

**CHIEF GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT**

SEBI/IMD/CIR No.1/42529/05
June 14, 2005

**All Mutual Funds Registered with SEBI
Association of Mutual Funds in India (AMFI)**

Dear Sirs,

Re: Minimum Number of Investors in Scheme(s)/Plan(s) of Mutual Funds.

Please refer to SEBI Circular No. SEBI/IMD/CIR No.10/22701/03 dated December 12, 2003, on the captioned subject. SEBI has received further suggestions from AMFI on the aforesaid Circular. Accordingly, in order to harmonize the methodology for calculating the 25 % limit in ongoing implementation of the said circular, the following clarifications are issued.

- a) The aforesaid Circular would be applicable at the Portfolio level.
- b) Determining the breach of the 25 % limit by an Investor – The average net assets of the scheme would be calculated daily and any breach of the 25 % holding limit by an investor would be determined. At the end of the quarter, the average of daily holding by each such investor is computed to determine whether that investor has breached the 25 % limit over the quarter. If there is a breach of limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period.

All other provisions of the aforesaid Circular dated December 12, 2003 remain unchanged.

These guidelines are issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

(D. Chanda)