

A. Response to clarifications raised by applicants by July 19, 2022 on the Request for Proposal (RFP) for the selection of Asset Management Companies of mutual funds for EPFO's investments in Exchange Traded Funds (ETFs) for incremental fund flows

Sr. No.	Query Raised By	Reference (Clause No. / Page No.) in the RFP	Content of RFP	Points of Clarification	Response
1	HDFC Asset Management Company Limited	Clause 5.6/Page no. 10	The brokerage fee payable to the Asset Management Company of a Mutual Fund would be paid on the fresh investments made. The payment schedule would be finalized mutually between the EPFO and the successful applicant(s).	Is the 'Brokerage fee' referred to in Clause 5.6 the same as the 'Brokerage' referred to in the Financial Bid section (Clause 8.4)? If yes, kindly explain the details of the payment schedule referred to in Clause 5.6 with an example.	Read the clause 5.6 as given below. 5.6 Payment Schedule The brokerage quoted by the Applicant will be applicable to EPFO's transactions at the time of purchase or redemption of units and will be paid by EPFO at the time of transactions.
2	HDFC Asset Management Company Limited	Clause 8.4/Page no. 23-24	*Applicable to EPFO's transactions at the time of purchase or redemption of units, quoted exclusive of taxes.	Which of the following items are to be excluded while determining Brokerage for the Financial Bid: Stamp duty (buy transactions only), Transaction charges (exchanges), SEBI Charges, GST, STT, any other?	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.
3	UTI Asset Management Company Limited	Clause 3.7/Page no. 7	The Asset Management Company of a Mutual Fund shall not undertake any corporate action, including but not limited to, mergers, amalgamations, takeover, acquisitions, divestment, etc. without prior intimation to the CBT, EPF.	This clause may be made subject to the applicable laws, rules, and regulations including the listing requirements/compliances, SEBI Insider Trading Regulations, UTI AMC's confidentiality obligations with the third parties and commercial requirements	The requirement in Clause 3.7 will be subject to the applicable laws, rules, and regulations including the listing requirements/compliances, SEBI Insider Trading Regulations, UTI AMC's

					confidentiality obligations with the third parties and commercial requirements
4	UTI Asset Management Company Limited	Clause 5.6/Page no. 10	Payment Schedule The brokerage fee payable to the Asset Management Company of a Mutual Fund would be paid on the fresh investments made. The payment schedule would be finalized mutually between the EPFO and the successful applicant(s).	Since the brokerage fee is payable at the time of transaction only, please clarify on the payment schedule mentioned in the clause	Read the clause 5.6 as given below. 5.6 Payment Schedule The brokerage quoted by the Applicant will be applicable to EPFO's transactions at the time of purchase or redemption of units and will be paid by EPFO at the time of transactions.
5	UTI Asset Management Company Limited	Clause 7.3 - Note 3/Page No. 19	The applicant shall give an undertaking that no charges other than those quoted in the financial bid (i.e. total expense ratio and brokerages) shall be chargeable to EPFO or EPFO's investments	Clarification on the charges required, as we assume that the charges to be quoted in the financial bid will be exclusive of statutory/regulatory charges for e.g. STT on purchase of securities (0.10%) and Stamp Duty on MF units (0.005%) for Purchase transactions and STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions.	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of securities; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.
6	UTI Asset Management Company Limited	Clause 7.3 - Note 3/Page No. 19	The applicant should quote the financial bid, i.e.Total Expense Ratio and brokerage applicable for each of the years over the next three years, for the S&P Sensex and Nifty 50 based ETFs separately in the format provided below	We suggest the words S&P/BSE Sensex appearing at all the places in the RFP document is to be replaced with S&P BSE Sensex.	"BSE Sensex" to be read as " S&P BSE Sensex" in the document wherever appearing.
7	UTI Asset Management Company Limited	7.3/Page No. 19	Brokerage (in percentage) Applicable to EPFO's transactions at the time of purchase or redemption of units, to be	Please clarify that whether Stamp Duty and SEBI Fees along with applicable GST, paid as a part of the total brokerage fees during purchase transaction and SEBI Fees	EPFO will be paying only the following charges to the ETF manufacturer,

