

MONARCH MUTUAL FUND

INTRADAY BORROWING POLICY FOR SCHEMES OF MONARCH MUTUAL FUND

Version Control

Document Owner	Chief Operating Officer
Version Number	1
Date of Approval by Board of AMC	September 18, 2026
Date of Approval by Board of Trustee	September 18, 2026

A. Background

Intraday liquidity requirement arising on account of timing mismatch between outflows in a scheme (for example, pay-in obligations, meeting redemptions etc.) and receivables from different sources (for example, pay-out receivables, maturity receivables etc.).

Intraday borrowing facilitates borrowing in the early hours of the day to enable mutual funds to meet their payout obligations and such borrowings are extinguished within the same day with the use of receivables of the scheme. Thus, intraday borrowing facility acts as a cash flow management tool for mutual funds.

This policy is formulated in line with SEBI Circular **HO/(92)2026-IMD-POD-2/I/16006/2026** dated July 10, 2026 on utilization of intraday borrowing lines by Mutual Funds.

B. Objective

To establish a governance framework for undertaking intra-day borrowings to manage temporary liquidity mismatches.

C. Regulatory Framework

1. Purpose of Intraday Borrowing:

Primary purpose for use of intraday borrowing is to meet redemption payout in early morning hours. However, due to the time difference between inflow and outflow of the fund, the purposes for which intraday borrowing facility can be availed by mutual fund schemes are:

1. All unitholder pay-outs such as redemptions, IDCW pay-outs, interest etc.
2. Trade settlements (pay-in obligations with respect to investment made by scheme)
3. Settlement of forex obligations
4. MTM obligation of derivative positions & cash margin on derivative positions
5. repayment of existing borrowings

2. Quantum of Borrowing:

The quantum of intraday borrowings 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 sighted during the day such as inflows from maturity proceeds and/or secondary market settlement from NCDs, CP, CDs, OTC Swaps, etc. and to be received by the scheme by end of the day.
- c. Intraday borrowing in addition to above may be availed by AMCs solely for the purpose of meeting redemption and other pay-out to the unitholders as specified under Regulation 42(1) of SEBI (Mutual Funds) Regulations, 2026

D. Repayment of Intraday Borrowing

It is the responsibility of the AMCs that intraday borrowings are repaid by end of the day.

In case any Intraday borrowings converted to overnight borrowings shall be within statutory limits and for the purposes allowed in Regulation 42(1) of SEBI (Mutual Funds) Regulations, 2026.

The extract of the SEBI Regulation 42(1) is as follows:

*“The mutual fund shall not borrow except to meet temporary liquidity needs for the purpose of repurchase or redemption of units or payment of interest or Income Distribution cum Capital Withdrawal payout to the unitholders or for settlement of trades by equity oriented index funds and equity oriented exchange traded funds on account of under execution of sell trades on the stock exchange in the manner as may be specified by the board from time to time.
The borrowing specified above shall be subject to –*

- (a) such borrowing not exceeding twenty per cent of the net assets of the scheme; and*
- (b) duration of such borrowing not exceeding a period of six months.*

Nothing in sub - regulation (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 the Board.”

E. Cost Allocation:

Further, in accordance with para 11.10 of the Master Circular dated March 20, 2026, cost of intraday borrowing, if any, shall be borne by the AMC. Further, any loss or cost incurred, on account of any unforeseen event or delay in receiving the funds from receivables due to which the intraday borrowing converts in overnight borrowing, shall also be borne by the AMC.

F. Approvals and Internal Controls:

AMC shall ensure that necessary Board approvals are obtained for availing Intra-Day Limit (IDL) facility from various banks and shall ensure that the amount so borrowed is utilized only for the purposes stated in the Policy.

AMC shall maintain scheme-specific records detailing underlying liquidity mismatches and designated repayment sources for intra-day borrowings. Based on these records, the corresponding borrowing requirements shall be formally communicated to the bank vide email or as per any other agreed process in this regard. The AMC operations team is responsible for the routine monitoring of this process.

AMC shall ensure compliance of clauses 6 and 7 of Fourth Schedule of SEBI (Mutual Funds) Regulations, 2026 and para 17.7 of the Master Circular dated March 20, 2026 on ring fencing.

G. Policy Review and Disclosures:

This Policy shall be disclosed on AMC website. Any deviation from this Policy will be reported to the Board of Directors of AMC and the Board of Directors of Trustee Company as appropriate.

This Policy shall be reviewed by the Board of Directors the AMC and the Board of Directors of Trustee Company at least annually, and earlier if warranted by changes in applicable SEBI regulations or circulars, including any modification to the Circular dated July 10, 2026. Any amendment to this Policy shall be approved by both Boards and latest version shall be disclosed on the AMC's website.