भारतीय कम्पनी सचिव संस्थान
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
EXECUTIVE PROGRAMME
(SYLLABUS 2022)

for

December, 2026 Examination

(Containing updates from 1st December, 2025 to 31st May, 2026)

CAPITAL MARKET & SECURITIES LAWS

GROUP 2

PAPER 5

INDEX

Students appearing in Examination shall note the following:

Students appearing in December, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government upto 31st May, 2026.

The students are advised to acquaint themselves with the Subject Specific Updates published by the Institute.

This supplement is to be read with the Capital Market & Securities Laws study material (Syllabus 2022) updated up to November, 2025.

LESSON 3
SECURITIES CONTRACTS (REGULATION) ACT, 1956

(1) Securities Contracts (Regulation) Amendment Rules, 2026 (Notification No. G.S.R. 184(E) dated March 13, 2026)

The Central Government has notified the Securities Contracts (Regulation) Amendment Rules, 2026, amending the Securities Contracts (Regulation) Rules, 1957. The Securities Contracts (Regulation) Amendment Rules, 2026, which came into force on the date of their publication in the Official Gazette, substitute clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulation) Rules, 1957, to revise minimum offer and allotment to the public in terms of an offer document. The same is provided below:

The minimum offer and allotment to the public in terms of an offer document shall be–

(i) at least 25% of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at the offer price is less than or equal to Rs. 1,600 crore;

(ii) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company equivalent to the value of Rs. 400 crore, if the post issue capital of the company calculated at the offer price is more than Rs. 1,600 crore but less than or equal to Rs. 4,000 crore;

(iii) at least 10% of each class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at the offer price is above Rs. 4,000 crore but less than or equal to Rs. 50,000 crore:

Provided that the company referred to in sub-clause (ii) or sub-clause (iii), shall increase its public shareholding to at least 25% within a period of 3 years from the date of listing of the securities, in the manner specified by the SEBI;

(iv) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company that is equivalent to the value of Rs. 1,000 crore and at least 8% of each such class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at the offer price is above Rs. 50,000 crore but less than or equal to Rs. 1 lakh crore:

Provided that the company referred to in this sub-clause shall increase its public shareholding to at least 25% within a period of 5 years, from the date of listing of its securities, in the manner as may be specified by SEBI;

(v) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company, that is equivalent to the value of Rs. 6,250 crore and at least 2.75% of each such class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at the offer price is above Rs. 1 lakh crore but less than or equal to Rs. 5 lakh crore;

(vi) at least such percentage of each class or kind of equity shares or debentures convertible into equity shares issued by the company, that is equivalent to the value of Rs. 15,000 crore and at least 1% of each such class or kind of equity shares or debentures convertible into equity shares issued by the company, if the post issue capital of the company calculated at the offer price is above Rs. 5 lakh crore:

Provided that where the public shareholding of the company referred to in sub-clauses (v) and (vi) at the time of listing is less than 15%, the company shall increase its public shareholding to at least 15% within a period of 5 years and to at least 25% within a period of 10 years, from the date of listing of its securities, in the manner as may be specified by SEBI:

Provided further that where the public shareholding of the company referred to in sub-clauses (v) and (vi) at the time of listing is 15% or above, the company shall increase its public shareholding to at least 25% within a period of 5 years from the date of listing of the securities, in the manner as may be specified by the Securities and Exchange Board of India;

(vii) notwithstanding anything contained in sub-clause (vi), at least 2.5% of each such class or kind of equity shares or debentures convertible into equity shares issued by the company shall be offered to the public:

Provided that the timelines to achieve the public shareholding as prescribed above shall also be available to all companies listed on or before the date of commencement of the Securities Contracts (Regulation) Amendment Rules, 2026:

Provided further that the applicant company referred to in this clause, who has issued equity shares having superior voting rights to its promoters or founders and is seeking listing of its ordinary shares for offering to the public under this rule and the regulations made by SEBI in this regard, shall mandatorily list its equity shares having superior voting rights at the same recognised stock exchange along with the ordinary shares being offered to the public;

(viii) notwithstanding anything contained in this clause, the recognised stock exchange may also impose fine or penalty against any company for the non-compliance with the public shareholding norms committed before the date of commencement of the Securities Contracts (Regulation) Amendment Rules, 2026.

Explanation.- For the purposes of this clause, the provisions of sub-clause (i) shall apply to, or in relation to, an applicant company desirous of getting its securities listed on a recognised stock exchange in an International Financial Service Centre, subject to the modification that the reference to "twenty-five per cent" in that sub-clause shall be construed as reference to "ten per cent", irrespective of the post issue capital of such company and the provisions of sub-clauses (ii), (iii), (iv), (v), (vi) and (vii) shall not apply.

For details: https://www.sebi.gov.in/legal/rules/mar-2026/securities-contracts-regulation-amendment-rules-2026_100349.html

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LESSON 6
SECURITIES MARKET INTERMEDIARIES

(1) SEBI (Merchant Bankers) (Amendment) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/282 dated December 03, 2025)

SEBI has notified the SEBI (Merchant Bankers) (Amendment) Regulations, 2025 on December 03, 2025 which shall come into force on the thirtieth day from the date of their publication in the Official Gazette. Vide this Notification, following amendments have been made in the SEBI (Merchant Bankers) Regulations, 1992:

- **Capital Adequacy Requirement [Regulation 7]**
  The capital adequacy requirement shall be a net worth of not less than–
  (i) fifty crore rupees for Category I merchant banker, and
  (ii) ten crore rupees for Category II merchant banker.

- **Liquid Net Worth Requirement [Regulation 7A]**
  The liquid net worth requirement shall not be less than–
  (i) twelve crore fifty lakh rupees for Category I merchant banker, and
  (ii) two crore fifty lakh rupees for Category II merchant banker.

  - The merchant banker shall ensure that it generates minimum revenue from its activities. [Regulation 9C]

- **The following amendments have been made under the heading General Obligations and Responsibilities**

  - **Permitted Activities [Regulation 13A]**

(1) A merchant banker who has been granted a certificate of registration shall undertake any of the following permitted activities in the securities market that are regulated by SEBI, namely, –

i. managing of public issues, qualified institutions placements, rights issues of securities and advisory or consulting services incidental to such issues;

ii. managing of:

a. acquisitions and takeovers under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. buy-back under the SEBI (Buy-Back of Securities) Regulations, 2018;

c. delisting under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;

d. compliances as may be required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of any scheme of arrangement;

e. implementation of a scheme under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; and

f. advisory or consulting services incidental to the activities specified in clauses (a) to (e);

iii. underwriting activities as specified by SEBI from time to time;

iv. private placement of listed or proposed to be listed securities on a stock exchange recognized by the Board and activities incidental thereto.

Explanation: For the purpose of this clause, ‘securities’ shall be treated as ‘proposed to be listed’ from the date of approval of the board resolution of the issuer, for the issuance of such securities to be listed on a stock exchange recognized by SEBI;

v. managing of international offering of securities and advisory or consulting services incidental to such offering;

vi. filing of placement memorandum of an alternative investment fund;

vii. issuance of fairness opinion;

viii. managing of secondary market transactions of securities listed on a stock exchange recognized by the Board and activities incidental thereto;

ix. market making in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018; and

x. any other activity as may be specified by SEBI from time to time.

(2) A merchant banker may also undertake –

(i) other activities regulated by the Board in accordance with the respective regulations made by the Board by obtaining the relevant certificate of registration; and/or

(ii) activities which fall under the purview of any other financial sector regulator or an authority specified by the Board, in accordance with the regulations or guidelines, if any, issued by such financial sector regulator or authority; and/or

(iii) activities that do not fall under the purview of the Board or any other financial sector regulator or authority, which shall be fee-based, non-fund based and pertain to the financial services sector;

on an arms-length basis through separate business units of such merchant banker, in such manner and subject to such other conditions as may be specified by SEBI.

Provided that a person which is regulated by the Reserve Bank of India and which holds a certificate of registration under these regulations shall undertake the activities specified under sub-regulation (1) through separate business unit.

Provided further that a merchant banker that already holds a certificate of registration under these regulations shall transfer the activities referred to in this sub-regulation to separate business unit(s) within a period of six months from the date of coming into force of the SEBI (Merchant Bankers) (Amendment) Regulations, 2025 or within such time period as may be specified by SEBI.

(3) A merchant banker shall ensure that the net worth specified for a merchant banker under these regulations is ring-fenced from any adverse impact that may arise from undertaking the activities specified under sub-regulation (2).

