SECURITIES AND EXCHANGE BOARD OF INDIA

Message for Investors

The Securities and Exchange Board of India (SEBI) is a regulatory body established by an Act of Parliament to protect the interests of investors in securities, to promote the development of, to regulate the securities market and for matters connected therewith or incidental thereto.

This message is issued by SEBI in the interest of investors with regard to their investments in Art Funds, funds/schemes launched by companies or any entity formed for the purpose. From the analysis of the characteristics of 'art funds' these are 'collective investment schemes' as defined under section 11AA (2) of the SEBI Act, 1992. The schemes/funds have been launched / floated by these entities without obtaining a certificate of registration in accordance with the SEBI (Collective Investment Schemes) Regulations, 1999 (the Regulations).

In terms of section 12 (1B) of the SEBI Act, 1992 no "person" shall sponsor or cause to be sponsored or cause to be carried on a collective investment scheme unless he obtains a certificate of registration from the Board in accordance with the regulations.

Regulation 3 of the Regulations permits only a 'Collective Investment Management Company' having certificate of registration from Board to launch collective investment scheme. Thus, only a company which has been granted certificate of registration by the Board in accordance with the Regulations can launch or sponsor a collective investment scheme. In other words, for a collective investment scheme to raise money from the public it is prerequisite that the entity must (a) be a company and (b) registered with SEBI as a Collective Investment Management Company.

Therefore, the launching/ floating of the 'art funds' or schemes without obtaining a certificate of registration from the Board in terms of the provisions of the Regulations amounts to violation of the provisions of section 12 read with section 11 and 11AA of the

SEBI Act and the Regulations. For such violations, appropriate actions, civil and criminal, under the SEBI Act may be taken by SEBI against such funds/companies.

Mumbai **SECURITIES AND EXCHANGE BOARD OF INDIA**

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