



CIRCULAR

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November 17, 2016

All Mutual Funds/Asset Management Companies (AMCs)/
Trustee Companies/Boards of Trustees of Mutual Funds

Sir/ Madam,

Subject: Investment/trading in securities by employees of AMC(s) and Trustees of Mutual Funds

A. Please refer to SEBI circulars dated May 08, 2001, June 20, 2002, July 11, 2003, December 15, 2009 and May 22, 2014, on the captioned subject. With an objective to bring about alignment of these SEBI circulars providing guidelines for Investment/Trading in Securities by employees of AMC(s) and Trustees with the principles laid down in SEBI (Prohibition of Insider Trading) Regulations, 2015, and to remove difficulty in the implementation of the guidelines, the following provisions stand modified:

1. Clause 1.1 of SEBI Circular dated May 08, 2001 on investments covered under these guidelines shall read as follows:

“These Guidelines cover transactions for purchase or sale of any securities such as shares, debentures, bonds, warrants, derivatives and units of schemes floated by Mutual Funds / AMCs where the concerned persons (in terms of the applicability stated at Clause 1 of the said circular) are employed.

These Guidelines do not apply to the following investments by the employees:

- i. Investments in fixed deposits with banks/financial institutions/companies, life insurance policies, provident funds (including public provident fund) or Investment in savings schemes such as National Savings Certificates, National Savings Schemes, Kisan Vikas Patra, or any other similar investment.*
- ii. Investments of a non-financial nature such as gold etc, where there is no likely conflict between the Mutual Fund’s interest and the employees’ interest.*



- iii. *Investments in government securities, money market instruments, money market mutual fund schemes, liquid schemes and schemes floated by other Mutual Funds/ AMCs."*
2. Clause 1.2 of SEBI Circular dated May 08, 2001 on applicability of these guidelines shall read as follows:
"These Guidelines shall cover transactions for sale or purchase of securities made:
i. In the name of employees, either individually or jointly,
ii. In the name of the employees' spouse,
iii. As a member of HUF,
iv. In the name of employees' parent, sibling and child of such employee or of the spouse, any of whom is either dependent financially on such employee, or consults such employee in taking decisions relating to trading in securities."
3. Clause 2.2.2 (ii) of SEBI Circular dated May 08, 2001 shall read as follows:
"If the shares/debentures/bonds/warrants of the company or derivatives specified by the employee are held by any Scheme of the Mutual Fund of which the AMC is the investment manager, there should be a "cooling off" period of 15 calendar days. The Compliance Officer shall ensure that the last transaction in that particular security was done by the Mutual Fund at least 15 calendar days prior to the date of the written application by the access person. In other words, an application for a purchase /sale transaction on a personal basis would be cleared only if the Mutual Fund has not transacted in that particular security for at least 15 calendar days. However, trades executed pursuant to a trading plan submitted by the employees in terms of SEBI (PIT) Regulations, 2015, shall be exempt from the requirement of a "cooling off" period, provided that such trading plan:
i. Is in compliance with the norms prescribed in SEBI (PIT) Regulations, 2015.
ii. Is publicly disclosed on the website of the concerned Mutual Fund
The Compliance Officer shall also properly monitor trades of the MF scheme and that of the access person, as per the trading plan, in order to ensure that such trading plan does not entail trading in securities for market abuse."



4. Clause 1.4 of SEBI Circular dated May 08, 2001 read with July 11, 2003 and December 15, 2009 shall read as follows:

“The approval of Compliance Officer for carrying out a transaction of sale or purchase of a security by the access person shall not be valid for more than 7 trading days from the date of approval.

If a transaction approved by the Compliance Officer has not been effected within 7 trading days from the date of its approval, the access person shall be required to obtain approval once again from Compliance Officer prior to effecting the transaction.”

5. Clause 3 of SEBI Circular dated June 20, 2002 shall read as follows:

“Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be followed strictly by the Trustees, Asset Management Companies and their employees and directors.”