(4) The merchant banker that does not possess the registration for valuation related activities from the relevant regulatory authority shall conclude the existing valuation assignments undertaken by it within a period of nine months from the date of coming into force of the SEBI (Merchant Bankers) (Amendment) Regulations, 2025.

- **Preservation of books of account, records and other documents [Regulation 16]**

  The merchant banker shall preserve the books of account and other records and documents for a minimum period of eight financial years. A merchant banker shall maintain all the data and information within the territorial limits of India as per the data storage and localization norms as specified by SEBI from time to time.

- **Merchant banker not to act as such in its own issue [Regulation 21B]**

  A merchant banker shall not lead manage its own issue or be associated with any other activity undertaken under any of the regulations made by SEBI in respect of its own issue.

- **Merchant banker not to act as such in an issue where shares are held by its key managerial personnel or their relatives [Regulation 21C]**

  A merchant banker shall not lead manage any public issue, if its directors, other key managerial personnel, compliance officer, employees, or relatives of the said persons, individually or in aggregate hold more than 0.1% of the paid up share capital or shares whose nominal value is more than 10,00,000 rupees, whichever is lower in the issuer (excluding any such holdings in the issuer through mutual funds and employee stock option schemes).

- **Underwriting Obligations [Regulation 22]**

  Merchant bankers shall engage in underwriting activities as specified by SEBI from time to time.

- **General responsibilities of a merchant banker as an underwriter [Regulation 22B]**

  A merchant banker acting as an underwriter shall not derive any direct or indirect benefit from underwriting the issue other than the commission or brokerage payable under the agreement for underwriting entered with client. **At any point of time, the total underwriting obligations under all the agreements shall not exceed twenty times of the liquid net worth of the merchant banker. Provided that a merchant banker that already holds certificate of registration under these regulations shall comply with the requirements under this sub-regulation, within such time and in the manner, as may be specified by SEBI.**

- **Acquisition of securities prohibited [Regulation 26]**

  No merchant banker or any of its directors, partner or manager or principal officer **or compliance officer or employees** shall either on their respective accounts or through their associates or relatives, enter into any transaction in securities of bodies corporate on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment either from the clients or otherwise.

- **Information to the Board (SEBI) [Regulation 27]**

  Every merchant banker shall submit to SEBI the following information as a part of the periodic report –

  i. complete particulars of any transaction for acquisition of securities of any body corporate whose issue is being managed by it;

  ii. complete particulars of any transaction for acquisition of securities made in pursuance of underwriting or market making obligations in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

  iii. any other information as may be specified by SEBI from time to time.

- **Appointment of Compliance Officer [Regulation 28A]**

  (1) A merchant banker shall always have a compliance officer who-

  (i) at the time of appointment should be a qualified Company Secretary or have a graduate degree in law from a university/institution recognised by the Government; and

  (ii) at the time of appointment shall have a minimum of two years post qualification experience in activities related to corporate or secretarial compliance; and

  (iii) shall possess such certification(s) as may be specified by SEBI, and in case of an existing compliance officer, such certification(s) shall be obtained within such time as may be specified by SEBI.

  Provided that an existing compliance officer of a merchant banker may continue to act as such if he/she complies with clauses (i), (ii) and (iii) of sub-regulation (1) or has professional qualification with at least five years post qualification experience in activities related to corporate or secretarial compliance and obtains such certification(s) as may be specified by SEBI.

  (2) The compliance officer appointed under sub-regulation (1) shall be-

  (i) separate and independent from the principal officer and the employees. Provided that a merchant banker that already holds a certificate of registration under these regulations shall comply with the requirement under this clause within such time and in the manner, as may be specified by SEBI;

  (ii) responsible for-

  a. monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government; and

  b. for redressal of investors' grievances.

  (3) The compliance officer shall immediately and independently report to SEBI any non-compliance observed by him/her and ensure that the observations made or deficiencies pointed out by SEBI in the draft prospectus or the letter of offer as the case may be, do not recur.

  (4) In case the office of compliance officer becomes vacant, the merchant banker shall appoint another compliance officer not later than three months from the date of the office becoming vacant. Provided that the merchant banker shall not fill such vacancy by appointing a person in an interim capacity, unless such appointment is made in accordance with conditions applicable in case of a regular appointment to such position and the obligations applicable to a regular appointee are also made applicable to such person on interim appointment.

  For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-merchant-bankers-amendment-regulations-2025_98210.html

(2) SEBI (Stock Brokers) Regulations, 2026 (Notification No. SEBI/LAD-NRO/GN/2026/291 dated January 07, 2026)

SEBI has notified the SEBI (Stock Brokers) Regulations, 2026 on January 07, 2026 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, following has been prescribed:

- **Definitions**
  - "Stock Broker" means a person having trading rights in any recognised stock exchange and includes a trading member. [Regulation 2(1)(w)]
  - "Qualified Stock Broker" means a stock broker designated as such under regulation 19 [Regulation 2(1)(q)].

Enhanced Obligations and Responsibilities for Qualified Stock Brokers [Regulation 19]
SEBI may designate a stock broker as a qualified stock broker having regard to its size, scale of operations and likely impact on investors and securities market, on the basis of the following parameters with appropriate weightages specified–

(a) total number of active clients;
(b) available total assets of clients with the stock broker;
(c) trading volumes of the stock broker;
(d) end of the day margin obligations of all clients of a stock broker; and
(e) proprietary trading volumes of the stock broker.

In addition to obligation specified under regulation 18, the stock broker designated as a qualified stock broker shall be required to meet enhanced obligations and discharge responsibilities, as may be specified, to ensure –

(a) appropriate governance structure and processes;
(b) appropriate risk management policy and processes;
(c) scalable infrastructure and appropriate technical capacity;
(d) framework for orderly winding down;
(e) robust cyber security framework and processes; and
(f) investor services including online complaint redressal mechanism.

Activities restricted or prohibited for Stock Broker [Regulation 20]
A stock broker shall refrain from–

(a) engaging in activities or schemes of indicative or guaranteed or fixed or periodic returns or payments, which are not permitted under the Regulations, as well as bye-laws, notifications and circulars issued by the Board or a recognized stock exchange, as the case may be;

(b) operating any schemes of unauthorised collective investments/portfolio management services;

(c) engaging in any activity not permitted under rule 8(1)(f) and rule 8(3)(f) of the Securities Contracts (Regulation) Rules, 1957; and

(d) accepting cash from its clients either directly or by way of cash deposit to its bank account.

- **Base Net Worth Requirements for Members Dealing in Securities**
  - Trading Member: 1 crore
  - Self-Clearing Member: 5 crore
  - Clearing Member: 15 crore
  - Professional Clearing Member: 50 crore

The Variable Net-worth of the members dealing in securities would be as specified.

- **General Obligations and Responsibilities of the Registrar to an Issue and Share Transfer Agent**
    - Every stock broker shall keep and maintain, either physically or in electronic form, books of account, records and documents.
    - Every stock broker shall maintain the books of account and other records for a minimum period of eight years.
    - Every stock broker shall appoint a compliance officer who shall be responsible for–

        (a) monitoring the compliance of the Act, the Securities Contracts (Regulation) Act, 1956 or any rules or regulations made thereunder as well as the bye-laws, notifications, guidelines, instructions, etc., issued by the SEBI or recognised stock exchange as the case may be; and

        (b) redressal of investors' grievances.
    - A stock broker must–

        (a) ensure that the clients' funds are available at all times;

        (b) adhere to the allocation and segregation of collaterals at the client level and upstreaming of client funds provisions; and

        (c) segregate the money and securities deposited by a client from its own account or account of any other client.
    - A stock broker shall have a sound risk management system for comprehensively managing risks and shall have adequate internal procedures and controls with the aim of protecting the interests of clients, their assets and ensuring proper management of risk.
    - A stock broker must also adhere to the audit related requirements and SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and ensure the confidentiality of all the details of the client.
    - The stock broker shall have a robust cyber security and cyber resilience framework, as specified.
    - The stock broker shall ensure that it is continuously enrolled on SEBI Complaints Redress System (SCORES), the common Online Dispute Resolution Portal (ODR) or such other platform, as specified.
    - The stock broker shall adhere to the code of advertisement, as specified.
    - The stock broker shall adhere to the guidelines on outsourcing of activities, as specified.
    - A stock broker shall abide by all the provisions of the Act, rules, regulations, notifications, circulars and guidelines issued by the Central Government or the Board as the case may be as well as the rules, regulations, bye-laws, notifications, circulars and guidelines of recognised stock exchange as may be applicable to it as a stock broker.
    - The stock broker shall ensure compliance with the Investor Charter specified.
    - A stock broker shall faithfully execute orders on behalf of clients for buying and selling of securities at the best available market price.

