

## CONSULTATION PAPER ON COMPREHENSIVE REVIEW OF SEBI (MUTUAL FUNDS) REGULATIONS, 1996

### 1. Objective

1.1. The objective of this consultation paper is to seek public comments/ suggestions on the proposed amendments to the SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”) carried out pursuant to a comprehensive review.

### 2. Background

2.1.<sup>1</sup>The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹6,700 crores of Assets under Management (AUM).

2.2.<sup>1</sup>After establishment of SEBI in April 1992, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds, except UTI in 1993. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

2.3. Over the past 29 years, the mutual fund industry has witnessed significant growth and transformation in terms of practices as well as in adoption of technology in the investment management space. Presently the AUM of the Mutual Fund industry has reached ₹75.61 lac crore as on September 30, 2025 and total number of accounts or folios as on September 30, 2025 stood at 25.19 crore. As such, the MF Regulations has been regularly amended to keep pace with the evolving market dynamics and to protect the investor interests.

2.4. Numerous amendments over the last 29 years have contributed to the MF Regulations becoming considerably voluminous and complex. Hence, SEBI has undertaken an exercise to comprehensively review the MF regulations.

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<sup>1</sup> <https://www.amfiindia.com/investor/knowledge-center-info?zoneName=HistoryOfMutualFundsInIndia>

- 2.5. A survey was carried out among the industry stakeholders through Association of Mutual Funds in India (AMFI) to gather suggestions on the areas of the MF Regulations that may require review.
- 2.6. Pursuant to the feedback received from the industry and after internal deliberations, the MF Regulations have been comprehensively reviewed and redrafted to ensure –
- 2.6.1. simplification of regulatory language;
  - 2.6.2. removal of redundant provisions;
  - 2.6.3. enhancement of ease of understanding and;
  - 2.6.4. removal of ambiguities, if any.
- 2.7. While a comprehensive review of the MF Regulations has been initiated, two specific consultations, mentioned below, had been initiated earlier –
- 2.7.1. Consultation Paper on Review of Regulatory Framework on Permissible Business Activities for Asset Management Companies (AMCs) under Regulation 24 of the SEBI (Mutual Funds) Regulations, 1996 ([link](#)) and;
  - 2.7.2. Consultation Paper on Review of Total Expense Ratio charged by Asset Management Companies (AMCs) to unitholders of schemes of Mutual Funds to facilitate greater transparency and accrual of benefits of economies of scale to investors ([link](#)).
- 2.8. After examining the feedback received during the consultation of the proposals mentioned at para 2.7 above, and based on deliberations both externally and internally, some of the proposals have been reviewed and appropriately incorporated in the proposed draft MF Regulations. The same has been enumerated in the proposals mentioned in this paper.
- 2.9. The proposed draft MF Regulations incorporates several requests received from the mutual fund industry to promote ease of compliance and to bring regulatory clarity.

2.10. This consultation paper seeks public comments on the draft MF Regulations ([Annexure B](#)).

### 3. Proposals

#### 3.1. **Broad Changes Proposed:**

Some of the broad changes proposed in the draft MF Regulations are provided below –

##### 3.1.1. For simplification and clarity:

| Sr. No | Particulars                                                                                                                                  | Proposed Change                                                                                                                                                                                                                           |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.     | Eligibility Criteria for registration of a Mutual Fund (Reg. 7 & 81)                                                                         | The eligibility criteria for sponsors, for registration of MF as well as MF Lite, has been tabulated for easy reference.                                                                                                                  |
| 2.     | Rights and obligations of the trustees and asset management companies as specified under Regulations 16, 25, 85 and 87 of the MF Regulations | For ease of reference and simplification, the roles and responsibilities of both board of trustees and board of Asset Management Companies (AMCs) has been standardised and categorized under different heads.                            |
| 3.     | Regulation 56 pertaining to providing copies of Annual report and summary thereof to investors                                               | The regulation has been revised to enable AMCs to send both Annual Report and the abridged summary thereof, to investors in <b>digital format</b> .                                                                                       |
| 4.     | Prudential investment limits (Seventh Schedule)                                                                                              | Presently, restrictions on investments (i.e. prudential limits) have been specified in both the MF Regulation and the Master Circular for Mutual Funds.<br><br>For ease of reference the investments restrictions have been tabulated and |

