

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1825
ANSWERED ON:22.08.2012
PROTECTION OF MUTUAL FUND INVESTORS
Jaiswal Shri Gorakh Prasad ;Singh Rajkumari Ratna

Will the Minister of FINANCE be pleased to state:

- (a) Whether scams in mutual fund investments have been unearthed in the country;
- (b) if so, the details thereof and the number of cases registered during the last three years and the current year, State-wise, mutual fund-wise;
- (c) whether the Public Sector Banks have been directed to undertake mutual funds business in spite of their reluctance;
- (d) If so, the details thereof; and
- (e) the corrective measures taken/being taken by the Government to protect the interests of mutual fund investors?

Answer

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

- (a) No Sir.
- (b) Not applicable, in view of reply to (a) above.
- (c) No Sir.
- (d) Not applicable, in view of reply to (c) above.
- (e) As per Chapter VIII of SEBI (Mutual Funds) Regulations, 1996, SEBI has the authority to inspect and investigate etc. the affairs of Mutual Funds. Further, SEBI has inter-alia, the power to appoint an auditor to inspect or investigate, as the case may be, into the affairs of the mutual fund, trustee or asset Management Company. Accordingly, periodic inspection of Mutual Funds is carried out by SEBI appointed auditors once every two years. The auditors on completion of the inspection or investigation submit their reports to SEBI. After examining the reports, SEBI takes appropriate actions under the Securities and Exchange Board of India. If irregularities are observed, SEBI takes suitable action that would include the amendment of regulations and the issuance of directions. Major steps taken by SEBI in the recent past to protect interests of investors, includes the following:
 - i. ensuring fair treatment to all investors (i.e.existing, exiting and subscribing) by way of fair valuation of securities,
 - ii. making Asset Management Companies (AMCs) responsible for the accuracy, truthfulness, fairness of advertisements,
 - iii. issuing guidelines on transparency of information in performance related advertisements,
 - iv. ensuring the disclosure on the website of the AMC and on Association of Mutual Funds in India (AMFI) website as well as in their Annual Reports, the details of investor complaints received by AMCs from all sources,
 - v. conducting systems audit by an independent Certified Information System Auditors/Certified Information Security Manager (CIS A/CISM) qualified or equivalent auditor on mutual funds, and;
 - vi. advising AMCs to regulate the distributors by putting in place the due diligence process and ensuring disclosures by Mutual Funds/ AMCs of the total commission and expenses paid to distributors on their websites.