For details: https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-stock-brokers-regulations-2026_98974.html

(3) SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/288 dated December 15, 2025)

SEBI has notified the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, the following has been prescribed:

- **Definition of Registrar to an Issue and Share Transfer Agent [Regulation 2(1)(k)]**
  Registrar to an Issue and Share Transfer Agent means a body corporate or a division or unit of such body corporate, appointed to carry out the following activities-
  i. for acting as an intermediary in connection with initial public offers, follow-on public offers, open offers, buy backs of securities, delisting offers, takeovers and such other issue or corporate action related activity as may be specified by the Board or stock exchanges or depositories;
  ii. for maintaining the records of holders of securities issued by such body corporate and to deal with all matters connected with transactions in such securities. [Regulation 2(1)(k)]
- **Net Worth Requirements [Regulation 9]**
  The net worth requirement of Registrar to an Issue and Share Transfer Agent shall not be less than fifty lakh rupees.
- **General Obligations and Responsibilities of the Registrar to an Issue and Share Transfer Agent**
  - Every registrar to an issue and share transfer agent shall at all times abide by the Code of Conduct as specified in Schedule III.
  - Registrar to an issue and share transfer agent shall not to act as such for any issue of securities by a body corporate of which it is an associate.
  - Every Registrar to an Issue and Share Transfer Agent shall keep and maintain the books of accounts and documents.
  - The registrar to an issue and share transfer agent shall preserve the books of accounts and other records and documents for a minimum period of eight years.
  - Every Registrar to an Issue and Share Transfer Agent shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the SEBI or the Central Government and for redressal of investors' grievances.
  - All claims, differences or disputes between a Registrar to an Issue and Share Transfer Agent and its client and investor arising out of or in relation to the activities of the Registrar to an Issue and Share Transfer Agent in the securities market shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration, in accordance with the procedure specified by SEBI.
  - The Registrar to an Issue and Share Transfer Agent shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by SEBI.
  - The Registrar to an Issue and Share Transfer Agent shall ensure compliance with the Investor Charter specified by the Board from time to time.

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-registrars-to-an-issue-and-share-transfer-agents-regulations-2025_98477.html

LESSON 8
ISSUE OF CAPITAL & DISCLOSURE REQUIREMENTS

(1) SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026 [Notification No. SEBI/LAD-NRO/GN/2026/299 dated March 16, 2026]

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026 on March 16, 2025 which shall come into force on the date of their publication in the Official Gazette.

Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

- **In Regulation 17, pertaining to "Lock-in of specified securities held by persons other than the promoters", sub-regulation 2 has been inserted:**
  Subject to sub-regulation (1), where lock-in of the specified securities cannot be created, the depositories shall, upon receipt of instructions from the issuer, record such securities as "non-transferable" for the duration of the applicable lock-in period.
- In Regulation 25(2) and 123(2), pertaining to "Filing of the draft offer document and offer document", the lead manager shall submit to SEBI, along with the draft offer document, a draft abridged prospectus prepared in accordance with Part E of Schedule VI, together with the other prescribed certificates.
- Copy of the offer documents **along with the abridged prospectus** shall also be filed with SEBI and the stock exchange(s) through the lead manager(s) promptly after filing the offer documents with Registrar of Companies. [Regulation 25(7) and 123(7)]
- The draft offer document, **the offer document, the draft abridged prospectus, and the abridged prospectus** shall also be furnished to SEBI in a soft copy. [Regulation 25(8) and 123(8)]

- **In Regulation 26, pertaining to "Draft offer document and offer document to be available to the public" the following amendments have been made:**
  - The draft offer document filed with SEBI shall be made public for comments, if any, for a period of at least twenty one days from the date of publication of the public announcement under sub-regulation (2), by hosting it **along with the draft abridged prospectus** on the websites of the issuer, the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue. [Regulation 26(1) and 124(1)]
  - The issuer and the lead manager(s) shall ensure that the offer documents **and the abridged prospectus** are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the stock exchanges, as applicable. [Regulation 26(4) and 124(4)]
- **Abridged Prospectus**
  Every application form distributed by the issuer or any other person in relation to an issue shall include **a QR code and link to access the red herring prospectus, the abridged prospectus, and the price band advertisement.** [Regulation 34(2), 131(2) and 255(2)]
- **Filing of the offer document**
  - The lead manager(s) shall submit a due-diligence certificate as per Form A of Schedule V to which the site visit report of the issuer prepared by the lead manager(s) shall also be annexed,

including additional confirmations as provided in Form G of Schedule V, **and the draft abridged prospectus as per Part E of Schedule VI** along with the draft offer document to the SME Exchange(s), where the specified securities are proposed to be listed. [Regulation 246(3)]

- The offer documents and **the abridged prospectus**, shall also be furnished to SEBI in a soft copy. [Regulation 246(5)]

- **In Regulation 247, pertaining to "Draft offer document and offer document to be available to the public" the following amendments have been made:**
  - The draft offer document filed with the SME exchange shall be made public for comments, if any, for a period of at least twenty one days from the date of filing, by hosting it **along with the draft abridged prospectus** on the websites of the issuer, SME exchange where specified securities are proposed to be listed and lead manager associated with the issue. [Regulation 247(1)]
  - The issuer and the lead manager(s) shall ensure that the offer documents **and the abridged prospectus** are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the SME exchange(s). [Regulation 247(4)]

For details: https://www.sebi.gov.in/legal/regulations/mar-2026/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2026_100495.html

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LESSON 9

SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY

SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/284 dated December 03, 2025]

SEBI has notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 which shall come into force on the thirtieth day from the date of their publication in the Official Gazette. Vide this notification, SEBI has amended the definition of valuer and as per the amended definition, the valuer shall have the same meaning as assigned to it under section 247 of the Companies Act, 2013.

Further, the amendment has been made in regulation 34 relating to valuation of sweat equity shares. In regulation 34(1), the words *"a merchant banker"* have been be substituted with the words *"an independent registered valuer"*.

Pursuant to the amendment, the valuation of the know-how or intellectual property rights or value addition must be carried out by an independent registered valuer. However, a merchant banker shall complete the ongoing valuation assignment which has been undertaken prior to the coming into force of the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 within a period of nine months from the date of coming into force of the said regulations.

Further, the regulations 34(2) and 34(3) have been omitted.

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-share-based-employee-benefits-and-sweat-equity-second-amendment-regulations-2025_98214.html

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LESSON 10
ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES

(1) SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2026 [Notification No. SEBI/LAD-NRO/GN/2026/296 dated January 20, 2026]

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2026 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021:

- A new definition of **retail individual investor** has been inserted which means an individual investor who applies or bids for debt securities for a value of not more than two lakhs rupees.
- In regulation 31, pertaining to “Prohibition on Payment of Incentives” the following proviso has been inserted:

  Provided that nothing contained in this regulation shall preclude the issuer from offering an incentive in the form of additional interest or a discount to the issue price to senior citizens, women, serving and retired defence personnel, widows and widowers of defence personnel, retail individual investors or any other category of investors as may be specified by the Board from time to time. Provided further that such incentive shall be available only to the initial allottee but not in case the debt securities are transferred/ transmitted post allotment.

  Brief Analysis
  With a view to enhance participation of retail investors in corporate debt market and also to encourage public issuances in the debt market, SEBI has amended the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to permit debt issuers to offer incentives to certain categories of investors.

For details: https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-amendment-regulations-2026_99233.html

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LESSON 11
LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS

(1) SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/289 dated December 15, 2025]

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette.

In the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the words "Share Transfer Agent" / "Category II Share Transfer Agent" / "Registrar to an Issue and/or Share Transfer Agent" / "Registrar & Share Transfer Agent" / "Registrar and Share Transfer Agent" have been substituted with the words **"Registrar to an Issue and Share Transfer Agent".**

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-sixth-amendment-regulations-2025_98408.html

(2) SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 [Notification No. SEBI/NRO-GN/2026/295 dated January 20, 2026]

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 which shall come into force on the date of their publication in the Official Gazette. Vide the Notification, the following amendments, *inter alia*, have been made in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- The provisions of regulation 15 and regulations 16 to 27 of Chapter IV under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall apply to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of **₹ 5000 crore** and above.