| Sr. No | Particulars                                               | Proposed Change                                                                                                                                                                                                                                                                                                                                                 |
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|        |                                                           | <p>provided in a single table which shall form part of the Master Circular for Mutual Funds.</p> <p>Further, the Schedule on Restrictions on Investments has been simplified to provide broad principles.</p>                                                                                                                                                   |
| 5.     | Detailed Valuation Guidelines (Reg. 47 & Eighth Schedule) | <p>Valuation guidelines have been specified in both the MF Regulations and Master Circular for Mutual Funds.</p> <p>For ease of reference, all valuation related guidelines have been placed in the Master Circular for Mutual Funds.</p> <p>Accordingly, the broad principles for valuation has been retained in the Schedule to Mutual Funds Regulations.</p> |

### 3.1.2. For transparency and investor protection:

| Sr. No | Particulars                                                                                                                                                  | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 1      | Regulation 52(6A)(c) enables mutual fund schemes to charge additional 5 bps on the whole AUM of the scheme for schemes where exit load is applicable/levied. | <p>Prior to 2012, exit load charged to the scheme was used by AMCs for payment of distribution commission to the distributors and other marketing /selling expenses. In 2012, Mutual funds were mandated to credit exit load to the scheme and AMCs were allowed to charge additional 20 bps as additional expense to the scheme. The said additional charge, was reduced from 20 bps to 5 bps in 2018.</p> <p>The provision for additional expense of 5 bps allowed to the AMCs to charge the</p> |

| Sr. No | Particulars                                                                                       | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|        |                                                                                                   | <p>mutual fund schemes, was transitory in nature.</p> <p>Therefore, with an objective to rationalize cost for unitholder, this expense charged to the scheme has been removed from the draft MF Regulations.</p> <p>However, in order to reduce the impact of the proposed change on the operations of AMCs, first two slabs of the expense ratio of open ended active schemes have been revised upward by 5 bps (For revised slabs for expense ratio refer Regulation 65 of the proposed draft MF Regulations).</p>                                                                                                              |
| 2      | Revised expense ratio slabs with statutory levy over and above the expense ratio limit. (Reg. 52) | <p>With a view to facilitate greater clarity and transparency, it is proposed to exclude all statutory levy i.e. STT, GST, CTT, Stamp duty from the expense ratio limits along with the present permissible expenses for brokerage, exchange and regulatory fees.</p> <p>Presently GST on management fees is permitted over and above the TER limit. However, all other statutory charges are part of the overall TER limit specified for mutual fund schemes.</p> <p>The expense ratio limits are proposed to be exclusive of statutory levy, so that any change in statutory levy in future are passed on to the investors.</p> |

| Sr. No | Particulars                                                              | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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|        |                                                                          | Hence, the expense ratio limits are revised downward to the extent of GST on all expenses other than management fees. (For revised slabs for expense ratio refer Regulation 65 of the proposed draft MF Regulations)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3      | Brokerage and Transaction charges over and above the TER limit (Reg. 52) | <p>The present MF regulations permit AMCs to charge brokerage and transaction costs incurred for the purpose of execution of trade up to 0.12 per cent of trade value in case of cash market transactions and 0.05 per cent of trade value in case of derivatives transactions.</p> <p>Based on analysis of data it has been observed that the brokerage paid by AMCs for <b>arbitrage fund</b> is generally lower than the brokerage paid by AMCs for other than arbitrage funds. For example, the brokerage for arbitrage fund was in the range of 1.18 bps to 1.34 bps during the period April 01, 2023 to March 31, 2024 whereas during the same period the brokerage for other equity schemes was in the range of 5 bps to 12 bps.</p> <p>The high brokerage charges can be attributed to services other than execution which may include research. As research is inherent to investment management and advisory a separate limit for the same may not be appropriate. Due to such bundled service arrangements, the investors may</p> |

