

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5104  
ANSWERED ON:25.08.2000  
MUTUAL FUNDS  
SUBODH MOHITE;VINAY KUMAR SORAKE

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Securities and Exchange Board of India is planning to monitor investment decisions of mutual funds;
- (b) whether the SEBI has to expertise to sit on judgement on the decisions of mutual funds;
- (c) whether SEBI will focus on the need to curb insider trading by fund managers in collusion with brokers or company managements by strengthening disclosure and surveillance systems;
- (d) whether the Government have found advertisements of mutual fund of various companies misleading the public;
- (e) if so, the details thereof; and
- (f) the action taken by the Government on erring companies?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)&(b) : Securities and Exchange Board of India (SEBI) has no plan to monitor investment decisions of mutual funds. With a view to bring about transparency in investment decisions, SEBI has advised all mutual funds on July 27, 2000 to make a record of their investment decisions and relevant research reports. Asset Management Company Boards and Trustees are required to ensure that due diligence is being exercised while making investment decisions.

(c) SEBI has notified regulations for insider trading which are applicable to mutual funds also.

(d), (e) & (f): The market regulator, SEBI has prescribed an advertisement code for all mutual funds so that advertisements issued by them are truthful, fair and clear and do not contain statements which are misleading. Further, SEBI monitors advertisements issued by mutual funds and takes necessary action in case of violation of the advertisement code.