

SEBI (MUTUAL FUNDS) REGULATIONS, 2025

ARRANGEMENT OF REGULATIONS

THE GAZETTE OF INDIA
EXTRAORDINARY
PART II - SECTION 3 - SUB-SECTION (ii)
PUBLISHED BY AUTHORITY
NEW DELHI, TUESDAY, MONTH XX, 202X
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the XX Month, 202X
SECURITIES AND EXCHANGE BOARD OF INDIA
(MUTUAL FUNDS) REGULATIONS, 202X

S.O. 856 (E).- 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 Securities and Exchange Board of India hereby makes the following regulations:

Chapter I
PRELIMINARY

1. Short title, application and commencement

- (1) These regulations may be called the Securities and Exchange Board of India (Mutual Funds) Regulations, 202x.
- (2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions

- (1) In these regulations, unless the context otherwise requires: —
 - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (b) “Accredited Investor” shall have the same meaning as assigned to it in clause (ab) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

- (c) “advertisement” shall include any communication issued by or on behalf of the mutual fund or asset management company that may influence the investment decision of any investor or prospective investor;
- (d) “associate” includes a person, —
- (i) who directly or indirectly, either individually or in combination with relatives, exercises control over the asset management company or the trustee or the sponsor, as the case may be, or
 - (ii) in respect of whom the asset management company or the trustee or the sponsor, directly or indirectly, by itself, or in combination with other persons exercises control, or
 - (iii) whose director other than an independent director, officer or employee is also a director, officer or employee of the asset management company.
Provided that for the private equity fund or a pooled investment vehicle or a pooled investment fund acting as sponsor of mutual funds, the associate or group company shall also include, -
 - a associate or group company of the manager of any pooled investment vehicle; or
 - b investee companies in which the shareholding of ten percent or more is held by the schemes or funds managed by manager of the pooled investment vehicle; or
 - c any investee company in which the pooled investment vehicle holds more than ten percent shareholding or where the directors of the pooled investment vehicle or corporate sponsor has representation on the board or right to nominate representatives on the board.
 - (iv) The above definition of associate shall not be applicable to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.
- (e) “asset management company” means a company incorporated under the Companies Act 1956 (1 of 1956) or Companies Act, 2013 (18 of 2013) and approved by the Board under sub-regulation (4) of regulation 16;
- (f) ‘broad based fund’ shall mean the fund which has at least twenty investors and no single investor holds more than twenty-five percent of corpus of the fund;
- (g) “broker” means a stock broker as defined in Securities and Exchange Board of India (Stock Brokers) Regulations, 1992;
- (h) “close-ended scheme” means any scheme of a mutual fund in which the period of maturity of the scheme is specified;
- (i) “control” means, —
- (i) in the case of a company any person, either individually or together with persons acting in concert, who directly or indirectly own, control or hold shares carrying not less than 10% of the voting rights of such company; or

- (ii) as between two companies, if the same person, either individually or together with persons acting in concert, directly or indirectly, own, control or hold shares carrying not less than 10% of the voting rights of each of the two companies; or
 - (iii) majority of the directors of any company who are in a position to exercise control over the asset management company;
- (j) Corporate Debt Market Development Fund shall have the same meaning assigned to it under clause (ga) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
- (k) “custodian” means a person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian) Regulations, 1996;
- (l) “depository” means a body corporate as defined in the Depositories Act, 1996 (22 of 1996);
- (m) “economic offence” means an offence to which the Economic Offences (Inapplicability of Limitation) Act, 1974 (12 of 1974), applies for the time being;
- (n) “equity oriented schemes” (for the purpose of limits of base expense ratio as specified in these regulations) means a scheme other than an index fund scheme or an exchange traded fund, where, the scheme invests a minimum of sixty-five per cent of its net assets in equity and equity related instruments.
- (o) “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;
- (p) “exchange traded fund” means a mutual fund scheme that invests in securities in the same proportion of an index of securities in the manner specified by the Board from time to time and whose units are mandatorily listed and traded on a stock exchange platform;
- (q) ‘exit load’ means the charge or fee which may be levied by the mutual fund at the time of redemption or repurchase of mutual fund units;
- (r) “form” means forms for application for the grant of registration of mutual fund, Certificate of registration, and Trusteeship of the mutual fund and asset management company as specified by the Board from time to time;
- (s) “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;
- (t) “free reserve” shall have the same meaning as defined under Companies Act, 2013 (18 of 2013)
- (u) “fund of funds scheme” means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds;
- (v) “gold exchange traded fund scheme” shall mean a mutual fund scheme that invests primarily in gold or gold related instruments;
- (w) “gold related instrument” shall mean such instrument having gold as underlying, as may be specified by the Board from time to time;

- (x) “goods” means the goods notified by the Central Government under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956 and forming the underlying of any commodity derivative;
- (y) “group” means a group as defined in clause (b) of the Explanation to Section 5 of the Competition Act, 2002 (12 of 2003).
- (z) “index fund scheme” means a mutual fund scheme that invests in securities in the same proportion of an index of securities in the manner specified by the Board from time to time;
- (aa) “Infrastructure debt fund scheme” means a mutual fund scheme that invests primarily (minimum 90% of scheme assets) in the debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure, and other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles. Infrastructure debt fund schemes shall be subject to all provisions of these regulations and the guidelines and circulars issued thereunder unless otherwise specified by the Board.
- (bb) “Investment Strategy” means a scheme of mutual fund launched under the Specialized Investment Fund.
- (cc) “InvIT” or “Infrastructure Investment Trust” shall have the meaning assigned in clause (za) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014;
- (dd) “inspecting officer” means any person appointed as such by the Board under Chapter XV;
- (ee) “Liquid net worth” means the net worth deployed in liquid assets which are unencumbered and shall include cash, money market instruments, Government Securities, Treasury bills, Repo on Government securities and any other instruments as specified by the Board from time to time.
- (ff) “market abuse” includes manipulative, fraudulent and unfair trade practices which may contravene Section 12A of the Act or any of the provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 or the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (gg) “money market instruments” includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time;
- (hh) “mutual fund” means a fund established in the form of a trust to raise monies through the sale of units to the public or section of public under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, silver or silver related instruments and such other assets and instruments as may be specified by the Board

- from time to time. Mutual fund schemes investing in exchange traded commodity derivatives can hold the underlying goods in case of physical settlement of such contracts.
- (ii) “Mutual fund lite” or “MF Lite” means a mutual fund that has obtained registration under Chapter X of this regulation and has only such index funds, exchange traded funds, fund of funds or other mutual fund schemes as may be specified by the Board from time to time.
 - (jj) “Mutual fund lite asset management company” or “MF Lite asset management company” or “MF Lite AMC” means an asset management company of a mutual fund lite that has been granted approval under Chapter X of this regulation.
 - (kk) “Mutual fund lite scheme” or “MF Lite Scheme” means any scheme launched by a mutual fund lite or any other eligible passive scheme as may be specified by the Board from time to time.
 - (ll) “NAV” or “Net Asset Value” shall mean the value computed in the manner provided in sub-regulation (1) of regulation 43 of these regulations;
 - (mm) “Net worth” 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, accumulated losses and any loans and advances given by asset management company or MF Lite AMC to either its sponsor, associates or group company of sponsor and its associates or group company of asset management company or MF Lite AMC.
 - (nn) “offer document” means scheme information document and statement of additional information by which a mutual fund invites public for subscription of units of a scheme;
 - (oo) “open-ended scheme” means a scheme of a mutual fund which offers units for sale without specifying any duration for redemption;
 - (pp) “private placement” means any offer of units of a mutual fund scheme or invitation to subscribe such units to a select group of persons, by a mutual fund (other than by way of public offer) through issue of a placement memorandum and which is not being calculated to result, directly or indirectly in the units becoming available for subscription or purchase by persons other than those receiving the offer or invitation;
 - (qq) “REIT” or “Real Estate Investment Trust” shall have the meaning assigned in clause (zm) of sub-regulation 1 of regulation 2 of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014;
 - (rr) “relative” means a person as defined in section 2(77) of the Companies Act, 2013 (18 of 2013);
 - (ss) “scheme” means a scheme of a mutual fund launched under Chapter V;
 - (tt) “schedule” means any of the schedules annexed to these regulations;
 - (uu) “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;

- (vv) “silver exchange traded fund scheme” shall mean a mutual fund scheme that invests primarily in silver or silver related instruments;
 - (ww) “silver related instrument” shall mean an instrument as may be specified by the Board from time to time, which has silver as the underlying product;
 - (xx) “Specialized Investment Fund” means a mutual fund as defined under clause (hh) of sub-regulation (1) of regulation 2 of these regulations and subject to such other conditions as specified under the regulations. A mutual fund registered under clause (e) of sub-regulation (1) of regulation 3 shall not be required to establish a separate trust for launching any investment strategy under the Specialized Investment Fund.
 - (yy) “sponsor” means any person who, acting individually or in concert with another body corporate, establishes a mutual fund;
 - (zz) “statutory levy” means levy imposed by state government and central government.
 - (aaa) “to be listed security” means an equity security available for purchase or application or investment under anchor investment category in an initial public offer, or debt securities under primary market issuance, till its listing on a recognized stock exchange.
 - (bbb) “total expense ratio” means the ratio of total of all expenses charged to the investors of the scheme to the total asset under management of the scheme, as may be specified by the Board from time to time.
 - (ccc) “trustees” of mutual fund registered under clause (e) of sub-regulation (1) of regulation 3 shall mean the trustee company that holds the property of the mutual fund in trust for the benefit of the unit holders. Further, “trustees” in case of mutual fund Lite shall mean a debenture trustee registered with the Board under the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993. In case an existing sponsor transfers its eligible passive schemes from its existing mutual fund to a mutual fund lite in accordance with regulation 58, the MF Lite asset management company may appoint the existing trustee of the mutual fund as the trustee of the mutual fund lite.
Explanation: wherever the context requires applicability of provisions for individual trustees, the term ‘trustees’ shall be deemed to mean the directors of board of the trustee company;
 - (ddd) “unit” means the interest of the unit holders in a scheme, which consists of each unit representing one undivided share in the assets of a scheme;
 - (eee) “unit holder” means a person holding unit in a scheme of a mutual fund.
- (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), the Indian Trusts Act, 1882 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.

Chapter II
PROCEDURE FOR REGISTRATION OF A MUTUAL FUND

3. Application for registration of mutual fund and fees

- (1) The application for registration of a mutual fund shall be made in the following manner.
 - (a) A sponsor shall submit to the Board an application for mutual fund registration in the format as specified by the Board from time to time, along with a non-refundable fee as specified in the First Schedule.
 - (b) An application which is incomplete in any respect shall be liable to be rejected. Before rejecting any such application, the applicant shall be given an opportunity to complete such formalities within such time as may be specified by the Board.
 - (c) The Board may direct the sponsor to provide such additional information or clarifications as it deems requisite.
 - (d) The Board may, upon receipt of all information, decide the application.
 - (e) The Board may register the mutual fund and issue a certificate of registration upon the applicant paying the registration fee as specified in First Schedule.
 - (f) If the sponsor does not satisfy the eligibility criteria mentioned in regulation 5 or regulation 57 the application shall be liable to be rejected. If the application is rejected, the same shall be informed to the applicant.

4. Conditions of registration

- (1) The registration granted to a mutual fund under clause (e) of sub-regulation (1) of regulation 3, shall be subject to the following terms and conditions—
 - (a) The trustees, the sponsor, the asset management company and the custodian shall adhere to the provisions of these regulations;
 - (b) The mutual fund shall promptly notify the Board, if any information or particulars previously submitted to the Board prove misleading or false in any material respect;
 - (c) The mutual fund shall immediately inform the Board, of any material change in previously furnished information or particulars, which have a bearing on the registration granted;
 - (d) Payment of annual fees, as specified in these regulations and the First Schedule, before the 15th April each year from the year following the year of registration:
Provided that the Board may, on being satisfied of reasons for delay, permit the mutual fund to pay the annual fee at any time before the expiry of two months from the commencement of the financial year to which such fee pertains.
Provided further that in case the mutual fund fails to pay annual fees, the Board may take such action as deemed fit including withholding permission for launch of scheme(s).

- 5. Eligibility Criteria for Registration:** For the purpose of granting a certificate of registration, the applicant/ sponsor(s) shall fulfill the following:

(1)	The applicant shall have a general reputation of fairness and integrity in all business transactions and shall fulfill the criteria relating to “sound track record” given under one of the following two routes:			
	S. no	Particulars	Route 1	Route 2
	(a)	Experience and profitability	<p>Be carrying on business in financial services for minimum five years.</p> <p>Have net profit in financial services business after providing for depreciation, interest and tax in each of the immediately preceding five years and;</p> <p>Have average net annual profit in financial services business after depreciation, interest and tax during the immediately preceding five years of at least rupees ten crore.</p> <p>Appoint Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer and Chief Investment Officer in the asset management company with a minimum of 3 years of relevant experience.</p>	<p>Appoint Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer and Chief Investment Officer in the asset management company with total combined experience in the relevant field of at least thirty years and each of them shall have a minimum of 3 years of relevant experience</p> <p>No profitability criteria for granting of a certificate of registration under this route.</p>
	(b)	Net worth of sponsor	Positive net worth in all the immediately preceding five years	Not Applicable
	(c)	Positive Liquid Net worth	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the asset management company	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the asset management company.
	(d)	Net worth of asset	The sponsor shall ensure that the net worth of asset management company is at least fifty crores (50 Crores)	Net worth of the asset management company shall be at least rupees one hundred fifty crore (Rs. 150 crores) at the

		management company	<p>and deployed in assets as may be specified by the Board, at all times.</p> <p>The sponsor shall ensure maintaining the net worth requirement on a continuous basis.</p>	<p>time of registration which shall be infused by the sponsor.</p> <p>However, the asset management company shall maintain net worth of at least one hundred crores (Rs. 100 Crores) deployed in assets as may be specified by the Board, on a continuous basis.</p> <p>Provided that if asset management company has profits for five consecutive years, the net worth of asset management company shall be maintained at atleast rupees fifty crore (50 crores).</p> <p>The sponsor shall ensure maintaining the net worth requirement on a continuous basis.</p>
	(e)	Lock-in Requirement	No lock-in requirements for certificate of registration under this route.	The initial shareholding equivalent to capital contributed to the asset management company, to the extent of at least rupees one hundred fifty crore (Rs. 150 Crores), shall be locked-in for a period of five years
	(f)	Change in Control	In case of change in control of an existing asset management company due to acquisition of shares, the positive liquid net worth of the sponsor or funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired	In case of acquisition of existing asset management company, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the asset management company and the positive liquid net worth of the sponsor or the funds tied

				<p>up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired.</p> <p>In case of acquisition of stake in an existing asset management company, the shareholding of the sponsor(s) equivalent to minimum of rupees one hundred fifty crore (Rs. 150 Crores) shall be locked in for five years.</p>
	(g)	Private Equity fund as a sponsor of mutual fund	Not applicable for certificate of registration under this route.	A private equity fund or a pooled investment vehicle or a pooled investment fund may sponsor mutual fund by complying with conditions under this route and such other conditions as may be specified by the Board from time to time.
(2)	Fit and proper requirement for sponsor and mutual fund		Applicant and mutual fund shall comply with the fit and proper criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.	
(3)	Minimum holding of sponsor in an asset management company		The sponsor shall contribute at least 40% to the net worth of the asset management company. Provided that any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and shall be required to fulfill the eligibility criteria specified in this regulation.	
(4)	Fit and proper requirement for sponsor, its directors or the key personnel to be employed by the mutual fund and/or asset management company		The sponsor or any of its directors or the key personnel to be employed by the mutual fund and asset management company should not have been guilty of fraud or been convicted of an offence involving moral turpitude or been found guilty of any economic offence.	

(5)	Appointment of trustees	Appointment of trustees to act as trustees for the mutual fund shall be in accordance with the provisions of the regulations.
(6)	Appointment of asset management company	Appointment of asset management company to manage the mutual fund and operate the scheme of such funds shall be in accordance with the provisions of these regulations.
(7)	Appointment of custodian	Appointment of custodian in order to keep custody of the securities or goods or gold or gold related instruments or silver or silver related instruments or other assets of the mutual fund held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.
(8)	Other conditions	Other conditions in this regard as may be specified by the Board from time to time are complied with.
(9)	Approval to establish a Specialized Investment Fund	A mutual fund registered under clause (e) of sub-regulation (1) of regulation 3 may be granted an approval to establish a Specialized Investment Fund subject to fulfilling such additional eligibility criteria and in the manner as may be specified by the Board.
(10)	Eligibility criteria for sponsor of mutual fund lite	The eligibility criteria for sponsor of mutual fund lite shall be as specified under Chapter X and the above mentioned eligibility criteria shall not be applicable to application for mutual fund lite.

6. Norms for shareholding and governance in mutual funds

- (1) The sponsor of a mutual fund, its associate or group company including the asset management company (through the schemes of the mutual fund or otherwise, individually or collectively), or any shareholder holding 10% or more of the shareholding or voting rights in the asset management company or the trustee company of a mutual fund, shall not, directly or indirectly:
- Hold ten percent (10%) or more of the shareholding or voting rights in the asset management company or the trustee company of any other mutual fund; or
 - Have representation on the board of the asset management company or trustee company of any other mutual fund.