| Sr. No | Particulars                                        | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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|        |                                                    | <p>often end up paying twice for the research i.e., one which is charged as part of investment management and advisory fees (which is charged by AMCs primarily for their expertise/research and management of funds) and another which is covered under brokerage and transaction cost.</p> <p>Thus, to protect interest of investor and to ensure that expenses are charged fairly only once to the investors, the brokerage charge has been revised from 12 bps to 2 bps for cash market transactions and 5 bps to 1 bps for derivative transactions to bring clarity and transparency.</p> <p>The limit mentioned above (i.e. 2 bps/1 bps) shall be the limit for brokerage. All other costs relating to execution of transaction may be charged on actual basis.</p> <p>Further, all statutory levies are proposed to be outside the expense ratio limits. i.e. STT/CTT/GST/stamp duty incurred for execution of trades can be over and above the limit of 2/1 bps.</p> |
| 4      | Disclosure of Total Expense Ratio (new Regulation) | Clarity has been provided on 'Total Expense Ratio' which shall clearly include expense ratio (as per the limits specified) plus brokerage, exchange and regulatory fee and statutory levy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Sr. No | Particulars                                                                                                                                                                                                              | Proposed Change                                                                                                                                                                                                                                                                                                                  |
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|        |                                                                                                                                                                                                                          | Further, to enhance transparency, disclosure requirement of Total Expense Ratio with all relevant heads has also been mandated in the revised MF Regulations.                                                                                                                                                                    |
| 5      | Differential expense ratio (new Regulation)                                                                                                                                                                              | A provision enabling expense ratio to be charged based on performance of a scheme has been introduced and same shall be voluntary for AMCs. A detailed framework in this regard shall be finalised separately in consultation with stakeholders.                                                                                 |
| 6      | Regulation 52(2) read with Regulation 52(4) and 52(4A) of MF Regulations specifies that all expenses other than those specified under the above referred regulations are to be borne by the AMC or Trustees or Sponsors. | In line with the existing practice, it has been clarified in the proposed draft Regulations that all the expenditures pertaining to launch of new fund offer till the date of allotment of mutual fund units to investors, shall be borne by the AMC or Trustees or Sponsor.                                                     |
| 7.     | Regulation 24(b) on Restriction of business activities of AMC                                                                                                                                                            | <p>The thrust of the extant regulatory provisions is to ensure fair and non-discriminatory treatment to pooled Mutual Fund investors, who are generally small retail investors, by the fund manager vis-à-vis large investors who may be structured as non-broad based funds.</p> <p>However, with the advent of robust best</p> |

| Sr. No | Particulars | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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|        |             | <p>practices in MF industry and also to leverage upon such practices and expertise of fund manager, certain relaxations to ease out structural challenges have been detailed in the following paragraphs.</p> <ul style="list-style-type: none"> <li>While the feedback received for the proposals in the consultation paper mentioned at para 2.7.1 are being analysed and being discussed with concerned stakeholders, as part of the comprehensive review of the MF Regulations, another option with respect to restriction on providing services to non-broad based funds is being proposed as under:</li> </ul> <p>The guardrails proposed in the consultation paper as mentioned at para 2.7.1, relating to fees and diversion of resources for providing services to non-broad based funds, <b>may be reviewed subject to enhanced oversight by the Trustees and Unit Holder Protection Committee across all the services provided by the AMC.</b></p> <ul style="list-style-type: none"> <li>Trustees shall ensure that the <b>conflict of interests</b> specified in the consultation paper are addressed adequately through suitable oversight mechanism.</li> </ul> |

