

Reconstruction Plan of Ministry of Finance for Yes Bank - Impact on Quantum Nifty ETF Fund

Ministry of Finance had come out with Reconstruction Plan for Yes Bank. AMFI suggested Fund Houses to update their respective Fund House Website, the impact of Reconstruction Plan on any of their Schemes which holds Yes Bank shares.

Reconstruction Plan of Ministry of Finance for Yes Bank

Ministry of Finance vide Gazette Notification dated 13th March, 2020 notified 'Yes Bank Limited Reconstruction Scheme, 2020' effective March 13, 2020. As per the Reconstruction plan there shall be a lock-in period of 3 years from the commencement of the scheme to the extent of 75% of equity shares in respect Shares held by existing shareholders. Balance 25% of the shares held in the account of the shareholders are eligible to be sold in the market.

Impact of Reconstruction Plan on Quantum Nifty ETF Fund which had Yes Bank shares in it's Portfolio

Quantum Nifty ETF Fund which is a passive Fund tracks NSE Nifty 50 Index. Yes Bank being one of the 50 stocks in NSE Nifty 50 Index. Accordingly Quantum Nifty ETF Fund had Yes Bank shares in it's portfolio. NSE as part of routine replacement of shares in NSE Nifty 50 Index, replaced Yes Bank with Shree Cements Ltd effective 19th March 2020 (close of 18th March 2020).

Due to this replacement, Quantum Nifty Fund had to sell Yes Bank shares before 18th March 2020. Quantum Nifty ETF Fund had 3,269 shares of Yes Bank in it's portfolio as on 13th March 2020 i.e. Reconstruction Plan effective date. As per the Reconstruction Plan of Ministry of Finance, 25% of holding i.e. 816 shares which were eligible for sale, was sold accordingly from the Scheme. The balance 75% of the holding i.e. 2,453 shares are under lock in period for 3 years and cannot be sold till 12th March 2023. The Valuation Committee approved to value the illiquid 2,453 shares of Yes Bank @ Zero market price instead of closing price effective 16th March 2020. This decision was based on the SEBI Regulations principle of fair valuation and realization concept on valuation. Yes Bank shares were valued @ zero price for the period 16th March 2020 to 18th March 2020 instead of closing market price which resulted in a tracking error to the extent of - 0.27%.

The 2,453 illiquid shares held on 13th March 2020 had a market price of Rs.25.55 per share with a total market value around Rs.62,674.15 and was 0.10% of Quantum Nifty Fund's NAV. Valuation Committee approved to value these illiquid shares @ Rs. Zero price instead of its closing market price till 12th March 2023.

Based on AMFI's guidance, post completion of 3 year lock in period, any realisation value from the sale of 2,453 shares shall be distributed proportionately to the Unit Holder(s) as per on their unit balance appearing in unit holder register/Benpos as on 13th March 2020.