investment grade), the portfolio be rebalanced within 30 calendar days.
- c) In case the rating of any security is downgraded to below investment grade, the said security may be segregated in accordance with SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018 on "Creation of segregated portfolio in mutual fund schemes".

C. G-sec ETF/Index Fund: Debt ETFs/ Index Funds based on G-sec, t-bills and SDLs

G-sec ETFs/ Index Funds shall be considered to be replicating the underlying index, provided:

- i. The duration of the portfolio of ETF/ Index Fund replicates the duration of the underlying index within a maximum permissible deviation of +/- 10%.
- ii. ETFs/Index Funds replicating a Constant Maturity index may invest in securities with residual maturity within +/- 10% of maturity range of the index.
- iii. In case of Target Maturity (or Target Date) ETFs/ Index Funds, the following norms for permissible deviation in duration shall apply:
 - a) For portfolio with residual maturity of greater than 5 years: Either +/- 6 months or +/- 10% of duration, whichever is higher.
 - b) For a portfolio with residual maturity of up to 5 years: Either +/- 3 months or +/- 10% of duration, whichever is higher.
 - c) However, at no point of time, the residual maturity of any security forming part of the portfolio shall be beyond the target maturity date of the ETF/ Index Fund.

D. Hybrid Debt ETF/ Index Fund - Debt ETFs/ Index Funds based on a Hybrid Index of Corporate Debt Securities and G-Sec/t-bills/SDLs

Hybrid Debt ETFs/ Index Funds shall be considered to be replicating the underlying index, provided:



- i. For ETF/ Index Fund based on an index comprising of more than 80% weight for corporate debt securities, the provisions mentioned at paragraph 2(I)(B) above shall be followed.
 - ii. For ETF/ Index Fund based on an index comprising of up to 80% weight of corporate debt securities, the provisions mentioned at paragraph 2(I)(B) above, apart from clauses (iii) and (v), shall apply on the portion of the portfolio comprising of corporate debt securities. Further, the exposure limit to a single issuer by the ETF/ Index Fund shall be as under:
 - a) For AAA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 10% weight in the portfolio. However, for AAA rated securities of PSU and AAA rated securities of PFI issuers the said limit shall be 15%.
 - b) For AA rated securities, exposure to a single issuer by the ETF/ Index Fund shall not have more than 8% weight in the portfolio.
 - c) For A and below rated issuances, exposure to a single issuer by the ETF/ Index Fund shall not have more than 6% weight in the portfolio.
 - iii. For the portion of the portfolio of the ETF/ Index Fund comprising of G-sec/t-bills/SDLs, the provisions mentioned at paragraph 2(I)(C) above shall apply.
- E.** At all points of time, positioning of the ETF/ Index Fund in the Potential Risk Class (PRC) matrix shall be in the same cell as that of positioning of the index in the PRC matrix.
- F.** Any transactions undertaken in the scheme portfolio of ETF/ Index Fund in order to meet the redemption and subscription obligations shall be done while ensuring that post such transactions replication of the portfolio with the index is maintained at all points of time.
- G.** The existing norms for Debt ETFs/ Index Funds issued vide SEBI Circular No. SEBI/HO/IMD/DF3/CIR/P/2019/147 dated November 29, 2019 shall be rescinded with effect from the date of implementation of this circular.



II. Norms for Market Making Framework for ETFs

- A. AMC shall appoint at least two Market Makers (MMs), who are members of the Stock Exchanges, for ETFs to provide continuous liquidity on the stock exchange platform. MM shall transact with AMC only in multiples of creation unit size.
- B. The AMC shall have an approved policy regarding market making in ETFs based on the framework for market making as provided at **Annexure A**.
- C. AMCs shall facilitate in-kind creation and redemption of units of ETFs (including Debt ETFs) by MMs on a best effort basis.

