

# Info Capsule

May 10, 2019



THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

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## CIRCULAR

SEBI/HO/IMD/DF5/CIR/P/2019/63

May 10, 2019

### **Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by Mutual Funds**

1. SEBI considering the increased usage of AI (Artificial Intelligence) and ML (Machine Learning) as product offerings by market intermediaries and participants (e.g.: “robo advisors”) in investor and consumer facing products, is conducting a survey and creating an inventory of the AI / ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to ensure preparedness for any AI / ML policies that may arise in the future.
2. SEBI is of view that it is imperative to ensure that any advertised financial benefit owing to these technologies in investor facing financial products offered by intermediaries should not constitute to misrepresentation.
3. Any set of applications / software / programs / executable / systems (computer systems) – cumulatively called application and systems,
  - a. that are offered to investors (individuals and institutions) or used internally by Mutual Funds to facilitate investing and trading or for any other purpose, OR
  - b. to disseminate investments strategies and advice, OR
  - c. to carry out compliance / operations / activities,

where AI / ML is portrayed as a part of the public product offering or under usage for compliance or management purposes, it is included in the scope of AI/ML. Here, “AI” / “ML” refers to the terms “Artificial Intelligence” and “Machine Learning” used as a part of the product offerings. In order to make the scope inclusive of various AI and ML technologies in use, the scope also covers Fin-Tech and Reg-Tech initiatives undertaken by market participants that involves AI and ML.

Technologies that are considered to be categorized as AI and ML technologies are prescribed in detailed circular.

### **Regulatory requirements under the circular:**

4. All registered Mutual Funds offering or using applications or systems, shall participate in the reporting process by submitting details in the prescribed form. With effect from quarter ending June 2019, registered Mutual Funds using AI /ML based application or system as defined, are required to fill in the prescribed form and make submissions on quarterly basis within 15 calendar days of the expiry of the quarter to Associations of Mutual Funds in India (AMFI). AMFI shall consolidate the information on AI / ML applications and systems reported by Mutual Funds on quarterly basis and submit to SEBI at email id AIML\_MF@sebi.gov.in within 30 calendar days of the expiry of the quarter, starting from quarter ending June 2019.

Source:[https://www.sebi.gov.in/legal/circulars/may-2019/reporting-for-artificial-intelligence-ai-and-machine-learning-ml-applications-and-systems-offered-and-used-by-mutual-funds\\_42932.html](https://www.sebi.gov.in/legal/circulars/may-2019/reporting-for-artificial-intelligence-ai-and-machine-learning-ml-applications-and-systems-offered-and-used-by-mutual-funds_42932.html)