Provided that in the event of a merger, acquisition, scheme of arrangement or any other arrangement involving the sponsors of the mutual funds, shareholders of the asset management companies or trustee companies, their associates or group companies which results in the incidental acquisition of shares, voting rights or representation on the board of the asset management companies or trustee companies, this regulation shall be complied with within a period of one year of coming into force of such an arrangement.

7. Disassociation of sponsor from asset management company and the mutual fund

- (1) A sponsor may be permitted to disassociate from the asset management company and the mutual fund, subject to conditions specified by the Board.
- (2) In the event of the sponsor disassociating itself from the asset management company and the mutual fund as specified in sub-clause (1) above, the asset management company of the existing mutual fund may act as sponsor of the same mutual fund subject to such conditions and manner as may be specified by the Board.

Provided that if the asset management company fails to fulfill the conditions specified under sub-clause (2) above, the dissociated sponsor or any new entity may become sponsor of the mutual fund, subject to conditions specified by the Board from time to time.

- (3) In the event of the disassociation of the sponsor from the asset management company and the mutual fund, no shareholder shall hold ten percent (10%) or more in the asset management company.
- (4) In the event of the sponsor disassociating itself from the asset management company and the mutual fund, the board of directors of such asset management company shall comprise at least two-third independent directors.

8. Surrender of Certificate of Registration

Upon the winding up of all schemes launched by the asset management company, the sponsor shall apply to the Board for surrender of the certificate of registration granted under these regulations, in such manner and subject to such conditions as may be prescribed by the Board.

CHAPTER III

ESTABLISHMENT OF TRUST AND ROLE OF TRUSTEES

9. Registration of trust deed

A mutual fund shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, duly registered under the provisions of the Indian Registration Act, 1908 (16 of 1908), executed by the sponsor in favour of the trustees named in such an instrument.

Provided that in case of disassociation of the sponsor, the signatory to the trust deed shall be as specified by the Board.

10. Contents of trust deed

- (1) The trust deed shall contain such clauses as are mentioned in the Second Schedule and such other additional clauses which are necessary for safeguarding the interests of the unitholders.
- (2) Trust deed shall not contain any clause which has the effect of—
 - (a) limiting or extinguishing the obligations and liabilities of the trust in relation to any mutual fund or the unitholders; or

- (b) indemnifying the trustees or the asset management company for loss or damage caused to the unitholders by their acts of negligence or acts of commission or omission.

11. Appointment of trustees of mutual fund

- (1) The appointment and reappointment of mutual fund trustees shall be in accordance with these regulations and with prior approval of the Board.
- (2) The Chairperson of the board of directors of the trustee company shall be an independent director.
- (3) The directors of the trustee company of a mutual fund can act as trustees of any other trust (except mutual fund trust) only if the object of the trust is not in conflict with the object of the mutual fund.
- (4) No asset management company shall be eligible to be appointed as the trustee company of any mutual fund.
- (5) A person shall be eligible to be appointed as a trustee only if that person —
 - (a) complies with fit and proper person criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.
 - (b) is a person of ability, integrity and standing;
 - (c) has not been found guilty of moral turpitude;
 - (d) has not been convicted of any economic offence or violation of any securities laws;
 - (e) is not a director (including independent director), officer or employee of an asset management company;
 - (f) is not trustee of any other mutual fund;
 - (g) furnishes all such information as may be sought by the Board.
- (6) Two-thirds of the trustees shall be independent and not an associate of the sponsor or the asset management company or the trustee company.

12. Rights and obligations of the trustees

- (1) **Appointment and termination of asset management company**
 - (a) The trustees, with prior approval from the Board, shall appoint an asset management company and enter into an investment management agreement with the asset management company.
 - (b) The investment management agreement shall include the clauses set out in the Third Schedule and any additional clauses necessary for the purpose of investments and fair and transparent functioning of an asset management company. The draft investment management agreement shall be enclosed with the trust deed.
 - (c) The trustees shall ascertain that the asset management company has the necessary expertise, internal control systems and risk management mechanism to invest and manage the investment of mutual fund investors.
 - (d) The trustees shall ensure that the asset management company has set up systems and submit such reports and information that the trustees may require in discharging its responsibility

assigned under these regulations including the responsibility towards preventing mis-selling, undue influence of sponsor, ensuring adequate system are in place to prevent misconduct including market abuse and addressing potential conflict of interests.

- (e) Where the trustees have reason to believe that the conduct of business of the asset management company is not in accordance with these regulations, the violations by asset management company and remedial action taken by the trustees shall immediately be informed to the Board.

Provided that dismissal of the asset management company, under sub-clause (e) shall only be with the prior approval of the Board and in accordance with the Regulations.

- (f) The trustees at the request of the asset management company may terminate the assignment of the asset management company at any time

Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.

(2) **Appointment of custodian**

The trustees shall appoint a custodian and shall be responsible for the supervision of its activities in relation to the mutual fund and shall enter into a custodian Agreement with the custodian for this purpose.

(3) **Addressing conflict of interest and broker empanelment:** The trustees shall take such measures as they deem necessary and appropriate, including but not limited to the following:

- (a) Quarterly review of reports provided by asset management company on transactions carried out between the mutual funds, asset management company and its associates and shall ensure that the asset management company does not give unfair advantages to any associates or engage in dealings detrimental to unitholders' interests.
- (b) Ensure that the asset management company manages the mutual fund schemes independently of its other activities and takes adequate measures to ensure fair and equitable treatment of investors across all mutual fund schemes. The trustees shall further ensure that the interests of investors in one scheme are not compromised in favour of those in another scheme or in favour of any other business activities of the asset management company.
- (c) Approve the policy for the empanelment of brokers by the asset management company and ensure that the asset management company diligently empanels broker and monitors broker transactions, avoiding undue concentration of business with any single broker and undue or unfair advantages to any associates or group entities.

(4) **Regulatory compliance and trustee responsibilities**

- (a) The trustees shall have the right to request for any information from the asset management company that they deem necessary.

- (b) The trustees shall ensure that the asset management company complies with the obligations set out under Regulation 22, adhere to the Code of Conduct applicable to asset management companies, and observe all other provisions of these regulations in letter and spirit.
- (c) That the transactions under the mutual fund schemes are in accordance with the provisions of these regulations and trust deed, and that the asset management company makes investments only in permissible instruments, in compliance with these regulations and in alignment with the stated investment objectives of each scheme.
- (d) The trustees shall be accountable for and be the custodian of the funds and property of the respective schemes and shall hold them in trust for the benefit of unitholders in accordance with these regulations and the provisions of trust deed.

(5) Trustee oversight for investor interests

- (a) The trustees shall abide by the Code of Conduct as specified in Part – A of the Fourth Schedule.
- (b) The trustees shall obtain unitholder consent:
 - (i) When required by the Board for the benefit of unitholders;
 - (ii) On the requisition of three-fourths of the unitholders of any scheme;
 - (iii) When the majority of trustees decide to wind up a scheme or prematurely redeem units of a closed-ended scheme.
- (c) The trustees shall request details of securities transactions by key personnel of the asset management company, whether made in their own name or on behalf of the asset management company, and report to the Board when required.
- (d) The trustees shall periodically review investor complaints and their resolution by the asset management company.
- (e) The trustees shall appoint auditor, who is not in any way associated with the auditor of the asset management company, for audit of annual statement of accounts of mutual fund schemes.
- (f) The trustees shall furnish to the Board on a half-yearly basis:
 - (i) a report on the mutual fund's activities;
 - (ii) a certificate confirming there have been no instances of self-dealing or front running by trustees, directors, or key personnel of the asset management company;
 - (iii) a certificate confirming the asset management company has managed the schemes independently of other activities, and any conflicts were addressed to protect unitholders' interests.
- (g) The independent trustees, i.e. trustees not associated with the sponsors, shall review and give their comments on the reports received from asset management company on investments in securities of group companies of the sponsor.

(6) Additional trustee oversight

- (a) The trustees shall review the asset management company's net worth quarterly to ensure compliance with Regulation 5(1)(d).
- (b) The trustees shall ensure there is no conflict of interest in how the asset management company deploys its net worth and the interests of unitholders.
- (c) The trustees shall periodically review service contracts related to custody arrangements and ensure they serve the unitholders' interests.
- (d) The trustees shall review the details of their securities transactions filed by directors of the asset management company on a quarterly basis.
- (e) The trustees shall exercise due diligence as under:

General Due Diligence:

- (i) The trustees shall be discerning in the appointment of the directors on the Board of the asset management company.
- (ii) The trustees shall review the desirability or continuance of the asset management company if substantial irregularities are observed in any of the schemes and shall not allow the asset management company to float new schemes.
- (iii) The trustee shall ensure that the trust property is adequately protected, held and administered by proper persons and by a proper number of such persons.
- (iv) The trustee shall ensure that all service providers engaged for mutual fund related services are holding appropriate registrations from the Board or concerned regulatory authority.
- (v) The trustees shall regularly review service contracts of key service providers, whose services, functions, operations, access to information or assets is critical to, or could materially influence, the protection of investor interest/outcomes.
- (vi) The trustees shall immediately report to the Board of any special developments in the mutual fund.

Specific due diligence:

- (vii) The trustees shall obtain internal audit reports at regular intervals from independent auditors appointed by the trustees,
- (viii) The trustees shall obtain compliance certificates at regular intervals from the asset management company,
- (ix) The trustees shall meet periodically to review reports including audit reports and functioning of asset management company and ensure compliance with these regulations,
- (x) The trustees shall maintain records relating to minutes of their meetings and the decisions taken.
- (xi) The trustees shall prescribe the Code of Ethics to be adhered to by the asset management company and its personnel,
- (xii) The trustees shall communicate in writing to the asset management company of the deficiencies and review the rectification of such deficiencies.

- (f) The independent directors of the trustees and asset management company shall pay specific attention to the following, as may be applicable, namely:
 - (i) the Investment Management Agreement and the compensation paid under the agreement,
 - (ii) service contracts with associates—ensure no higher fees are charged than for outside contractors for the same services,
 - (iii) securities transactions involving associates to the extent such transactions are permitted,
 - (iv) selecting and nominating individuals to fill independent directors' vacancies,
 - (v) ensuing code of ethics designed prevents fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
 - (vi) the reasonableness of fees paid to sponsors, asset management company and any others for services provided,
 - (vii) any service contract with the associates of the asset management company.
 - (g) The trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence.
- (7) The trustees shall also exercise due diligence on such matters as may be specified by the Board from time to time.

13. Appointment of custodian

- (1) The mutual fund shall appoint a custodian to carry out the custodial services for the schemes of the fund for safekeeping of assets of the scheme, and send intimation of the same to the Board within fifteen calendar days of the appointment of the custodian.
- (2) Where fifty per cent (50%) or more of the directors of the custodian represent the interest of the mutual funds sponsor or its associates, such custodian shall not be appointed as custodian for a mutual fund constituted by the same sponsor or any of its associates or subsidiary company.
- (3) The custodian in which the sponsor or its associates hold fifty per cent (50%) or more of the voting rights of the share capital of the custodian shall act as custodian for a mutual fund constituted by the same sponsor or any of its associates or subsidiary company if:
 - (a) the sponsor has a net worth of at least twenty thousand crore rupees at all points of time;
 - (b) fifty per cent (50%) or more of the directors of the custodian are those who do not represent the interest of the sponsor or its associates;
 - (c) the custodian and the asset management company of a mutual fund are not subsidiaries of each other;
 - (d) no person is a director of both the custodian and the asset management company of a mutual fund; and

- (e) the custodian and the asset management company of a mutual fund sign an undertaking that they will act independently of each other in their dealings with the scheme.

14. Agreement with custodian

The mutual fund, upon approval of the trustees on the service contract and terms of appointment of the custodian, shall enter into a custodian agreement with the custodian, which shall contain the clauses which are necessary for the efficient and orderly conduct of the affairs of the custodian.

CHAPTER IV

CONSTITUTION AND MANAGEMENT OF ASSET MANAGEMENT COMPANY

15. Application for approval of asset management company

- (1) The application for the approval of the asset management company shall be made in the format as specified by the Board.
- (2) An application, which is not complete in all respects shall be liable to be rejected. Before rejecting any such application, the applicant shall be given an opportunity to complete such formalities within such time as may be specified by the Board.
- (3) The Board may require the applicant or the asset management company to furnish such further information or clarification as may be required by it.
- (4) The Board may on receipt of all information decide the application.

16. Eligibility criteria for asset management company

(1) Track record and reputation

- (a) If the applicant is an existing asset management company, it shall have a general reputation for fairness in transactions, demonstrable integrity and shall comply with the profitability and net worth requirements specified under sub-regulation 1 of regulation 5 and sub-regulation 1 of regulation 57.
- (b) The asset management company shall comply with fit and proper person criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

(2) Director and key personnel qualifications

- (a) The directors of the asset management company must be individuals possessing adequate professional experience in finance and financial services related fields. They must not have been found guilty of moral turpitude, convicted of any economic offence or violated any securities laws.

- (b) the key personnel of the asset management company must not have been found guilty of moral turpitude, convicted of economic offences or violated securities laws.
- (c) The persons so appointed as director and/ or key personnel shall also be fit and proper persons in accordance with the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;
- (d) the board of directors of asset management company must comprise at least fifty per cent (50%) directors, who are not associates of the sponsor, or any of its subsidiaries, or the trustees.
- (e) the Chairman of the asset management company shall not simultaneously hold the position of a trustee of any mutual fund;

(3) Net worth requirements

The net worth of the asset management company as required under clause (d) sub-regulation 1 of regulation 5 of this regulation shall be deployed in assets as may be specified by the Board and shall be maintained on a continuous basis. The sponsor shall be responsible for ensuring such maintenance of minimum net worth.

- (4) The Board may, after considering an application with reference to the matters specified in sub-regulation (1) (2) and (3), grant approval to the asset management company.

17. Additional criteria to be complied by the asset management companies on a continuous basis

- (1) The approval granted under sub-regulation (4) of regulation 16 shall be subject to the following additional conditions:

(a) Director appointment and cross-directorship:

- (i) A director of the asset management company shall not simultaneously hold the office of director in another asset management company, unless such person is an independent director as per clause (d) of sub-regulation (2) of regulation 16, and the approval of the Board of the asset management company in which such person is a director has been duly obtained;
- (ii) Director(s) of an asset management company shall be appointed only with prior approval of the trustees;

(b) Compliance and information disclosure:

- (i) The asset management company shall undertake to comply with all the provisions of these regulations;
- (ii) The asset management company shall forthwith inform the Board of any material change in the information or particulars previously furnished, directly impacts the approval granted by it;

- (iii) The asset management company shall furnish such information and documents to the trustees as and when required by the trustees.
- (c) **Change in control of the asset management company:** No change in the control of the asset management company shall be made unless all of the following conditions are met:
- (i) prior approval from both the trustees and the Board has been obtained;
 - (ii) a written communication regarding the proposed change is dispatched to each unitholder;
 - (iii) details, as prescribed by the Board from time to time are appropriately displayed on the website of asset management company;
 - (iv) the unitholders are given an option to exit from the mutual fund scheme(s) at the prevailing Net Asset Value without incurring any exit load.

18. Appointment of an asset management company

The sponsor or, if so authorised by the trust deed, the trustee, shall appoint an asset management company, which has been approved by the Board under sub-regulation (4) of regulation 16.

19. Termination of an asset management company

- (1) The appointment of an asset management company can be terminated by majority of the trustees, on request of the asset management company or otherwise, or by seventy-five per cent of the unitholders of the scheme.
- (2) Any change in the appointment of the asset management company which includes termination of appointment of existing asset management company and/or appointment of new asset management company shall be subject to prior approval of the Board.

20. Procedure where approval is not granted

Where an application made under regulation 15 for grant of approval does not satisfy the eligibility criteria laid down in regulation 16, the Board may reject the application.

21. Other permissible business activities of the asset management company

- (1) The asset management company shall, -
 - (a) not act as a trustee of any mutual fund;
 - (b) undertake business activity in the nature of management and advisory services provided to pooled broad based and non-broad based assets including offshore funds, insurance funds, pension funds, provident funds, or such categories of foreign portfolio investor subject to such conditions, as maybe specified by the Board from time to time, if any of such activities are not in conflict with the activities of the mutual fund.
- (c) itself or through its subsidiaries undertake activities permitted under clause (b) subject to the following:

- (i) bank and securities accounts are segregated activity wise;
- (ii) it meets the capital adequacy requirements, if any, separately for each such activity and obtains separate approval, as required under the relevant regulations;
- (iii) it ensures that there is no material conflict of interest across different activities;
- (iv) the absence of conflict of interest shall be disclosed to the trustees and unit holders in scheme information document and statement of additional information;
- (v) there are unavoidable conflict of interest situations, disclosures shall be made to the trustees and unit holder protection committee of source of conflict, potential 'material risk or damage' to investor interests and detailed parameters for the same;
- (vi) trustees shall put in place suitable mechanism to ensure that the conflict of interest arising out of the other activities of the asset management company does not compromise the interest of the unit holders of mutual fund.
- (vii) it appoints separate fund manager for each separate fund managed by it unless the investment objectives and asset allocation are same and the portfolio is replicated across all the funds managed by the fund manager:
Provided that the requirements of this clause shall not apply if the funds managed are of such categories of foreign portfolio investor subject to such conditions, as may be specified by the Board from time to time.
- (viii) it ensures fair treatment of investors across different products that shall include, but not limited to, simultaneous buy and sell in the same equity security only through market mechanism and a written trade order management system; and
- (ix) it ensures independence to key personnel handling the relevant conflict of interest is provided through removal of direct link between remuneration to relevant asset management company personnel and revenues generated by that activity:
- (x) it ensures that the services provided under clause (b) are regulated activities either domestically or in foreign jurisdictions and requisite approvals or registration required for such activity are obtained. The services provided under clause (b) shall be subject to the conditions as may be specified by the Board and should not lead to any reputational risk which can impact the interest of mutual fund investors.
- (xi) it becomes a proprietary trading member for carrying out trades in the debt segment of the recognised stock exchanges, on behalf of its mutual fund schemes and may also become a self-clearing member of the recognised clearing corporations to clear and settle trades in the debt segment on behalf of its mutual fund schemes.