D. Incentive for MMs

- i. Incentives, if any, to MMs shall be charged to the scheme within the maximum permissible limit of TER.
- ii. A transparent incentive structure for the MMs shall be put in place, and the incentives shall, *inter alia*, be linked to performance of the MMs in terms of generating liquidity in units of ETFs. The relevant data regarding trading volume, bid-ask spread in units of ETFs, and such other information as may be required to formalize performance based incentive structure, shall be obtained from the stock exchanges.
- iii. Stock Exchanges may also incentivize the MMs through Liquidity Enhancement Schemes (LES) as per the applicable provisions.
- iv. There should be necessary checks and balances and adequate disclosure of the principles of incentive structure on the website of the AMCs and also in the Scheme information Documents (SIDs) of ETFs.
- v. There shall be proper audit trail for scheme wise incentives.

E. Market Making Settlement Process for domestic Equity ETFs

In order to make the market making process less capital intensive, it has been decided that net settlement between cash leg of transactions in units of ETF by the MM and consequent transaction in underlying basket by the ETF shall be implemented. In this regard, the following has been decided:

- i. MMs shall be permitted to transact in the basket of securities underlying the ETF against equivalent transactions in units of ETFs and transfer the net obligation of such transactions to the ETF for unit creation or redemption. The AMCs shall be allowed to create or redeem units of ETFs without upfront



payment of 100% value of such units or upfront delivery of such units by the MMs, respectively.

- ii. The above mechanism shall be permitted subject to equivalent transactions in units and underlying basket for the same settlement cycle and confirmation of both the legs by the Custodian.
- iii. For the above mechanism,
 - a. ETFs shall be allowed to buy or sell their own units, without the same forming part of the asset allocation of the scheme.
 - b. Provisions of clause B(1)(i)(2)(c) of SEBI Circular No.SEBI/HO/IMD/DF2/CIR/P/2020/253 dated December 31, 2020 shall not be applicable.
 - c. The transactions by the MM in the underlying basket shall be excluded for the purpose of computation of aggregate purchase or sale of securities through any broker as required under regulation 25(7)(a) and (b) of SEBI (Mutual Funds) Regulations, 1996.
- iv. Facilitation of the above mechanism for equity ETFs shall be at the discretion of the AMC.
- v. The detailed operational guidelines in this regard, shall be issued by AMFI in consultation with Clearing Corporations within 1 month from the date of issuance of this Circular. The Clearing Corporations shall ensure that the necessary systems are in place to enable the netting mechanism.
- vi. The AMC shall ensure that at no point of time, the above mechanism shall increase the risk of the ETF.

III. Investor Education and Awareness Charges

- A.** In partial modification to paragraph F of SEBI Circular No.CIR/IMD/DF/21/2012 dated September 13, 2012, the following have been decided:
 - i. The charges applicable for investor education and awareness initiatives from ETFs/ Index Funds shall be 1bps of daily net assets of the scheme.
 - ii. Fund of Funds (FoFs) investing more than 80% of its NAV in the underlying domestic funds shall not be required to set aside 2bps of the daily net assets towards investor education and awareness initiatives.
- B.** AMCs and AMFI shall carry out focused investor education and awareness initiatives for passive funds.

IV. Direct transaction in ETFs through AMCs

- A.** In order to enhance liquidity in units of ETFs on stock exchange platform, it has been decided that direct transaction with AMCs shall be facilitated for investors only for transactions above a specified threshold. In this regard, to begin with any order placed for redemption or subscription directly with the AMC must be of greater than INR 25 Cr. The aforesaid threshold shall not be applicable for MMs and shall be periodically reviewed.
- B.** Further, as in terms of SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/0606 dated July 30, 2021, all direct transactions in units of ETFs by MMs or other eligible investors (as per paragraph A above) with AMCs shall be at intra-day NAV based on the actual execution price of the underlying portfolio, the following has been decided:
- The provisions of SEBI Circular No. SEBI/HO/IMD/IMD-II/DOF3/P/CIR/2021/631 dated September 29, 2021 on "Swing pricing framework for mutual fund schemes" shall not be applicable to Debt ETFs.
 - The requirement of "cut-off" timing for NAV applicability as prescribed by SEBI from time to time shall not be applicable for direct transaction with AMCs in ETFs by MMs and other eligible investors.

