

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5108
ANSWERED ON:10.12.2010
PROTECTION OF INTEREST OF MFS
Singh Rajkumari Ratna;Singh Shri Ijyaraj

Will the Minister of FINANCE be pleased to state:

- (a) the details of the provisions to protect the interests of mutual funds investors;
- (b) the safety provisions made keeping in view the incidents of bungling with regard to mutual funds worldwide;
- (c) the role of Government banks in these mutual funds;
- (d) whether the Government banks have been assigned the task of collection of mutual fund; and
- (e) if so, the reasons therefor?

Answer

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

(a): Mutual Funds are regulated under the Securities and Exchange Board of India (SEBI) (Mutual Funds) Regulations 1996 and various circulars issued thereunder. These protect the interests of the investors. Important initiatives taken by SEBI in the recent past in this regard include the following:

abolition of entry load,

ensuring parity among all classes of unit holders for exit load, permitting units of mutual funds schemes to be transacted through registered stock brokers of recognised stock exchanges,

ensuring prominent display of standard warning of risk factors in audio visual and print media, and;

mandating system audit of mutual funds, disclosure of annual reports and investor complaints received by mutual funds on their websites.

(b); SEBI (Mutual Funds) Regulations, 1996 and guidelines issued thereunder contain provisions for the safety of investments. The important provisions in this regard include the following:

prohibiting acquisition of assets which results in assumption of liability or encumbrance of mutual funds assets,

prohibiting mutual funds to make or guarantee loans,

requiring trustees to ensure that Asset Management Companies(AMCs) exercise due diligence in managing investments,

requiring AMCs to ensure that all financial transactions are done through banking channels, and ;

requiring mutual funds to compute and carry out valuation of its investments and publish the same according to prescribed norms.

(c): Some Government banks also sponsor, distribute and invest in mutual funds,

(d); Twenty Seven public sector banks are also distributors of mutual funds,

(e): The decision to act as distributors of mutual funds is a commercial decision taken by managements of banks.