

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4532

ANSWERED ON:21.02.2014

IRREGULARITIES IN MUTUAL FUNDS

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**Will the Minister of FINANCE be pleased to state:**

- (a) the details of action taken in the irregularities in Mutual Funds (MFs) during each of the last three years and the current year;
- (b) the number of persons found involved in these irregularities along with the action taken against them; and
- (c) the mechanism put in place to review the functioning of the bodies set up to check irregularities in MFs?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMONARAYAN MEENA)

(a) & (b): SEBI vide Adjudication Order No. AK/AO-161/162/163/2013 dated September 26, 2013 had imposed a penalty of Rs. 10,00,000/- (Rupees ten Lakhs Only) each on M/s Principal PNB Asset Management Company Private Limited and M/s Principal Trustee Company Private Limited respectively.

Details of warning and deficiency letters issued against mutual funds are given as under:

Year	Financial Warning Letters issued	Deficiency Letters issued
2013-14#	42	17
2012-13	12	0
2011-12	14	6
2010-11	30	26

# till January, 2014

the names of the Mutual Funds against whom warning and deficiency letters have been issued in the last 3 years and the current year are at Annexure A.

SEBI has investigated the matter of front running of HDFC Mutual Fund trades. Pursuant to investigation, the following actions have been taken.

1. During the year 2010-11, 5 entities have been prohibited from buying, selling or dealing in securities directly or indirectly, till further orders and required to deposit the illegitimate gain identified in the investigations in an escrow account till further orders and also warning letters were issued to 2 other entities.
2. During the year 2011-12, consent orders have been passed in the matter of 3 other entities.
3. During the year 2012-13, consent order was passed in the matter of another entity.

In the matter of front running of L&T Mutual Fund trades, during the year 2010-11, a consent order dated December 16,2010 was passed in respect of L&T Investment Management Ltd.

The details of the same are tabulated and placed at Annexure B.

(c): SEBI, being a quasi judicial authority, takes administrative actions by way of issuing warning and deficiency letters against Mutual Funds found to have violated Mutual Fund Regulations. Further, enforcement actions such as direction, adjudication, enquiry, prosecution, etc. can be initiated under the provisions of the SEBI Act, 1992 and Regulations framed there under, depending upon the severity and nature of the violation observed and facts and circumstances of case.