SEBI EXTENDS STANDING INSTRUCTION FACILITY FOR SWPs AND STPs TO MUTUAL FUND UNITS HELD IN DEMAT FORM

The Securities and Exchange Board of India ("SEBI"), through its Circular No. HO/47/14/13(2)2026-MRD-POD2/I/16590/2026 dated July 17, 2026, has extended the facility of creating standing instructions for Systematic Withdrawal Plans ("SWPs") and Systematic Transfer Plans ("STPs") to mutual fund units held in demat form. The framework, which was previously available only for units held in statement of account (SOA) form, aims to facilitate ease of doing business for investors by enabling automated withdrawal and transfer instructions through the depository system.

ANALYSIS

- SEBI has directed Depositories, Recognized Stock Exchanges, Registrar and Transfer Agents ("RTAs"), Depository Participants ("DPs"), Mutual Funds, Asset Management Companies ("AMCs") and AMFI to implement the framework for standing instructions relating to SWPs and STPs for mutual fund units held in demat form.
- Prior to this circular, investors holding mutual fund units in demat form could not create standing instructions for periodic withdrawals or transfers. SEBI has now permitted this facility after considering representations received from Depositories, the recommendations of a SEBI Working Group and the Secondary Market Advisory Committee.
- The implementation shall be carried out in two phases:
    - Phase I: Introduction of Unit-based SWP/STP, enabling investors to create standing instructions for redemption of a fixed number of mutual fund units at specified intervals for withdrawal or transfer into another scheme of the same mutual fund.
    - Phase II: Introduction of Amount-based SWP/STP, enabling standing instructions for redemption of a fixed monetary amount at specified intervals or for investment into another scheme of the same mutual fund.

- Depositories have been designated as the nodal facilitators for implementation of the framework. They are required to:
  - Implement Phase I by January 31, 2027;
  - Implement Phase II by April 30, 2027;
  - Jointly publish a standard operational framework by October 31, 2026;
  - Amend their bye-laws, rules and regulations wherever necessary;
  - Carry out requisite system changes; and
  - Disseminate the provisions of the circular on their websites.
- The circular has been issued under Section 11(1) of the SEBI Act, 1992, read with Section 26(3) of the Depositories Act, 1996 and Regulation 97 of the SEBI (Depositories and Participants) Regulations, 2018, and comes into force with immediate effect.

KEY TAKEAWAYS

- Investors holding mutual fund units in demat form will now be able to create standing instructions for SWPs and STPs, bringing parity with investors holding units in statement of account form.
- The implementation will be phased, beginning with Unit-based SWPs/STPs followed by Amount-based SWPs/STPs, allowing market infrastructure institutions adequate time to operationalise the framework.
- Depositories have been entrusted with a central role in implementing the framework, including publication of operational standards, regulatory amendments and technology upgrades.
- The framework is expected to enhance investor convenience, improve automation of mutual fund transactions and promote greater participation in dematerialised mutual fund holdings.
- The circular has come into effect immediately, while the operational milestones for implementation extend through April 30, 2027.

- The notification is attached here in:

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