Amendment to Mutual Fund Rules

Source: TH

Recently, the **Securities & Exchange Board of India (SEBI)** approved amendments to **SEBI (Mutual Funds) Regulations, 1996** and it has mandated amendments to enhance **regulatory oversight** within **Asset Management Companies (AMCs)**, some other recent proposed amendments are:

- **Institutional Mechanism:**
  - AMCs are required to implement **enhanced surveillance systems**, internal controls, and escalation processes to identify and address specific types of misconduct.
  - It aims at preventing **front-running, insider trading,** and misuse of sensitive information within the industry.
    - **Front running** refers to the **unethical practice of a broker or trader,** executing orders on a security based on advance knowledge of pending trades from their clients, which can impact the market price.
    - **Insider trading,** on the other hand, involves buying or selling a security **based on material, non-public information about the security.**
- **Recording of Communication:**
  - SEBI has exempted **face-to-face interactions** during market hours from the requirement of recording all communication by dealers and fund managers.
- **Prudential Norms for Passive Schemes:**
  - SEBI has streamlined **prudential norms for passive schemes,** allowing equity passive schemes to invest up to the weightage of constituents in the underlying index, with a **35% cap** on investment in sponsor group companies.

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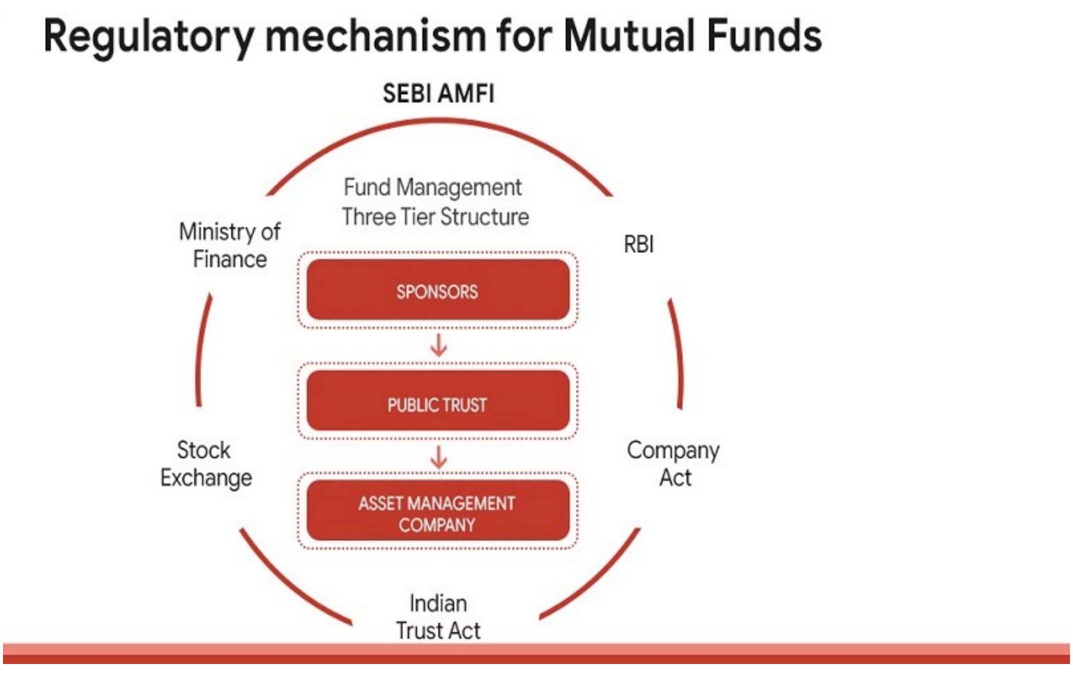

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