  Provided that in case the value of the outstanding listed non-convertible debt securities becomes equal to or greater than the specified threshold of **₹ 5000 crore** during the course of the year, the high value debt listed entity shall ensure compliance with these provisions, within six months from the date of such trigger, and the disclosures of such compliance may be made in the corporate governance compliance report on and from the third quarter, following the date of the trigger. [Regulation 15(1A)]

- The following explanation (2) to Regulation 15 (1A) has been omitted:
  "The 'high value debt listed entities' on the date of notification of this amendment would be determined on basis of value of principal outstanding of listed debt securities as on March 31, 2021."

- Provided that the provisions of regulation 15(1AA) shall not be applicable to entities which cease to be classified as high value debt listed entities (HVDLEs) in terms of the revised threshold as per Regulation 15(1A). [Insertion: Proviso to Regulation 15(1AA)]

- The listed entity shall effect credit of securities pursuant to investor service requests in relation to subdivision, split, consolidation, renewal, exchanges and issuance of duplicate securities on account of loss or old decrepit or worn out certificates in dematerialised form within a period of thirty days from the date of receipt of such request along with relevant documents. [Regulation 39(2)]

- Save as otherwise specified in provisions of securities laws or Companies Act, 2013 and rules made thereunder, the listed entity shall also comply with the following requirements:
  (a) The requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository.
  (b) Transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form.

  Provided that nothing contained in clause (a) shall prevent the registration of transfer of securities executed before April 01, 2019 and still held in physical form subject to such conditions as may be specified by SEBI. [Regulation 40(1)]

For details: https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2026_99336.html

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LESSON 12
ACQUISITION OF SHARES AND TAKEOVERS – CONCEPTS

(1) SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/283 dated December 03, 2025]

SEBI has notified the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 which shall come into force on the thirtieth day from the date of their publication in the Official Gazette. Vide the Notification, the following amendments have been made in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011:

- The amendment has been made in regulation 8 relating to Offer Price. In regulation 8(2)(e) and 8(4), the words *"the acquirer and the manager to the open offer"* have been substituted with the words *"an independent registered valuer"*.

  Pursuant to the amendment, the price must be determined by an independent registered valuer, in given circumstances, taking into account valuation parameters including, book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies. However, the acquirer and the manager to the open offer shall complete the ongoing valuation assignment which has been undertaken prior to the coming into force of the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 within a period of 9 months from the date of coming into force of the said regulations.
- In regulation 8, pertaining to Offer Price, sub-regulation (16) has been substituted:
  - For purposes of clause (e) of sub-regulation (2) and sub-regulation (4), SEBI may, at the expense of the acquirer, require valuation of the shares by an independent registered valuer.

    Provided that the independent merchant banker other than the manager to the open offer or the independent chartered accountant shall complete the ongoing valuation assignment which has been undertaken prior to the coming into force of the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 within a period of nine months from the date of coming into force of the said regulations.
- In regulation 9, pertaining to Mode of Payment, in sub-regulation (5), clause (c):
  - The words "merchant banker (other than the manager to the open offer) or an independent chartered accountant having a minimum experience of ten years." have been substituted with the words "registered valuer:"
  - Provided that the independent merchant banker (other than the manager to the open offer) or the independent chartered accountant shall complete the ongoing valuation assignment which has been undertaken prior to the coming into force of the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025 within a period of nine months from the date of coming into force of the said regulations. [Proviso inserted in Regulation 9(5)(c)]

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-amendment-regulations-2025_98211.html

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LESSON 17
MUTUAL FUNDS

SEBI (Mutual Funds) Regulations, 2026 [Notification No. SEBI/LAD-NRO/GN/2026/294 dated January 14, 2026]

SEBI has notified the new SEBI (Mutual Funds) Regulations, 2026, which shall come into force with effect from April 1, 2026.

SEBI (Mutual Funds) Regulations, 2026 are designed to offer greater clarity, improved readability, and enhanced structural coherence. While simplifying compliance, the revised framework retains the core principles, safeguards, and regulatory intent built over the years, and further strengthens investor protection, transparency, and governance standards within the mutual fund ecosystem.

The Securities & Exchange Board of India (Mutual Funds) Regulations, 1996 stand repealed from the date of coming into force of SEBI (Mutual Funds) Regulations, 2026.

Some of the key amendments of the SEBI (Mutual Funds) Regulations, 2026 are:

Important Definitions

"Mutual Fund" means a fund established in the form of a trust granted registration under regulation 3 and which raises monies through the sale of units to the public under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, silver or silver related instruments and such other assets and instruments as may be specified by SEBI. Mutual fund schemes investing in exchange traded commodity derivatives can hold the underlying goods in case of physical settlement of such contracts.

"Mutual Fund Lite" or "MF Lite" means a mutual fund granted registration under Chapter X of these regulations and has only such index funds, exchange traded funds, fund of funds or other mutual fund schemes as may be specified by SEBI.

"Mutual Fund Lite Scheme" or "MF Lite Scheme" means any scheme launched by a mutual fund lite or any other eligible passive scheme as may be specified by SEBI.

"Asset Management Company" means a company incorporated under the Companies Act 1956 or Companies Act, 2013 and approved by SEBI under regulation 18.

"Sponsor" means any person who, acting individually or in concert with another body corporate, establishes a mutual fund or a mutual fund lite.

"Trustees" of the mutual fund shall mean the trustee company that holds the property of the mutual fund in trust for the benefit of the unit holders. Further, "trustees" in case of mutual fund Lite shall mean a debenture trustee registered with the Board under the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993; in case an existing sponsor transfers its eligible passive schemes from its existing mutual fund to a mutual fund lite in accordance with regulation 58, the MF Lite asset management company may appoint the existing trustee of the mutual fund as the trustee of the mutual fund lite.

“Unit” means the interest of the unit holders in a scheme representing one undivided share in the assets of a scheme.

“Unit Holder” means a person holding unit in a scheme of a mutual fund.

“Close-Ended Scheme” means any scheme of a mutual fund in which the period of maturity of the scheme is specified.

“Open-Ended Scheme” means a scheme of a mutual fund which offers units for sale without specifying any duration for redemption.

“Equity Oriented Schemes” means a scheme other than an index fund scheme or an exchange traded fund, where, the scheme invests a minimum of sixty-five per cent of its net assets in equity and equity related instruments.

“Equity Related Instruments" include convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives, units of Real Estate Investment Trust and such other instrument as may be specified by SEBI.

“Exchange Traded Fund” means a mutual fund scheme that invests in securities in the same proportion of an index of securities in the manner specified by SEBI and whose units are mandatorily listed and traded on a stock exchange platform.

“Exit Load” means the charge or fee levied by the mutual fund at the time of redemption or repurchase of units.

“Fund of Funds Scheme” means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds.

“Gold Exchange Traded Fund Scheme” shall mean a mutual fund scheme that invests primarily in gold or gold related instruments.

“Gold Related Instrument” shall mean such instrument having gold as underlying, as may be specified by SEBI.

“Index Fund Scheme” means a mutual fund scheme that invests in securities in the same proportion of an index of securities in the manner specified by SEBI.

“Infrastructure Debt Fund Scheme” means a mutual fund scheme that invests primarily (minimum 90% of scheme assets) in the debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles which are created for the purpose of facilitating or promoting investment in infrastructure or other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or other projects or special purpose vehicles.

“SIF Investment Strategy” means a scheme of mutual fund launched under the Specialized Investment Fund.

“Liquid Net Worth” means the net worth deployed in liquid assets which are unencumbered and shall include cash, bank deposits with Scheduled Commercial Banks, money market instruments, Government Securities, Treasury bills, Repo on Government securities and any other instruments as specified by SEBI.

"NAV" or "Net Asset Value" shall mean the value computed in the manner provided in regulation 43 of these regulations.

"Net Worth" means the aggregate of the paid up capital and free reserves after deducting therefrom, miscellaneous expenditure to the extent not written off or adjusted or deferred revenue expenditure, intangible assets, accumulated losses and any loans and advances given by asset management company or MF Lite asset management company to either its sponsor, associates or group company of sponsor and its associates or group company.

"Offer Document" means scheme information document and statement of additional information by which a mutual fund invites public for subscription of units of a scheme.

"Silver Exchange Traded Fund Scheme" shall mean a mutual fund scheme that invests primarily in silver or silver related instruments.

"Silver Related Instrument" shall mean an instrument as may be specified by SEBI, which has silver as the underlying product.

"Specialized Investment Fund" means a mutual fund as defined under clause (gg) of sub-regulation (1) of regulation 2 of these regulations and subject to such other conditions as specified under these regulations.

"Total Expense Ratio" means the ratio of total of all expenses charged to the investors of the scheme to the total asset under management of the scheme, as may be specified by SEBI.