- B. Considering that the provisions for investment / trading in Securities by employees of AMCs and Trustees are set out in various SEBI Circulars namely Circulars dated May 08, 2001, June 20, 2002, July 11, 2003, December 15, 2009, May 22, 2014 along-with amendments to these circulars provided at Point A above, for ease of reference these provisions are consolidated and provided at Annexure A.

C. Applicability of the Circular

The above circular will be applicable from December 01, 2016.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulation, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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Annexure A

- I. The guidelines enumerated below specify the minimum requirements that have to be followed. The AMC(s) and Trustees are free to set more stringent norms for investment and/or trading in securities by their employees. The Board of the AMC and Trustees shall ensure compliance with these Guidelines on a continuous basis and shall report any violations and remedial action taken by them in the periodical reports submitted to the Board.
- II. Guidelines for Investment and/or Trading in Securities by Employees of AMC(s) and Trustees:
 - A. **Applicability**
 1. These Guidelines shall be applicable to all employees of AMC(s) and Trustees and shall form a part of the Code of Conduct for employees adopted by the AMC(s) and/or Trustees. New employees shall be bound by these Guidelines from the date of joining the AMC(s) and/or Trustees.
 2. These Guidelines shall cover transactions for sale or purchase of securities made:
 - a. In the name of employees, either individually or jointly,
 - b. In the name of the employees' spouse,
 - c. As a member of HUF,
 - d. In the name of employees' parent, sibling and child of such employee or of the spouse, any of whom is either dependent financially on such employee or consults such employee in taking decision relating to trading in securities.
 - B. The objectives and principles of these Guidelines are:
 1. To ensure that all securities transactions made by employees in their personal capacity are conducted in consonance with these Guidelines and in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.
 2. The employees of AMC(s) and Trustees especially Access Persons shall not take undue advantage of any price sensitive information that they may have about any company. Access Person for the purpose of these Guidelines shall mean the Head of the AMC (designated as CEO/Managing Director/President or by any other name), the



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Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as decided by the AMC(s) and/or Trustees.

3. To guide employees of AMC(s) and Trustees in maintaining a high standard of probity that one would expect from an employee in a position of responsibility.

C. General

1. Investments covered:

- a. These Guidelines cover transactions for purchase or sale of any securities such as shares, debentures, bonds, warrants, derivatives and units of schemes floated by Mutual Funds / AMCs where the concerned persons (in terms of the applicability stated at Clause A1 above) are employed.

- b. These Guidelines do not apply to the following investments by the employees:

- i. Investments in Fixed Deposits with banks /Financial Institutions /companies, Life Insurance Policies, Provident Funds (including Public Provident Fund) or investment in savings schemes such as National Savings Certificates, National Savings Schemes, Kisan Vikas Patra, or any other similar investment.
- ii. Investments of a non-financial nature such as gold etc., where there is no likely conflict between the Mutual Fund's interest and the employees' interest.
- iii. Investments in government securities, Money Market instruments, Money Market Mutual Fund schemes, liquid schemes and schemes floated by other Mutual Funds / AMCs.

2. No employee shall pass on information to anybody inducing him to buy/sell securities which are being bought and/or sold by the Mutual Fund of which the AMC is the investment manager.

3. Prior approval of personal investment transactions:

- a. All access persons except Compliance Officer shall apply in the form prescribed by the AMC(s) and/or Trustees to the Compliance Officer for prior approval of transactions for sale or purchase of securities other than those expressly stated to be exempt under these guidelines. The Compliance Officer shall apply to the Head of the AMC(s). The decision of the Compliance Officer shall be final and binding on the employee.