			quoted exclusive of taxes.	with applicable GST during sale transaction, can be construed as taxes	<p>i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions.</p> <p>This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid.</p> <p>Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.</p>
8	UTI Asset Management Company Limited	8.5.2/Page No. 25	Tracking error should be calculated using BSE Sensex total return index (TRI) for ETFs based on BSE Sensex and Nifty 50 total return index (TRI) for ETFs based on Nifty 50. Below is an illustration to calculate Tracking error for ETF tracking Nifty 50 index. Illustration for calculating tracking error	AMFI Best Practice Guidelines Circular No. 61/2015-16 issued on September 14, 2015 has defined a standard formula for computation of tracking error i.e. Annualised Tracking Error = Standard Deviation of the difference between the percentage change in the NAV and the percentage change in the TR Index for each day of the total time period, multiplied with Square root of 250. Further SEBI in its circular SEBI/HO/IMD/DOF2/P/CIR/2022/69 issued on May 23, 2022 on Development of Passive Funds has provided the same methodology for computation of Tracking Error. Therefore AMCs disclose their respective Tracking Error across all communications, computed in line with standard formula prescribed in this regulation. However, the methodology provided in the RFP for the computation of Tracking Error is different and therefore the resulting Tracking Error (as per RFP) will be different from the statutory disclosures made by the AMCs.	<p>The methodology provided in the RFP document for the calculation of Tracking error is consistent with the method followed for the tracking error of EPFO's investment in ETFs tracking Nifty 50 and S&P BSE Sensex indices.</p> <p>In the illustration, the formula for Tracking error to be read as;</p> <p>Tracking error = square root of ((sum of squares of differential returns)/(count of differential returns - 1)) * square root of 250</p>
9	Nippon Life India Asset Management Limited	Clause 3.2 / Page No.7	EPFO will select Asset Management Companies of Mutual Funds regulated under SEBI (Mutual Funds) Regulations, 1996, for making ETF investments. The investments will be made into Sensex- and Nifty-based ETFs as allowed by EPFO's investment guidelines from time to time. The AMC shall endeavor to keep the tracking error of ETFs as close to zero as possible. The allocation of funds between selected AMCs and their ETFs will be as follows:	<p>(i) Will the allocation of funds to each individual AMC be done proportionately? Request to clarify the methodology of allocation of funds to each AMC.</p> <p>(ii) Request to elaborate/clarify methodology on the allocation or rebalancing process from 6th month onwards on half-yearly basis.</p>	<p>This clause clearly states the approach for initial allocation of funds among selected AMC at the time of appointment and subsequently half yearly review of allocation from the 6th month onwards.</p>

			<p>i) Allocation of funds among the selected AMC's will be based on the scores and ranking of the technical and financial parameters of the respective AMC's in the selection process.</p> <p>ii) The subsequent allocations or rebalancing of the allocations from the 6th month onwards on half yearly basis will be based on equal weightage of the performance/tracking error and the cost (total expense ratio/brokerage).</p>		
10	Nippon Life India Asset Management Limited	Clause 3.7 / Page No.7	The Asset Management Company of a Mutual Fund shall not undertake any corporate action, including but not limited to, mergers, amalgamations, takeover, acquisitions, divestment, etc. without prior intimation to the CBT, EPF.	Request to confirm that this clause is only with reference to the ETFs (Nifty 50 ETF & Sensex ETF) in which EPFO would make investments.	Yes, this clause will be applicable for scheme as well, where EPFO will be investing
11	Nippon Life India Asset Management Limited	Clause 5.6 / Page No.10	<p><u>Payment Schedule</u></p> <p>The brokerage fee payable to the Asset Management Company of a Mutual Fund would be paid on the fresh investments made. The payment schedule would be finalized mutually between the EPFO and the successful applicant(s).</p>	Brokerage is applicable to EPFO transactions at the time of purchase or redemption of units. Request you to clarify what is the objective of this clause 5.6 on Payment Schedule, when brokerage is already included as part of purchase / redemption transaction made by EPFO.	<p>Read the clause 5.6 as given below.</p> <p>5.6 Payment Schedule The brokerage quoted by the Applicant will be applicable to EPFO's transactions at the time of purchase or redemption of units and will be paid by EPFO at the time of transactions.</p>
12	Nippon Life India Asset Management Limited	Clause 6.5.3 / Page No.14	Bidders are requested to note that they should necessarily submit their financial bids in the format provided and no other format is acceptable. If the price bid has been given as a standard BoQ format with the tender document, then the same is to be downloaded and to be filled by all the bidders. Bidders are required to download the BoQ file, open it and complete the white coloured (unprotected) cells with their respective financial quotes and other details (such as name of the bidder). No other cells should be changed. Once the details have been completed, the bidder should save it and submit it online, without changing the filename. If the BoQ file is found to be modified by the bidder, the bid will be rejected.	In the BoQ file, please refer to Sl.No. 1.01, 1.02 and 1.03. For example, if we need to put 0.06% as Total Expense Ratio; then do we have to insert 0.06 with '%' sign in the cell or should we simply put 0.06 without '%' sign in the cell?	<p>The Applicants are required to enter basic rate in figures. For example: For brokerage of 0.02%, the Applicant is required to enter 0.02 in the excel template. For the expense ratio of 0.06%, the Applicant is required to enter 0.06 in the excel template.</p>
13	Nippon Life India Asset Management Limited	Clause 7.1 / Page No. 18 / S.No. 4	The Asset Management Company of a mutual fund shall have a minimum net worth of Rs 1000 crore as on March 31, 2022.	Request to clarify whether Network worth is required to be calculated as per SEBI Mutual Fund regulation or Companies Act, 2013 or any other specific regulation.	The network worth of the Applicant should be as per the requirement of Companies Act, 2013.
14	Nippon Life India Asset Management	Clause 7.2 / Page No.18	<u>Technical bid</u> Those applicants that have mean (simple average) of tracking error	We believe that 0.20% mentioned in this clause is an annualized figure, request your confirmation on this. We would like	Tracking error of 0.20% as mentioned in the clause 7.2 is an