Provided further that the asset management company may, itself or through its subsidiaries, undertake portfolio management services and advisory services for non-

pooled funds, after obtaining the necessary registration, in the manner as may be specified by the Board, subject to compliance with the following additional conditions:

- (i) that key personnel of the asset management company, the system, back office, bank and securities accounts are segregated activity wise and there exists a system to prohibit access to inside information of various activities;
 - (ii) it meets the capital adequacy requirements, if any, separately for each of such activities and obtain separate approval, as required under the relevant regulations.
 - (iii) the business unit providing such service shall operate as a distinct business unit separated through Chinese walls with all the key employees segregated. The unit shall report directly to the CEO of the asset management company. In case of portfolio management services, as the overall operations are overseen by the Principal Officer of a Portfolio Manager, the Principal Officer shall directly report to the CEO of the asset management company. Asset management company 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 asset management company.
 - (iv) the research personnel and resources (subscriptions, research reports etc.) and compliance function may be shared between Mutual Funds operations and PMS unit.
- (d) through its subsidiaries undertake such activity regulated by a domestic or foreign regulator, subject to prior approval of the Board.

Provided that while providing such services, asset management company shall ensure that the interest of the mutual fund investors is protected.

22. Obligations of asset management company and its employees

(1) Investment and operational due diligence

- (a) The asset management company shall take all reasonable steps and exercise due diligence to ensure that investment of funds raised under any scheme comply with the regulations and circulars/ guidelines issued thereunder.
- (b) The asset management company shall exercise due diligence and care in all investment decisions consistent with the standards of other persons/ entities engaged in the same business.
- (c) The board of directors of the asset management company shall ensure that all activities of the asset management company adhere to these regulations.

(2) Operational systems and personnel:

- (a) Before launching any scheme, the board of directors of the asset management company shall ensure that the asset management company has:
- (i) established systems for its back office, dealing room and accounting;
 - (ii) appointed all key personnel, including fund manager(s) for the scheme(s) and submitted their bio-data (including educational qualifications and securities market experience) to the trustees not less than 10 calendar days prior to their appointment;
 - (iii) appointed auditors for audit of its accounts;
 - (iv) appointed a compliance officer responsible for monitoring compliance with the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for addressing investors grievances;
 - (v) appointed a registrar to an issue and share transfer agent registered under the Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and established parameters for their supervision;
 - (vi) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - (vii) specified norms for the empanelment of brokers and marketing agents;
 - (viii) obtained, where required by these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed, in the manner specified by such exchange(s).

(3) Remuneration and investment by asset management company

- (a) The asset management company shall invest such amounts in such schemes of the mutual fund, based on the risks associated with the schemes, as may be specified by the Board from time to time.
- (b) The asset management company shall invest a percentage of the remuneration of specified employees in units of mutual fund schemes based on the designation or roles, as specified by the Board.
- (c) The asset management company shall not invest in any of its scheme, unless full disclosure of its intention to invest has been made in the offer documents, in case of schemes launched after the notification of Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011.
- Provided** an asset management company shall not charge any fee on its own investment in that scheme.

(4) Responsibility of key personnel and employees:

- (a) The Chief Executive Officer (whatever be the designation) of the asset management company shall ensure that:
- (i) the mutual fund complies with all the provisions of these regulations and related guidelines and circulars;

- (ii) investments made by the fund managers are in the interest of the unit holders and
 - (iii) the overall risk management function of the mutual fund is comprehensively managed;
 - (iv) the Asset Management Company has adequate systems in place to ensure adherence to the Code of Conduct for Fund Managers and Dealers (specified in PART - B of the Fourth Schedule of these regulations) in letter and spirit. Any breach of this Code of Conduct shall be brought to the attention of the Board of Directors of the asset management company and trustees.
- (b) The fund managers (whatever be the designation including chief investment officer) shall ensure:
- (i) that the scheme funds are invested to achieve scheme objectives and in the interest of unit holders and in compliance with the provisions of these regulations and related guidelines and circulars;
 - (ii) adherence to the Code of Conduct for Fund Managers and Dealers (specified in PART - B of the Fourth Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996) and submit a quarterly self-certification to the trustees confirming complied or listing exceptions, if any.
- (c) The Dealers (whatever be the designation) shall:
- (i) ensure that orders are executed on the best available terms and in the best interest of all unit holders of the schemes;
 - (ii) abide by the Code of Conduct for Fund Managers and Dealers (specified in PART - B of the Fourth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996) and submit a quarterly self-certification to the trustees confirming complied or listing exceptions, if any.
- (d) The compliance officer appointed under clause (a)(iv) of sub-regulation (2) of regulation 22 shall independently and immediately report any observed non-compliance to the Board.
- (e) Employees of asset management company shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.
- Provided** that in case of rendering investment advice, he/she shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

(5) Financial transactions and disclosures:

(a) Brokerage transactions

An asset management company shall not purchase or sell securities through any broker if such transactions on an average constitute five per cent (5%) or more of the aggregate purchase or sale of securities made by the mutual fund in all its schemes. This limit shall

apply for a block of three months and shall exclude sale and distribution of units issued by the mutual fund.

Provided that in case of purchase or sale of securities through brokers other than associates of the sponsor, if transactions on an average constitute five per cent (5%) or more of the aggregate purchase or sale of securities made by the mutual fund in all its schemes, the asset management company shall document the justification for exceeding the limit in writing and report all such investments to the trustees on a quarterly basis.

(b) Transactions with associates/sponsor:

- (i) Where an asset management company proposes to utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction, distribution and sale of securities, the proposed engagement of such persons shall be disclosed to the unitholders prior to such utilization, and the brokerage or commission paid shall be disclosed in the half-yearly annual accounts of the mutual fund.
- (ii) The half-yearly and yearly annual accounts disclosure shall include:
 - a subscription by the schemes in the issues lead managed by associate companies,
 - b subscription to any equity or debt issue on a private placement basis where the sponsor or its associate companies acted as arranger or manager.
- (iii) If the asset management company enters into any securities transactions with any of its associates, a report to that effect shall be sent to the trustees at their next meeting.

(6) Investment concentration disclosure:

If the investment made by any company in a scheme exceeds five per cent (5%) of the net asset value of the scheme, the investment made by that scheme or by any other scheme of the same mutual fund in that company or its subsidiaries shall be brought to the notice of the trustees by the asset management company and be disclosed in the half-yearly and annual accounts of the respective schemes, with justification for such investment, where the cross investment is made within a period of one year before or after the initial investment.

(7) Reporting and oversight

(a) Quarterly reports to trustees:

- (i) The asset management company shall submit to the trustees, quarterly reports of each year on its activities and the compliance with these regulations.
- (ii) The board of directors shall ensure that there has been exercise of due diligence on the reports submitted by the asset management company to the trustees.

(b) Director and key personnel disclosures:

- (i) The asset management company shall file with the trustees and the Board:
 - a detailed bio-data of all its directors, along with their directorship in other companies, not less than 10 calendar days prior to their appointment;
 - b any change in the directorship of directors every six months;
 - c a quarterly report to the trustees providing details and adequate justification about the purchase and sale of securities of the group companies of the sponsor or the asset management company by the mutual fund during that quarter.
- (ii) Each director of the asset management company shall file details of their securities transactions with the trustees on a quarterly basis, in accordance with Board guidelines.
- (iii) The asset management company shall file with trustees the details of transactions in securities by its key personnel in their own name or on behalf of the asset management company, and shall report to the Board, as required.

(c) Board of Directors' oversight:

- (i) The board of directors of the asset management company shall ensure that –
 - a the asset management company has been diligent in empanelling brokers, monitoring securities transactions with brokers, and avoiding undue concentration of business with specific brokers;
 - b the asset management company has not given any undue or unfair advantage to any associate or dealt with any associate in any manner detrimental to the interest of unit holders;
 - c the transactions entered into by the asset management company align with these regulations, investment objective and asset allocation of the respective schemes
 - d mutual fund transactions align with the provisions of the trust deed;
 - e the net worth of the asset management company is reviewed quarterly to ensure continuous compliance with the threshold provided in clause (d) of sub-regulation (1) of regulation 5;
 - f all service contracts, including custody arrangements for assets and transfer agency of securities, are executed in the interest of unit holders;
 - g there is no conflict of interest between the deployment of the asset management company's net worth and the interest of unit holders;
 - h investor complaints are periodically reviewed and redressed;
 - i all service providers hold appropriate registrations with the Board or relevant regulatory authority;
 - j any special developments in the mutual fund are immediately reported to the trustees;

- k due diligence is exercised on such matters as specified by the Board from time to time.

(8) Ethical conduct and investor protection

(a) Prevention of misconduct:

- (i) The asset management company shall be responsible for acts of commission or omission by its employees or persons whose services have been procured by the asset management company.
- (ii) The asset management company shall abide by the Code of Conduct specified in PART-A of the Fourth Schedule.

(b) Market abuse deterrence:

- (i) The asset management company shall establish, implement and maintain an institutional mechanism (as specified by the Board), for identifying and deterring potential market abuse, including front-running and fraudulent transactions in securities.
- (ii) The Chief Executive Officer or Managing Director (or equivalent or analogous rank) and Chief Compliance Officer of the asset management company shall be responsible and accountable for implementing institutional mechanism for deterring potential market abuse, including front-running and fraudulent securities transactions.

(c) Whistleblower policy:

- (i) The asset management company shall establish, implement and maintain a documented whistle blower policy that;
 - a provides a confidential channel for employees, directors, trustees, and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance vulnerability.
 - b establishes procedure to ensure adequate protection of whistle blowers.

(d) Investor grievance and protection:

- (i) The asset management company shall constitute a Unit Holder Protection Committee in the form and manner and with a mandate as specified by the Board.
- (ii) asset management company shall ensure compliance with the Investor Charter specified by the Board from time to time.

(9) Scheme management and valuation:

(a) Registrar and share transfer agents

- (i) The asset management company shall appoint registrars and share transfer agents who are registered with the Board.

Provided that if units transfer work is processed in-house, the charges at competitive market rates may be debited to the scheme. For rates higher than competitive market rates, prior approval of the trustees shall be obtained, and reasons for higher charges shall be disclosed in the annual accounts.

(b) **Valuation and disclosure**

- (i) The asset management company shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in the Seventh Schedule, and shall publish the same.
- (ii) The asset management company and the sponsor of the mutual fund shall be liable to compensate affected investors and/or the scheme for any unfair treatment to an investor resulting from inappropriate valuation.
- (iii) The asset management company shall report and disclose all transactions in debt and money market securities, including inter scheme transfers, as specified by the Board.

(c) **Changes to scheme attribute:**

- (i) The asset management company shall ensure that no change in the fundamental attributes of any scheme or the trust, fees and expenses payable or any other change that would modify the scheme and affect the interest of unit holders, shall be carried out unless:
 - a written communication about the proposed change is sent to each unit holder;
 - b details, as prescribed by the Board from time to time are appropriately displayed on the website of asset management company;
 - c unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.

(d) **Income calculation:**

The asset management company shall be responsible for calculating any income due to be paid to the mutual fund and also any income received in the mutual fund for the unit holders of any scheme, in accordance with these regulations and the trust deed.

(e) **Stress testing:**

The asset management company shall conduct stress testing for such schemes as specified by the Board and disclose the results in the form and manner specified by the Board.

(f) **Geographic scope:**

The asset management company shall not carry out its fund management operations or execution of transactions, outside the territory of India.

(10) Termination and liability

(a) Termination of assignment of asset management company:

The asset management company may request trustees for termination of the assignment of the asset management company at any time:

Provided that such termination shall become effective only after the trustees have accepted the termination of assignment and communicated their decision in writing to the asset management company.

(b) Continuing Liability

Notwithstanding any contract, agreement or termination, the asset management company or its directors or other officers shall not be absolved of liability to the mutual fund for their acts of commission or omission, while holding such position or office.

23. Meeting of the board of directors of the trustee company and the board of directors of the asset management company

The board of directors of the trustee company and the board of directors of the asset management company, including any of their committees, shall at the minimum, meet at such frequency as may be specified by the Board from time to time.

CHAPTER V
SCHEMES OF MUTUAL FUND

24. Filing of offer document

- (1) An asset management company shall launch a scheme after approval of the trustees and on receipt of final observations on the offer document from the Board, pursuant to filing a copy of the offer document with the Board.
- (2) The Board may issue observations, if any, within 21 working days from the date of filing of the offer document.
- (3) The mutual fund shall pay the minimum filing fee specified in the First Schedule to the Board while filing the offer document under sub-regulation (1).
- (4) The mutual fund shall pay the balance filing fee calculated in accordance with the First Schedule to the Board within such time as may be specified by the Board.

25. Disclosures in the offer document

- (1) The offer document shall contain disclosures which are adequate in order to enable the investors to make informed investment decision, including the disclosure:

- (a) on maximum investments proposed to be made by the scheme in the listed securities of the group companies of the sponsor.
 - (b) regarding the prior in principle approval obtained from the recognized stock exchange(s), where units are proposed to be listed in accordance with these regulations.
- (2) The Board may in the interest of investors require the asset management company to carry out such modifications in the offer document as it deems fit.
 - (3) The disclosure in offer document shall not be misleading or contain any statement or opinion which are incorrect or false.
 - (4) The offer document shall contain such other disclosures as prescribed by the Board from time to time.

26. Application for subscription to mutual fund units

Form of application for subscription to units of a mutual fund shall be accompanied by Key Information Memorandum containing such information as may be specified by the Board.

27. Nomination

- (1) The asset management company shall provide an option to the unitholder, in the manner as may be specified from time to time, to nominate person(s):
 - (a) who shall be authorized to conduct transactions on behalf of the unitholder in the event of the incapacitation of the unitholder.
 - (b) with whom the units held by the unitholder shall vest as trustee on behalf of the legal heir, in the event of the death of the unitholder.
- (2) Where the units are held by more than one person jointly, the joint unitholders may together nominate a person with whom all the rights in the units shall vest as trustee on behalf of the legal heirs, in the event of death of all the joint unitholders.
- (3) An asset management company or its registrar to an issue and share transfer agent shall not be liable for any action taken on the basis of nomination made by the unitholder.

28. Advertisement material

The advertisements by the asset management company shall be in conformity with the Advertisement Code as specified in the Fifth Schedule.

29. Listing and delisting of mutual fund schemes

- (1) Before listing of units of any scheme of mutual fund on the recognised stock exchange(s), the asset management company of that mutual fund shall execute an agreement with such exchange(s).
- (2) Every scheme wherein daily investment and redemptions from the scheme is not available and such schemes as specified by the Board shall be listed on a recognised stock exchange in the manner as specified by the Board from time to time.

Provided that exchange traded fund shall be listed on a recognised stock exchange.

- (3) The units of mutual fund schemes that cease to exist shall be delisted from a recognised stock exchange in accordance with the guidelines as may be specified by the Board.

30. Repurchase of units of close ended schemes

- (1) The units of a close ended scheme launched on or after the commencement of the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 shall not be repurchased before the end of maturity period of such scheme.
- (2) The units of close ended scheme may be converted into open-ended scheme, —
 - (a) if the offer document of such scheme discloses the option and the period of such conversion; and
 - (b) the unitholders are provided with an option to redeem their units in full.
- (3) A close ended scheme shall be fully redeemed at the end of the maturity period

Provided that a close-ended scheme may be allowed to be rolled over for those unitholders who express their consent in writing and the units of unitholders who have not given written consent shall be redeemed in full at net asset value based price.

Provided further that the process of filing of the offer document shall be followed if the scheme is to be rolled over.

31. Offering period

Mutual fund schemes other than equity linked savings schemes shall be open for initial subscription for such time as may be specified by the Board.

32. Allotment of units and refunds of moneys

- (1) The asset management company shall specify in the offer document, —
 - (a) the minimum subscription amount to be raised under the scheme;
 - (b) the maximum subscription amount, if any, to be raised under the scheme;

Provided that in case of over subscription, the allotment to unitholders shall be on a pro-rata basis.
- (2) The mutual fund and asset management company shall be liable to refund the application money to the applicants, —
 - (a) if the mutual fund fails to receive the minimum subscription amount referred to in clause (a) of sub-regulation (1);
 - (b) if the moneys received from the applicants for units are in excess of subscription as referred to in clause (b) of sub-regulation (1).
- (3) The scheme shall deploy the funds received in new fund offer within the time period as may be specified by the Board from time to time.