| Sr. No | Particulars | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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|        |             | <ul style="list-style-type: none"> <li>• The asset management company may, itself or through its subsidiaries, also undertake investment management and advisory services for non-pooled funds by obtaining the required registration with SEBI, subject to compliance with the following <b>proposed additional conditions</b>: - <ul style="list-style-type: none"> <li>➤ The unit providing such service shall operate as a <b>distinct business unit separated through Chinese walls</b> with all the key employees segregated.</li> <li>➤ AMC shall ensure that there exist mechanisms to prevent misuse of information obtained from mutual funds operations to benefit the clients under the other services provided by the AMC.</li> <li>➤ The above two conditions are in line with the proposal in the earlier consultation paper.</li> <li>➤ In addition, while the proposal in the earlier consultation paper suggested that the unit may directly report to the board, based on the feedback received it is now proposed that the unit shall report directly to the CEO of the AMC. In case of portfolio management services, as the overall operations are overseen by the Principal Officer of a Portfolio</li> </ul> </li> </ul> |

| Sr. No | Particulars                                                                                                        | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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|        |                                                                                                                    | <p>Manager, the Principal Officer shall directly report to the CEO of the AMC.</p> <ul style="list-style-type: none"> <li>The asset management company may undertake such activity regulated by a domestic or foreign regulator, only through its subsidiary, subject to prior approval of the Board. (Refer Regulation 21 of the draft MF Regulations)</li> </ul>                                                                                                                                                                                                                                                                        |
| 7      | Explanation has been added to Regulation 41 (2)(b) of MF Regulations pertaining to scheme winding up related cost. | <p>In view of the Hon'ble Supreme Court's order dated August 12, 2022, expenses that are connected with the winding up of a MF scheme can be deducted after such winding up is announced. Accordingly, the following explanation, has been added to the draft MF Regulations:</p> <p><i>“The costs related to custodian fees, audit fees, investor communication etc., incurred till the schemes are wound-up can be considered as winding up costs for terminating a fund or a scheme. Investment and advisory fees and distribution commission shall not be considered as winding up costs for terminating a fund or a scheme.”</i></p> |
| 8      | Regulatory timelines as specified in “days” under Regulation 25(12)(a), Regulation 25(22)(a)(ii),                  | Regulatory requirements wherein timelines were specified in “days” have been clarified to specify whether the referred timelines have to be considered as “calendar days” or “business days” or “working days”.                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Sr. No | Particulars                                                                                                                                                                                                                                   | Proposed Change                                                                                                                                                                                                                                                                                                              |
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|        | Regulation 26(1), proviso to Regulation 39(3)(b), Regulation 62(1), Regulation 87(14)(a), Regulation (22)(a)(ii) of the MF Regulations                                                                                                        |                                                                                                                                                                                                                                                                                                                              |
| 9      | Regulation 7 and Regulation 81 of MF Regulations specifies eligibility criteria for sponsoring a Mutual Fund and MF Lite, which inter-alia includes the profitability criteria under regulation 7(a) (iv), 7(a)(v), 81(a)(iii) and 81(a)(iv). | Under the proposed draft Regulations, it has been clarified that the <b>profit from the business relating to financial services</b> , shall be considered under the relevant eligibility criteria.                                                                                                                           |
| 10     | Provisos to Regulation 33(4) of MF Regulations permit roll over of close ended schemes subject to conditions specified therein. Also, AMCs are mandated to grant exit to investors not giving positive consent for rollover.                  | Under the proposed draft Regulations, it has been clarified that a process similar to filing of offer document shall be followed if the scheme is to be rolled over. Further, units of investors who have not provided positive consent for roll over, shall be redeemed on the earlier decided maturity date of the scheme. |