	Limited		of Nifty 50 and BSE Sensex ETFs less than or equal to 0.20% will be eligible for opening of financial bid.	to highlight that tracking error is always disclosed as an annualized number as per SEBI regulation and even as per global practices of disclosing tracking error.	annualized figure.
15	Nippon Life India Asset Management Limited	Clause 7.3 / Note 3 / Page No.18	The applicant shall give an undertaking that no charges other than those quoted in the financial bid (i.e. total expense ratio and brokerages) shall be chargeable to EPFO or EPFO's investments.	Request you to clarify that in addition to the brokerage and Total Expense Ratio, there will be various other taxes (like Securities Transaction Tax (STT) on securities as well as redemption of units, stamp duty on mutual fund units, GST on brokerage) which will be borne by EPFO or EPFO's investments.	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.
16	Nippon Life India Asset Management Limited	Clause 8.4 / Note 3 / Page No.24	The applicant shall give an undertaking that no charges other than those quoted in the financial bid (i.e. total expense ratio and brokerages) shall be chargeable to EPFO or EPFO's investment as per the format given in Section 9.6.	Request you to clarify that in addition to the brokerage and Total Expense Ratio, there will be various other taxes (like Securities Transaction Tax (STT) on securities as well as redemption of units, stamp duty on mutual fund units, GST on brokerage) which will be borne by EPFO or EPFO's investments.	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or

					redemption of units, to be quoted exclusive of taxes.
17	Nippon Life India Asset Management Limited	Clause 8.2.4 / Page No. 23	The Asset Management Company of a mutual fund shall have a minimum net worth of Rs 1000 crore as on March 31, 2022.	Request to clarify whether Network is required to be calculated as per SEBI Mutual Fund regulation or Companies Act, 2013 or any other specific regulation.	The networth of the Applicant should be as per the requirement of Companies Act, 2013.
18	Nippon Life India Asset Management Limited	Clause 8.5.2 / Page No.25	Illustration for calculating tracking error	With reference to our query on clause 7.2 above, the illustration shown in clause 8.5.2 to calculate tracking error will have to be modified to calculate annualized tracking error.	In the illustration, the formula for Tracking error to be read as; Tracking error =square root of ((sum of squares of differential returns)/(count of differential returns -1))* square root of 250
19	Nippon Life India Asset Management Limited	Clause 9.3 / Page No.28	<u>Financial Proposal Covering Letter</u> We undertake that during the selection period, the total expense ratio, including brokerages, shall not exceed the quoted expenses in the financial bid, except on account of any regulatory changes in the structure of total expense ratio. No charges other than those quoted in the financial bid shall be chargeable to EPFO or EPFO's investments.	Request you to clarify that in addition to the brokerage and Total Expense Ratio, there will be various other taxes (like Securities Transaction Tax (STT) on securities as well as redemption of units, stamp duty on mutual fund units, GST on brokerage) which will be borne by EPFO or EPFO's investments.	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.
20	Nippon Life India Asset Management Limited	Clause 9.6 / Page No.30 / Point (a) & (b)	<u>Format for Undertaking</u> (a) No charges other than those quoted in the financial bid (i.e. total expense ratio and brokerages) is chargeable to EPFO or EPFO's investment. (b) During the selection period, the total expense ratio including brokerages chargeable shall not exceed the above quoted, except on account of any regulatory changes in the structure of total expense ratio.	Request you to clarify that in addition to the brokerage and Total Expense Ratio, there will be various other taxes (like Securities Transaction Tax (STT) on securities as well as redemption of units, stamp duty on mutual fund units, GST on brokerage) which will be borne by EPFO or EPFO's investments.	EPFO will be paying only the following charges to the ETF manufacturer, i.e. Brokerage on Purchase/Sale of transaction; STT on purchase of securities (0.10%), Stamp Duty on MF units (0.005%) for Purchase transactions, STT on Sale of securities (0.10%) and STT on MF units redemption (0.001%) for Sale transactions. This is to further clarify

