

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2093
ANSWERED ON:06.08.2010
INCENTIVES BY MF HOUSES
Yadav Shri Ranjan Prasad

Will the Minister of FINANCE be pleased to state:

- (a) whether incentives given by Mutual Fund houses to some agents are governed by any Government legislation;
- (b) if so, the details and effect thereof on the investors;
- (c) if not, the reasons thereof;
- (d) whether any remedial actions are being taken by Securities and Exchange Board of India (SEBI) in this regard;
- (e) if so, the details thereof; and
- (f) if not, the steps taken to protect the interest of investors?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a): The expenses that can be charged to mutual fund schemes including commission to agents is governed by the SEBI (Mutual Funds) Regulations, 1996.
- (b): SEBI has stipulated that no entry load shall be there for any mutual fund scheme and the upfront commission to distributors will be paid by the investor directly based on his assessment of various factors including the service rendered by the distributor. Of the exit load charged to the investor, a maximum of one percent of the redemption proceeds shall be maintained in a separate account which can be used by the Asset Management Company to pay commissions to the distributor and to take care of other marketing and selling expenses. Any balance needs to be credited to the scheme immediately. These measures are meant to protect the interests of the investor.
- (c): Not applicable in view of reply to (b) above.:
- (d): No , Sir.
- (e): Not applicable in view of reply to (d) above.
- (f): SEBI has taken various steps to empower the investors in mutual funds by way of more transparency so that investors can take informed decisions. The measures include scrapping entry load on mutual fund schemes, prescribing same exit load for all classes of unit holders and enabling mutual fund transactions through stock exchange platforms.