

## **Tightened Norms on Mutual Funds Investments**

The markets regulator <u>Securities and Exchange Board of India (SEBI)</u> has tightened <u>norms on investments by mutual funds</u> (MFs).

- MF schemes can now invest only in listed debt or equity.
- Valuation of securities in debt funds will now be on mark-to-market basis instead of the earlier practice of considering it on an amortisation basis.
- Liquid funds can now invest a maximum of 20% of their assets in a single sector as against the current cap of 25%, and must keep aside at least a fifth of their assets in cash equivalents to meet sudden redemption pressures.

**Mutual Fund:** A mutual fund collects money from investors and invests the money, on their behalf, in securities (debt, equity or both). It charges a small fee for managing the money.

**Liquid Funds:** These are debt mutual funds that invest in securities up to a maturity of 91 days.

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