NCDEX Nidhi
Next-Gen Mutual Fund Platform

NCDEX Nidhi

Investor - FAQs (English)

Frequently Asked Questions (FAQs)

Investor - FAQs

This FAQ guide is based on publicly available official mutual fund investor resources from SEBI, AMFI, NISM, NSE, BSE and other regulator/market-institution sources. It is written to help investors understand mutual fund concepts, transactions, servicing, risks and investor protection in a self-contained way.

1. Mutual Fund Basics

Q1. What is a Mutual Fund?
A mutual fund is a collective investment vehicle that pools money from many investors and invests it in a diversified portfolio of securities according to a stated investment objective. The portfolio may include equity, debt, money market instruments, hybrid instruments, and other permitted assets depending on the scheme.

Q2. How do Mutual Funds work?
Investors buy units in a mutual fund scheme, and the pooled money is managed by professional fund managers. They invest in securities on behalf of investors, and the value of the units changes with market performance and the scheme's holdings.

Q3. Who regulates Mutual Funds in India?
Mutual funds in India are regulated by the Securities and Exchange Board of India (SEBI). Asset Management Companies (AMCs), trustees, and other scheme participants must comply with the SEBI Mutual Fund Regulations and related circulars.

Q4. Why do investors choose Mutual Funds?
Investors choose mutual funds for diversification, professional management, convenience, transparency, and access to financial markets through comparatively small investments. The scheme objective and risk level can be selected to match different financial goals and horizons.

Q5. How are Mutual Funds different from directly buying shares?
In direct stock investing, an investor selects and manages individual securities. In mutual funds, professional fund managers manage a diversified portfolio on behalf of investors, and investors get exposure to a diversified basket of securities through units of the scheme.

Q6. Are Mutual Funds safe?
Mutual funds are regulated investment products, but they are subject to market risks. The value of investments can rise or fall depending on market conditions.

Q7. Who can invest in Mutual Funds?
Individuals, minors through guardians, NRIs, companies, trusts and other eligible entities can invest in mutual funds, subject to applicable regulations and documentation requirements. Eligibility also

depends on the rules of the relevant scheme and jurisdictional requirements.

Q8. What are the main types of Mutual Fund schemes?

Mutual fund schemes are broadly classified by investment objective and asset mix. Common categories include equity schemes, debt schemes, hybrid schemes, solution-oriented schemes, index funds, ETFs, and other scheme types permitted under the mutual fund framework. You can learn about various types of mutual funds, their schemes, SIPs, STPs, SWPs, etc, in our dedicated Mutual Funds Investor Guide present in Knowledge Hub at NCDEX Nidhi and NCDEX websites.

Q9. What is an AMC?

AMC stands for Asset Management Company. It is the entity that manages the mutual fund's schemes, makes investment decisions within the scheme mandate, and oversees scheme operations in line with the fund's regulatory framework.

Q10. What is a SIP and how does it help investors?

A SIP is a method of investing a fixed amount in a mutual fund scheme at regular intervals, such as monthly or daily. AMFI explains that SIP is a convenient method in which the amount can be debited from a bank account through standing instructions. The investor chooses a fund, fixes an amount and date, and authorizes automatic debit from the bank account. Units are allotted on the applicable NAV (Net Asset Value) of the transaction day subject to cut-off time and payment receipt rules. SIPs help investors invest in a disciplined way and reduce the impact of timing decisions by spreading purchases over time.

Q11. Can small investors invest in Mutual Funds?

Yes. Many mutual fund schemes allow investments from relatively small amounts, which makes them accessible to first-time and retail investors. The minimum amount depends on the scheme and its offer document.

2. Transactions, Investments and Redemptions

Q12. What is NAV? How is the applicable NAV determined?

NAV stands for Net Asset Value. In simple terms, it is the market value of one unit of a mutual fund scheme on a given day. NAV is computed by dividing the Net Assets (Total Assets – Total Liabilities) of the scheme by the Number of units outstanding on the valuation day. NAV rises or falls as the market value of the underlying portfolio changes. It is not a fixed rate like a bank deposit interest rate. For more details on NAV, visit AMFI website (Link). The applicable NAV depends on the transaction type, the time the valid request is received, the time funds are realized, and the SEBI rules that apply to the scheme. Scheme-specific disclosure documents explain how NAV is applied for purchases, redemptions and switches.

Q13. What are cut-off timings in Mutual Funds?

Cut-off timings determine which NAV is applicable for a transaction such as purchase, redemption, or switch. The applicable NAV depends on when the valid transaction and the associated funds are received in relation to the scheme's cut-off rules.

Q14. What is a Consolidated Account Statement (CAS)?
A Consolidated Account Statement is a combined statement that gives an investor a summary of mutual fund holdings and other securities linked to the same PAN across different AMCs and market participants. It helps investors track holdings in one place.

Q15. How can I redeem or withdraw my Mutual Fund investment?
Investors can place redemption requests through the AMC, RTA, distributor, or an authorized transaction platform, depending on the route available for the scheme. The request must follow the scheme rules and the prescribed transaction process.

Q16. How long does redemption take?
Redemption proceeds are paid according to the timelines prescribed by SEBI and the applicable scheme rules, after the required banking and settlement processing. The exact credit time depends on the scheme type and the transaction route used.