33. Holding of mutual fund units

- (1) An applicant in a scheme whose application has been accepted shall have the option either to receive units in statement of accounts mode or dematerialized mode.
- (2) The asset management company shall, in the mode of holding desired by investor, credit mutual fund units to investors account immediately on allotment of units.
- (3) A statement specifying the number of units allotted to the applicant in statement of account mode or dematerialized mode may be issued to the investor within five working days from the date of closure of initial subscription list or from the date of receipt of application.
- (4) On request of change of mode of holding of mutual fund units by the unit holder the asset management company shall credit mutual fund units to unit holders' account, in the mode of holding specified by investor, within such time as may be specified by the Board.

34. Consolidated account statement

The asset management company shall ensure that the consolidated account statement for each calendar month is issued, as per the timeline specified by the Board from time to time, detailing all the transactions and holding at the end of the month including distribution commission paid to its distributor, across all schemes of all mutual funds, to all the investors in whose folios transaction has taken place during that month:

Provided that for such investors in whose folios no transaction has taken place during the period of previous six month ending in September and March, a consolidated account statement shall be issued every half yearly (September/ March) as per the timeline specified by the Board from time to time:

Provided further that the asset management company shall identify common investor across fund houses by their permanent account number for the purposes of sending consolidated account statement.

Explanation: For the purpose of this regulation, the word 'transaction' shall include purchase, redemption, switch, IDCW payout, IDCW reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions.

35. Transfer of units

- (1) A unit, unless otherwise restricted or prohibited under the scheme, shall be freely transferable by act of parties or by operation of law.
- (2) A unitholder who desires to trade in units listed on a recognized stock exchange shall hold such units in dematerialised form.
- (3) The asset management company shall allow transfer of mutual fund units in the manner as specified from time to time.

Provided that if the units are with the depository such units will be transferable in accordance with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

CHAPTER VI
WINDING UP OF MUTUAL FUND SCHEMES

36. Winding up of mutual fund schemes

- (1) A close-ended scheme shall be wound up on the expiry of duration fixed in the scheme by redemption of the units unless the scheme is rolled over for a further period as specified under sub-regulation (3) of regulation 30.
- (2) A scheme of a mutual fund (including close ended schemes proposed to be wound up before the expiry of duration fixed) is to be wound up:
 - (a) on the happening of any event which, in the opinion of the trustees, requires the scheme to be wound up; or
 - (b) if seventy-five per cent of the unit holders of a scheme pass a resolution that the scheme be wound up; or
 - (c) if the Board so directs in the interest of the unitholders.
- (3) Where a scheme is to be wound up under sub-regulation (2), the trustees shall give notice within one day, disclosing the circumstances leading to the winding up of the scheme, -
 - (a) to the Board; and
 - (b) in two daily newspapers having circulation all over India, a vernacular newspaper circulating at the place where the mutual fund is formed:

Provided that where a scheme is to be wound up under clause (a) of sub-regulation (2), the trustees shall obtain consent of the unit holders participating in the voting by simple majority on the basis of one vote per unit and publish the results of voting within forty-five calendar days from the publication of notice under sub-regulation (3).

Provided further that in case the trustees fail to obtain the required consent of the unitholders for winding up under clause (a) of sub-regulation (2), the schemes shall be reopened for business activities from the second business day after publication of results of the voting.

37. Effect of winding up

- (1) On and from the date of the publication of notice under clause (b) of sub-regulation (3) of regulation 36, the trustee or the asset management company as the case may be, shall—
 - (a) cease to carry on any business activities in respect of the scheme so wound up;
 - (b) cease to create or cancel units in the scheme;
 - (c) cease to issue or redeem units in the scheme;
 - (d) list the units of mutual fund scheme under winding up on a recognised stock exchange.

38. Procedure and manner of winding up of schemes

- (1) If a scheme is to be wound up under regulation 36(2):

- (a) The trustee may appoint any person to take steps for winding up of the scheme if an order has been issued to that extent by the Board.
 - (b) In case order is not issued by the Board under clause (a) of sub-regulation (1), the trustee shall call a meeting of the unitholders to approve by simple majority of the unitholders present and voting at the meeting resolution for authorizing the trustees or any other person to take steps for winding up of the scheme.
 - (c) The trustee or the person authorised under clause (a) and clause (b) shall dispose of the assets of the scheme concerned in the best interest of the unitholders of that scheme.
 - (d) The proceeds of sale realised under clause (c), shall be first utilised towards discharge of such liabilities as are due and payable under the scheme and after making appropriate provision for meeting the expenses connected with such winding up the balance shall be paid to the unitholders in proportion to their respective interest in the assets of the scheme as on the date when the decision for winding up was taken.

Explanation: The costs related to custodian fees, audit fees, cost related to investor communication are unavoidable till the schemes are wound-up and therefore the said costs 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.
 - (e) On the completion of the winding up, the trustee shall forward to the Board and the unitholders a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the fund before winding up, expenses of the fund for winding up, net assets available for distribution to the unit holders and a certificate from the auditors of the fund.
 - (f) The provisions of these regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until winding up is completed or the scheme ceases to exist.
- (2) After the receipt of the report under clause (e) of sub-regulation (1), if the Board is satisfied that all measures for winding up of the scheme have been complied with, the scheme shall cease to exist.

CHAPTER VII

INVESTMENT BY MUTUAL FUND SCHEMES AND ASSET MANAGEMENT COMPANIES

39. Investment by mutual fund schemes

- (1) Subject to the investment objective of the relevant mutual fund scheme and other provisions of these regulations, asset management company may invest fund collected by mutual fund schemes only in—
 - (a) securities;

- (b) money market instruments;
- (c) privately placed debentures;
- (d) securitised debt instruments, which are either asset backed or mortgage backed securities;
- (e) gold or gold related instruments;
- (f) silver or silver related instruments;
- (g) any other assets or instruments as may be specified by the Board from time to time.

Provided that the Board may specify conditions for investment of the fund collected under mutual fund schemes and specialized investment Fund.

40. Investment by mutual fund and asset management companies in Corporate Debt Market Development Fund

- (1) The mutual fund shall invest such percentage of net assets of such categories of mutual fund schemes as may be specified by the Board in the units of the Corporate Debt Market Development Fund.
- (2) The asset management company of the mutual fund shall invest such percentage of assets under management as may be specified by the Board in the units of Corporate Debt Market Development Fund.

41. Investment restrictions

- (1) Any investment to be made under regulation 39 shall be subject to the investment restriction specified in Sixth Schedule and such other restrictions as may be specified by the Board.

Provided that investment restrictions specified in Sixth Schedule shall not apply to gold exchange traded fund and silver exchange traded fund.

Provided further that a gold exchange traded fund or a silver exchange traded fund may invest in exchange traded commodity derivatives subject to such investment restrictions as may be specified by the Board from time to time.

- (2) The mutual fund shall settle their transactions only through dematerialised securities except for instruments specified by the Board from time to time.
- (3) A gold exchange traded fund scheme and silver exchange traded fund scheme shall be subject to the following investment restrictions:
 - (a) the funds of any such scheme shall be invested only in gold or gold related instruments and silver or silver related instruments respectively in accordance with its investment objective, except to the extent necessary to meet the liquidity requirements for honouring redemptions requests, as disclosed in the offer document; and
 - (b) pending deployment of funds in accordance with clause (a), the mutual fund may invest such funds in short-term deposits of scheduled commercial banks.
- (4) The funds of mutual fund scheme shall not in any manner be used in carry forward transactions:

Provided that a mutual fund may enter into derivatives transactions on a recognized stock exchange, subject to the framework specified by the Board.

- (5) Any short selling transaction for the mutual fund schemes shall be executed on a recognized stock exchange and shall be subject to the framework relating to short selling and securities lending and borrowing specified by the Board.
- (6) Any transfers of investments from one scheme to another scheme in the same mutual fund shall be subject to such conditions as specified by the Board from time to time.

42. Borrowing and Lending by Mutual Funds

- (1) The mutual fund shall not borrow except to meet temporary liquidity needs for the purpose of repurchase, redemption of units or payment of interest or IDCW payout to the unitholders:
Provided that the mutual fund shall not borrow more than twenty per cent (20%) of the net asset of the scheme and the duration of such borrowing shall not exceed a period of six months.
- (2) Save as otherwise expressly provided under these regulations, the mutual fund shall not advance any loans for any purpose.
- (3) The mutual fund may lend and borrow securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board.

CHAPTER VIII

NET ASSET VALUE AND TIMELINES FOR ALLOTMENT OF MUTUAL FUND UNITS AND PAYMENT OF INVESTMENT PROCEEDS

43. Computation of net asset value

Every asset management company shall compute the Net Asset Value of each scheme by dividing the net assets of the scheme, computed in terms of valuation norms specified by the Board, by the number of units outstanding on the valuation date.

44. Subscription and redemption value of mutual fund units

- (1) The subscription or sale price and redemption or repurchase price of mutual fund units shall be made available to the investors in the manner specified by the Board.
- (2) The asset management company shall disclose the methodology of computation of the subscription or sale price and redemption or repurchase price of mutual fund units in the manner specified by the Board.
- (3) Any exit load charged to the investor shall be credited to the scheme.
- (4) The exit load of open ended mutual fund schemes shall not be more than three per cent (3%) of the Net Asset Value of the scheme.

45. Income Distribution cum Capital Withdrawal (IDCW)

The asset management company may declare Income Distribution cum capital withdrawal for mutual fund schemes in accordance with the offer document and subject to such guidelines as may be specified by the Board.

46. Credit of mutual fund units, redemption or IDCW payouts

- (1) Every asset management company shall,
 - (a) transfer to the investor the IDCW payments, redemption proceeds (also known as repurchase proceeds) and the application money, if the application is rejected due to undersubscription, oversubscription or for any other reason, within such period as may be specified by the Board from time to time;
 - (b) in the event of failure to transfer the redemption proceeds, IDCW payments or application money, as referred under clause (a), within the period specified, the asset management company shall be liable to pay interest to the unitholders at the rate of fifteen per cent (15%) per annum for the period of such delay;
 - (c) even after payment of such interest to the unit-holders under clause (b), the asset management company may be liable for action as deemed fit, for failure to comply with the sub-clause (a).
- (2) The physical dispatch of redemption proceeds, IDCW payments or application money shall be carried out only in exceptional circumstances and asset management companies shall be required to maintain records along with reasons for all such physical dispatches.

CHAPTER IX

SPECIALIZED INVESTMENT FUND

47. Applicability

- (1) The provisions of this chapter shall apply to a Specialized Investment Fund.
- (2) Unless the context otherwise requires, all other provisions of these regulations and the guidelines and circulars issued thereunder shall apply to a Specialized Investment Fund and the investment strategies launched under it, the trustees and the asset management companies in relation to such investment strategies, except where specific provisions are made in relation thereto under this Chapter.

48. Approval requirements

A mutual fund registered under clause (e) of sub-regulation (1) of regulation 3 may be granted an approval to launch a Specialized Investment Fund subject to fulfilling such eligibility criteria and in the manner, as may be specified by the Board.

49. Conditions for Specialized Investment Fund

- (1) A Specialized Investment Fund shall not accept from an investor, an investment amount less than ten lakh rupees across all investment strategies in the manner as may be specified by the Board:

Provided that the requirement of minimum investment amount shall not apply to an accredited investor.

- (2) The Fund Manager of Specialized Investment Funds shall have the relevant NISM certification as may be specified by the Board from time to time.
- (3) All provisions applicable to the schemes of a mutual fund under these regulations shall also apply to the Investment Strategies launched under the Specialized Investment Fund, unless otherwise specified.

50. Procedure for launching of investment strategies

- (1) The investment strategies under the Specialized Investment Fund shall be launched in accordance with the procedure applicable to the schemes of the mutual funds, as laid down in regulation 24.

Provided that a Specialized Investment Fund may launch such investment strategies in the manner as may be specified by the Board from time to time.

- (2) An investment strategy under the Specialized Investment Fund shall be launched as an open-ended or close-ended or interval investment strategy with subscription and redemption frequency appropriately disclosed in the offer document.
- (3) The fees and expenses for the investment strategies launched under the Specialized Investment Fund shall be in accordance with Chapter IX of these regulations.

51. Permissible investments

Specialized Investment Fund may invest monies collected under any of its investment strategies in instruments permitted under regulation 39 for mutual funds schemes:

Provided that the manner of investment by a Specialized Investment Fund may be specified by the Board.

52. Restrictions on investments

Any investment to be made under sub-regulation (1) of regulation 51 shall be invested subject to investment restrictions applicable for schemes of mutual funds as specified under Sixth Schedule.

53. Duties of Asset Management Company

- (1) The asset management company shall ensure that the Specialized Investment Fund has distinct identification, separate from that of the mutual fund, to maintain clear differentiation between the offerings of the Specialized Investment Fund and that of a mutual fund.
- (2) The asset management company shall comply with the provisions relating to branding, advertising, standard disclaimers, guidelines on usage of sponsor or asset management company or mutual fund's brand name and maintenance of a separate website, as may be specified by the Board from time to time.

54. Duties of trustees

The trustees shall ensure that:

- (1) the asset management company has the necessary expertise, internal control systems and risk management mechanism to invest in and manage investments.
- (2) the asset management company shall comply with such other requirements related to risk management, investor protection, disclosures and reporting, as may be specified by the Board from time to time.
- (3) all activities of the Specialized Investment Fund are in accordance with the provisions of these regulations.

55. Disclosures in offer document and other disclosures

- (1) The offer documents of the Specialized Investment Fund shall contain disclosures which are adequate for investors to make informed investment decisions, highlighting the high-risk nature of the product, in the manner as may be specified by the Board.
- (2) The portfolio disclosures in respect of a Specialized Investment Fund shall be made in the manner as may be specified by the Board.

CHAPTER X ***MUTUAL FUNDS LITE***

56. Applicability

- (1) The provisions of this Chapter shall be applicable to mutual funds lite and mutual fund lite schemes.
- (2) All other provisions of these regulations except the following provisions and the guidelines and circulars issued thereunder, unless the context otherwise requires, or is repugnant to the provisions of this Chapter, shall apply to a Mutual Fund Lite, Mutual Fund Lite schemes, and trustees and asset management companies in relation to such mutual funds and schemes:
 - (a) Sub-regulation (1) to sub-regulation (9) of regulation 5,
 - (b) Regulation 9;
 - (c) Regulation 10;
 - (d) Regulation 11;
 - (e) Regulation 12;
 - (f) Clause (a)(ii) of sub-regulation (1) of Regulation 17;
 - (g) Regulation 21;
 - (h) Regulation 22;
 - (i) Regulation 23;
 - (j) Sub regulation (1) of regulation 24;
 - (k) Regulation 40;
 - (l) Sub-regulation (2) of regulation 69
 - (m) Chapter IX;

- (n) Second Schedule;
- (o) Third Schedule and

57. Eligibility Criteria: For the purpose of granting a certificate of registration as a mutual fund lite, the applicant shall fulfill the following:

(1)	All the criteria relating to “sound track record” given under one of the following two routes and shall have a general reputation of fairness and integrity in all business transactions:			
	Sr. No	Particulars	Route 1	Route 2
	(a)	Experience and profitability	<p>Net profit from the financial business operations after providing for depreciation, interest and tax in three out of immediately preceding five years including the fifth year</p> <p>Average net annual profit from the financial business operations after depreciation, interest and tax during the immediately preceding five years of at least rupees five crore.</p>	The combined experience of Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer and Chief Investment Officer appointed by the sponsor should be at least twenty (20) years
	(b)	Net worth of sponsor	Positive net worth in all the immediately preceding five years	
	(c)	Liquid Net worth of sponsor	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the MF Lite asset management company	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the MF Lite asset management company
	(d)	Net worth of MF Lite Asset Management Company	<p>The sponsor shall ensure that the net worth of MF Lite AMC shall be at least thirty-five crores (Rs. 35 Crores), deployed in assets as may be specified by the Board, at all times.</p> <p>Provided that if MF Lite AMC has profits for five consecutive years, the net worth of MF Lite AMC shall be maintained at</p>	<p>The net worth of MF Lite AMC, infused by the sponsor, at the time of registration shall be rupees seventy five crores (Rs. 75 Crores).</p> <p>However, MF Lite AMC net worth shall be maintained at more than rupees fifty crores (Rs. 50 Crores) deployed in assets as may be specified by</p>

