

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1043
ANSWERED ON:05.08.2011
LOANS UNDER MF SCHEMES
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Will the Minister of FINANCE be pleased to state:

- (a) Whether Asset Management Companies (AMCs) have raised loans against/under Mutual Fund (MF) schemes;
- (b) If so, the details thereof, company-wise, bank-wise for each of the last three years and current year;
- (c) Whether the interests of investors of such MF schemes are adversely affected because of such loans; and
- (d) If so, the reaction of the Government thereto?

Answer

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

- (a) In terms of SEBI (Mutual Funds) Regulations 1996, Asset Management Companies cannot take loans against Mutual Fund (MF) schemes. However, MFs are permitted to take loans against Mutual Fund schemes under the provision of Regulation 44(2) of the aforesaid regulations.
- (b) The details of loans taken by MFs for each of the last three years and current year are annexed.
- (c) As per Regulation 44(2) of the aforesaid regulations, it has been provided that the mutual fund shall not borrow except to meet temporary liquidity needs of the mutual funds for the purpose of repurchase, redemption of units or payment of interest or dividend to the unit holders; Provided that the mutual fund shall not borrow more than 20 percent of the net asset of the scheme and the duration of such a borrowing shall not exceed a period of six months. Such loans, normally, are not detrimental to the interests of the investors. These borrowings also help the MFs in avoiding distress sales of their assets.
- (d) Not applicable in view of reply to (c) above.