Q17. What is an exit load?
An exit load is a fee charged by some schemes when units are redeemed before a specified holding period. The applicable load, if any, is disclosed in the scheme documents.

Q18. Can I switch from one scheme to another?
Yes. Investors can switch units between schemes within the same mutual fund where the scheme rules permit it. The switch is subject to applicable terms, cut-off rules, exit loads, and tax implications.

Q19. Can I pause or stop my SIP?
SIPs can be paused, modified, or cancelled before the next installment due date, subject to the AMC and mandate rules that govern the SIP. Investors should follow the SIP mandate and scheme instructions for the specific process.

Q20. Can I invest additional amounts in an existing folio?
Yes. Investors can make additional purchases in an existing folio if the scheme permits it and the minimum investment requirements are met.

3. Investor Services and Account Management

Q21. What is a folio number?
A Folio Number is a unique reference number assigned to a particular mutual fund by the AMC for the investor to identify and manage their mutual fund holdings. It is used to track investments, process transactions, and maintain investor records for a specific mutual fund.

Q22. What is nomination in Mutual Funds?
Nomination allows an investor to designate one or more persons who can claim or receive the units through the prescribed process if the investor dies. It can simplify the transmission process for eligible claimants.

Q23. Can I change or update my nominee?
Yes. Investors can add, change, or remove nominees by submitting the prescribed request form and the required supporting documents, subject to the AMC's process and prevailing regulations.

Q24. How can I obtain my account statement?
Account statements can usually be downloaded online or requested through the AMC, RTA, or distributor. Many AMCs also provide statement access through investor portals and other authorized servicing channels.

Q25. What should I do if I forget my folio number?
Folio details can be retrieved from the AMC or registrar using identification details such as PAN and the registered mobile number or email address. The investor may also check previous account statements or contact the AMC's service channel.

Q26. Can I hold Mutual Funds in Folio or demat form?
Yes. Mutual fund units can be held in Folio or demat form.

Q27. What happens if my cheque or payment fails?
If a payment is unsuccessful, the purchase transaction may be rejected and units may not be allotted. The investor will need to complete the payment again through a valid method if they still want the purchase to go through.

Q28. How can I check unclaimed dividends or redemption amounts?
Investors can check unclaimed IDCW or redemption amounts on the AMC's website or through official investor service portals. SEBI also directs investors to the relevant mutual fund website for the procedure and supporting forms required to claim such amounts.

Q29. What happens if a Mutual Fund scheme is wound up?
If a scheme is wound up, the AMC stops the scheme and liquidates its assets in line with the regulatory process. The sale proceeds are then distributed to investors according to the prescribed rules.

Q30. What happens to my investment in case of my death?
The units are transmitted to the registered nominee or, where applicable, the legal heirs after the required documents are submitted and the transmission process is completed.

Q31. What is an RTA?
RTA stands for Registrar and Transfer Agent. It is a service provider appointed by mutual funds to maintain investor records, process transactions, and support investor servicing activities.

4. Risk, Taxation and Investor Awareness

Q32. Are Mutual Fund returns guaranteed?
No. Mutual fund returns are market-linked and depend on the performance of the underlying investments and the scheme's mandate. Investors should not expect guaranteed returns.

Q33. What risks should investors understand before investing?
Investors should understand market risk, interest rate risk, liquidity risk, credit risk where relevant, and the possibility that the value of the investment can fluctuate. The exact risk level depends on the scheme category and portfolio composition.

Q34. Should I invest based only on high past returns?
Past performance is not a guarantee of future performance. Investors should evaluate the scheme objective, risk level, investment horizon, portfolio quality, and suitability for their own goals before investing.

Q35. Are Mutual Funds taxable?
Yes. Taxation depends on the scheme category, the holding period, the type of income distributed or realized, and the tax laws applicable at the time of redemption or sale.

Q36. Where can investors check scheme information and disclosures?
Investors can review Scheme Information Documents (SID), Key Information Memoranda (KIM), fact sheets, and other disclosures published by the AMC and AMFI. These documents explain the scheme objective, risks, costs, and other important details before investing.

Q37. How can investors lodge a complaint?
Investors can lodge complaints with the AMC, RTA, AMFI, or SEBI's SCORES grievance redressal platform. Complaints should be submitted with the relevant transaction and account details so they can be tracked and resolved efficiently.

Q38. What should investors verify before investing?
Before investing, investors should verify the scheme objective, risk factors, costs, portfolio style, holding horizon, and whether the scheme suits their financial goals. They should also read the SID, KIM, and other official disclosures before taking a decision.

Q39. Why is long-term investing important in Mutual Funds?
Long-term investing helps investors ride out short-term market volatility and gives compounding more time to work. It also aligns better with many mutual fund strategies that are intended for medium- to long-term goals.

5. Additional Useful Basics

Q40. What is KYC readiness?
KYC readiness means an investor's identity and related records are already valid and available under the applicable KYC framework. This helps mutual fund intermediaries and AMCs confirm that the investor is ready for permitted financial transactions.

Q41. What is a Scheme Information Document (SID)?
A Scheme Information Document is the primary offer document for a mutual fund scheme. It explains the scheme objective, investment strategy, risk factors, costs, and other information an investor should review before investing.

Q42. What is a Key Information Memorandum (KIM)?

A Key Information Memorandum is a concise disclosure document that highlights the most important scheme features. It is meant to help investors quickly understand the key points of a mutual fund scheme.

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