V. Tracking Error and Tracking Difference

A. Tracking Error (TE)

- The tracking error i.e. the annualized standard deviation of the difference in daily returns between the underlying index or goods and the NAV of the ETF/ Index Fund (other than Debt ETFs/ Index Funds) based on past one year rolling data shall not exceed 2%. In case of unavoidable circumstances in the nature of force majeure, which are beyond the control of the AMCs, the tracking error may exceed 2% and the same shall be brought to the notice of Trustees with corrective actions taken by the AMC, if any.
- For ETFs/ Index Funds in existence for a period of less than one year, the annualized standard deviation shall be calculated based on available data.
- All ETFs/ Index Funds (including Debt ETFs/ Index Funds), shall disclose the tracking error based on past one year rolling data, on a daily basis, on the website of respective AMCs and AMFI.



B. Tracking Difference (TD)

- i. Along with tracking error, tracking difference i.e. the annualized difference of daily returns between the index or goods and the NAV of the ETF/ Index Fund shall also be disclosed on the website of the AMC and AMFI, on a monthly basis, for tenures 1 year, 3 year, 5 year, 10 year and since the date of allotment of units.
- ii. For Debt ETFs/ Index Funds the annualized tracking difference averaged over one year period shall not exceed 1.25%. In case the average annualized tracking difference over one year period for Debt ETFs/ Index Funds is higher than 1.25%, the same shall be brought to the notice of trustees with corrective actions taken by the AMC, if any.

C. In view of the above, paragraph 9 of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/668 dated November 24, 2021, stands modified.

VI. Valuation by Fund of Funds (FoFs) investing in ETFs

- A. The closing price of the units of ETFs on Stock Exchange shall be used for valuation by FoFs investing in such ETFs.

VII. Disclosure of indicative Net Asset Value (iNAV)

- A. iNAV of an ETF i.e. the per unit NAV based on the current market value of its portfolio during the trading hours of the ETF, shall be disclosed on a continuous basis on the Stock Exchange(s), where the units of these ETFs are listed and traded and shall be updated in the following manner:
- i. For Equity ETFs, within a maximum time lag of 15 seconds from underlying market.
 - ii. For Debt ETFs, at least four times a day i.e. opening and closing iNAV and at least two times during the intervening period with minimum time lag of 90 minutes between the two disclosures.
 - iii. For ETFs on Gold or Silver, based on the latest available data for Gold or Silver. Accordingly, iNAV disclosed for Gold or Silver ETFs may either be static or dynamic depending upon the availability of the underlying price.
 - iv. For ETFs on international indices, based on the latest available data regarding the portfolio of the ETF. Accordingly, iNAV disclosed for international ETFs



may either be static or dynamic depending on the intersection in trading hours of domestic and overseas markets.

- v. For disclosure of iNAV, AMCs and Stock Exchanges shall develop suitable mechanism for data sharing.

VIII. Liquidity window for Investors of ETFs with AMCs

- A. Investors can directly approach the AMC for redemption of units of ETFs, for transaction of upto INR 25 Cr. without any exit load, in case of the following scenarios:
 - i. Traded price (closing price) of the ETF units is at discount of more than 1% to the day end NAV for 7 continuous trading days, or
 - ii. No quotes for such ETFs are available on stock exchange(s) for 3 consecutive trading days, or
 - iii. Total bid size on the exchange is less than half of creation units size daily, averaged over a period of 7 consecutive trading days.
- B. In case of the above scenarios, applications received from investors for redemption up to 3.00 p.m. on any trading day, shall be processed by the AMC at the closing NAV of the day.
- C. The above instances shall be tracked by the AMC on a continuous basis and in case if any of the above mentioned scenario arises, the same shall be disclosed on the website of AMC.

IX. Rebalancing period for Equity ETFs/ Index Funds

- A. In case of change in constituents of the index due to periodic review, the portfolio of equity ETF/ Index Funds be rebalanced within 7 calendar days.
- B. Any transactions undertaken in the scheme portfolio of ETF/ Index Fund in order to meet the redemption and subscription obligations shall be done while ensuring that post such transactions replication of the portfolio with the index is maintained at all points of time.