Registration of Mutual Funds

Application for Registration of Mutual Fund and Fees [Regulation 3]

The application for registration of a mutual fund shall be made in the following manner:

(a) A sponsor shall submit to SEBI an application for mutual fund registration in the format as specified by SEBI from time to time, along with a non-refundable fee.

(b) An application which is incomplete in any respect shall be liable to be rejected. Before rejecting any such application, the applicant shall be given an opportunity to complete such formalities within such time as may be specified by SEBI.

(c) SEBI may direct the sponsor to provide such additional information or clarifications as it deems requisite.

(d) SEBI may, upon receipt of all information, decide on the application.

(e) SEBI may register the mutual fund and issue a certificate of registration if it is satisfied that the applicant complies with the eligibility criteria and other requirements provided in these regulation and upon the applicant paying the registration fee.

(f) If the sponsor does not satisfy the eligibility criteria and such other requirements provided in this regulation the application shall be liable to be rejected. If the application is rejected, the same shall be informed to the applicant.

Conditions of Registration [Regulation 4]

The registration granted to a mutual fund, shall be subject to the following terms and conditions—

(a) the trustees, the sponsor, the asset management company and the custodian shall adhere to the provisions of these regulations;

(b) the mutual fund shall promptly notify SEBI, if any information or particulars previously submitted to SEBI prove misleading or false in any material respect;

(c) the mutual fund shall immediately inform SEBI, of any material change in previously furnished information or particulars, which have a bearing on the registration granted; and

(d) payment of annual fees as specified.

Eligibility Criteria for Registration [Regulation 5]

For the purpose of granting a certificate of registration, the sponsor shall fulfill the following:

(1)	The sponsor shall have a general reputation of fairness and integrity in all business transactions and shall fulfill the criteria relating to **“sound track record”** given under one of the following two routes:			
	S. No	**Particulars**	**Route 1**	**Route 2**
	(a)	Experience	Be carrying on business in financial services for minimum five years. Appoint Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer and Chief Investment Officer in the asset management company with a minimum of 3 years of relevant experience.	Appoint Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer and Chief Investment Officer in the asset management company with total combined experience in the relevant field of at least thirty years and each of them shall have a minimum of 3 years of relevant experience.
	(b)	Profitability	Net profit in financial services business after providing for depreciation, interest and tax in each of the	No profitability criteria for granting of a certificate of registration under this route.

			immediately preceding five years and; Average net annual profit of at least rupees ten crore, after depreciation, interest and tax, from financial services business during the immediately preceding five years.	
	(c)	Net worth of sponsor	Positive net worth in each of the preceding five years.	Not Applicable
	(d)	Positive Liquid Net worth	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the asset management company.	
	(e)	Net worth of asset management company	The sponsor shall ensure that the net worth of asset management company is at least fifty crores (Rs. 50 Crores) and deployed in assets as may be specified by SEBI, at all times. The sponsor shall ensure maintaining the net worth requirement on a continuous basis.	Net worth of the asset management company shall be at least rupees one hundred fifty crore (Rs. 150 Crores) at the time of registration which shall be infused by the sponsor. However, the asset management company shall maintain net worth of at least one hundred crores deployed in assets as may be specified by SEBI, on a continuous basis: Provided that if asset management company has profits for five consecutive years, the net worth of asset management company shall be maintained at least rupees fifty crore. The sponsor shall ensure maintaining the net worth requirement on a continuous basis.

	(f)	Lock-in Requirement	No lock-in requirements for certificate of registration under this route.	The initial shareholding equivalent to capital contributed to the asset management company, to the extent of at least rupees one hundred fifty crore (Rs. 150 Crores), shall be locked-in for a period of five years
	(g)	Change in Control	In case of change in control of an existing asset management company due to acquisition of shares, the positive liquid net worth of the sponsor or funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired	In case of acquisition of existing asset management company, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the asset management company and the positive liquid net worth of the sponsor or the funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired. In case of acquisition of stake in an existing asset management company, the shareholding of the sponsor(s) equivalent to minimum of rupees one hundred fifty crore shall be locked in for five years.
	(h)	Private Equity fund as a sponsor of mutual fund	Not applicable for certificate of registration under this route.	A pooled investment vehicle including a private equity fund may sponsor mutual fund by complying with conditions under this route and such other conditions as may be specified by SEBI.
(2)	Fit and proper requirement for sponsor and mutual fund		Applicant and mutual fund shall comply with the fit and proper criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.	

(3)	Minimum holding of sponsor in an asset management company	The sponsor shall contribute at least 40% to the net worth of the asset management company. Provided that any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and shall be required to fulfill the eligibility criteria specified in this regulation.
(4)	Fit and proper requirement for sponsor, its directors or the key personnel to be employed by the mutual fund and/or asset management company	The sponsor or any of its directors or the key personnel to be employed by the mutual fund and asset management company should not have been guilty of fraud or been convicted of an offence involving moral turpitude or been found guilty of any economic offence.
(5)	Appointment of trustees	Appointment of trustees to act as trustees for the mutual fund shall be in accordance with the provisions of the regulations.
(6)	Appointment of asset management company	Appointment of asset management company to manage the mutual fund and operate the scheme of such funds shall be in accordance with the provisions of these regulations.
(7)	Appointment of custodian	Appointment of custodian in order to keep custody of the securities or goods or gold or gold related instruments or silver or silver related instruments or other assets of the mutual fund held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.
(8)	Other conditions	Other conditions in this regard as may be specified by SEBI are complied with.
(9)	Approval to establish a Specialized Investment Fund	A mutual fund registered under clause (e) of regulation 3 may be granted an approval to establish a Specialized Investment Fund subject to fulfilling such additional eligibility criteria and in the manner as may be specified by SEBI.
(10)	Eligibility criteria for sponsor of mutual fund lite	The eligibility criteria for sponsor of mutual fund lite shall be as specified under Chapter X and the above mentioned eligibility criteria shall not be applicable to application for mutual fund lite.

Norms for Shareholding and Governance in Mutual Funds [Regulation 6]

(1) The sponsor of a mutual fund, its associate or group company including the asset management company (through the schemes of the mutual fund or otherwise, individually or collectively), or any shareholder holding 10% or more of the shareholding or voting rights in the asset management company or the trustee company of a mutual fund, shall not, directly or indirectly:

(a) hold ten percent or more of the shareholding or voting rights in the asset management company or the trustee company of any other mutual fund; or

(b) have representation on the board of the asset management company or trustee company of any other mutual fund.

(2) In the event of a merger, acquisition, scheme of arrangement or any other arrangement involving the sponsors of the mutual funds, shareholders of the asset management companies or trustee companies, their associates or group companies, which results in the incidental acquisition of shares, voting rights or representation on the board of another asset management company or trustee company, the acquirer shall comply with sub-regulation (1) within a period of one year of coming into force of such an arrangement.

(3) The restriction on holding shares or voting rights or representation on the Board provided in sub regulation (1) shall not apply to:
(a) an existing sponsor of mutual fund that transfers its eligible passive schemes of mutual fund to a mutual fund lite belonging to a group entity of the same sponsor, subject to conditions as specified by SEBI; and
(b) an existing shareholder holding ten per cent or more shareholding or voting rights in an existing asset management company of the mutual fund and holding ten per cent or more shareholding or voting rights in a mutual fund lite asset management company belonging to a group entity of the same sponsor.

Registration of Trust Deed [Regulation 9]

(1) A mutual fund shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, duly registered under the provisions of the Registration Act, 1908, executed by the sponsor in favour of the trustee named in such an instrument.
(2) In the event the sponsor disassociates from a mutual fund, the signatory to the trust deed in place of the disassociated sponsor shall be as specified by SEBI.

Appointment of Custodian [Regulation 13]

(1) The trustees shall appoint a custodian for the mutual fund and enter into a custodian agreement and send intimation to SEBI within fifteen calendar days of such appointment.
(2) The trustees shall maintain oversight of the activities of the custodian in relation to the mutual fund.
(3) Custodian appointed shall carry out the custodial services for the schemes of the fund for safekeeping of assets of the scheme.
(4) A custodian in which fifty per cent or more of the directors represent the interest of the mutual fund sponsor or its associates shall not be appointed as custodian for a mutual fund constituted by the same sponsor, or any of its associates or any of its subsidiaries.
(5) Custodian in which the sponsor or its associates hold fifty per cent or more of the voting rights of the share capital of the custodian shall act as custodian for a mutual fund constituted by the same sponsor or any of its associates or subsidiary company only if:
(a) the sponsor has a net worth of at least twenty thousand crore rupees at all points of time;
(b) fifty per cent or more of the directors of the custodian are those who do not represent the interest of the sponsor or its associates;
(c) the custodian and the asset management company of a mutual fund are not subsidiaries of each other;
(d) no person is a director of both the custodian and the asset management company of a mutual fund; and
(e) the custodian and the asset management company of a mutual fund sign an undertaking that they will act independently of each other in their dealings with the scheme.

