Policy on Intraday Borrowing for HDFC Mutual Fund

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Propriety	This document is the sole property of HDFC Asset Management Company Limited. Any use or duplication of this document without express permission of Management is strictly forbidden and illegal.
Periodic Review	This Policy and procedures will be reviewed at least biennially.

I. Background and Purpose

The SEBI (Mutual Funds) Regulations, 2026 ("MF Regulations 2026") vide Regulation 42(1) permit mutual funds to borrow only for specific purposes, namely: (i) meeting temporary liquidity requirements arising from repurchase or redemption of units, (ii) payment of interest or Income Distribution cum Capital Withdrawal ("IDCW") payouts to unitholders, and (iii) settlement of trades by equity-oriented index funds and equity-oriented exchange traded funds (ETFs) due to under execution of sell trades on the stock exchange, in the manner specified by SEBI from time to time. Such borrowings are capped at 20% of the net assets of the scheme and may not remain outstanding for more than six months.

In order to address intraday timing mismatch between outflows and inflows of a scheme, SEBI vide Gazette Notification no. CG-MH-E-07072026-274229 dated July 3, 2026 amended the MF Regulations 2026 by inserting Regulation 42(2), which provides that nothing in Regulation 42(1) shall restrict the mutual funds from intraday borrowing for addressing timing mismatch between outflows and inflows of a scheme, subject to such conditions as specified by SEBI.

Pursuant to the above amendment, SEBI issued Circular No. HO/(92)2026-IMD-POD-2/I/16006/2026 dated July 10, 2026 ("Circular"), superseding the borrowing related provisions under Clause 5.9.1 of the SEBI Master Circular for Mutual Funds dated March 20, 2026 ("Master Circular") and SEBI Circular No. HO/(92)2026-IMD-POD-2/I/7885/2026 dated March 25, 2026. The Circular prescribes the framework and conditions governing intraday borrowings by mutual funds and shall come into effect from September 1, 2026.

This Policy sets out the procedures, controls, and governance framework to be followed by HDFC Asset Management Company Limited ("AMC") for availing and managing borrowings, including intraday borrowings, in compliance with the MF Regulations 2026 and the Circular(s) issued thereto. The Policy also incorporates the requirements relating to allocation of borrowing costs under Paragraph 11.10 of the Master Circular and the provisions of Clauses 6 and 7 of the Fourth Schedule to the MF Regulations read with Paragraph 17.7 of the Master Circular.

II. Principles Governing Intraday Borrowings

The AMC shall maintain adequate processes, controls, and oversight mechanisms to ensure that intra-day borrowings are availed by a Scheme only to address timing mismatches between the Scheme's outflows and inflows and strictly for the purposes permitted under the MF Regulations 2026 and the Circular(s) issued thereto.

Appropriate controls shall be maintained to prevent conflicts of interest and to ensure fair and equitable treatment of investors across all schemes of HDFC Mutual Fund (“HDFC MF”).

III. Controls and Procedures

The AMC shall ensure the following controls in relation to intraday borrowings availed by the schemes of HDFC MF:

(i) Intraday borrowing shall be availed only for addressing the timing mismatches between the outflows and inflows of a Scheme and solely for the following purposes:

(a) Meeting all unit holder payment obligations such as redemptions, IDCW pay-outs, interest etc.;

(b) Funding pay-in obligations arising from investments made by the scheme;

(c) Meeting mark-to-market (MTM) obligations and foreign exchange settlements; and

(d) Repayment of existing borrowings;

(ii) The quantum of intraday borrowing shall be limited to:

(a) guaranteed receivables such as inflows from RBI, Clearing Corporations, subscription inflows received in scheme bank accounts etc.;

(b) non-guaranteed receivables expected to be received during the day such as inflows from maturity proceeds and/or secondary market settlement from NCDs, CP, CDs, OTC Swaps, etc.;

(c) intraday borrowing, in addition to the guaranteed and non-guaranteed receivables referred to above, may be availed by HDFC MF solely for the purpose of meeting redemption and other pay-out to the unitholders as specified under Regulation 42(1) of the MF Regulations 2026.

(iii) The AMC shall ensure that all intraday borrowings are repaid by end of the day and any intraday borrowings converted to overnight borrowings are within regulatory limits and for the purposes allowed in Regulation 42(1) of the MF Regulations 2026;

(iv) The AMC shall maintain scheme-wise records evidencing the underlying liquidity mismatch including the expected source of repayment for the intraday borrowing;

(v) Any costs associated with intraday borrowings shall be borne by the AMC. Further, any losses, charges, costs, or expenses arising on account of an unforeseen event or delay in the receipt of funds from the guaranteed or non-guaranteed receivables referred to in this Policy shall also be borne by the AMC.

(vi) The AMC shall mitigate conflicts of interest in managing the affairs of the schemes and keep the interest of all unitholders paramount in all matters, and shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of HDFC MF and the bank accounts and securities accounts of each scheme are segregated and ring-fenced. The requirements relating to usage of pool accounts shall continue to be governed by the AMC's policy on "Usage of Pool Accounts for the Scheme(s) of HDFC MF;

(vii) Intraday borrowings shall be availed only in accordance with the approval framework and internal processes prescribed by the AMC.

viii) Any exceptions or deviations from the provisions of this Policy shall be appropriately documented and recorded.

(ix) The availment, utilisation, and repayment of intraday borrowings shall be monitored to ensure compliance with the approved limits, permissible purposes, and applicable regulatory requirements. The Operations team shall verify and confirm that all intraday borrowings are repaid by the end of the business day and shall monitor any instance where an intraday borrowing is converted into an overnight borrowing. Details of such borrowings, including any instances where intraday borrowings are converted into overnight borrowings, shall be included in the periodic statutory reports submitted to the Boards of the AMC and the Trustee Company and to SEBI as may be required under the Regulations.

IV. Review and Reporting

This Policy for use of the intraday borrowing facility has been approved by the Board of Directors of the AMC and the Board of Directors of the Trustee Company, and is made available on the website of the AMC.

V. Amendment

In this Policy, any reference to any provision of law, regulations or circulars would be deemed to include a reference to every modification(s), amendment(s) and replacement(s) with effect from the time at which such changes are given effect to. This Policy shall be reviewed biennially.

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