

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:197
ANSWERED ON:03.07.2009
SURVEILLANCE MECHANISM USED BY SEBI
Sukur Shri Jadhav Baliram

Will the Minister of FINANCE be pleased to state:

- (a) whether Securities and Exchange Board of India (SEBI) is making inspection of Mutual Fund Companies;
- (b) if so, the procedure followed and surveillance mechanism used by SEBI in this regard; and
- (c) details of such inspection made during each of the last three years ?

Answer

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

(a) : Yes, Sir.

(b) : The structure of mutual funds comprises Asset Management Company(AMC), the Trustee and the Sponsor.The trustee monitors the AMCs through periodic reporting by the AMCs.Regulations require trustees to have meeting at least once every two calendar months and also empower them to obtain any information from AMCs.SEBI also monitors the activities of AMC both onsite and offsite. SEBI also appoints auditors for periodic inspection of mutual funds. Further,through periodic submissions such as bi-monthly Compliance Test Reports, half yearly / annual accounts, copies of advertisements etc. by the AMC and half-yearly Trustee Reports by the trustees, SEBI monitors the activities of the AMC.

(c): During the period 01.07.2003 to 30.06.2007 59 active funds were inspected by SEBI. Based on inspection reports, SEBI had issued warning letters and deficiency letters to mutual funds depending on the magnitude and seriousness of the violations of SEBI regulations/ guidelines.