Agreement with Custodian [Regulation 14]

The mutual fund, upon approval of the trustees on the service contract and terms of appointment of the custodian, shall enter into a custodian agreement with the custodian, which shall contain the clauses which are necessary for the efficient and orderly conduct of the affairs of the custodian.

Constitution and Management of Asset Management Company

Appointment of an Asset Management Company [Regulation 18]

The sponsor, or the trustee if so authorised by the trust deed, shall appoint an asset management company approved by the Board under regulation 16(4).

Application for approval of Asset Management Company [Regulation 15]

(1) The application for the approval of the asset management company shall be made in the format specified by SEBI.
(2) An application, which is not complete in all respects shall be liable to be rejected. Before rejecting any such application, the applicant shall be given an opportunity to complete such formalities within such time as may be specified by SEBI.
(3) SEBI may require the applicant or the asset management company to furnish such further information or clarification as may be required by it.
(4) SEBI may on receipt of all information decide the application.

Eligibility Criteria for Asset Management Company [Regulation 16]

(1) **Track Record and Reputation**
   (a) If the applicant is an existing asset management company, it shall have a general reputation for fairness in transactions, demonstrable integrity and shall comply with the profitability and networth requirements specified under sub-regulation (1) of regulation 5 and sub-regulation (1) of regulation 57.
   (b) The asset management company shall comply with fit and proper person criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

(2) **Director and Key Personnel Qualifications**
   (a) The directors of the asset management company must be individuals possessing adequate professional experience in finance and financial services related fields.
   (b) The persons so appointed as director and/ or key personnel shall also be fit and proper persons in accordance with the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.
   (c) The board of directors of asset management company must comprise at least fifty per cent directors, who are not associates of the sponsor, or any of its subsidiaries, or the trustees.
   (d) The directors of the asset management company (including Chairman) shall not simultaneously serve on the board of a trustee company of any mutual fund.

(3) **Net worth requirements**
   (a) The sponsor shall be responsible for ensuring that the asset management company complies with the minimum net worth requirement at all times.
   (b) The minimum net worth of the asset management company as required under clause (e) sub-regulation (1) of regulation 5 shall be deployed in assets as may be specified by SEBI and shall be maintained on a continuous basis.

(4) SEBI may, after considering an application with reference to the matters specified in sub-regulations (1), (2) and (3), grant approval to the asset management company.

Additional Criteria to be complied by the Asset Management Companies on a continuous basis [Regulation 17]

The approval granted under sub-regulation (4) of regulation 16 shall be subject to the following additional conditions:

(a) **Director Appointment and Cross-Directorship:**

(i) A person shall not simultaneously hold the office of director in more than one asset management company.

(ii) The restriction provided in sub-clause (i) shall not be applicable to independent director appointed as per clause (c) of sub-regulation (2) of regulation 16, and the approval of the board of the asset management company in which such person is an independent director has been duly obtained.

(iii) A director of an asset management company shall be appointed only with prior approval of the trustees.

(b) **Compliance and Information Disclosure:**

(i) An asset management company shall undertake to comply with all the provisions of these regulations.

(ii) An asset management company shall forthwith inform the Board of any material change in the information or particulars previously furnished, directly impacts the approval granted by it.

(iii) An asset management company shall provide the trustees with such information and documents as they may require.

(c) **Change in Control of the Asset Management Company:**

A change in the control of the asset management company shall not be effected unless:

(i) prior approval of the trustees and the Board has been obtained;

(ii) written communication (including digital modes such as email/sms etc.) regarding the proposed change is dispatched to unitholders;

(iii) details specified by the Board in this regard are appropriately displayed on the website of asset management company; and

(iv) the unitholders are given an option to exit from the schemes of the mutual fund managed by the asset management company at the prevailing Net Asset Value without incurring any exit load.

Code of Conduct for the Asset Management Company and Trustees

The trustees shall ensure that the asset management company adhere to the Code of Conduct applicable to asset management companies and trustees shall also abide by the Code of Conduct, as specified in Part – A of the Fourth Schedule provided below:

(1) The trustees and the asset management company shall maintain high standards of integrity and fairness in all their dealings and in the conduct of their business.

(2) Mutual funds schemes should not be organised, operated, managed or the portfolio of securities should not be selected, in the interest of sponsors, directors of asset management companies, directors of Trustee Company and their associates.

(3) Mutual funds schemes should be organised, operated, managed and the portfolio of securities should be selected, to provide equitable and fair treatment to all classes of unitholders of the scheme. Decisions taken to favor or to benefit one set of investors over other shall not be considered as equitable and fair treatment to all class of unitholders.

(4) The trustees and asset management companies must ensure that adequate, accurate, explicit and timely information about the investment policies, investment objectives, financial position and general affairs of the scheme is dissemination in a simple language to all unitholders of the scheme.

(5) The trustees and asset management companies must avoid excessive concentration of business

with broking firms, associates and also excessive holding of mutual fund units of a scheme among few investors.

(6) The trustees and asset management companies must avoid conflicts of interest in managing the affairs of the schemes and keep the interest of all unitholders paramount in all matters.

(7) The trustees and asset management companies shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the mutual fund; and bank accounts and securities accounts of each scheme are segregated and ring-fenced.

(8) The trustees and asset management companies shall carry out the business and invest in accordance with the investment objectives stated in the offer documents and take investment decision solely in the interest of unitholders.

(9) The trustees and asset management companies must not use any unethical means to sell, market or induce any investor to invest in their mutual fund schemes.

(10) The trustees and the asset management company shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment.

(11) The asset management company shall not make any exaggerated statement, whether oral or written, either about their qualifications or capability to render investment management services or their achievements.

(12) The trustees and asset management company shall ensure that:

(a) the sponsor of the mutual fund, the trustees or the asset management company or any of their employees do not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his interest including long or short position in the said security has been made, while rendering such advice.

(b) in case an employee of the sponsor, the trustees or the asset management company is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

Schemes of Mutual Fund

Filing of Offer Document [Regulation 24]

(1) An asset management company may launch a scheme:

(i) after approval of the trustees; and

(ii) on receipt of SEBI's final observations on the offer document filed with SEBI.

(2) SEBI may issue observations, if any, within 21 working days from the date of filing of the offer document.

(3) While filing the offer document, the mutual fund shall pay to SEBI the minimum filing fee as specified.

(4) The mutual fund shall pay to SEBI the balance filing fee within such time as may be specified by SEBI from time to time.

Disclosures in the Offer Document [Regulation 25]

(1) The offer document shall contain disclosures which are adequate to enable investors to make an informed investment decision, including the disclosures:

(a) on maximum investments proposed to be made by the scheme in the listed securities of the group companies of the sponsor; and

(b) regarding the prior in principle approval obtained from the recognized stock exchange(s) on which units are proposed to be listed in accordance with these regulations.

(2) SEBI may, in the interest of investors, require the asset management company to carry out such modifications in the offer document as SEBI deems fit.

(3) The offer document shall not contain any disclosure or statement or opinion that is false, misleading, or incorrect.

(4) The offer document shall contain such other disclosures as may be specified by SEBI from time to time.

Application for Subscription to Mutual Fund Units [Regulation 26]

Every physical application form for subscription to units of a mutual fund shall be accompanied by a **Key Information Memorandum** containing such information as may be specified by SEBI from time to time.

Nomination [Regulation 27]

(1) The asset management company shall provide to every unitholder an option, in such manner as may be specified by SEBI from time to time, to nominate person(s):
   (a) who shall be authorized to conduct transactions on behalf of the unitholder in the event of the incapacitation of the unitholder; and
   (b) with whom the units held by the unitholder shall vest, as trustee on behalf of the legal heir, in the event of the death of the unitholder.

(2) Where the units are held jointly by more than one unitholder, the joint unitholders may together nominate person(s) with whom all the rights in the units shall vest, as trustee on behalf of the legal heir, in the event of death of all the joint unitholders.

(3) An asset management company or its registrar to an issue and share transfer agent shall not be liable for any action taken in good faith, on the basis of nomination made by the unitholder in accordance with these regulations.

Advertisement Material [Regulation 28]

The advertisements by the asset management company shall be in conformity with the Advertisement Code as specified in the **Fifth Schedule**.

