



**Nodal Co-ordination Cell**

**Informal Guidance**

**Issue No.: I/9760/2026**

**April 20, 2026**

**Mr. Amish Jhangiani**

**First Water Capital Advisory LLP**

**2908 Prestige Turf Tower, Shakti Mills Lane,**

**Mahalaxmi, Mumbai- 400011**

**Sir,**

**Subject: Informal Guidance by way of an Interpretive Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 in relation to the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 2026.**

**Reference: Your letter dated February 17, 2026.**

1. In your letter under reference, you have represented the following:

1.1. According to Regulation 5(1)(e) of the Securities and Exchange Board of India (Mutual Funds) Regulations 2026 (“MF Regulations 2026”), an asset management company (AMC) registered under Route - 2 is required to have a minimum net-worth of ₹150 crores at the time of registration which must be contributed by the sponsor.

1.2. The company is required to continuously maintain a net worth of at least ₹100 crores invested in assets as specified by the Board. However, if the company achieves profits for five consecutive years, it must maintain a net worth of at least ₹50 crores. The sponsor is responsible for ensuring that the net worth requirement is consistently met.



2. In view of the above, you have sought guidance in the form of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 (“IG Scheme 2025”) on the following queries:

**Query 1:** *Can a sponsor apply for a mutual funds license under Route-2 by contributing a net worth of ₹150 crores, with ₹50 crores as equity share capital and ₹100 crores as preference shares, where the preference shares are redeemable only after the AMC achieves profits for five consecutive years, thus meeting the requirements of clause (e) of sub-regulation (1) of Regulation 5 of SEBI (Mutual Fund) Regulations 2026?*

**Query 2:** *Can a family trust be a sponsor of a Mutual Fund?*

3. We have considered the submissions made by you in your letter under reference. You may note that the response to query 1 is not given for policy concerns in terms of paragraph 11(h) of the IG Scheme 2025. In respect of query 2, our views are as under:

- 3.1. For ease of reference, relevant provisions of the MF Regulations 2026 are reproduced below:

**Regulation 2(1)(xx)-** “sponsor means any person who, acting individually or in concert with another body corporate, establishes a mutual fund or a mutual fund lite;”

[emphasis supplied]

- 3.2. In terms of Regulation 2(1)(xx) of MF Regulations 2026, it is clear that sponsor is a body corporate who acting individually or in concert with another body corporate, establishes a mutual fund or a mutual fund lite. Since family trust is not a body corporate, it cannot be a sponsor of a mutual fund.
4. This letter has been issued with the approval of the competent authority and the guidance is based on the representation made in your application. Different facts or conditions would require a different result. This letter expresses the relevant Department’s position on enforcement action only. It does not express the decision of the Board on the questions presented and does not preclude you from taking any other opinion, as deemed appropriate.





5. You may also note that the above views are expressed only in relation to the clarifications sought in your letter under reference with respect to the MF Regulation 2026, and do not affect the requirements or applicability of any other law, including the Securities and Exchange Board of India Act, 1992, and the Rules, Regulations, Guidelines or Circulars framed thereunder that are administered by Securities and Exchange Board of India or of the laws administered by any other authority.

Yours faithfully

Sudha Rani Thirukonda