			<p>more than rupees twenty-five crore (Rs. 25 crores).</p> <p>If the total assets under management of the MF Lite asset management company exceeds the thresholds specified by the Board, the MF Lite asset management company shall abide by the net worth requirements specified under Chapter II of these Regulations.</p> <p>The sponsor shall ensure maintaining the net worth requirement on a continuous basis.</p>	<p>the Board, on a continuous basis.</p> <p>Provided that if MF Lite AMC has profits for five consecutive years, the net worth of MF Lite AMC shall be maintained at more than rupees twenty five crore (Rs. 25 crores).</p> <p>If the total assets under management of the MF Lite asset management company exceeds the thresholds specified by the Board, the MF Lite asset management company shall abide by the net worth requirements specified under Chapter II of these Regulations.</p> <p>The sponsor shall ensure maintaining the net worth requirement on a continuous basis.</p>
	(e)	Lock-in Requirement	No lock-in requirements for certificate of registration under this route.	The initial shareholding equivalent to capital contributed to the MF Lite asset management company, to the extent of at least rupees seventy five crore (Rs. 75 Crores), shall be locked-in for a period of three years
	(f)	Change in Control	In case of change in control of an existing MF Lite asset management company due to acquisition of shares, the positive liquid net worth of the sponsor or funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired	In case of acquisition of existing MF Lite asset management company, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the MF Lite asset management company and the positive liquid net worth of the sponsor or the funds tied up by the sponsor

				<p>shall be higher of aggregate par value or market value of the shares proposed to be acquired.</p> <p>In case of acquisition of stake in an existing MF Lite asset management company, the shareholding of the sponsor(s) equivalent to minimum of rupees seventy five crore (Rs. 75 Crores) shall be locked in for three years</p>
	(g)	Private Equity fund as a sponsor of mutual fund lite	Not applicable for certificate of registration under this route.	A private equity fund or a pooled investment vehicle or a pooled investment fund may sponsor MF Lite by complying with conditions under this alternate route and such other conditions as may be specified by the Board from time to time.
(2)	Fit and proper		Applicant, mutual fund lite and trustees shall comply with the fit and proper criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.	
(3)	Minimum holding of sponsor in an MF Lite Asset Management Company		<p>The sponsor shall contribute at least 40% to the net worth of the MF Lite asset management company.</p> <p>Provided that any person who holds 40% or more of the new worth of an asset management company shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in these regulations.</p>	
(4)	Fit and proper requirement for sponsor, its directors or the key personnel to be employed by the mutual fund lite and/or mutual fund lite asset management company		The sponsor or any of its directors or the key personnel to be employed by the mutual fund lite and mutual fund lite asset management company should not have been guilty of fraud or been convicted of an offence involving moral turpitude or found guilty of any economic offence;	
(5)	Appointment of trustees		Appointment of debenture trustees to act as trustees for the MF Lite shall be in accordance with the provisions of the regulations;	
(6)	Appointment of MF Lite asset management company		Appointment of MF Lite asset management company to manage the MF Lite and operate the scheme of such funds in accordance with the provisions of these regulations;	

(7)	Appointment of custodian	Appointment of custodian in order to keep custody of the securities or goods or gold or gold related instruments or silver or silver related instruments or other assets of the mutual fund lite held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.
(8)	Other conditions	Other conditions in this regard as may be specified by the Board from time to time are adhered to

58. Norms for shareholding

- (1) Notwithstanding anything contained under regulation 6 of these regulations, a sponsor shall be permitted to obtain a registration as a mutual fund under Chapter II of these regulations and a separate registration as a mutual fund lite under this Chapter subject to conditions specified by the Board from time to time.
- (2) Notwithstanding anything contained under regulation 6 of these regulations, an existing sponsor under these regulations may transfer its passive scheme which is eligible as a mutual fund lite scheme from an existing mutual fund to a mutual fund lite belonging to a group entity of the same sponsor, subject to conditions as specified by the Board from time to time:

Provided that if an existing sponsor transfers its passive schemes from its existing mutual fund to a mutual fund lite, the existing mutual fund shall not launch any passive schemes that are eligible as mutual fund lite schemes after such transfer.
- (3) Notwithstanding anything contained under regulation 6 of these regulations, an existing shareholder holding ten per cent (10%) or more shareholding or voting rights in an existing asset management company of the mutual fund may be allowed to hold ten per cent (10%) or more shareholding or voting rights in a mutual fund lite asset management company belonging to a group entity of the same sponsor.
- (4) An existing mutual fund that intends to only launch mutual fund lite schemes may surrender its existing registration and migrate as a mutual fund lite under this Chapter subject to the conditions and the manner specified by the Board.

59. Registration of trust deed

- (1) A mutual fund lite shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, as specified by the Board, duly registered under the provisions of the Registration Act, 1908 (16 of 1908), executed by the mutual fund lite asset management company in favor of the trustees named in such an instrument.

60. Appointment of trustee

- (1) A debenture trustee may be appointed as a trustee of more than one mutual fund lite.
- (2) The trustee of a mutual fund lite shall be an independent entity and not an associate of the sponsor or manager of the concerned mutual fund lite asset management company.

- (3) No debenture trustee shall be eligible to be appointed as a trustee under this Chapter unless it meets the criteria for a fit and proper person specified under the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993.
- (4) The trustee shall have satisfactory wherewithal with respect to infrastructure, personnel, systems etc. as may be required for the proper discharge of its duties under these regulations.

61. Rights and obligations of the trustees

(1) Appointment and termination of asset management company

- (a) The trustees, with prior approval from the Board, shall appoint MF Lite asset management company and shall enter into an investment management agreement with the MF Lite asset management company.
- (b) The investment management agreement shall contain such clauses as may be specified by the Board and such other clauses as are necessary for the purpose of making investments and fair and transparent functioning of an MF Lite asset management company.
- (c) Where the trustees have reason to believe that the conduct of the business of the MF Asset management company is not in accordance with these regulations or detrimental to the interest of the unitholders, they shall forthwith take such remedial steps, as are necessary and shall immediately inform the Board of such conduct and the action taken by them.

Provided that dismissal of the asset management company shall be under the specific event and shall only be with the prior approval of the Board and in accordance with the Regulations.

(2) Addressing conflict of interest: To ensure that any conflict of interest on the part of the asset management company is appropriately addressed, and that the interest of investors remains the primary focus in all mutual fund operations, the trustees shall take such measures as they deem necessary and appropriate, including but not limited to the following:

- (a) The trustees shall ensure that mutual fund lite asset management company has not given any undue or unfair advantage to any associates or dealt with any of the associates of the mutual fund lite asset management company in any manner detrimental to interest of the unitholders.
- (b) The trustees shall quarterly review all transactions carried out between the mutual fund lite, mutual fund lite asset management company and its associates.
- (c) The trustees shall give their comments on the report received from the mutual fund lite asset management company regarding the investments by the mutual fund lite in the securities of group companies of the sponsor.

(3) Regulatory compliance and trustee responsibilities

- (a) The trustees shall have the right to seek information from the mutual fund lite asset management companies in accordance with the trust deed.

- (b) The trustees shall be accountable for and be the custodian of the funds and property of the respective mutual fund lite schemes and shall hold the same in trust for the benefit of the unitholders in accordance with this chapter and the provisions of trust deed.

(4) Trustee oversight for investor interests

- (a) The trustees shall abide by the Code of Conduct as specified in PART-A of the Fourth Schedule.
- (b) The trustees shall obtain unitholder consent:
 - (i) When required by the Board in the interest of the unitholders; or
 - (ii) On the requisition of three-fourths of the unitholders of any mutual fund lite scheme; or
 - (iii) when the majority of the trustees decide to wind up a scheme in terms of clause (a) of sub-regulation (2) of regulation 36 or prematurely redeem the units of a close ended scheme.
- (c) The trustees shall call for the details of transactions in securities by the key personnel of the mutual fund lite asset management company in his own name or on behalf of the mutual fund lite asset management company and shall report to the Board, as and when required.
- (d) The trustees shall periodically review the status of unit holders' complaints and the redressal of the same by the mutual fund lite asset management company.

(5) Trustee oversight responsibilities

- (a) The trustee shall oversee activities of the mutual fund lite asset management company in the interest of the unitholders and obtain periodic reports on its activities and status of compliance with applicable regulations in the manner as may be specified by the Board.
 - (b) The trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
 - (c) The trustees shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the mutual fund lite asset management company and the interest of the unit- holders.
 - (d) The trustees shall take steps to ensure that the transactions of the mutual fund lite are in accordance with the provisions of the trust deed.
 - (e) The trustee shall provide consent in case of change in control of the mutual fund lite asset management company.
 - (f) The trustees shall also exercise due diligence on such matters as may be specified by the Board from time to time
- (6) The trustees shall not be held liable for acts done in good faith if they have exercised adequate due diligence and acted as per the terms of the trust deed.

62. Obligations of mutual fund lite asset management company and its employees

(1) Appointment of directors

- (a) The directors of a mutual fund lite asset management company shall be appointed by the sponsor and the sponsor shall exercise diligence while making such appointments.

(2) Investment and operational due diligence

- (a) The mutual fund lite asset management company shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any mutual fund lite scheme is not contrary to the provisions of these regulations and the trust deed.
- (b) The board of directors of the mutual fund lite asset management company shall ensure that all the activities of the mutual fund lite asset management company are in accordance with the provisions of these regulations.

(3) Operational systems and personnel

- (a) The board of directors of the mutual fund lite asset management company shall ensure before the launch of any scheme that the mutual fund lite asset management company has-
 - (i) established systems in place for its back office, dealing room and accounting;
 - (ii) appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications and past experience in the securities market with the trustees, within fifteen calendar days of their appointment;
 - (iii) appointed auditors to audit its accounts;
 - (iv) appointed a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances;
 - (v) appointed a registrar to an issue and share transfer agent registered under the Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and laid down parameters for their supervision;
 - (vi) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
 - (vii) specified norms for empanelment of brokers and marketing agents;
 - (viii) obtained, wherever required under these regulations, prior in principle approval from the recognized stock exchange(s) where units are proposed to be listed.
 - (ix) The mutual fund lite asset management company shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed, in the manner specified by such exchange(s).

(4) Responsibility of Key Personnel and Employees

- (a) The Chief Executive Officer (whatever be the designation) of the mutual fund lite asset management company shall ensure that:
- (i) the mutual fund lite complies with all the provisions of these regulations and the guidelines or circulars issued in relation thereto from time to time and
 - (ii) the investments made by the fund managers are in the interest of the unit holders and
 - (iii) the overall risk management function of the mutual fund lite is comprehensively managed.
 - (iv) the mutual fund lite asset management company has adequate systems in place to ensure that the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fourth Schedule of these regulations are adhered to in letter and spirit. Any breach of the said Code of Conduct shall be brought to the attention of the board of directors of the mutual fund lite asset management company and trustees.
- (b) The Fund Managers (whatever be the designation including Chief Investment Officer) shall adhere to the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fourth Schedule of these regulations and submit a quarterly self-certification to the trustees that they have complied with the said code of conduct or list exceptions, if any.
- (c) The Dealers (whatever be the designation) shall adhere to the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fourth Schedule of these regulations and submit a quarterly self-certification to the trustees that they have complied with the said code of conduct or list exceptions, if any.
- (d) The compliance officer appointed under clause (b)(iv) of sub-regulation (3) of regulation 62 shall independently and immediately report to the Board any non-compliance observed by him.

(5) Financial Transactions and Disclosures:

(a) Brokerage transactions

- (i) A mutual fund lite asset management company shall not through any broker associated with the sponsor, purchase or sell securities, which is average of ten per cent (10%) or more of the aggregate purchases and sale of securities made by the mutual fund lite in all its schemes. The limit shall apply for a block of any three months. Further, the value of aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund lite and such other transactions as may be specified by the Board.

- (ii) purchase or sell securities through any broker other than a broker referred to in clause (a)(i) of sub-regulation (5) which is average of twenty five per cent (25%) or more of the aggregate purchases and sale of securities made by the mutual fund lite in all its schemes, unless the mutual fund lite asset management company has recorded in writing the justification for exceeding the limit of twenty five per cent (25%) and reports of all such investments are sent to the trustees on a quarterly basis. The limit shall apply for a block of any three months. Further, the value of purchase and sale of securities shall exclude sale and distribution of units issued by the mutual fund lite and such other transactions as may be specified by the Board.

(6) Investment concentration disclosure:

In case any company has invested more than five per cent (5%) of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same mutual fund lite in that company or its subsidiaries shall be brought to the notice of the trustees by the mutual fund lite asset management company and be disclosed in the annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.

(7) Reporting and oversight

(a) Director and key personnel disclosures:

- (i) The mutual fund lite asset management company shall file with the trustees and the Board—
 - a detailed bio-data of all its directors, along with their interest in other companies, within fifteen calendar days of their appointment;
 - b any change in the interests of directors every six months; and
 - c a quarterly report to the trustees giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the mutual fund lite asset management company, as the case may be, by the mutual fund lite during the said quarter.
- (ii) Each director of the mutual fund lite asset management company shall file the details of his transactions of dealing in securities with the trustees on a quarterly basis in accordance with guidelines issued by the Board.
- (iii) The mutual fund lite asset management company shall file with trustees the details of transactions in securities by its key personnel in their own name or on behalf of the asset management company, and shall report to the Board, as required.

(b) Board of Directors' oversight:

- (i) The Board of Directors of the mutual fund lite asset management company shall be responsible for the overall risk management of the mutual fund lite asset management company as well as the mutual fund lite schemes.
- (ii) The board of directors of the mutual fund lite asset management company shall ensure that -
 - a the mutual fund lite asset management company has been diligent in empanelling the brokers, in monitoring securities transactions with brokers, and avoiding undue concentration of business with specific brokers;
 - b the mutual fund lite asset management company has not given any undue or unfair advantage to any associate or dealt with any of the associate of the mutual fund lite asset management company in any manner detrimental to interest of the unit holders;
 - c the transactions entered into by the mutual fund lite asset management company align with these regulations and the respective schemes;
 - d the transactions of the mutual fund lite are in accordance with the provisions of the trust deed;
 - e the mutual fund lite asset management company has been managing the mutual fund lite schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the mutual fund lite asset management company.
 - f the net worth of the mutual fund lite asset management company is reviewed on a quarterly basis to ensure compliance with the threshold provided in clause (d) of sub-regulation (1) of regulation (57) on a continuous basis;
 - g all service contracts including custody arrangements of the assets and transfer agency of the securities are executed in the interest of the unit holders and test checks of service contracts are arranged.
 - h there is no conflict of interest between the manner of deployment of the net worth of the mutual fund lite asset management company and the interest of the unit holders;
 - i the investor complaints received are periodically reviewed and redressed;
 - j all service providers are holding appropriate registrations from the Board or with the concerned regulatory authority;
 - k any special developments in the mutual fund lite are immediately reported to the Board;
 - l there has been exercise of due diligence on the reports submitted by the mutual fund lite asset management company to the trustees;

- m there has been exercise of due diligence on such matters as may be specified by the Board from time to time.

(8) Ethical conduct and investor protection

(a) Prevention of misconduct:

- (i) The mutual fund lite asset management company shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
- (ii) The mutual fund lite asset management company shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the mutual fund lite asset management company.
- (iii) The mutual fund lite asset management company shall abide by the Code of Conduct as specified in PART-A of the Fourth Schedule of these regulations.

(b) Market abuse deterrence:

- (i) The MF Lite asset management company shall put in place an institutional mechanism, as may be specified by the Board, for the identification and deterrence of potential market abuse including front-running and fraudulent transactions in securities.
- (ii) The Chief Executive Officer or Managing Director or such other person of equivalent or analogous rank and Chief Compliance Officer of the mutual fund lite asset management company shall be responsible and accountable for implementation of such an institutional mechanism for deterrence of potential market abuse, including front-running and fraudulent transactions in securities.

(c) Whistleblower policy:

- (i) The mutual fund lite asset management company shall establish, implement and maintain a documented whistle blower policy that shall —
 - a provide for a confidential channel for employees, directors, trustees, and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance vulnerability, and
 - b establish procedures to ensure adequate protection of the whistle blowers.

(d) Investor grievance and protection:

- (i) The mutual fund lite asset management company shall constitute a Unit Holder Protection Committee in the form and manner and with a mandate as may be specified by the Board.

(9) Scheme management and valuation:

(a) Registrar and share transfer agents

The mutual fund lite asset management company shall appoint registrars and share transfer agents who are registered with the Board:

Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the trustees shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.

(b) Valuation and Disclosure

(i) The mutual fund lite asset management company shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in Seventh Schedule of these regulations, and shall publish the same.

(ii) The mutual fund lite asset management company and the sponsor of the mutual fund lite shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.

(c) Changes to scheme attribute:

(i) The mutual fund lite asset management company shall ensure that no change in the fundamental attributes of any scheme or the trust, fees and expenses payable or any other change which would modify the scheme and affect the interest of unit holders, shall be carried out unless, —

- a written communication about the proposed change is sent to each unit holder;
- b details, as prescribed by the Board from time to time, are appropriately displayed on the website of mutual fund lite asset management company;
- c unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.

(d) Income calculation:

The mutual fund lite asset management company shall be responsible for calculation of any income due to be paid to the mutual fund lite and also any income received in the mutual fund lite, for the unit holders of any scheme of the mutual fund lite, in accordance with these regulations and the trust deed.

(e) Geographic scope:

The mutual fund lite asset management company shall not carry out its operations including trading desk, unit holder servicing and investment operations outside the territory of India.

(10) Continuing liability

The mutual fund lite asset management company or its directors or other officers shall not be absolved of liability to the mutual fund lite for their acts of commission or omission, while holding such position or office, even though it is in compliance with any other contract or agreement or termination.