					that the Applicant is required to quote the Brokerage as required in the financial bid. Further, Applicant should ignore the following note to Brokerage (as given in clause 7.3 and 8.4) i.e. *Applicable to EPFO's transactions at the time of purchase or redemption of units, to be quoted exclusive of taxes.
21	Kotak Mahindra Asset Management Company Limited	5.6 Payment Schedule / Page 10	The brokerage fee payable to the Asset Management Company of a Mutual Fund would be paid on the fresh investments made. The payment schedule would be finalized mutually between the EPFO and the successful applicant(s).	1. On purchase / sale of shares during creation / redemption of units, brokerage, taxes, Stamp duty is included in the settlement amount payable to the exchanges. The settlement value is confirmed to the custodian of the scheme through the Straight Through Processing (STP). This is the market practice and the scheme also follows this process for other investors of the scheme. Hence, it is recommended that this process be followed for EPFO transactions as well. In case AMC were to temporarily fund such brokerage amount then there may be GST impact. 1. It is understood that Brokerages paid on rebalancing transactions of the fund portfolio, due to index changes, would not be bound by the said brokerage limits.	Read the clause 5.6 as given below. 5.6 Payment Schedule The brokerage quoted by the Applicant will be applicable to EPFO's transactions at the time of purchase or redemption of units and will be paid by EPFO at the time of transactions.
22	Kotak Mahindra Asset Management Company Limited	8.5 Calculation methodology for tracking error / Page 24	Illustration for calculating adjusted NAV of ETF in the table	Adjusted NAV of ETF - Sr. No. 7 & Sr. No. 12 gives an Adjusted NAV figure of Rs.13.03 & Rs.13.15 resp. based on the formulae and not the numbers printed in the table. Hence all the Adjusted NAV figures from Sr. No. 8 also differ. While the formula given is well understood, we will be ignoring this typo from row number 7 onwards and will be calculating basis the said formula.	Please refer Annexure - I, for the calculation of adjusted NAV. Applicants are required to calculate adjusted NAV (if applicable) as per the method prescribed in Annexure - I

B. Response to queries raised and additional clarification given during the pre-bid conference held on July 20, 2022 on the Request for Proposal (RFP) for the selection of Asset Management Companies of mutual funds for EPFO's investments in Exchange Traded Funds (ETFs) for incremental fund flows

Sr. No.	Query Raised By	Reference (Clause No. / Page No.) in the RFP	Content of RFP	Points of Clarification	Response
1	Nippon Life India Asset Management Limited	-	-	Can the Cover Letters are to be signed by the two authorized signatories?	As per the formats provided.
2	-	-	-	Additional Clarification on the calculation of Adjusted	Please refer to Illustration given in Annexure-I at the

		NAV	end of this document, for the calculation of Adjusted NAV. Applicants are required to calculate the Adjusted NAV (if applicable) using the method given in Annexure-I.
3.		Submission of excel sheet having calculation of Adjusted NAV and Tracking error as per the methodology prescribed in the RFP document	Applicants are required to submit the excel calculation for adjusted NAV (if applicable) and tracking error as and when asked.

Annexure - 1: Illustration of calculation of Adjusted NAV

	A	B	C	D	E	F	G
1	Date	Raw NAV (Rs)	Adjusted NAV (Rs)	Dividend Declared Per unit (Rs)	Ex Dividend NAV (Rs)	No. of accumulated units	Additional units
2	7-Nov-13	10.00	10.00			1.000	
3	23-Apr-14	12.21	12.21			1.000	
4	25-Apr-14	12.19	12.19	0.65	$11.54 = B4 - D4$	1.000	
5	28-Apr-14	11.56	$12.21 = (B5/E4) * C4$			$1.0563 = F4 + G5$	$0.0563 = D4/E4$
6	29-Apr-14	11.53	$12.18 = B6/B5 * C5$			$1.0563 = F5 + G6$	
7	30-Apr-14	11.43	$12.07 = B7/B6 * C6$	0.85	$10.58 = B7 - D7$	$1.0563 = F6 + G7$	
8	2-May-14	11.42	$13.03 = B8/E7 * C7$			$1.1412 = F7 + G8$	$0.0849 = D7 * F7/E7$
9	5-May-14	11.43	$13.04 = C8 * B9 / B8$			$1.1412 = F8 + G9$	
10	6-May-14	11.42	$13.03 = C9 * B10 / B9$			$1.1412 = F9 + G10$	
11	7-May-14	11.44	$13.06 = C10 * B11 / B10$			$1.1412 = F10 + G11$	
12	8-May-14	11.48	$13.10 = C11 * B12 / B11$	0.75	$10.73 = B12 - D12$	$1.1412 = F11 + G12$	
13	9-May-14	11.63	$14.20 = (B13/E12) * C12$			$1.2210 = F12 + G13$	$0.0789 = D12 * F12/E12$
14	12-May-14	11.75	$14.35 = B14 / B13 * C13$			$1.2210 = F13 + G14$	