MFD/CIR/9/230/2001
August 14, 2001

All Mutual Funds Registered with SEBI
Unit Trust of India (UTI)/ AMFI.

Dear Sirs,

1. **Gazette Notification dated July 23, 2001**
   Please find enclosed a copy of the Gazette Notification dated July 23, 2001 for your information and implementation.
2. **Investments by mutual funds in units of Venture Capital Funds or Shares of Venture Capital Companies**

   As you are aware, according to Clause 10 of the Seventh Schedule of the SEBI (Mutual Funds) Regulations, 1996, a mutual fund scheme can invest upto 10% of its NAV in the equity shares or equity related instruments of any company (with the exception for investments in index fund or sector or industry specific scheme). Further, Clause 11 provides that a mutual fund scheme can invest upto 5% of its NAV in the unlisted equity shares or equity related instruments in case of open ended scheme and upto 10% of its NAV in case of close ended scheme.

   It is hereby clarified that within the above mentioned limits, mutual fund schemes can also invest in the listed or unlisted securities or units of venture capital funds, as the case may be.

3. **Payment of Volatility margin by the Mutual Funds**
   In terms of SEBI Circular No. SMDRP/Policy/Cir-35/98 dated December 04,1998 issued to stock exchanges read with Press Releases PR 38/2001 and 38a/2001 both dated March 05, 2001, it is mandatory for all brokers to collect volatility margins on equity sales from their clients including institutional clients. Accordingly, all mutual funds are advised to pay applicable margins as directed by the stock exchanges. However, transactions for which early pay-in are effected do not attract the requirement of margin payment.

Yours faithfully,

P.K.Nagpal
CHIEF GENERAL MANAGER
MUTUAL FUNDS DEPARTMENT

Encl. : Gazette Notificationdated July 23, 2001.

THE GAZETTE OF INDIA

EXTRAORDINARY

PART II – SECTION 3 – SUB-SECTION (ii)

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 23rd day of July 2001

SECURITIES AND EXCHANGE BOARD OF INDIA

(MUTUAL FUNDS) (SECOND AMENDMENT) REGULATIONS, 2001

S.O. No. 698(E). In exercise of powers conferred by sub-section (1) of section 30 of the Securities and Exchange Board of India Act 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely: -

I These regulations may be called the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2001.

II They shall come into force from the day of publication in the official gazette.

III In the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996: -

1. in regulation 25, for sub-regulation (13) the following shall be substituted, namely:-
   "(13) Each director of the Asset Management Company shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with guidelines issued by the Board."

(2) in regulation 53, in clause (a), for the words "42 days" the words "30 days" shall be substituted.

3. in regulation 59 -
   (a) for the words "two months", the words "one month" shall be substituted.

b. the following words, "The half-yearly results must be printed in at least 7 point Times Roman with proper spacing for easy reading:" shall be added after 'mutual fund is situated'.

3. For Twelfth Schedule, the following shall be substituted, namely:

"TWELFTH SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA

(MUTUAL FUNDS) REGULATIONS, 1996

[Regulation 59]

HALF YEARLY FINANCIAL RESULTS FOR THE PERIOD ENDED______

SL.NO	**PARTICULARS**	**SCHEME NAMES** **I II III ----**
1.1 1.2	Unit Capital at the beginning of the half-year period [Rs. in Crores] Unit Capital at the end of the period [Rs. in Crores]	

2	Reserves & Surplus [Rs. In Crores]	
3.1 3.2	Total Net Assets at the beginning of the half-year period [Rs. in Crores] Total Net Assets at the end of the period [Rs. in Crores]	
4.1 4.2 4.3	NAV at the beginning of the half –year period [Rs.] NAV at the end of the period [Rs.] Dividend paid per unit during the half-year [Rs.]	
5.1 5.2 5.3 5.4 5.5 5.6	Income Dividend [Rs. in Crores] Interest [Rs. in Crores] Profit/(Loss) on sale/redemption of investments (other than inter scheme transfer/sale) [Rs. in Crores] Profit/(Loss) on inter-scheme transfer/sale of investments [Rs. in Crores] Other Income (indicating nature) [Rs. in Crores] Total Income (5.1 to 5.5) [Rs. in Crores]	
6.1 6.2 6.3 6.4 6.5	Expenses Management Fees [Rs. in Crores] Trustee Fees [Rs. in Crores] Total Recurring Expenses (including 6.1 and 6.2) [Rs. in Crores] Percentage of Management Fees to daily/weekly average net assets [%] Total Recurring expenses as a percentage of daily/weekly average net assets [%]	
7.1 7.2	Returns during the half-year * [(+) (-)] Compounded Annualised yield in case of schemes in existence for more than 1 Year ** Last 1 year [%] Last 3 years [%] Last 5 years [%] Since launch of the scheme (date of launch to be given) [%]	
8	Provision for Doubtful Income/Debts [Rs. in Crores]	
9	Payments to associate/group companies (if applicable) [Rs. in Crores]	
10	Investments made in associate/group companies (if applicable) [Rs. in Crores]	

Considering movement of NAV during the half-year and after adjustment of dividend, bonus, etc.

** For the calculation of compounded annualised yield, the procedure specified in Standard Offer Document shall be followed. All performance calculations shall be based only on NAV and the payouts to the unitholders. The calculation of returns shall assume that all payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. The type of plan/option of the scheme for which yield is given shall also be mentioned.

Notes:

1. Effect of changes in the accounting policies on the above items shall be disclosed by way of notes.

2. Details of transactions with associates in terms of Regulation 25 (8), if applicable, shall be given by way of note.

3. Details of investments made in companies which have invested more than 5% of the NAV of a scheme in terms of Regulation 25(11), if applicable, shall be given as a note.

4. Details of large holdings (over 25% of the NAV of the scheme), if applicable, including information about the no. of such investors and total holdings by them in percentage terms, shall be given as a note.

5. Any bonus declared during the half-year in respect of any of the schemes to be disclosed by way of a note.

6. Details of Deferred Revenue Expenditure, if any, shall be disclosed by giving a note.

7. Borrowings if any, above 10% of the net assets of any scheme of a mutual fund shall be disclosed.

8. Exposure if any, of more than 10% of the net assets of any scheme of a mutual fund investing in derivative products shall be disclosed."

[F. No. SEBI/LE/32858/2001]

D.R. MEHTA
Chairman

Foot notes:

The principal regulations, SEBI (Mutual Funds) Regulations, 1996 were issued under S.O. No 856(E) dated December 6, 1996 published in the Gazette of India, Part II, Section 3(II), dated December 9, 1996.

SEBI (Mutual Funds) Regulations, 1996 were subsequently amended –

a. *on April 15, 1997 by SEBI (Mutual Funds) (Amendment) Regulations, 1997 vide S.O. No 327 (E).*
b. *on January 12,1998 by SEBI(Mutual Funds) (Amendment) Regulations,1998 vide S.O. No 32 (E).*
c. *on December 08, 1999 by SEBI(Mutual Funds) (Amendment) Regulations,1999 vide S.O. No 1223 (E).*
d. *on March 14, 2000 by SEBI (Mutual Funds) (Amendment) Regulations,2000 vide S.O. No 235 (E).*
e. *on May 22, 2000 by SEBI (Mutual Funds) (Second Amendment) Regulations, 2000 vide S.O. No 484 (E).*
f. *on January 23, 2001 by SEBI (Mutual Funds) (Amendment) Regulations, 2001 vide S.O. No. 69. (E)*