3.1.3. **For ease of compliance:**

| Sr. No | Particulars                                                                                                                                               | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| 1      | Minimum number of Trustee meetings during the year (Third Schedule)                                                                                       | Currently, trustees are required to hold at least one meeting every two calendar months and at least six such meetings in a year. The requirement has been revised to mandate <b>one meeting every three calendar months and minimum four meetings in a year</b> . Along with the above change, in order to enable trustees to conduct more meetings, the following clause has been added –<br><br><i>“The trust deed shall empower trustees to meet at such frequency as required to ascertain orderly management of mutual fund schemes by asset management companies and compliance with these regulations”.</i> |
| 2      | Regulations 18(11) and 85(11) of MF Regulations mandate disclosure of details of transactions of trustees of dealing in securities with the Mutual Funds. | Mutual fund units are now covered under SEBI (Prohibition of Insider Trading) Regulations, 2015 and thus AMCs are responsible to exercise oversight on the transactions of insiders, including trustees, wherever relevant.<br><br>The trustees are presently required to submit details of their transactions to the board of trustees and to the AMCs. In order to align the requirement with the SEBI (PIT Regulations), the requirement under MF Regulations has been deleted.                                                                                                                                  |
| 3      | Regulation 30 of MF Regulations, <i>inter alia</i>                                                                                                        | The examination of online advertisements issued by SEBI registered entities has been                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| Sr. No | Particulars                                                                                                                                                                      | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|        | mandates submission of advertisement issued by AMC to SEBI 7 days from the date of issue.                                                                                        | automated by SEBI.<br><br>Therefore, the current requirement of submitting hard copy of the advertisement to SEBI has been done away with, which will reduce the compliance burden of AMCs.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 4      | Regulation 59A <i>inter alia</i> mandates disclosure of statement of portfolio on half yearly basis.                                                                             | AMCs are required to disclose the statement of portfolio of mutual fund schemes fortnightly (debt schemes) and monthly (all schemes other than debt schemes) basis.<br><br>Additionally, AMCs are also required to disclose the statement of portfolio on half yearly basis, which majorly contains same information as disclosed on fortnightly/monthly basis.<br><br>To reduce the cost of compliance for AMCs and reduce duplication of disclosures to investors, the format of monthly and half yearly disclosures has been aligned and the separate requirement of half yearly disclosure has been done away with. |
| 5      | Regulation 22(e)(ii), Regulation 29(i) and Regulation 59(2), Regulation 87(29) (i) of MF Regulations <i>inter alia</i> mandate advertisement in one English daily newspaper with | AMCs are required to send written communication to investors for any change in control or change in fundamental attribute of the scheme.<br><br>The requirement of advertisement in newspaper was introduced in 1996. With development of technology and improved digital modes of communications, <b>the</b>                                                                                                                                                                                                                                                                                                           |

| Sr. No | Particulars                                                                                                                                                                                                                                                                                                                     | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|        | <p>nationwide circular and in a newspaper published in the language in the region where the head office is situated, for the following:</p> <ol style="list-style-type: none"> <li>Change in control and</li> <li>Change in fundamental attribute of the scheme of AMC or MF Lite AMC.</li> </ol>                               | <p><b>disclosure to investors has been digitally enabled through email/SMS</b> and also by posting the relevant information on AMCs' websites.</p> <p>Accordingly, for change in control or change in fundamental attribute of the schemes, the requirement of advertisement in newspaper has been replaced with publishing the information on the website of AMCs.</p>                                                                                                 |
| 6      | <p>Regulation 16(5) <i>inter alia</i> mandates appointment of two third of independent trustees who shall not be associated with the sponsors or be <u>associated with them in any manner whatsoever.</u></p> <p>Further Regulation 21(1)(d) <i>inter alia</i> mandates that the board of directors of AMC to have at least</p> | <p>It has been clarified that "independent" person shall not be associated with the sponsor and the term "associated" is defined in the proposed regulations.</p> <p>Further, the phrase 'associated with them in any manner whatsoever' has been deleted as it is restrictive.</p> <p>On similar lines, the phrase 'or associated in any manner with' has been deleted from regulation 21(1)(d) regarding appointment of independent director on the board of AMC.</p> |

| Sr. No | Particulars                                                                                                                                           | Proposed Change |
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|        | fifty per cent directors, who are not associate of, <u>or associated in any manner with</u> , the sponsor or any of its subsidiaries or the trustees; |                 |

