



Amendment to Mutual Fund Rules

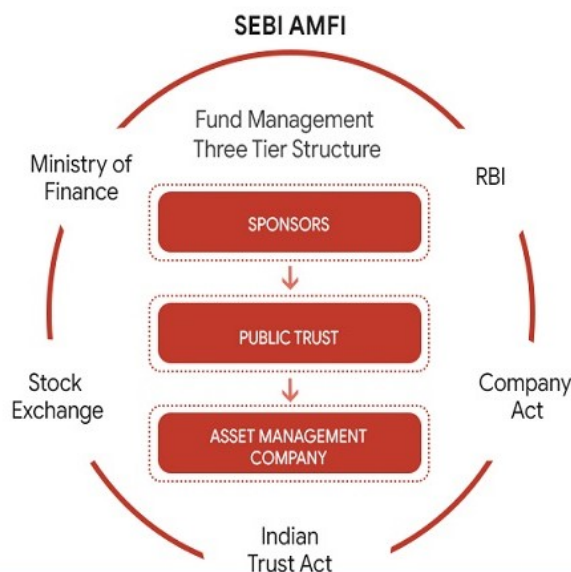
[Source: TH](#)

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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Regulatory mechanism for Mutual Funds



Read more: [Asset Reconstruction Company](#)

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