X. Disclosure Norms for ETFs/ Index Funds

- A.** The debt and equity ETFs/ Index Funds shall disclose the following on monthly basis:
- i. Name and exposure to top 7 issuers and stocks respectively as a percentage of NAV of the scheme
 - ii. Name and exposure to top 7 groups as a percentage of NAV of the scheme.
 - iii. Name and exposure to top 4 sectors as a percentage of NAV of the scheme.
- B.** Change in constituents of the index, if any, shall be disclosed on the AMC website on the day of change.

XI. Other Provisions

A. Minimum subscription amount during New Fund Offer (NFO)

- i. In partial modification to paragraph 2(a) of SEBI Circular No.Cir/IMD/DF/15/2014 dated June 20, 2014, it has been decided that the minimum subscription amount at the time of New Fund Offer (NFO) for Debt ETFs/ Index Funds and other ETFs/ Index Funds shall be INR 10 Cr. and INR 5 Cr. respectively.
- ii. Alternative to launch of NFO for ETFs, the AMC may contribute the initial fund for unit creation. Subsequently, the AMC can transfer the units of such ETFs to MMs or other investors, subject to compliance with all applicable provisions for launch of ETFs.

B. Equity Linked Saving Scheme (ELSS) in Passive Fund Category

In partial modification to Clause III (a) of SEBI Circular No.SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 on “Categorization and Rationalization of Mutual Fund Schemes”, it has been decided that mutual funds can launch either of the following ELSS scheme in open ended Scheme Category, subject to compliance with guidelines on Equity Linked Saving Scheme, 2005 notified by Ministry of Finance:

- i. Active ELSS Scheme - In terms of Clause A(10) of Annexure to the above mentioned SEBI Circular dated October 06, 2017 under “Equity Schemes” category or;
- ii. Passive ELSS Scheme (through Index Fund) - In terms of Clause E(1) of Annexure to the above mentioned SEBI Circular dated October 06, 2017



under “Other Schemes” category. The passive ELSS scheme shall be based on one of the indices comprising of equity shares from top 250 companies in terms of market capitalization.

C. Nomenclature of ETFs/ Index Funds

- i. In order to have proper understanding and clarity for investors, the nomenclature for ETFs/ Index Funds shall include the name of the underlying index or goods.
- ii. Further, for ETFs, after listing of the units, the scrip code of such ETFs shall also be disclosed in the nomenclature at all places.

3. **Applicability:** The provisions of this Circular shall come into force with effect from July 01, 2022 and shall also be applicable to all existing ETFs/ Index Funds.
4. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Hruda Ranjan Sahoo
Deputy General Manager
Tel no.: 022-26449586
Email: hksahoo@sebi.gov.in



Guidelines regarding the Market Making Framework

1.0 Market Making in ETFs

The following broad points shall be considered while designing the market making framework in ETFs:

1.1 Obligations of AMC: Obligations shall, inter-alia, include:

- i. AMCs to enter into agreement with at least two Market Makers (MMs) for each ETF.
- ii. AMCs may select MMs based on various criteria including experience in the capital market, capital adequacy, net worth, infrastructure, volume of business, etc.

1.2 Obligations and responsibilities of a Market Maker: Obligations shall, inter-alia, include:

- i. **Quote:** MM shall be mandated to provide a two-way quote during such minimum time frame for which the MM may be required to make market. MM shall guarantee execution of orders at quoted price and quantity for quotes given by it.
- ii. **Minimum timeframe:** The minimum time frame for which the MM is required to make the market shall be 75% of the time during market hours of a trading day. Further, MM shall also be mandated to be present in the Best Buy/Sell order/quote for e.g. top 5 buy/sell order/quote.

1.3 Information to be collected from Stock Exchanges: AMCs to collect the following information from SEs on daily basis:

- i. Total quantity traded by the MM in a particular ETF and its % trade to total quantity traded in the market of that ETF.
- ii. Minimum, Maximum and Median prices at which the MM has executed the trades.
- iii. Minimum, Maximum and Median spread at which the MM has provided the quotes.

1.4 Compensation of MM: The issue of compensation is to be decided between the AMC and the MM. It may have recourse to factors such as trading volume, bid-ask spread in units of ETFs, and such other information as may be required to formalize performance based incentive structure.