- b. In these Guidelines, in the case of the Compliance Officer's own transactions for purchase or sale of securities or disclosure or any other related matter, the term "Compliance Officer" wherever it appears, shall be read as "Head of the AMC."
- c. The Compliance Officer may coordinate with the Fund Management Department of the Mutual Fund, wherever necessary, to clear requests of investment and/or trading in securities by the employees.
- d. The approval of Compliance Officer for carrying out a transaction of sale or purchase of a security by the access person shall not be valid for more than seven trading days from the date of approval.
- e. If a transaction approved by Compliance Officer has not been effected within seven trading days from the date of its approval, the access person shall be required to obtain approval once again from Compliance Officer prior to effecting the transaction.
- f. All employees shall refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 30 calendar days from the date of their personal transaction. However, in cases where it is done, the employee shall provide a suitable explanation to the Compliance Officer, which shall be reported to the Board of the AMC and the Trustees at the time of review.

D. Investments in Shares and/or Debentures and/or Bonds and/or Warrants and/or Derivatives

Investments in securities shall broadly be classified into investments through (a) primary markets and (b) secondary markets.

- 1. Investments through the primary markets:
 - a. An employee including access person is permitted to apply to a public issue of shares and/or debentures and/or bonds and/or warrants of any company, as long as the application is made in the normal course of the public issue. Such an application may be made without seeking the clearance from the Compliance Officer. Employees of AMC(s) and Trustees are prohibited from applying in any reserved



quota such as promoters' quota, employees' quota etc. Employees shall not participate in any private placement of equity by any company.

- b. Notwithstanding anything stated in (a) above, an employee of an AMC(s) and/or Trustees may apply for shares and/or debentures and/or bonds and/or warrants in a preferential offer, in cases where such a preferential offer is being made by a company that belongs to the same industrial group as the company in which the employee already has an investment, provided that such a preferential offer is made to all shareholders and/or debenture holders of such companies. Details of such applications made shall be intimated to the Compliance Officer.
 - c. The employees of the AMC(s) and/or Trustees including access person may apply for any rights offer of any company in which they are already shareholders. Applications for additional rights (over and above the normal rights entitlement) shares may be made by the employees including access person without getting the clearance from the Compliance Officer. An employee including access person may also sell and/or renounce his rights entitlement without getting the clearance from the Compliance Officer. However, if an access person wishes to purchase the "Rights renunciations" he shall get the clearance of the Compliance Officer for the same. Such purchases shall be done only at market prices. Details of any applications made in any rights issue, whether in the normal course, or through purchase of rights renunciations, shall be intimated to the Compliance Officer.
2. Investments through the secondary markets:
- a. An access person who wishes to make a secondary market transaction shall submit a written application to that effect to the Compliance Officer. Such an application shall specify the name of the company whose securities the employee wishes to buy and/or sell, type of security, and the number of shares and/or debentures and/or bonds and/or warrants and/or derivatives that the access person wishes to buy/sell.
 - b. The Compliance Officer shall clear these requests if the following conditions are met:



- i. If the shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the access person are not held by any scheme of the Mutual Fund of which the AMC is the investment manager;
- ii. If such shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the employee are held by any scheme of the Mutual Fund of which the AMC is the investment manager, there should be a “cooling off” period of 15 calendar days. The Compliance Officer shall ensure that the last transaction in that particular security was done by the Mutual Fund at least 15 calendar days prior to the date of the written application by the access person. In other words, an application for a purchase /sale transaction on a personal basis would be cleared only if the Mutual Fund has not transacted in that particular security for at least 15 calendar days.

However, trades executed pursuant to a trading plan submitted by the employees in terms of SEBI (PIT) Regulations, 2015 shall be exempt from the requirement of a “cooling off” period, provided that such trading plan:

- a) Is in compliance with the norms prescribed in SEBI (PIT) Regulations, 2015
- b) Is publicly disclosed on the website of the concerned Mutual Fund

The Compliance Officer shall also properly monitor trades of the MF scheme and that of the access person, as per the trading plan, in order to ensure that such trading plan does not entail trading in securities for market abuse.

- c. The Compliance Officer shall keep a track of the transactions of the employees and transactions of the Mutual Fund to ensure that there is no conflict of interest between them i.e. the Compliance Officer should track whether the Mutual Fund has transacted in the same securities either before or after the employee’s transaction(s).
- d. The Compliance Officer shall maintain a record of all requests for pre-clearance regarding the purchase or sale of a security, including the date of the request, the name of the access person, the details of the proposed transaction and whether the request was approved or denied and waivers given, if any, and its reasons.