(11) Transactions with associates/sponsor:

In case the mutual fund lite asset management company enters into any securities transactions with any of its associates a report to that effect shall be sent to the trustees at its next meeting.

(12) Additional mutual fund lite asset management company's oversight

- (a) The board of directors of the mutual fund lite asset management company shall review the desirability or continuance of the mutual fund lite asset management company if substantial irregularities are observed in any of the schemes and shall not allow the mutual fund lite asset management company to float new schemes.
- (b) The independent directors of the mutual fund lite asset management company shall pay specific attention to the following, as may be applicable, namely: —
 - (i) the Investment Management Agreement and the compensation paid under the agreement,
 - (ii) service contracts with associates and whether the mutual fund lite asset management company has charged higher fees than outside contractors for the same services,
 - (iii) selections of the mutual fund lite asset management company's independent directors,
 - (iv) securities transactions involving associates to the extent such transactions are permitted,
 - (v) selecting and nominating individuals to fill independent directors' vacancies,
 - (vi) code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
 - (vii) the reasonableness of fees paid to sponsors, mutual fund lite asset management company and any others for services provided,
 - (viii) any service contract with the associates of the mutual fund lite asset management company.

(13) Meeting of the board of directors of the mutual fund lite asset management company

The board of directors of the mutual fund lite asset management company, including any of their committees, shall meet at such frequency as may be specified by the Board from time to time.

(14) Mutual fund lite asset management company's oversight for investor interests

- (a) The board of directors of mutual fund lite asset management company shall furnish to the Board on a yearly basis, —
- (b) a report on the activities of the mutual fund lite;
- (c) a certificate stating that the board of directors of mutual fund lite asset management company have satisfied themselves that there have been no instances of self-dealing or front running by any of the trustees, directors and key personnel of the mutual fund lite asset management company;
- (d) a certificate to the effect that the mutual fund lite asset management company has been managing the schemes independently of any other activities and in case any activities of the nature referred to in clause (b) of sub-regulation (1) of regulation (63) have been undertaken by the mutual fund lite asset management company, it has taken adequate steps to ensure that the interests of the unitholders are protected.

63. Other permissible business activities of the asset management company

- (1) The mutual fund lite asset management company shall, -
 - (a) not act as a trustee of any mutual fund lite;
 - (b) undertake only business activities that are in the nature of advisory services to pooled assets in respect of passive investments;
 - (c) the asset management company may itself or through its subsidiaries undertake activities permitted under clause (b) subject to the following:
 - (i) it ensures that there is no material conflict of interest across different activities;
 - (ii) the absence of conflict of interest shall be disclosed to the trustees and unit holders in scheme information document and statement of additional information;
 - (iii) there are unavoidable conflict of interest situations, it shall satisfy itself that disclosures are made of source of conflict, potential 'material risk or damage' to investor interests and detailed parameters for the same;
 - (iv) it ensures independence to key personnel handling the relevant conflict of interest is provided through removal of direct link between remuneration to relevant asset management company personnel and revenues generated by that activity.

64. Procedure for launching of mutual fund lite schemes

No mutual fund lite scheme shall be launched by the mutual fund lite asset management company unless such mutual fund lite scheme is approved by the board of directors of the mutual fund lite asset management company and a copy of the offer document has been filed with the Board.

CHAPTER XI
EXPENSES CHARGED TO MUTUAL FUND INVESTORS

65. Fees and expenses of mutual fund schemes

- (1) All expenses of mutual fund schemes should be clearly identified and shall be paid from the scheme. The expenses shall be subject to the base limits specified under these regulations.

Provided that any expenditure in excess of the base limits specified in these regulations shall be borne by the asset management company or the trustees or sponsors. If any expense of the scheme is borne by asset management company or by the trustee or sponsors, the same shall be done only after the investment and advisory fees charged to the scheme, if any, is fully reversed.

Provided further that any expenses other than those specified in sub-regulations (2), and sub-regulation (3) shall be borne by the asset management company or trustee or sponsors.

Provided further 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 asset management company or trustees or sponsor.

- (2) The asset management company may charge the scheme with investment and advisory fees which shall be same in percentage terms for direct and regular plans and shall be disclosed in the offer document.
- (3) In addition to the fees mentioned in sub-regulation (2), the mutual fund schemes may be charged with the recurring expenses including:
- (a) marketing and selling expenses including fees, commission, charges towards distribution of mutual fund schemes, if any;
 - (b) brokerage cost incurred towards execution of trades;
 - (c) registrar services for transfer of units sold or redeemed;
 - (d) fees and expenses of trustees;
 - (e) audit fees;
 - (f) custodian fees;
 - (g) costs related to investor communication;
 - (h) costs of fund transfer from location to location;
 - (i) costs of providing account statements and IDCW payout/redemption cheques and warrants;
 - (j) insurance premium paid by the fund;
 - (k) winding up costs for terminating a scheme;
 - (l) costs of statutory advertisements;
 - (m) expenses towards storage and handling of underlying goods due to physical settlement of any commodity derivative contract or cost towards storage and handling of gold and silver;
 - (n) listing fees, in case of schemes listed on a recognised stock exchange; and
 - (o) such other expenses as may be specified or approved by the Board.

- (4) The asset management company shall pay charges or commission or fees related to distribution of mutual fund schemes in the manner as may be specified by the Board from time to time.
- (5) The base expense ratio of the scheme shall be sum of expenses mentioned at sub-regulation (2) and sub-regulation (3) but exclude statutory levy applicable on the said expenses, if any, and expenses mentioned under sub-regulation (8). The base expense ratio shall be subject to the following limits:

(a) CLOSE ENDED SCHEME

Sr. No	Scheme Category	Maximum Base Expense ratio as per cent of the daily net assets
(i)	Equity oriented scheme(s)	1.00%
(ii)	Other than equity oriented schemes(s)	0.80%

(b) OPEN ENDED SCHEMES

Sr. No	Scheme Category	Maximum Base Expense ratio as per cent of the daily net assets
Index fund scheme or exchange traded fund		
(i)	Index fund scheme or exchange traded fund	0.85%
Fund of Funds		
(ii)	Expense ratio of Fund of Funds investing in liquid schemes, index fund scheme and exchange traded funds (including weighted average of the expense ratio levied by the underlying scheme(s))	0.85%
(iii)	Expense ratio of Fund of Funds, other than fund of funds mentioned at sub-section 5(b)(ii), investing a minimum of sixty-five per cent of assets under management in equity oriented schemes as per scheme information document (including weighted average expense ratio levied by the underlying scheme(s))	2.10 %
(iv)	Expense ratio of Fund of Funds not covered at sub-section 5(b)(ii) and 5(b)(iii) above (including weighted average expense ratio levied by the underlying scheme(s))	1.85 %

(c) **OPEN ENDED SCHEMES OTHER THAN THE SCHEMES SPECIFIED UNDER SUB-SECTION 65(5)(b)**

Assets under management Slab (In Rs. crore)	Base expense ratio limits for equity oriented schemes	Base expense ratio limits for other than equity oriented schemes
on the first Rs.500 crores of the daily net assets	2.10%	1.85%
on the next Rs.250 crores of the daily net assets	1.90%	1.65%
on the next Rs.1,250 crores of the daily net assets	1.60%	1.35%
on the next Rs.3,000 crores of the daily net assets	1.45%	1.25%
on the next Rs.5,000 crores of the daily net assets	1.35%	1.15%
On the next Rs.40,000 crores of the daily net assets	Expense ratio reduction of 0.05% for every increase of Rs.5,000 crores of daily net assets or part thereof.	
On balance of the assets	0.90%	0.70%

Provided that mutual fund schemes that claim to charge base expense ratio based on the performance of the scheme shall comply with the expense ratio structure and disclosures thereto as specified by the Board from time to time.

- (6) The base expense ratio of Fund of Funds to be charged over and above the weighted average of the base expense ratio of the underlying scheme shall not exceed two times the weighted average of the base expense ratio levied by the underlying scheme(s), subject to the overall ceilings as stated at under sub-regulation (5), unless otherwise specified by the Board.
- (7) Any expense incurred towards brokerage, for the purpose of execution of trade, over and above 0.02 per cent of trade value in case of cash market transactions and 0.01 per cent of trade value in case of derivatives transactions shall be part of the base expense ratio limit specified under sub-regulation (5).

Explanation: The value of transaction shall mean the transaction value on which the computation of brokerage cost is specified by the stock exchanges.

- (8) Transaction cost incurred for the purpose of execution of a trade shall mean regulatory levies and any other expenses permitted to be charged by the stock exchanges. Such transaction costs shall not form part of the base expense ratio.

66. Total Expense Ratio

- (1) The total of all expenses charged to the investors of the scheme, as mentioned under definition of 'Total expense ratio', shall be total of expense charged within the base limit specified under sub-regulation 5 of regulation 65, brokerage cost permitted under sub-regulation 7 of regulation 65, transaction cost incurred for the purpose of execution of trade, as referred under sub-regulation 8 of regulation 65, and statutory levies charged to the investors.
- (2) No expense other than the base expense ratio, brokerage cost, transaction cost, statutory levy and exit load, wherever applicable, shall be charged to the investors.

CHAPTER XII

ANNUAL REPORT OF ASSET MANAGEMENT COMPANIES AND MUTUAL FUND SCHEMES

67. Annual report of mutual fund schemes

- (1) Every mutual fund or the asset management company shall prepare in respect of each financial year, an annual report including annual financial statements and auditor's report of the schemes as specified in the Ninth Schedule and such other requirements as specified by the Board from time to time.

68. Auditor's report

- (1) Every mutual fund shall have the annual statement of accounts audited by an auditor who is not in any way associated with the auditor of the asset management company.

Explanation: For the purposes of this sub-regulation and regulation 78 "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).

- (2) An auditor appointed by the trustees shall submit his report to the trustees and such report shall form part of the Annual Report of the mutual fund.
- (3) The auditor's report shall comprise a certificate to the effect that:
- (a) he/she has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of the audit;
 - (b) the balance sheet and the revenue account give a fair and true view of the scheme, state of affairs and surplus or deficit in the Fund for the accounting period to which the Balance Sheet or, as the case may be, the Revenue Account relates;

- (c) the statement of account has been prepared in accordance with accounting policies and standards as specified in the Eighth Schedule.

CHAPTER XIII
DISCLOSURES TO UNITHOLDERS AND BOARD

69. Disclosures to the investors

(1) Disclosure of annual report of mutual fund schemes to unitholders

- (a) The digital documents of scheme wise Annual Report of a mutual fund and an abridged summary thereof shall be sent to all unitholders not later than four months from the date of closure of the relevant accounts year and in the manner specified by the Board.
- (b) The Annual Report and abridged scheme wise summary thereof shall contain details as specified in the Ninth Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund. The abridged scheme wise summary of Annual Report shall be in the format prescribed by the Board from time to time.
- (c) The asset management company shall provide physical copy of the abridged summary of the Annual Report without any cost, if a request is received from a unitholder.
- (d) The asset management company may make available a physical copy of the Annual Report to the unitholders on payment of such nominal fees as may be specified by the mutual fund.
- (e) The asset management company shall display a functional link of the full scheme wise annual reports prominently on their website.

(2) Disclosure of half-yearly unaudited financial results to unitholders

- (a) A mutual fund and asset management company shall within one month from the close of each half year, that is on 31st March and on 30th September, host a soft copy of its unaudited financial results on their website:

Provided that the half-yearly unaudited report referred to in this sub-regulation shall contain details in the format as specified by the Board from time to time and such other additional details as are necessary for the purpose of providing a true and fair view of the operations of the mutual fund.
- (b) A mutual fund and asset management company, shall publish an advertisement disclosing the hosting of such financial results on their website, in atleast one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the mutual fund is situated.

- (3) **Disclosure of portfolio statement:** An asset management company shall send to all unitholders a complete statement of its scheme portfolio in the manner as specified by the Board from time to time.
- (4) **Disclosure of total expense ratio:** Total expense ratio of mutual fund schemes shall be disclosed to the investors in manner and in the format as specified by the Board.
- (5) **Disclosure of net asset value:** The Net Asset Value of the scheme shall be calculated on daily basis and disclosed in the manner specified by the Board.
- (6) **Other Disclosures**
 - (a) The trustee shall be bound to make such disclosures to the unitholders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.
 - (b) No sale of units of any scheme of a mutual fund shall be made by the trustees or an asset management company unless accompanied by documents disclosing information which is adequate for the investors to take an informed decision.
 - (c) The mutual fund, the asset management company, the trustee, custodian, sponsor of the mutual fund shall make such disclosures as may be specified by the Board or submit such documents as they may be called upon to do so by the Board.

70. Dispute resolution and grievance redressal mechanism.

- (1) The asset management company shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.
- (2) All claims, differences or disputes between the asset management company and investors arising out of or in relation to the activities of the asset management company in the securities market shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration, in accordance with the procedure specified by the Board.
- (3) The Board may also recognize a body corporate for handling and monitoring the process of grievance redressal within such time and in such manner as may be specified.

CHAPTER XIV GENERAL OBLIGATIONS

71. To maintain proper books of account and records

- (1) Every asset management company shall keep and maintain proper books of account, records and documents, for each scheme so as to explain its transactions, rationale for valuation including inter scheme transactions etc., for audit trail and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund.

- (2) The asset management company shall intimate to the Board the place where such books of account, records and documents are maintained.
- (3) The financial statements and accounts of the mutual fund schemes shall be prepared in accordance with Indian Accounting Standards (IND AS) and any addendum thereto, as notified by the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time:
Provided that in case there is any conflict between the requirements of IND AS and these regulations and guidelines issued thereunder, the asset management companies shall follow the requirements specified under these regulations.
- (4) Every asset management company shall maintain and preserve for a period of eight years its books of account, records and documents.
- (5) The asset management company shall follow the accounting policies and standards as specified in Eighth Schedule and as specified by the Board from time to time, so as to provide appropriate details of the scheme wise disposition of the assets of the fund at the relevant accounting date and the performance during that period together with information regarding distribution or accumulation of income accruing to the unitholder in a fair and true manner.

72. Financial year

The financial year for all the schemes shall end as of March 31st of each year;

Provided that for a new scheme commenced during a financial year, the disclosure and reporting requirements would apply for the period beginning from the date of its commencement and ending on March 31st of that financial year.

CHAPTER XV INSPECTION AND AUDIT

73. Board's right to inspect and investigate

- (1) The Board may appoint one or more persons as inspecting officer to undertake the inspection of the books of account, records, documents and infrastructure, systems and procedures or to investigate the affairs of a mutual fund, the trustees and asset management company for any of the following purposes, namely:
 - (a) to ensure that the books of account are being maintained by the mutual fund, the trustees and asset management company in the manner specified in these regulations;
 - (b) to ascertain whether the provisions of the Act and these regulations are being complied with by the mutual fund, the trustees and asset management company;
 - (c) to ascertain whether the systems, procedures and safeguards followed by the mutual fund are adequate;
 - (d) to ascertain whether the provisions of the Act or any rules or regulations made thereunder have been violated;

- (e) to investigate into the complaints received from the investors or any other person on any matter having a bearing on the activities of the mutual funds, trustees and asset management company;
- (f) to suo moto ensure that the affairs of the mutual fund, trustees or asset management company are being conducted in a manner which is in the interest of the investors or the securities market.

74. Notice before inspection and investigation

- (1) Before ordering an inspection or investigation under regulation 73 the Board shall give not less than ten (10) calendar days' notice to the mutual fund, asset management company or trustees as the case may be.
- (2) Whereas, if the Board is satisfied that in the interest of the investors no such notice should be given, it may, by an order in writing direct that such inspection or investigation be taken up without such notice.
- (3) During the course of inspection or investigation, the mutual fund, trustees or asset management company against whom the inspection or investigation is being carried out shall be bound to discharge his obligations as provided in regulation 75.

75. Obligations on inspection and investigation

(1) General obligations:

(a) Duty to produce and furnish information:

- (i) It shall be the duty of the mutual fund, trustees or asset management company whose affairs are subject to inspected or investigated, and of every director, officer and employee thereof, to:
 - a produce to the inspecting officer such books, accounts, records (including emails, applications and softwares used with respect to affairs of the mutual funds) and other documents as are in their custody or control.
 - b furnish such statements and information relating to the activities of the mutual funds, trustees or asset management company.
- (ii) All such requirements shall be fulfilled within a reasonable period as specified by the inspecting officer.

(b) Access to premises and records:

- (i) The mutual fund, trustees or asset management company shall grant the inspecting officer reasonable access to:
 - a any premises occupied by them or by any other person on its behalf;
 - b extend reasonable facilities for examining any books, records, documents and computer data in their possession or the possession of such other person;
 - c Provide copies of documents or other materials deemed relevant by the inspecting officer for the purpose of inspection or investigation.

(c) Examination and recording of statements:

- (i) The inspecting officer, during in the course of an inspection or investigation, is entitled to examine or record the statements of any director, officer, or employee of the mutual fund, trustees or asset management company.

(d) Duty to provide assistance:

- (i) Every director, officer, or employee of the mutual fund, asset management company, or trustee shall render all reasonable assistance to the inspecting officer in connection with the inspection or investigation, as the inspecting officer may reasonably require.

