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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 4th February, 2021

SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) (AMENDMENT) REGULATIONS, 2021

No. SEBI/LAD-NRO/GN/2021/08— In exercise of the powers conferred by section 30 read with clause (c) of sub-section (2) of section 11 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, namely–

1. These Regulations may be called the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2021.

2. They shall come into force on 30th day from the date of their publication in the Official Gazette.

3. In the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996,–

I. regulation 2 shall be numbered as sub-regulation (1) of regulation 2 and in sub-regulation (1) of regulation 2 so numbered,

i. in sub-clause (i) of clause (c), after the word *"trustee"* and before the words and symbol *", as the case",* the words *"or the sponsor"* shall be inserted.

ii. in sub-clause (ii) of clause (c), after the word *"trustee"* and before the words and symbol *", directly or indirectly",* the words *"or the sponsor"* shall be inserted.

iii. in sub-clause (iii) of clause (c), after the words *"whose director"* and before the words and symbol *", officer or employee",* the words *"except an independent director"* shall be inserted.

iv. clause (d) shall be substituted with the following clause, namely, -

"(d)"asset management company" means a company formed and registered under the Companies Act 1956 (1 of 1956) or Companies Act, 2013 (18 of 2013) and approved by the Board under sub regulation (2) of regulation 21;"

v. in clause (e), the words and symbol *"(Stock Brokers and Sub-brokers) Rules, 1992"* shall be substituted with the words and symbol *"(Stock Brokers) Regulations, 1992".*

vi. in clause (ea), the word *"endeavour's"* shall be substituted with the word *"endeavours".*

vii. in sub-clause (i) of clause (g), the words *"or combination of persons"* shall be substituted with the words and symbol *",either individually or together with persons acting in concert,"*.

viii. in sub clause (ii) of clause (g), the words *"or combination of persons"* shall be substituted with the words and symbol *", either individually or together with persons acting in concert,".*

ix. in clause (j), the words *"Limitation of Prosecution"* shall be substituted with the words *"Inapplicability of Limitation"*.

x. after clause (j) and before clause (k), the following clauses shall be inserted, namely, -

"(ja)"equity related instruments" include convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives and such other instrument as may be specified by the Board from time to time;

(jb) "exchange traded fund" means a mutual fund scheme that invests in securities in the same proportion as an index of securities and the units of exchange traded fund are mandatorily listed and traded on exchange platform;"

xi. clause (m) shall be substituted with the following clause, namely, -

"(m)"fraud" means a fraud as defined in clause (c) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003;"

xii. clause (mm) shall be substituted with the following clause, namely, -

"(mm)"group" means a group as defined in clause (b) of the Explanation to Section 5 of the Competition Act, 2002 (12 of 2003)."

xiii. clause (q) shall be substituted with the following clause, namely, -

"(q)"mutual fund" means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the pubic under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, real estate assets and such other assets and instruments as may be specified by the Board from time to time:"

xiv. after clause (q) and before clause (r), the following clause shall be inserted, namely, -

"(qa)"networth" means the aggregate of the paid up capital and free reserves after deducting therefrom, miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets and accumulated losses;"

xv. clause (t) shall be substituted with the following clause, namely,

"(t)"relative" means a person as defined in section 2(77) of the Companies Act, 2013 (18 of 2013);"

xvi. clause (w) shall be substituted with the following clause, namely, -

"(w)"securities laws" means the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Depositories Act, 1996 (22 of 1996), the provision of any other law to the extent it is administered by the Board and the relevant rules and regulations made thereunder;"

xvii. in clause (x), the words "*acting alone or in combination*" shall be substituted with the words "*acting individually or in concert*".

xviii. in clause (y), the following explanation shall be inserted, namely, -

"Explanation: In the event the trusteeship of the mutual fund is with a trustee company, wherever the context requires applicability of provisions for individual trustees, the term "trustees" under these regulations shall be deemed to mean the directors of board of the trustee company."

xix. after sub-regulation (1), the following shall be inserted, namely, -

"(2) the words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Companies Act, 2013 (18 of 2013), the Depositories Act, 1996 (22 of 1996), or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those Acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be."