ADVERTISEMENT CODE
(FIFTH SCHEDULE)

(a) Advertisements shall be accurate, true, fair, clear, complete, unambiguous and concise and shall not be misleading.
(b) Advertisements shall not contain statements which are false, misleading, biased or deceptive, based on assumption/projections and shall not contain any testimonials or any ranking based on any criteria.
(c) Advertisements shall not be so designed as likely to be misunderstood or likely to disguise the significance of any statement. Advertisements shall not contain statements which directly or by implication or by omission may mislead the investor.
(d) Advertisements shall not carry any slogan that is exaggerated or unwarranted or slogan that is inconsistent with or unrelated to the nature and risk and return profile of the product.
(e) No celebrities shall form part of the advertisement.
(f) Advertisements shall not be so framed as to exploit the lack of experience or knowledge of the investors. Extensive use of technical or legal terminology or complex language and the inclusion of excessive details which may detract the investors should be avoided.
(g) Advertisements shall contain information which is timely and consistent with the disclosures made in the Scheme Information Document, Statement of Additional Information and the Key Information Memorandum.
(h) No advertisement shall directly or indirectly discredit other advertisements or make unfair comparisons.
(i) Advertisements shall be accompanied by a standard warning in legible fonts which states ‘Mutual Fund investments are subject to market risks, read all scheme related documents carefully.’ No addition or deletion of words shall be made to the standard warning.
(j) Advertisements in vernacular language(s) shall contain the standard warning as specified in clause (i) in the vernacular language.
(k) In audio-visual media based advertisements, the standard warning in visual and accompanying voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing fourteen (14) words running for at least five (5) seconds may be considered as clear and understandable.

Listing and Delisting of Mutual Fund Schemes [Regulation 29]

(1) Prior to the listing of units of any scheme of mutual fund on the recognised stock exchange(s), the asset management company of such mutual fund shall enter into an agreement with such exchange(s).
(2) Every scheme wherein daily investment and redemptions from the scheme is not available, and such other schemes as specified by SEBI, shall be listed on a recognised stock exchange in the manner as may be specified by SEBI from time to time.
(3) Every exchange traded fund shall be listed on a recognised stock exchange.
(4) The units of mutual fund schemes that have ceased to exist shall be delisted from recognised stock exchange(s) in accordance with the guidelines as may be specified by SEBI from time to time.

Allotment of Units and Refunds of Moneys [Regulation 32]

(1) The asset management company shall specify in the offer document the minimum and, wherever applicable, the maximum subscription amount to be raised under the scheme.
(2) In the event of over subscription, the allotment of units to unitholders shall be made on a pro-rata basis.
(3) The mutual fund and asset management company shall be liable to refund the application money to the applicants within the period specified by SEBI, —
   (a) where the mutual fund fails to receive the minimum subscription amount;
   (b) where the money received from the applicants for units exceeds the maximum subscription amount; or
   (c) where the application is rejected for any other reason.
(4) The scheme shall deploy the funds received under the new fund offer within such time period as may be specified by SEBI from time to time.

Transfer of Units [Regulation 35]

(1) Unless otherwise restricted or prohibited under the scheme, a unit shall be freely transferable.
(2) A unitholder who desires to trade in units listed on a recognized stock exchange shall hold such units in dematerialised form.
(3) The asset management company shall allow transfer of mutual fund units in the manner as may be specified by SEBI from time to time.
(4) Where units are held in dematerialized form with the depository, such units will be transferable in accordance with the provisions of the SEBI (Depositories and Participants) Regulations, 2018.

Investment by Mutual Fund Schemes and Asset Management Companies

Investment by Mutual Fund Schemes [Regulation 39]

(1) Subject to the investment objective of the relevant mutual fund scheme and provisions of these regulations, the asset management company shall invest funds of a mutual fund scheme only in the following:
   (a) securities;
   (b) money market instruments;
   (c) privately placed debentures;
   (d) securitised debt instruments, which are either asset backed or mortgage backed securities;
   (e) gold or gold-related instruments;
   (f) silver or silver-related instruments; and
   (g) any other asset or instrument as may be specified by SEBI from time to time.

(2) SEBI may specify conditions for investment of the funds collected under mutual fund schemes or Specialized Investment Fund.

Investment by Mutual Fund and Asset Management Companies in Corporate Debt Market Development Fund [Regulation 40]

(1) The mutual fund shall invest such percentage of net assets of such categories of mutual fund schemes as may be specified by SEBI in the units of the Corporate Debt Market Development Fund.
(2) The asset management company of the mutual funds shall invest such percentage of assets under management as may be specified by SEBI in the units of Corporate Debt Market Development Fund.

Investment Restrictions [Regulation 41]

1. Any investment to be made by Mutual Fund Scheme, other than investments made by gold exchange traded fund schemes and silver exchange traded fund schemes, shall be subject to the investment restriction specified in **Sixth Schedule** and with any other restrictions as may be specified by SEBI from time to time.

2. A gold exchange traded fund scheme and silver exchange traded fund scheme may invest in exchange traded commodity derivatives subject to such restrictions as may be specified by SEBI from time to time.

3. The mutual fund shall settle their transactions only in dematerialised securities except for such instruments as may be specified by SEBI from time to time.

4. A gold exchange traded fund scheme and silver exchange traded fund scheme shall be subject to the following investment restrictions:
   (a) the funds of any such scheme shall be invested only in gold or gold related instruments or silver or silver related instruments, as the case may be, in accordance with its investment objective, except to the extent necessary to meet the liquidity requirements for honouring redemptions requests, as disclosed in the offer document; and
   (b) pending deployment of funds in accordance with clause (a), the mutual fund may invest such funds in short-term deposits of scheduled commercial banks.

5. The funds of mutual fund scheme shall not in any manner be used in carry forward transactions except as provided in sub-regulation (6).

6. The mutual fund may enter into derivatives transactions on a recognized stock exchange, subject to the framework specified by SEBI from time to time.

7. Any short selling transaction for the mutual fund schemes shall be executed on a recognized stock exchange and shall be subject to the framework for short selling and securities lending and borrowing specified by SEBI from time to time.

8. Any transfers of investments between schemes within the same mutual fund shall be permitted subject to such conditions as specified by SEBI from time to time.

RESTRICTIONS ON INVESTMENTS
(SIXTH SCHEDULE)

1. Mutual fund scheme's investment in equity shares, equity related instruments and debt instruments shall only be made in listed or to be listed securities except that mutual fund can invest in:
   (a) unlisted Government Securities and money market instruments other than commercial papers; and
   (b) unlisted non-convertible debentures to the extent and in the manner as specified by SEBI.
2. Mutual Fund Scheme's investment in unrated debt instruments shall be subject to such conditions as specified by SEBI from time to time.
3. A scheme may invest in another scheme under the same mutual fund or any other mutual fund without charging any fees and such inter scheme investment shall be subject to limits as may be specified by SEBI from time to time. This clause shall not apply to any fund of fund schemes.
4. No scheme of a mutual fund shall make any investment in any fund of funds scheme.
5. A fund of funds scheme shall be subject to the following investment restrictions:
   a. a fund of funds scheme shall not invest in any other fund of funds scheme; and
   b. a fund of funds scheme shall not invest its assets other than in schemes of mutual funds, except to the extent of funds required for meeting the liquidity requirements for the purpose of repurchases or redemptions, as disclosed in the offer document of fund of funds scheme.
6. Every mutual fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:

   Provided that a mutual fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.

   Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.

   Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.
7. Every mutual fund shall get the securities purchased or transferred in the name of the mutual fund on account of the concerned scheme except in respect of such securities as may be specified by SEBI from time to time.
8. Pending deployment of funds of a scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short term deposits of schedule commercial banks, subject to such Guidelines as may be specified by SEBI.
9. Investment by mutual fund schemes shall be subject to such prudential limits as prescribed by SEBI from time to time.

Net Asset Value and Timelines for Allotment of Mutual Fund Units and Payment of Investment Proceeds

Computation of Net Asset Value [Regulation 43]

Every asset management company shall compute the Net Asset Value of each scheme, on a daily basis, by dividing the net assets of the scheme, computed in terms of valuation norms specified by SEBI, by the number of units outstanding on the date of valuation.

Subscription and Redemption Value of Mutual Fund Units [Regulation 44]

1. The subscription or sale price and the redemption or repurchase price of mutual fund units shall be disclosed to the investors by the asset management company in the manner specified by SEBI from time to time.
2. The asset management company shall disclose the methodology of computation of the subscription or sale price and the redemption or repurchase price of mutual fund units in the manner specified by SEBI from time to time.
3. Any exit load charged to the investors shall be credited to the respective scheme.