76. Submission of report to the Board

The inspecting officer shall submit a comprehensive report to the Board as soon as practicably possible upon completion of the inspection or investigation:

Provided that the inspecting officer shall submit an interim report if specifically directed to do so by the Board.

77. Action on inspection or investigation report

Upon due consideration of the inspection or investigation report, the Board or the Chairman shall take such action as deem fit and appropriate. Such action may include, but is not limited to, measures prescribed under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

78. Auditor Appointment and Fees

Without prejudice to the provisions of regulation 68, the Board reserves the power to appoint an auditor to inspect or investigate, as the case may be, the books of account or the affairs of the mutual fund, trustee or asset management company:

Provided that any Auditor so appointed shall possess the same powers as an inspecting officer, as delineated in regulation 73. Correspondingly, the obligation of the mutual fund, asset management company, trustee, and their respective employees, as set forth in regulation 75, shall be equally applicable to the investigation conducted under this regulation.

79. Payment of inspection fees to the Board

The Board shall be entitled to recover any expenses incurred by it for the purposes of inspecting the books of account, records and documents of the mutual fund, the trustees and the asset management company. Such recoverable expenses shall include, but not limited to, fees paid to appointed auditors.

CHAPTER XVI
PROCEDURE FOR ACTION IN CASE OF DEFAULT

80. Liability for action in case of default

- (1) An asset management company and/ or mutual fund which—
- (a) contravenes any of the provisions of the Act, these regulations and circulars issued thereunder;
 - (b) fails to furnish any information or furnishes wrong information relating to its activity as a mutual fund as required under these regulations;
 - (c) fails to furnish any returns as required under these regulations
 - (d) does not co-operate in any inquiry or inspection conducted by the Board;
 - (e) fails to comply with any directions of the Board issued under the provisions of the Act or the regulations;
 - (f) fails to resolve the complaints of the investors or fails to give a satisfactory reply to the Board in this behalf;
 - (g) indulges in insider trading and/or unfair trade practices in securities.
Explanation: For the purposes of this clause “unfair trade practices” has the same meaning as in the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003;
For the purpose of this clause “insider trading” has the same meaning as in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015;
 - (h) is guilty of misconduct or improper or unbusinesslike or unprofessional conduct and fails to adhere to the Code of Conduct specified in the Fourth Schedule;
 - (i) including trustees, fails to carry out its obligations as specified in these regulations;
 - (j) fails to comply with conditions for registration;
 - (k) fails to maintain the net worth in accordance with the provisions of clause (d) of sub-regulation (1) of regulation (5) and clause (d) of sub-regulation (1) of regulation (57);
 - (l) fails to pay any fees;
 - (m) fails to ensure that the advertisement issued is not in contravention with the Advertisement Code specified in Fifth Schedule;
 - (n) fails to ensure that the valuation of securities is not in contravention of the Principles of Fair Valuation specified in Seventh Schedule;

shall be liable for action under the applicable provisions of the Act and the Regulations framed thereunder including Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

81. Action against intermediaries

The Board may initiate action for suspension or cancellation of registration of an intermediary holding a certificate of registration under section 12 of the Act who fails to exercise due diligence or to comply with the obligations under these regulations:

Provided that no such certificate of registration shall be suspended or cancelled unless the procedure specified in regulations applicable to such intermediary is complied with.

82. Enforcement Action

- (1) Without prejudice to any action that may be initiated under this Chapter, the Board may, in case of violation of any of the provisions of the Act, the regulations framed and circular issued thereunder, initiate action under section 11, 11B, and/or section 24 of the Act and/or under Chapter VIA of the Act including passing an order to:
- (a) suspend the launching of any scheme of a mutual fund for a period not exceeding one year for violation of any of the provisions of these regulations;
 - (b) forfeit the amount invested by an asset management company in any of its schemes as required under clause (a) of sub-regulation (3) of regulation 22:
- Provided** that no order shall be passed without giving an opportunity of hearing.

CHAPTER XVII

POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

83. Exemption from enforcement of the regulations.

- (1) The Board may, in the interest of investors or for the development of the securities market, relax the strict enforcement of any requirement of these regulations, if the Board is satisfied that:
- (a) relaxation is procedural or technical in nature; or
 - (b) the non-compliance was caused due to factor beyond the control of the issuer; or
 - (c) the requirement may cause undue hardship to investors

84. Relaxation from regulations for furthering innovation:

- (1) The Board may exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.
- (2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. — For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.

CHAPTER XVIII
MISCELLANEOUS

85. Power of the Board to issue clarifications

In order to remove any difficulties in the application or interpretation of these regulations, the Board shall have the power to issue clarifications and guidelines in the form of notes or circulars which shall be binding on the sponsor, mutual funds, trustees, asset management companies and custodians.

86. Repeal and saving

- (1) The Securities & Exchange Board of India (Mutual Funds) Regulations, 1996 are hereby repealed.
- (2) Notwithstanding such repeal:
 - (a) anything done or any action taken or purported to have been done or taken, including registration or approval granted, fees collected, scheme announced, registration or approval, suspended or cancelled, any inquiry or investigation commenced under the said regulations, shall be deemed to have been done or taken under the corresponding provisions of these regulations.
 - (b) any application made to the Board under the said regulations and pending before it shall be deemed to have been made under the corresponding provisions of these regulations.
 - (c) any appeals preferred to the Central Government under the said regulations and pending before it shall be deemed to have been preferred under the corresponding provisions of these regulations.

FIRST SCHEDULE

Securities and Exchange Board of India (Mutual Funds) Regulations, 202X

[Regulations 3(1)(a), 3(1)(e), 4(1)(d), 24(4)]

FEES

- A. The fees payable by mutual funds, as provided in the below given table, shall be paid by way of direct credit into the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time.

Sr. No	Particulars	Fees/Charges*
1	Application fees payable by mutual funds	Rupees five lakhs
2	Registration fees payable by mutual funds	Rupees twenty five lakhs
3	Annual fees payable by mutual funds on Average Asset Under Management (AAUM) up to rupees 10,000 crore as on 31 st March#	0.0015 per cent of the AAUM
4	Annual fees payable by mutual funds on part of AAUM as on 31 st March of above rupees 10,000 crore#	0.0010 per cent of the portion of AAUM in excess of rupees 10,000 crore.
5	Filing fees for offer documents and placement memoranda	0.005 per cent of the amount raised in the new fund offer or by way of private placement, as the case may be, subject to a minimum of rupees two lakhs and a maximum of rupees fifty lakhs.

#subject to a minimum of 2,50,000 and a maximum of 1,00, 00, 000

*The fees/ charges mentioned above are excluding GST

SECOND SCHEDULE

Securities and Exchange Board of India (Mutual Funds) Regulations, 202X

Regulation 10(1)

CONTENTS OF THE TRUST DEED

- (1) The trust deed shall have a clause that trustees shall be responsible to comply with the provisions of this regulations.
- (2) The trust deed shall mention trusteeship fee, if any, payable to trustees.
- (3) The trust deed shall mention minimum number of trustees as four and that the removal of trustees would be subject to prior approval of the Board.
- (4) Trust deed shall mention that amendment to the trust deed shall be carried out with the prior approval of the Board and unitholders:
Provided that prior approval of unitholders shall not be required for such cases as may be specified by the Board from time to time.
- (5) The trust deed should provide the procedure that shall be followed for seeking approval of the unitholders under all such circumstances as are specified in the Regulations, including amendment to the trust deed.
- (6) The trust deed shall specify the quorum for a meeting of the trustees and shall ensure that the quorum of the meeting shall mandate presence of at least one independent trustee or independent director.
- (7) 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 compliances with this regulation but shall mandate minimum of one meeting of trustees in every three calendar months and at least four such meetings in every financial year.
- (8) The trust deed shall specify that the unitholders would have beneficial interest in the trust property to the extent of individual holding in respective schemes only.
- (9) Trust deed shall mandate trustees to comply with the following:
 - (a) A trustee, in carrying out his responsibilities as a member of the trustee company, shall maintain arms' length relationship with other companies, or institutions or financial intermediaries or any body corporate with which he may be associated.
 - (b) A trustee shall not participate in the meetings of the trustee company when any decisions for investments in which he may be interested are taken.
- (10) Trust deed shall reproduce the duties/responsibilities and power of trustees as specified under regulations 12 and shall also include the following:
 - (a) The trustees would be responsible to act in the interest of the unitholders.
 - (b) The trustees shall take into their custody, or under their control all the property of the schemes of the mutual fund and hold it in trust for the unitholders.
 - (c) The trustees shall be responsible to provide or cause to provide information to unitholders and Board as may be specified by the Board.

- (d) The trustees shall be responsible to supervise the collection of any income due to be paid to the scheme and for claiming any repayment of tax and holding any income received in trust for the holders in accordance with the trust deed and Regulations.
 - (e) A trustee shall be responsible to furnish to the trustee company particulars of interest which he may have in any other company, or institution or financial intermediary or any corporate body by virtue of his position as director, partner or with which he may be associated in any other capacity.
- (11) The trust deed shall specifically forbid mutual funds from:
- (a) acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited or shall not result in encumbrance of the trust property in any way.
 - (b) making or guaranteeing loans or taking up any activity which is in contravention of the Regulations.

THIRD SCHEDULE
Securities and Exchange Board of India (Mutual Funds) Regulations, 202X
Regulation 12(1)(b)
CONTENTS OF THE INVESTMENT MANAGEMENT AGREEMENT

- (1) The Investment Management Agreement shall have a clause that asset management company shall be responsible to comply with the provisions of these regulations.
- (2) The Investment Management Agreement shall reproduce duties and responsibilities of the asset management company as mentioned under regulation 22 of these Regulations and shall also include that:
 - (a) the asset management company appointed by the trustees shall be responsible for floating schemes for the mutual fund, after approval of the same by the trustees, and for managing the funds mobilised under various schemes, in accordance with the provisions of the trust deed and Regulations;
 - (b) the asset management company shall ensure that no offer document of a scheme, key information memorandum, abridged half-yearly results and annual results is issued or published without the trustees' prior approval in writing, and contains any statement or matter extraneous to the trust deed or Offer Document scheme particulars approved by the trustees and Board;
 - (c) the asset management company shall be responsible to provide all information and submit reports to trustees and the Board concerning the operations of the various schemes of the mutual fund managed by the asset management company and on the functioning of the schemes of the mutual fund, at such intervals and in such a manner as may be specified by the trustees or the Board.
- (3) The Investment Management Agreement shall restrict asset management companies from:
 - (a) undertaking any other business activity other than management of mutual funds and activities permitted under clause (b) of regulation 21;
 - (b) acquiring any of the assets out of the scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the scheme property in any way;
 - (c) taking up any activity in contravention of the Regulations;
 - (d) using trust property towards loss or damage or expenses incurred by the asset management company or officers of the asset management company or any person delegated by the asset management company, including those in relation to resolution of claims or disputes of investors in terms of regulation 70(2).

- (4) The Investment Management Agreement shall have a clause empowering trustees to dismiss the asset management company under the specific events, with the prior approval of the Board and in accordance with the Regulations.

- (5) The Investment Management Agreement shall specifically forbid mutual funds from:
 - (a) acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited or shall not result in encumbrance of the trust property in any way.

 - (b) making or guaranteeing loans or taking up any activity which is in contravention of the Regulations.

FOURTH SCHEDULE
Securities and Exchange Board of India (Mutual Funds) Regulations, 202X
Regulations 12(5)(a), 22(8)(a)(ii), 61(4)(a), 62(8)(a)(iii), 80(1)(h)
CODE OF CONDUCT
PART – A
For the asset management company and trustees

- (1) The trustees and the asset management company shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.
- (2) Mutual funds schemes should not be organised, operated, managed or the portfolio of securities should not be selected, in the interest of sponsors, directors of asset management companies, directors of Trustee Company, associated persons.
- (3) Mutual funds schemes should be organised, operated, managed and the portfolio of securities should be selected, to provide equitable and fair treatment to all classes of unitholders of the scheme. Decisions taken to favor or to benefit one set of investors over other shall not be considered as equitable and fair treatment to all class of unitholders.
- (4) The trustees and asset management companies must ensure that adequate, accurate, explicit and timely information about the investment policies, investment objectives, financial position and general affairs of the scheme is dissemination in a simple language to all unitholders of the scheme.
- (5) The trustees and asset management companies must avoid excessive concentration of business with broking firms, associates and also excessive holding of mutual fund units of a scheme among few investors.
- (6) The trustees and asset management companies must avoid conflicts of interest in managing the affairs of the schemes and keep the interest of all unitholders paramount in all matters.
- (7) The 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.
- (8) The trustees and asset management companies shall carry out the business and invest in accordance with the investment objectives stated in the offer documents and take investment decision solely in the interest of unitholders.
- (9) The trustees and asset management companies must not use any unethical means to sell, market or induce any investor to invest in their mutual fund schemes.
- (10) The trustees and the asset management company shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.

- (11) The asset management company shall not make any exaggerated statement, whether oral or written, either about their qualifications or capability to render investment management services or their achievements.
- (12) The trustees and asset management company shall ensure that:
 - (a) The sponsor of the mutual fund, the trustees or the asset management company or any of their employees do not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.
 - (b) In case an employee of the sponsor, the trustees or the asset management company is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

PART – B

Regulations 22(4)(a)(iv), 22(4)(b)(ii), 22(4)(c)(ii), 62(4)(a)(iv), 62(4)(b), 62(4)(c) and 80(1)(h)

For the Fund Managers and Dealers

General:

- (1) Dealers and Fund Managers shall:
 - (a) ensure that investments are made in the interest of the unit holders;
 - (b) strive for highest ethical and professional standards to enhance the reputation of the markets;
 - (c) act honestly in dealings with other market participants;
 - (d) act fairly and deal with market participants in a consistent and transparent manner;
 - (e) act with integrity, particularly avoid questionable practices and behaviour;
 - (f) abide by the Act, Rules, Regulations, Guidelines and Circulars governing the securities market and keep themselves up-to-date with the latest developments;
 - (g) not indulge in any unethical business activities or professional misconduct involving dishonesty, fraud or deceit or commit any act that could damage the reputation of the organisation or the mutual fund industry;
 - (h) identify existing or potential conflicts of interest as per their institutions policies and address the same;
 - (i) not carry out any transaction on behalf of a fund with any counter party who is an associate of the sponsor/asset management company/Fund Manager/Dealer/Chief Executive Officer unless such transaction is carried out on arm's length basis on terms and at a price consistent with best execution standards and at a commission rate no higher than customary institutional rates;

For the purposes of this clause, the term associate shall have the following meaning:

- (a) In case of an asset management company and a sponsor; associate as defined in clause (d) of sub-regulation (1) of regulation (2) of these regulations
- (b) In case of a Fund Manager/Dealer/Chief Executive Officer, it shall include their relatives or any entity upon whom the Fund Manager/Dealer/Chief Executive Officer could exercise control;
- (j) not offer or accept any inducement in connection with the affairs or business of managing the funds of unitholders which is likely to conflict with the duties owed to the unitholders;
- (k) disclose all interests in securities as required by all applicable statutory requirements; and
- (l) not receive any gift or entertainment which is not in adherence of the gift and entertainment policy of the asset management company framed in this regard.

(2) Communication: Channels, disclosures and transparency:

1. Dealers and Fund Managers shall:
 - (a) always communicate in unambiguous, transparent, accurate and professional manner to promote effective communication that supports a transparent Market;
 - (b) conduct all communication during market hours through recorded modes and channels only;
 - (c) Provided that face-to-face communication including out-of-office face-to-face interactions may not be recorded.
 - (d) be encouraged to highlight and bring to the notice any instance of suspected malpractice or market misconduct to the appropriate risk, compliance and regulatory chains of command;
 - (e) provide appropriate inputs to the valuation agencies or the valuation committee of the asset management company. Any material deviation in valuation, as defined by the asset management company, shall also be highlighted to the valuation agencies and valuation committee of the asset management company.
 - (f) on their discretion may share views on market colour, general state of market or trends without disclosing confidential information;
 - (g) not disclose any material non-public information that could affect the value of an investment to external parties and shall not act or cause others to act on such information; and
 - (h) not intentionally disseminate false or misleading information with respect to the price or market for a security.