II. In regulation 7,

i. in part (ii) of Explanation to clause (a), the words *"ensure that"* shall be inserted before the words *"the networth"*.

ii. part (iii) of Explanation to clause (a) shall be substituted with the following, namely, -

"(iii)ensure that the networth is more than the proposed capital contribution of the sponsor in the asset management company and ensure that in case of change in control of the existing asset management company due to acquisition of shares, the networth of the sponsor is more than the aggregate par value or market value of the shares so acquired, whichever is higher; and"

iii. in part (iv) of Explanation to clause (a), the symbol "." shall be substituted with the symbol ":"

iv. after part (iv) of Explanation to clause (a), the following proviso shall be inserted, namely, -

"Provided that the applicant shall have a networth not less than rupees one hundred crore in case the aforementioned requirement is not fulfilled."

III. In sub-regulation (4) of regulation 16,

i. the symbol ":" shall be substituted with the symbol "."

ii. proviso shall be omitted.

IV. In regulation 18,

i. in sub-regulation (11), after the words *"quarterly basis"*, the words and symbol *", within the time and manner as may be specified by the Board from time to time"* shall be inserted.

ii. sub-regulation (18) shall be substituted with the following, namely, -

"(18)The trustees shall on a quarterly basis review the networth of the asset management company to ensure compliance with the threshold provided in clause (f) of sub-regulation (1) of regulation 21 on a continuous basis".

iii. in clause (c) of sub-regulation (23), the words and symbol *"sub-regulation (2)"* shall be substituted with the words and symbol *"clause (b)".*

iv. in sub-regulation (27) of regulation 18, in clauses (ii) and (iv), the word *"affiliates"* shall be substituted with the word *"associates"*.

V. In sub-regulation (1) of regulation 21,

i. clause (f) shall be substituted with the following, namely, -

"(f) the asset management company has a networth of not less than rupees fifty crore:

Provided that where the sponsor does not fulfil the requirements provided in part (iv) of the Explanation to clause (a) of regulation 7 at

the time of making application, the asset management company shall be required to have a networth of not less than rupees one hundred crore and the asset management company shall maintain such networth till it has profits for five consecutive years:

Provided further that an asset management company of a mutual fund eligible to launch only infrastructure debt fund schemes, shall have a networth of not less than rupees ten crore.

Explanation: Loans and advances given by asset management company to either sponsor, associates or group company of sponsor and associates or group company of asset management company shall be excluded while computing the networth of the asset management company."

ii. after clause (f), the following shall be inserted, namely, -

"(g) The networth of the asset management company as required under clause (f) of this regulation shall be maintained on a continuous basis."

VI. In clause (e) of Regulation 22, the words *"controlling interest"* shall be substituted with the word *"control"*.

VII. In regulation 24, in clause (b), in the first proviso, in clause (vi),

i. the words and symbol *", within a period of six months from the date of notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011"* shall be omitted.

ii. the symbol ";" shall be substituted with the symbol ":"

VIII. In sub-regulation (18) of regulation 25,

i. the symbol ":" shall be substituted with the symbol "."

ii. the first and second proviso shall be omitted.

IX. Sub-regulation (5) of regulation 28 shall be omitted.

X. In regulation 31A, the words *"listed entity"* shall be substituted with the words *"mutual fund"*.

XI. Sub-regulation (2) of regulation 31B shall be omitted.

XII. In regulation 32,

i. the symbol ":" shall be substituted with the symbol "."

ii. proviso to regulation 32 shall be omitted.

XIII. Clause (c) of sub-regulation 3 of regulation 33 shall be omitted.

XIV. In regulation 34, the proviso shall be omitted.

XV. In regulation 35,

i. sub-regulation (3) and proviso shall be substituted with the following, namely, -

"(3) Any amount to be refunded to the applicants under sub-regulation (2) shall be refunded within a period of five working days from the date of closure of subscription list and in the manner as may be specified by the Board from time to time".

ii. proviso to sub-regulation (4) shall be omitted.

XVI. In regulation 36,

i. sub-regulation (1) and provisos shall be substituted with the following, namely,-

"(1) An applicant in a scheme whose application has been accepted shall have the option either to receive the statement of accounts or to hold the units in dematerialised form and the asset management company shall issue to such applicant, a statement of accounts specifying the number of units allotted to the applicant or issue units in the dematerialized form as soon as possible but not later than five working days from the date of closure of the initial subscription list or from the date of receipt of the application."

ii. sub-regulation (2) shall be omitted.

iii. sub-regulation (3) shall be substituted with the following, namely, -

"(3) *The asset management company shall issue units in dematerialized form to a unit holder in a scheme within two working days of the receipt of request from the unit holder."*

iv. in sub-regulation (4) and first proviso to sub-regulation (4), the words *"on or before tenth day of succeeding month"* shall be substituted with the words "*as per the timeline specified by the Board from time to time"*.