- e. No employee shall purchase any security (including derivatives) on a “Carry Forward” basis or indulge in “Short Sale” of any security (including derivatives) i.e. employees who effect any purchase transaction(s) shall ensure that they take delivery of the securities purchased, before selling them.
- f. Any transaction of Front Running by any employee directly or indirectly is strictly prohibited. For this purpose, “Front Running” means any transaction of purchase and/or sale of a security carried by any employee whether for self or for any other person, knowing fully well that the AMC also intends to purchase and/or sell the same security for its Mutual Fund operations. To ascertain that the employee had no prior knowledge of the Mutual Fund's intended transactions, the Compliance Officer may take a declaration in this regard from the employee. Such declaration may be included in the application form itself.
- g. Any transaction of self-dealing by any employee either directly or indirectly, whether alone or in concert with another person is prohibited. For this purpose, “Self-Dealing” means trading in the securities based on price sensitive information to which the employee has access by virtue of his office. Declaration to this effect may be taken from the employee while clearing the proposals for investment.
- h. The employees shall not insist or suggest to the concerned brokers to charge reduced brokerage, or accept any contract with a clause on reduced brokerage charge.

E. Investments in units of Mutual Fund Schemes

1. Access persons as well as other employees do not require prior permission of the Compliance Officer for purchase or sale of units of Mutual Fund schemes. However, details of each such transaction, excluding transactions in Money Market Mutual Fund schemes and liquid schemes shall be reported by them to the Compliance Officer within 7 calendar days from the date of transaction.
2. In case of investments in SIP of any Mutual Fund scheme, the employees may report only at the time of making the first installment of the SIP.



3. Notwithstanding anything mentioned earlier, in the following cases employees of AMC & Trustees shall not purchase or sell /or repurchase or redeem units of any scheme, including Money Market Mutual Fund scheme and liquid scheme of their Mutual Fund:
 - a. There is a likelihood of a change in the investment objectives of the concerned Mutual Fund Scheme(s) and this has not been communicated to the investors;
 - b. There is a likelihood of a rights and/or bonus issue in the concerned Mutual Fund Scheme(s) and this has not been communicated to the investors;
 - c. The concerned Mutual Fund Scheme is contemplating to issue dividend to the unit holders and this has not been communicated to the investors;
 - d. There is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors;
 - e. There is a likelihood of conversion of a close ended scheme to an open ended scheme and vice versa and this has not been communicated to the investors.

F. Periodic Disclosures

1. All access persons shall submit, in the form prescribed by the Mutual Fund of which the AMC is the investment manager, details of their personal transactions of purchase or sale of securities to the Compliance Officer. The details to be submitted are as follows:
 - a. Details of transactions effected for purchase and/or sale of securities including transactions in rights entitlements through the secondary market within 7 calendar days from the date of transaction;
 - b. Details of allotment received against application for public and rights issues within 7 calendar days from the date of receipt of the allotment advice;
 - c. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.
2. All employees other than access persons shall submit, in the form prescribed by the Mutual Fund, to the Compliance Officer:
 - a. Details of each of their transactions for purchase or sale of securities including allotment in public and rights issues within 7 calendar days.



- b. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.
- c. A declaration shall also be included in the reporting form on the lines of clause C (2) (f) and C (2) (g) regarding Front Running and Self-Dealing.

G. Review by the Board of Directors of AMC and the Trustee(s)

1. The Board of the AMC and the Trustees shall review the compliance of these Guidelines in their periodic meetings. They shall review the existing procedures and recommend changes in procedures based on the AMC's experience, industry practices and/or developments in applicable laws and regulations. They shall report compliance and any violations and remedial action taken by them in their reports submitted to the Board.

H. Applicability of Insider Trading Regulations

1. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be followed strictly by the Trustees, asset management companies and their employees and directors.