

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1378
ANSWERED ON:27.11.2009
DISTRIBUTION OF MUTUAL FUND PRODUCTS
Balram Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) whether Mutual Fund products are not distributed through distributors;
- (b) if so, the reasons therefor;
- (c) whether any instances of difficulties faced in this regard have come to notice of the Government; and
- (d) if so, the details thereof and reaction of the Government thereto ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) & (b) : SEBI has informed that mutual fund products are being distributed through distributors' own outlets and also by direct subscription through internet.

(c) & (d) : The system of payment of commission to distributors led to lack of control by the investors over the quality of service vis-à-vis the commissions borne by the investors. This situation creates conflict of interest wherein the quality of advice rendered to the investors could be influenced by factors other than the investors interest. In view of this, mutual funds were asked to migrate from a commission based model to fee based model. This measure ensures transparency, accountability and also empowers investors to make an informed choice. A writ petition filed by some distributors challenging SEBI's circular on no load structure has also been dismissed by Hon'ble High Court of Delhi.