(3) Execution Standards:

- (a) Fund Managers shall:
 - (a) have an appropriate and adequate basis for investment decision and shall be responsible for investment in the funds managed by them;

- (b) record in writing, the decision of buying or selling specific securities together with the detailed justifications for such decisions; and
 - (c) not indulge in any act or practice which results in artificial window dressing of the NAV.
 - (d) Not indulge in any act or practice which results in artificial increase or decrease of valuation and computation of Macaulay Duration of mutual fund schemes.
- (b) Dealers and Fund Managers shall:
- (a) adopt fair and prompt deal execution practices;
 - (b) shall keep sanctity of securities market at the highest priority and shall not indulge in any manipulative trade practices.
 - (c) fully document all correspondence and understanding during a deal with counterparties in the books of the fund if they have committed to the transactions on behalf of the mutual fund;
 - (d) not favour one scheme over another for the purpose of security allocation, transfer of benefits (profit/loss) or any valuation gain/ loss including by way of inter scheme transfers or otherwise;
 - (e) not indulge in circular trading (by whatever name called) in any manner;
 - (f) not enter or participate in transactions with the intent of disrupting the market, distorting the prices, or artificially inflating trading volumes;
 - (g) not indulge in simultaneously buying and selling the same securities at off market prices in order to create false or misleading signals regarding the supply of, demand for, or market price of securities;
 - (h) not manipulate the prices of infrequently traded securities including at monthly/quarterly /annual closing dates;
 - (i) not enter into arrangements for sale or purchase of a security including a Government security where there is no change in beneficial interests or market risk or where the transfer of beneficial interest or market risk is only between parties who are acting in concert or collusion;
 - (j) not carry out or participate in a 'routing deal' i.e. purchasing a security at the instance of a third party who does not have funds to purchase the security, with an understanding to sell the same to the said third party at a later date at a predetermined price which may or may not be market related;
 - (k) not put misleading bids and offers outside the market range as defined by their institution without an intention to trade;
 - (l) not make frivolous quotations with an intent to mislead the market participants; and
 - (m) not sell securities to a third party at the month/quarter end with an understanding to purchase the same at a later date for any purpose including to meet periodic liquidity or to avoid month end disclosure.

FIFTH SCHEDULE
Securities and Exchange Board of India (Mutual Funds) Regulations, 202X
Regulation 28

ADVERTISEMENT CODE

- (a) Advertisements shall be accurate, true, fair, clear, complete, unambiguous and concise and shall not be misleading.
- (b) Advertisements shall not contain statements which are improper, false, misleading, biased or deceptive, based on assumption/projections and shall not contain any testimonials or any ranking based on any criteria.
- (c) Advertisements shall not be so designed as likely to be misunderstood or likely to disguise the significance of any statement. Advertisements shall not contain statements which directly or by implication or by omission may mislead the investor.
- (d) Advertisements shall not carry any slogan that is exaggerated or unwarranted or slogan that is inconsistent with or unrelated to the nature and risk and return profile of the product.
- (e) No celebrities shall form part of the advertisement.
- (f) Advertisements shall not be so framed as to exploit the lack of experience or knowledge of the investors. Extensive use of technical or legal terminology or complex language and the inclusion of excessive details which may detract the investors should be avoided.
- (g) Advertisements shall contain information which is timely and consistent with the disclosures made in the Scheme Information Document, Statement of Additional Information and the Key Information Memorandum.
- (h) No advertisement shall directly or indirectly discredit other advertisements or make unfair comparisons.
- (i) Advertisements shall be accompanied by a standard warning in legible fonts which states 'Mutual Fund investments are subject to market risks, read all scheme related documents carefully.' No addition or deletion of words shall be made to the standard warning.
- (j) Advertisements in vernacular language(s) shall contain the standard warning as specified in clause (i) in the vernacular language.
- (k) In audio-visual media based advertisements, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing fourteen (14) words running for at least five (5) seconds may be considered as clear and understandable.

SIXTH SCHEDULE

Securities and Exchange Board of India (Mutual Funds)

Regulations, 202X

Regulation 41(1)

RESTRICTIONS ON INVESTMENTS

1. Mutual fund scheme's investment in equity shares, equity related instruments and debt instruments shall only be made in listed or to be listed securities:
Provided that mutual funds can invest in unlisted Government Securities and money market instruments other than commercial papers.
Provided further that mutual fund schemes may invest in unlisted non-convertible debentures to the extent and in the manner as specified by the Board.
2. Mutual Fund Scheme's investment in unrated debt instruments shall be subject to such conditions as specified by the Board from time to time.
3. A scheme may invest in another scheme under the same mutual fund or any other mutual fund without charging any fees and such inter scheme investment shall be subject to limits as may be specified by the Board from time to time.
Provided that this clause shall not apply to any fund of funds scheme.
4. No scheme of a mutual fund shall make any investment in any fund of funds scheme.
5. A fund of funds scheme shall be subject to the following investment restrictions:
 - a. A fund of funds scheme shall not invest in any other fund of funds scheme;
 - b. A fund of funds scheme shall not invest its assets other than in schemes of mutual funds, except to the extent of funds required for meeting the liquidity requirements for the purpose of repurchases or redemptions, as disclosed in the offer document of fund of funds scheme.
6. Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:
Provided that a mutual fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:
Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by the Board.
Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.
7. Every mutual fund shall get the securities purchased or transferred in the name of the mutual fund on account of the concerned scheme.

8. Pending deployment of funds of a scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short term deposits of schedule commercial banks, subject to such Guidelines as may be specified by the Board.
9. Investment by mutual fund schemes shall be subject to such prudential limits as prescribed by the Board from time to time.

SEVENTH SCHEDULE

Securities and Exchange Board of India (Mutual Funds) Regulations, 202X

Regulation 22(9)(b)(i), 62(9)(b)(i), 43

INVESTMENT VALUATION NORMS

Principles of Fair Valuation

Mutual fund shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time:

- (a) The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets on a given date.
- (b) The valuation shall be done in good faith and in true and fair manner and in according to the valuation policies and procedures approved by the Board of the asset management company, in line with the guidelines specified by the Board.
- (c) Investment in new type of securities/assets by the mutual fund scheme shall be made only after the valuation methodologies for such securities are established and approved by the Board of the asset management company.
- (d) The valuation policies and procedures, as approved by the Board of the asset management company, shall include the following in order to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets:
 - i. detailed methodologies that will be used for valuing each type of securities/assets held by the mutual fund schemes.
 - ii. the process to deal with exceptional events where market quotations are no longer reliable for a particular security. Situation where these methods will be used, process and methodology and impact of implementation of these methods, if any.
 - iii. Periodicity of review of the valuation policies and procedures (at least once in a Financial Year) by the asset management company.
 - iv. means to address conflict of interest.
- (e) The asset management company shall also have policies and procedures to detect and prevent incorrect valuation.

- (f) The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.
- (g) The Board of Trustee and the Board of asset management company shall be updated on findings of period review of valuation policies and procedure by asset management company and auditor, as mentioned in this regulations.
- (h) The valuation policy and procedures (with regard to valuation of each category of securities/assets where the scheme will invest, situation where these methods will be used, process and methodology and impact of implementation of these methods, if any) approved by the Board of the asset management company shall be disclosed in Statement of Additional Information, on the website of the asset management company and at any other place where the Board may specify, to ensure transparency of valuation norms to be adopted by asset management company.
- (g) The responsibility of true and fairness of valuation of securities and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the asset management company shall deviate from the established policies and procedures in order to value the assets/ securities at fair value:
Provided that any deviation from the disclosed valuation policy and procedures shall be after documentation of the rationale for deviation and with appropriate reporting to the board of directors of the trustee company and the board of directors of the asset management company and appropriate disclosures to investors.
- (h) A mutual fund may value its investments according to the Valuation Guidelines specified by the Board from time to time. In case of any conflict between the Principles of Fair Valuation as detailed above and Valuation Guidelines issued by the Board, the Principles of Fair Valuation shall prevail.

EIGHTH SCHEDULE
Securities and Exchange Board of India
(Mutual Funds) Regulations, 202X
Regulations 71(5), 68(3)(c)
ACCOUNTING POLICIES AND STANDARDS

For Investment in Securities

- (a) For the purposes of the financial statements, mutual funds shall mark all investments to market and carry investments in the balance sheet at market value. The realised gains or losses on sale or redemption of investment, as well as unrealised appreciation or depreciation shall be recognised in all financial statements through Revenue Accounts. However, since the unrealised gain arising out of appreciation on investments cannot be distributed, provision has to be made for exclusion of this item when arriving at distributable income.
- (b) Dividend income earned by a scheme should be recognised, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments which are not quoted on the stock exchange, dividend income must be recognised on the date of declaration.
- (c) In respect of all interest-bearing investments, income must be accrued on a day to day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase must not be treated as a cost of purchase but must be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date upto the date of sale must not be treated as an addition to sale value but must be credited to Interest Recoverable Account.
- (d) In determining the holding cost of investments and the gains or loss on sale of investments, the “weighted average cost” method must be followed.
- (e) Transactions for purchase or sale of investments should be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (f) Bonus shares to which the scheme becomes entitled should be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements should be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

- (g) Where income receivable on investments has accrued but has not been received or in case of debt securities classified as below investment grade, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by the Board.
- (h) When in the case of an open-ended scheme units are sold, the difference between the sale price and the face value of the unit, if positive, should be credited to reserves and if negative be debited to reserves, the face value being credited to Capital Account. Similarly, when in respect of such a scheme, units are repurchased, the difference between the purchase price and face value of the unit, if positive should be debited to reserves and, if negative, should be credited to reserves, the face value being debited to the capital account.
- (i) In the case of an open-ended scheme:
 - (1) when units are sold and appropriate part of the sale proceeds should be credited to an Equalisation Account and when units are repurchased an appropriate amount should be debited to Equalisation Account. The net balance on this account should be credited or debited to the Revenue Account. The balance on the Equalisation Account debited or credited to the Revenue Account should not decrease or increase the net income of the fund but is only an adjustment to the distributable surplus. It should, therefore, be reflected in the Revenue Account only after the net income of the fund is determined.
 - (2) The trustees may, if necessary, transfer a portion of the distributable profits to a dividend equalization reserve. Such a transfer would be independent of the requirement to operate an Equalization Account as provided in (i)(1).
- (j) The investments acquired or sold shall be accounted at transaction price excluding all transaction costs such as brokerage, stamp charges and any charge customarily included in the broker's contract note that are attributable to acquisition/ sale of investments.
- (k) Non-traded investments shall be valued in good faith in accordance with the norms specified in the Seventh Schedule:

NINTH SCHEDULE
ANNUAL REPORT

1. Annual Report

The annual report shall contain—

- (i) Report of the trustee company on the operations of the various schemes of the fund and the fund as a whole during the year and the future outlook of the fund;
- (ii) Balance Sheet and Revenue Account in accordance with paras 2, 3 and 4, respectively of this Schedule;
- (iii) Auditor's Report in accordance with paragraph 5 of this Schedule;
- (iv) Brief statement of the trustee company on the following aspects, namely:-
 - (a) Liabilities and responsibilities of the trustees and the Settlor;
 - (b) Investment objective of each scheme;
 - (c) Basis and policy of investment underlying the scheme;
 - (d) As the scheme invest in scrips or securities whose value can fluctuate, a statement on the following lines shall be provided:
"The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments in securities;
 - (e) Comments of the trustees on the performance of the scheme, with full justification.
- (v) Statement giving relevant perspective historical 'per unit' statistics in accordance with paragraph 6 of this Schedule;
- (vi) Statement on the following lines:
"On written request, present and prospective unitholders/investors can obtain a physical copy of the trust deed, the annual report and scheme related documents at a nominal price."

2. Accounting Policies: The accounting policies given in the Eighth Schedule shall be followed.

3. Contents of Balance Sheet

- i. The Balance Sheet shall give scheme wise particulars of its assets and liabilities in the format specified by the Board. It shall also disclose, inter alia, accounting policies relating to valuation of investments.
- ii. The aggregate market value of investments in securities shall be stated separately in respect of each type of investment, such as equity shares, preference shares, convertible debentures listed on recognised stock exchange, non-convertible debentures or bonds further differentiating between those listed on a recognised stock exchange, to be listed, and those which are unlisted.
- iii. The balance-sheet shall disclose under each type of investment(s) in securities, the aggregate market value or fair value of securities classified as below investment grade or default. A

- security shall be classified as below investment grade or default in the manner specified in guidelines issued by the Board.
- iv. The Balance Sheet shall disclose the per-unit net asset value (NAV) as at the end of the accounting year.
 - v. As in case of companies, the Balance Sheet shall give against each item, the corresponding figures as at the end of the preceding accounting year.
 - vi. The notes to the balance sheet should disclose the following information regarding investments:
 - a. all investments shall be grouped under the major classification given in the balance sheet;
 - b. under each major classification, the total value of investments falling under each major industry group (which constitutes not less than 5% of the total investment in the major classification) shall be disclosed together with the percentage thereof in relation to the total investment within the classification;
 - c. a full list of investments of the scheme shall be made available for inspection with the asset management company;
 - d. the basis on which management fees have been paid to the asset management company and the computation thereof;
 - e. if brokerage, distribution commission, custodial fees or any other payment for services are paid to or payable to any entity in which the asset management company or its major shareholders have a substantial interest (being not less than 10% of the equity capital), the amounts debited to the revenue account or amounts treated as cost of investments in respect of such services shall be separately disclosed together with details of the interest of the asset management company or its major shareholders;
 - f. aggregate value of purchases and sales of investments during the year and expressed as a percentage of average net asset;
 - g. In case of securities, excluding debt securities, where the non-traded investments which have been valued “in good faith” exceed 5% of the net assets at the end of the year, the aggregate value of such investments along with percentage to net assets. In case of debt securities which have been valued at a price other than the price given by the Independent Valuation Agencies at the end of year, the aggregate value of such securities and percentage to net assets; and
 - h. movement in unit capital should be stated.

An example of the manner in which the movement in unit capital may be disclosed is given below:

	<i>No. of units</i>	<i>(Rs. in lakhs)</i>
Balance as on 1st April, 1994	12,50,00,000	12,500.00
Units sold during the year	1,27,50,000	1,275.00
Units repurchased during the year	(15,40,000)	(154.00)
	13,62,10,000	13,621.00

- i. the name of the company including the amount of investment made in each company of the group by each scheme and the aggregate investments made by all schemes in the group companies of the sponsor;
- j. The total income of the scheme shall include unrealised depreciation or appreciation on investment.

	<i>Rs. in lakh</i>	<i>Rs. in lakh</i>
Net income as per Revenue Account		100
<i>Add</i> : Balance of undistributed income as at 1st April, 1994 brought forward		20
		<u>120</u>
<i>Less</i> : Unrealised appreciation on investments As on 31st March, 1995 As on 1st April, 1994	15	30 (15)
		<u>105</u>
<i>Less</i> : Distributed to unitholders Transfer to reserve	80 5	(85)
		<u>20</u>

- vii. Provisions for doubtful deposits, doubtful debts and for doubtful outstandings and accrued income shall not be included under provisions on the liability side of the balance sheet, but shall be shown as a deduction from the aggregate value of its relevant asset.
- viii. Disclosure shall be made of all contingent liabilities, uncalled liability on partly paid shares and other commitments with specifying details.

4. Contents of Revenue Account

- (i) The Revenue Account shall give scheme wise particulars of the income, expenditure and surplus of the mutual fund in the format specified by the Board.
- (ii) If profit on sale of investments shown in the Revenue Account includes profit/loss on inter scheme transfer of investments within the same mutual fund the aggregate of such profit recognised as realised, shall be disclosed separately without being clubbed with the profit/loss on sale of investments to third parties.
- (iii) The following disclosures shall also be made in the revenue account:

- (a) provision for aggregate value of doubtful deposits, debts and outstanding and accrued income;
- (b) profit or loss in sale and redemption of investment may be shown on a gross basis;
- (c) custodian and registrar fees;
- (d) total income and expenditure expressed as a percentage of average net assets, calculated on a daily basis.

5. Auditor's Report

- (i) All mutual funds shall be required to get their accounts audited in terms of a provision of the trust deeds.
- (ii) The auditor shall report to the trustee company and not to the unit holders.
- (iii) The Auditor's Report shall form a part of the Annual Report.
- (iv) The auditor shall state whether:
 - 1) he has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of his audit,
 - 2) the Balance Sheet and the Revenue Account are in agreement with the books of account of the fund.
- (v) The auditor shall give his opinion as to whether:
 - 1) the Balance Sheet gives a true and fair view of the scheme wise state of affairs of the fund as at the balance sheet date, and
 - 2) the Revenue Account gives a true and fair view of the scheme wise surplus/deficit of the fund for the year/period ended at the balance sheet date.

6. Perspective historical per unit statistics

- (1) This statement shall disclose the following scheme wise per unit statistics for the past 3 years:
 - (a) net assets value, per unit at plan/option level;
 - (b) gross income per-unit broken up into the following components:
 - (i) income other than profit(loss) on sale of investment, per unit;
 - (ii) income from profit(loss) on inter scheme sales/transfer of investment, per unit;
 - (iii) income from profit(loss) on sale of investment to third party, per unit;
 - (iv) transfer to revenue account from past year's reserve, per unit.
 - (v) gross income - sum of b(i), (ii) and (iii)
 - (c) aggregate of expenses, write off, amortisation and charges, per unit;
 - (d) net income, per unit (gross income – aggregate of expenses);
 - (e) unrealised appreciation/depreciation in value of investments, per unit;
 - (f) if the units are traded, the highest and the lowest prices per unit during the year;
 - (g) ratio of total expenses to average net assets by percentage;
 - (h) ratio of gross income to average net assets by percentage (excluding transfer to revenue account from past year's reserve but including unrealised appreciation on investments);
 - (i) the highest and the lowest NAV per unit during the year at plan/option level;

- (j) face value per unit;
- (k) total unit capital (in Rupees);
- (l) average Net asset (in Rupees);
- (m) no. of days during the period;
- (n) Weighted average Price Earnings Ratio of equity/equity related instruments held as at end of year/period.