#### 3.1.4. Major changes to the section on 'Definitions':

| Sr. No | Particulars                                                                                                       | Proposed Change                                                                                                                                                                                                                                                                             |
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| 1      | Certain new terms have been incorporated under the section on 'Definitions' in the proposed draft MF Regulations. | <p>The terms "Exit Load", "Free Reserve" and "Total Expense Ratio (TER)" while referred, are not defined in the present MF Regulations.</p> <p>As regards TER, to bring more transparency and clarity, the same has been defined to cover all the scheme expenses charged to investors.</p> |
| 2      | Modifications of certain terms under the definition section of the MF Regulations                                 | <p>The definitions of the following terms have been modified in the proposed draft Regulations to provide better clarity:</p> <ul style="list-style-type: none"> <li>i. Mutual Fund</li> <li>ii. Liquid Net worth</li> <li>iii. Offer document</li> </ul>                                   |
| 3      | Deletion of following terms from                                                                                  | 1. Mutual funds are pass through                                                                                                                                                                                                                                                            |

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|  | <p>the definition section of the MF Regulations:</p> <ul style="list-style-type: none"> <li>i. Capital Protection Oriented Schemes</li> <li>ii. Money market mutual fund</li> <li>iii. Proviso to definition of 'Trustees'</li> <li>iv. Real Estate Mutual Fund Scheme</li> </ul> | <p>vehicles and AMCs do not take responsibility to meet commitments towards capital protection, in the situation of loss of capital. Therefore, the provisions enabling launch of Capital Protection Oriented Schemes (CPOS) has been deleted from the Regulations. Accordingly, the definition of CPOS has been deleted.</p> <p>2. The category of schemes a mutual fund can launch, along with the instruments in which these schemes can invest, which includes Money Market Mutual Fund, is laid down in the relevant provisions on Categorisation and Rationalisation of Mutual Fund Scheme in the Master Circular for Mutual Funds. Therefore, the same has been deleted from the definitions in the MF Regulations.</p> <p>3. The proviso to definition of "trustees" was transitory in nature and hence deleted.</p> <p>4. A separate framework for launch of Real Estate Schemes is laid down by SEBI. Further,</p> |
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|   |                                                                                                        | <p>no Real Estate Mutual Fund scheme has been launched since the framework under MF Regulations has been put in place. Therefore, the chapter on "Real Estate Mutual Fund Schemes" (chapter VI-A) and the definition of "real estate mutual fund scheme" has been deleted.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 4 | Streamlining definitions of certain terms appearing in different chapters of the extant MF regulations | <p>Presently, the following terms are defined and/or explained at various provisions/chapters. For ease of reference, all definitions and explanations related to the definitions have been placed under the "definitions" section in the proposed draft MF Regulations.</p> <ul style="list-style-type: none"> <li>i. Accredited Investor</li> <li>ii. Broad based fund</li> <li>iii. Corporate Debt Market Development Fund</li> <li>iv. Investment Strategy</li> <li>v. Mutual Fund Lite</li> <li>vi. Mutual Fund Lite AMC</li> <li>vii. Mutual Fund Lite Scheme</li> <li>viii. Specialised Investment Fund</li> <li>ix. Proviso to the definition of associate (related to private equity fund or a pooled investment vehicle or a pooled investment fund</li> </ul> |