XVII. In the proviso to sub-regulation (2) of regulation 37, the words and the number *"the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996"* shall be substituted with words and the number *"the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018".*

XVIII. In sub-regulation (1) of regulation 43,

i. in clauses (e) and (f) the word "or" shall be omitted.

ii. in clause (g), the symbol "." shall be substituted with the symbol ";".

iii. after clause (g), the following clause shall be inserted, namely,-

"(h) any other assets or instruments as may be specified by the Board from time to time."

XIX. In regulation 49,

i. sub-regulation (3) and provisos shall be substituted with the following, namely, –

"(3) While determining the price of the units, the mutual fund shall ensure that the repurchase price of an open ended scheme is not lower than 95 per cent of the Net Asset Value."

ii. sub-regulations (3A), (3B) and (3C) shall be omitted.

XX. In sub-regulation (1) of regulation 50, after the words "asset management company" and before the words "shall keep", the words *"for each scheme"* shall be omitted.

XXI. In regulation 53,

i. clause (a) shall be substituted with the following clause, namely, -

"(a) despatch to the unitholders the dividend payments within 15 days from the record date."

ii. in clause (c) after the word *"proceeds"* and before the word *"within"*, the words *"or dividend payments"* shall be inserted.

iii. in clause (c) after the words *"specified in"* and before the words and symbol *"(b), the asset management company"*, the words "sub-clause" shall be substituted with the words and symbol *"sub-clauses (a) and"*.

iv. in clause (d) after the words *"despatch the"* and before the words *"redemption or"*, the words *"dividend or"* shall be inserted.

XXII. In sub-regulation (1) of regulation 55, the Explanation shall be substituted with the following, namely, -

"Explanation: For the purposes of this sub-regulation and regulation 66 "auditor" means a firm, including a limited liability partnership, constituted under the LLP Act, 2008, who is eligible and qualified to audit the accounts of a company under section 141 of the Companies Act, 2013 (18 of 2013)."

XXIII. Sub-regulation (2) of regulation 58 shall be omitted.

XXIV. In regulation 68, in Explanation to clause (g), the words and number "the *Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 1995"* shall be substituted with words and number *"*the *Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003"*.

XXV. After clause 8 in Form A of the First Schedule, the following clause shall be inserted, namely,-

"8A. Latest networth certificate from the statutory auditor"

XXVI. In clause 15 of the Third Schedule, the word *"not"* shall be substituted with the words *"which is"*.

XXVII. In clause 17 of the Third Schedule,

i. in the proviso, the word *"however"* shall be omitted and the symbol "." shall be substituted with the symbol ":"

ii. after the existingproviso, the following shall be inserted, namely, -

"Provided further that the provisions of this clause shall not be applicable in case of change in trust deed consequential to change in control of asset management company as per Regulation 22 (e)."

XXVIII. In clause (ii) of the Fourth Schedule, the words and symbol *"sub-regulation (2)"* shall be substituted with the words and symbol *"clause (b)"*.

XXIX. In the Fifth Schedule,

i. in clause (3), the word *"affiliates"* shall be substituted with the word *"associates".*

ii. clause (5) shall be substituted with the following clause, namely, -

"(5) Trustees and asset management companies shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the mutual fund; and bank accounts and securities accounts of each scheme are segregated and ring-fenced."

XXX. After clause (i) and before clause (j) of the Sixth schedule, the following clause shall be inserted, namely, -

"(ia) Advertisements in vernacular language(s) shall contain the standard warning as specified in clause (i) in the vernacular language."

XXXI. In the Seventh Schedule,

i. in the first proviso to clause (1), the words *"collateralized borrowing and lending obligations"* shall be substituted with the words *"triparty repo on Government securities or treasury bills"*.

ii. the third proviso to clause (1) shall be substituted with the following, namely,-.

"Provided further that such limit shall not be applicable for investments in case of debt exchange traded fund~~s~~ or such other funds as may be specified by the Board from time to time."

iii. in the proviso to clause 10, after the word *"fund"* and before the words *"or sector"*, the words *"or exchange traded fund"* shall be inserted.

XXXII. Clause (j) of PART A of Ninth Schedule shall be omitted.

XXXIII. Tenth Schedule shall be omitted.

XXXIV. Clause 2(a)(xi) of Eleventh Schedule shall be omitted.

Sd/-

AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the Principal Regulations, were published in the Gazette of India on December 9, 1996 vide S.O. No. 856 (E).

2. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 were subsequently amended–

(1) on April 15, 1997 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 1997 vide S.O. No.327 (E).
(2) on January 12, 1998 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 1998 vide S.O. No.32 (E).
(3) on December 08, 1999 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 1999 vide S.O. No.1223 (E).
(4) on March 14, 2000 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2000 vide S.O. No.235 (E).
(5) on March 28, 2000 by the Securities and Exchange Board of India (Appeal to the Securities Appellate Tribunal) (Amendment) Regulations, 2000 vide S.O. No.278 (E).
(6) on May 22, 2000 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2000 vide S.O. No.484 (E).

(7) on January 23, 2001 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2001 vide S.O. No.69 (E).
(8) on May 29, 2001 by the Securities and Exchange Board of India (Investment Advice by Intermediaries) (Amendment) Regulations, 2001 vide S.O. No.476 (E).
(9) on July 23, 2001 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2001 vide S.O. No.698 (E).
(10) on February 20, 2002 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2002 vide S.O. No.219 (E).
(11) on June 11, 2002 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2002 vide S.O. No.625 (E).
(12) on July 30, 2002 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2002 vide S.O. No.809 (E).
(13) on September 9, 2002 by the Securities and Exchange Board of India (Mutual Funds)(Fourth Amendment) Regulations, 2002 vide S.O. No.956 (E).
(14) on September 27, 2002 by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No.1045 (E).
(15) on May 29, 2003 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2003 vide S.O. No. 632 (E).
(16) on January 12, 2004 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2004 vide F.No. SEBI/LAD/DOP/4/2004.
(17) on March 10, 2004 by the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004 vide S.O. No. 398 (E).
(18) on January 12, 2006 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2006 vide S.O. No. 38 (E).
(19) on May 22, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2006 vide S.O. No. 783 (E).
(20) on August 3, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2006 vide S.O. No. 1254 (E).
(21) on December 27, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Fourth Amendment) Regulations, 2006 vide F. No. SEBI/LAD/DOP/82534/2006.
(22) on December 27, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Fifth Amendment) Regulations, 2006 vide F. No. SEBI/LAD/DOP/83065/2006.
(23) on May 28, 2007 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2007 vide F. No. 11/LC/GN/2007/2518.
(24) on October 31, 2007 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2007 vide F. No. 11/LC/GN/2007/4646.
(25) on March 31, 2008 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2008 vide F. No. 11/LC/GN/2008/21669.
(26) on April 16, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2008 vide F. No. LADNRO/ GN/2008/03/123042.
(27) on May 22, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2008 vide No. LADNRO/GN/2008/09/126202.
(28) on September 29, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2008 vide No. LADNRO/ GN/2008/24/139426.
(29) on April 8, 2009 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 vide No. LAD-NRO/GN/2009-10/01/159601.
(30) on June 5, 2009 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2009 vide No. LAD- NRO/GN/2009-10/07/165404.

(31) on July 29, 2010 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2010-11/13/13945.
(32) on August 30, 2011 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011 vide No. LAD-NRO/GN/2011-12/27668.
(33) on February 21, 2012 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2011-12/38/4290.
(34) on 26th September, 2012 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2012-13/17/21502.
(35) on 16th April, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/03/5652.
(36) on 19th June, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/12/6108.
(37) on 19th August, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/18/6384.
(38) on 6th May, 2014 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/01/1039.
(39) on 23rd May, 2014 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/03/1089.
(40) on 30th December, 2014 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/19/1973.
(41) on 15th May, 2015 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2015 No. NROOIAE/GN/2015-16/005.
(42) on 12th February, 2016 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2016 vide No. SEBI/LAD-NRO/GN/2015-16/034.
(43) on 15th February, 2017 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2017 vide No. SEBI/LAD/NRO/GN/2016-17/031.
(44) on 13th March, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/02.
(45) on 30th May, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/14.
(46) on 6th December, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/50.
(47) on 13th December, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Fourth Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/51.
(48) on 1st January, 2019 by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2019/01.
(49) on 26th April, 2019 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2019 vide No. SEBI/LAD-NRO/GN/2019/011.
(50) On 23rd September, 2019 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2019 vide No. SEBI/LAD-NRO/GN/2019/37.
(51) On 06 March, 2020 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/07.
(52) On 17 April, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/10.
(53) On 29 October, 2020 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/39.

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