

**SECURITIES AND EXCHANGE BOARD OF INDIA
MUTUAL FUND DEPARTMENT
Mittal Court, A Wing, Gr. Floor,
224, Nariman Point, Mumbai 400 021**

MFD/CIR/3/292/2000
May 30, 2000

To:

All Mutual Funds registered with SEBI/
Unit Trust of India

Dear Sir,

SEBI (Mutual Funds) Regulations - Gazette Notification dated May 22, 2000

Please find enclosed a copy of the Securities and Exchange Board of India (Mutual Funds)
(Second Amendment) Regulations, 2000 published in The Gazette of India dated May 22, 2000
for your information and implementation.

Yours faithfully,

**P.K. NAGPAL
DIVISION CHIEF
MUTUAL FUNDS DEPARTMENT**

Encl. : as above

THE GAZETTE OF INDIA

EXTRA ORDINARY

PART II SECTION 3 SUB-SECTION (ii)

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

MUMBAI, THE 22nd DAY OF MAY 2000

SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) (SECOND
AMENDMENT) REGULATIONS, 2000

S.O.484(E). In exercise of the powers conferred by sub-section (1) of section 30 of the
Securities and Exchange Board of India Act, 1992 (15 of 1992) the Board hereby makes the
following Regulations further to amend the Securities and Exchange Board of India (Mutual
Funds) Regulations, 1996, namely:

I. (1) These Regulations may be called the Securities and Exchange Board of India (Mutual

(2) They shall come into force on the date of their publication in the Official Gazette.

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

1. In regulation 18,

- a. in sub-regulation (15), the sub-clause (d) and provisos thereto, shall be omitted
- b. a new sub-regulation (15A), after sub-regulation (15), shall be inserted, as under:

"(15A) The trustees shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unitholders, shall be carried out unless, -

- i. a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
- ii. the unitholders are given an option to exit at the prevailing Net Asset Value without any exit load."

1. In regulation 22, the existing clause (e), shall be substituted by the following new clause (e) -

"(e) no change in the controlling interest of the asset management company shall be made unless, -

- i. prior approval of the trustees and the Board is obtained;
- ii. a written communication about the proposed change is sent to each unitholder and an advertisement is given in one English daily newspaper having nationwide circulation and in a newspaper published in the language of the region where the Head Office of the mutual fund is situated; and
- iii. the unitholders are given an option to exit on the prevailing Net Asset Value without any exit load."

1. In Regulation 43, in the second proviso, for the words 'excluding' the word 'and', shall be substituted.

2. In Seventh Schedule,

(a) in clause (1A), a second proviso, after the existing proviso, shall be inserted, as under:

"Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with the Board."

(b) the clause (11), shall be substituted by the following:

"(11) A mutual fund scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments in case of open ended scheme and 10% of its NAV in case of close ended scheme."

F.No. SEBI/LE/ 7502/2000

D.R. MEHTA

CHAIRMAN

Foot Note:

1. The principal regulation, SEBI (Mutual Funds) Regulations, 1996, was issued under S.O. No. 856(E), dated December 6, 1996 published in the Gazette of India, Part II, Section 3 (ii), dated December 9, 1996.
 2. SEBI (Mutual Funds) Regulations, 1996 was subsequently amended by -
 - a. SEBI (Mutual Funds) (Amendment) Regulations, 1997, issued under S.O. NO. 327 (E), published in Gazette of India dated April 15, 1997.
 - b. (i) SEBI (Mutual Funds) (Amendment) Regulations, 1998, issued under S.O. No. 32(E), published in the Gazette of India dated January 12, 1998.

(ii) Corrigendum to SEBI (Mutual Funds) (Amendment) Regulations, 1998 was issued under S.O. No.105 (E) published in the Gazette of India dated February 6, 1998.
 - c. SEBI (Mutual Funds) (Amendment) Regulations, 1999 issued under S.O. No. 1223(E), published in the Gazette of India dated December 8, 1999.
- (3) SEBI (Mutual Funds) (Amendment) Regulations, 2000 issued under S.O. No. 235(E) published in the Gazette of India dated March 14, 2000.