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|  |  | acting as sponsor of mutual funds)<br>x. Proviso to 'Net worth' |
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### 3.1.5. Deletion of redundant/replicative chapters/clauses:

| Sr. No | Particulars                                                                                                                                            | Proposed Change                                                                                                                                                                                                                                                                                                                                                  |
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| 1      | Regulation 38(A) pertaining to capital protection oriented schemes.                                                                                    | Mutual funds are pass through vehicles and AMCs do not take responsibility to meet commitments towards capital protection, in the situation of loss of capital. Therefore, the provisions enabling launch of Capital Protection Oriented Schemes (CPOS) has been deleted from the Regulations.                                                                   |
| 2      | Chapter VI-A of MF Regulations on Real Estate mutual fund schemes and all references pertaining to real estate mutual fund schemes in the regulations. | A separate framework for launch of schemes relating to Real Estate, has been laid down by SEBI i.e. Regulatory framework for REITs. Further, no Real Estate mutual fund scheme have been launched since the framework under present MF Regulations was put in place. Therefore the chapter on "Real Estate Mutual Fund Schemes" (chapter VI-A) has been deleted. |
| 3      | Chapter VI-B of MF Regulations on Infrastructure Debt Fund Schemes (IDFs) and all references pertaining to infrastructure Debt Fund Schemes.           | A separate framework for launch of schemes relating to Infrastructure Debt Fund has been laid down by SEBI i.e. Regulatory framework relating to InvITs. Currently, there are 2 Infrastructure Debt Fund                                                                                                                                                         |

| Sr. No | Particulars                                                                                                                               | Proposed Change                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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|        |                                                                                                                                           | <p>schemes registered with SEBI and one of the said schemes is in the process of winding up.</p> <p>Accordingly, the existing IDF schemes may be grandfathered and no new IDFs may be permitted under proposed draft regulations. Accordingly, the provisions related to IDFs given in the extant regulations have been shifted to Master Circular and an enabler for IDF Schemes has been provided in the proposed draft MF Regulations under the definition of IDFs.</p> |
| 4      | Regulation 33(2) of MF Regulations pertaining to buy and sell of units of close ended schemes at fixed predetermined interval is deleted. | The regulation was with reference to proviso to Regulation 32, which was deleted in March 05, 2021 and hence, is deleted in proposed Regulations also.                                                                                                                                                                                                                                                                                                                     |
| 5      | Proviso to Regulation 83 of MF Regulations pertaining to signatory of trust deed in case of disassociation of sponsor.                    | Under the extant MF Lite framework, an AMC is signatory to the trust deed and not the sponsor. Thus, as the disassociation of sponsor may not have any impact on the trust deed, the reference to the same has been removed under proposed draft Regulations.                                                                                                                                                                                                              |
| 6      | Regulation 7(b) and Regulation 81(c) of the MF Regulations specify that existing mutual                                                   | These were grandfathering clauses and hence deleted.                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Sr. No | Particulars                                                                                                                                                                                               | Proposed Change                                                                                                                                                                                                                   |
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|        | fund shall be in the form of trust and the trust deed shall be approved by the Board.                                                                                                                     |                                                                                                                                                                                                                                   |
| 7      | Eleventh Schedule of the MF Regulations on Annual Report mandates that the Auditor's Report shall form a part of the Annual Report and it should accompany the Abridged Balance Sheet and Revenue Account | Considering that the Auditor's report is already part of the Annual report which shall contain balance sheet as on date and revenue account also, the requirement of abridged balance sheet and revenue account has been deleted. |
| 8      | Regulation 18(27)(viii), proviso to Regulation 25(8), Regulation 87(25)(viii) and Clause (I) of ninth schedule and clause 3(ix) of eleventh schedule pertaining to underwriting by Mutual Fund schemes    | As Regulation 46 pertaining to underwriting of securities was deleted in 2023, other provisions pertaining to underwriting by Mutual Funds have been deleted.                                                                     |
| 9      | Clause 4(iii) of Eleventh Schedule of MF Regulations pertaining to unprovided depreciation is deleted.                                                                                                    | As AMCs have to ensure fair valuation of securities and valuation has to be on a mark to market basis, the clause pertaining to unprovided depreciation has been deleted.                                                         |

3.2. A comparative table highlighting the changes vis-à-vis the existing MF Regulations is placed at [Annexure A](#). Draft of the MF regulations is placed at [Annexure B](#). A table of proposed change to base expense ratio limits is placed at [Annexure C](#).

#### 3.2.1. Consultation/ Proposal:

a) Whether there are any suggestions on the proposed draft MF Regulations?

- b) Whether there are any provisions that may require further clarification, consolidation, or cross-referencing?
- c) Whether there are any existing provisions that should have been retained but appear to have been omitted in the proposed draft MF Regulations?
- d) Whether there are any suggestions on the current three tier structure of the mutual funds i.e. the requirement of a Sponsor, Trustee and AMC?
- e) Whether there is a need to review the provisions relating to disassociation of sponsor from AMC?
- f) Whether there are any specific suggestions on the existing provisions relating to MF Lite?
- g) Whether there are any specific suggestions on the existing provisions relating to governance standards prescribed for Trustees and Board of AMCs.
- h) Whether any system or process changes be required by AMCs, custodians, or registrars to implement the proposed reporting framework effectively?
- i) Whether there are any suggestions on the revised provision relating to “Other Permissible business activities of the asset management company?”
- j) Whether the guard rails for enabling relaxation of business activity of the asset management company to provide management and advisory to non-broad based funds, as specified in the consultation paper dated July 07, 2025, are appropriate? Alternatively, whether trustee oversight may be enhanced to address conflict of interest identified in the said consultation paper?
- k) Whether the provisions on eligibility of sponsor under both Route 1 and Route 2 needs to be reviewed?
- l) Whether there are any suggestions on specifying minimum experience requirement for Chief Executive Officer, Chief Operating Officer, Risk Officer, Chief Compliance Officer and Chief Investment Officer?

- m) Whether the requirement of minimum experience for Chief Executive Officer, Chief Operating Officer, Risk Officer, Chief Compliance Officer and Chief Investment Officer be made applicable for **Route 1, 2 and MF Lite**?
- n) Under the present framework, while the Mutual Fund is registered with SEBI the AMC managing the Mutual Fund is required to comply with several responsibilities cast upon it through the MF Regulations and circulars issued thereunder.
  - i. Whether the current structure of registration of Mutual Fund is appropriate or whether an alternate structure of registration of AMC be introduced?
  - ii. Whether a concept of umbrella license for investment management for AMC be introduced?
- o) Any other comments or suggestions?

#### 4. Public Comments on this Consultation Paper

4.1. The comments/ suggestions on the draft MF Regulations should be submitted latest by November 17, 2025.

##### 4.1.1. Preferably through Online web-based form

4.1.1.1. The comments may be submitted through the following link:  
<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

4.1.1.2. The instructions to submit comments on the consultation paper are as under:

- a. Before initiating the process, please read the instructions given on top left of the web form as “Instructions”.

- b. Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.
- c. All fields in the form are mandatory;
- d. Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.
- e. If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.
- f. There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.
- g. If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “Do you want to comment on the proposal” and use the text boxes provided for the same.
- h. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
- i. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “Skip this proposal” and move to the next proposal.
- j. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “Check your response before submitting” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
- k. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.

#### 4.1.2. Through Email

- a) In case of any technical issue in submitting your comment through web based public comments form, you may send an email to [peterm@sebi.gov.in](mailto:peterm@sebi.gov.in) or [gopikaj@sebi.gov.in](mailto:gopikaj@sebi.gov.in) with a subject: *"Consultation paper on Comprehensive review of SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations")"*

**Issued on: October 28, 2025**

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(End of Consultation Paper)