4. The exit load of an open-ended mutual fund scheme shall not exceed three per cent of the Net Asset Value of the scheme.

Specialized Investment Fund (Chapter IX)

Applicability [Regulation 47]

(1) The provisions of this chapter shall apply to a Specialized Investment Fund.
(2) Unless the context otherwise requires, all other provisions of these regulations and the guidelines and circulars issued thereunder shall apply to a Specialized Investment Fund, its investment strategies, trustees and asset management companies in relation to such investment strategies, except where specific provisions are made in relation thereto under this Chapter.

Approval Requirements [Regulation 48]

(1) A mutual fund registered under clause (e) of regulation 3 may be granted an approval to launch a Specialized Investment Fund, subject to fulfilling such eligibility criteria and in the manner as may be specified by SEBI from time to time.

(2) A mutual fund registered under clause (e) of regulation 3 shall not be required to establish a separate trust for launching any investment strategy under the Specialized Investment Fund.

Conditions for Specialized Investment Fund [Regulation 49]

(1) A Specialized Investment Fund shall not accept an investment amount of less than ten lakh rupees from any investor except an accredited investor, across all its investment strategies in the manner as may be specified by SEBI.
(2) The fund manager of Specialized Investment Funds shall have the relevant NISM certification as may be specified by SEBI from time to time.
(3) All provisions applicable to the schemes of a mutual fund under these regulations shall also apply to the Investment Strategies launched under the Specialized Investment Fund, unless otherwise specified.

Mutual Funds Lite (Chapter X)

Applicability [Regulation 56]

(1) The provisions of this Chapter shall be applicable to mutual funds lite and mutual fund lite schemes.
(2) All other provisions of these regulations except the following provisions and the guidelines and circulars issued thereunder, unless the context otherwise requires, or is repugnant to the provisions of this Chapter, shall apply to a Mutual Fund Lite, Mutual Fund Lite schemes, and trustees and asset management companies in relation to such mutual funds and schemes:
   (a) Regulation 5 (Eligibility Criteria for Registration of a Mutual Fund)
   (b) Regulation 9 (Registration of trust deed)
   (c) Regulation 10 (Contents of trust deed)
   (d) Regulation 11 (Appointment of board of directors of the trustee company)
   (e) Regulation 12 (Rights and obligations of the trustees)
   (f) Clause (b) of sub-regulation (3) of Regulation 16 (The minimum net worth of the asset management company)
   (g) Clause (a)(iii) of Regulation 17 (Appointed of a director of an asset management company only with prior approval of the trustees)
   (h) Regulation 21 (Other permissible business activities of the asset management company)
   (i) Regulation 22 (Obligations of asset management company and its employees)

(j) Regulation 23 (Meeting of the board of directors of the trustee company and the board of directors of the asset management company)
(k) Regulation 24(1) (Launching of a scheme by an asset management company)
(l) Regulation 40 (Investment by mutual fund and asset management companies in Corporate Debt Market Development Fund)
(m) Regulation 70(2) (Disclosure of half-yearly unaudited financial results to unitholders)
(n) Chapter IX (Specialized Investment Fund)
(o) Second Schedule (Contents of the Trust Deed), and
(p) Third Schedule (Contents of the Investment Management Agreement).

Eligibility Criteria [Regulation 57]

For the purpose of granting a certificate of registration as a mutual fund lite, the applicant shall fulfill the following:

(1)	All the criteria relating to "sound track record" given under one of the following two routes and shall have a general reputation of fairness and integrity in all business transactions:			
	Sr. No	**Particulars**	**Route 1**	**Route 2**
	(a)	Experience	No experience criteria for granting a certificate of registration under this route.	The combined experience of Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer and Chief Investment Officer appointed by the sponsor should be at least twenty (20) years and each of them shall have a minimum of 3 years of relevant experience.
	(b)	Profitability	Net profit from the financial business operations after providing for depreciation, interest and tax in three out of immediately preceding five years including the fifth year. Average net annual profit from the financial business operations after depreciation, interest and tax during the immediately preceding five years of at least rupees five crore.	No profitability criteria for granting a certificate of registration under this route
	(c)	Net worth of sponsor	Positive net worth in each of the preceding five years	Not applicable
	(d)	Liquid Net worth of sponsor	Positive liquid net worth is more than the proposed capital contribution of the sponsor in the MF Lite asset management company	

	(e)	Net worth of MF Lite Asset Management Company	The sponsor shall ensure that the net worth of MF Lite AMC shall be at least thirty-five crores, deployed in assets as may be specified by the Board, at all times: Provided that if MF Lite AMC has profits for five consecutive years, the net worth of MF Lite AMC shall be maintained at more than rupees twenty-five crore (Rs. 25 crores). If the total assets under management of the MF Lite asset management company exceeds the thresholds specified by the Board, the MF Lite asset management company shall abide by the net worth requirements specified under Route 1 in Chapter II of these Regulations. The sponsor shall ensure maintaining the net worth requirement on a continuous basis.	The net worth of MF Lite AMC, infused by the sponsor, at the time of registration shall be rupees seventy-five crores. However, MF Lite AMC net worth shall be maintained at more than rupees fifty crores (Rs. 50 Crores) deployed in assets as may be specified by the Board, on a continuous basis. Provided that if MF Lite AMC has profits for five consecutive years, the net worth of MF Lite AMC shall be maintained at more than rupees twenty-five crore (Rs. 25 crores). If the total assets under management of the MF Lite asset management company exceeds the thresholds specified by the Board, the MF Lite asset management company shall abide by the net worth requirements specified under Route 2 in Chapter II of these Regulations. The sponsor shall ensure maintaining the net worth requirement on a continuous basis.
	(f)	Lock-in Requirement	No lock-in requirements for certificate of registration under this route.	The initial Shareholding equivalent to capital contributed to the MF Lite asset management company, to the extent of at least rupees seventy-five crore (Rs. 75 Crores), shall be locked-in for a period of three years
	(g)	Change in Control	In case of change in control of an existing MF Lite asset	In case of acquisition of existing MF Lite asset

			management company due to acquisition of shares, the positive liquid net worth of the sponsor or funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired	management company, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the MF Lite asset management company and the positive liquid net worth of the sponsor or the funds tied up by the sponsor shall be higher of aggregate par value or market value of the shares proposed to be acquired. In case of acquisition of stake in an existing MF Lite asset management company, the shareholding of the sponsor(s) equivalent to minimum of rupees seventy-five crore (Rs. 75 Crores) shall be locked in for three years
	(h)	Private Equity fund as a sponsor of mutual fund lite	Not applicable for certificate of registration under this route.	A pooled investment vehicle including a private equity fund may sponsor MF Lite by complying with conditions under this alternate route and such other conditions as may be specified by the Board from time to time.
(2)	Fit and proper		Applicant, mutual fund lite and trustees shall comply with the fit and proper criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.	
(3)	Minimum holding of sponsor in an MF Lite Asset Management Company		The sponsor shall contribute at least 40% to the net worth of the MF Lite asset management company: Provided that any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in these regulations.	
(4)	Fit and proper requirement for sponsor, its directors or the key personnel to be employed by the mutual fund lite and/or mutual		The sponsor or any of its directors or the key personnel to be employed by the mutual fund lite and mutual fund lite asset management company should not have been guilty of fraud or been convicted of an offence involving moral turpitude or found guilty of any economic offence;	

	fund lite asset management company	
(5)	Appointment of trustees	Appointment of debenture trustees to act as trustees for the MF Lite shall be in accordance with the provisions of the regulations;
(6)	Appointment of MF Lite asset management company	Appointment of MF Lite asset management company to manage the MF Lite and operate the scheme of such funds in accordance with the provisions of these regulations;
(7)	Appointment of custodian	Appointment of custodian in order to keep custody of the securities or goods or gold or gold related instruments or silver or silver related instruments or other assets of the mutual fund lite held in terms of these regulations, and provide such other custodial services as may be authorised by the trustees.
(8)	Other conditions	Other conditions in this regard as may be specified by SEBI from time to time are adhered to

Transfer of Passive Schemes of Mutual Fund to Mutual Fund Lite [Regulation 58]

(1) A sponsor shall be permitted to obtain a registration as a mutual fund under Chapter II (Procedure for Registration of a Mutual Fund) of these regulations and a separate registration as a mutual fund lite under Chapter X subject to conditions specified by SEBI from time to time.
(2) An existing sponsor of the mutual fund can transfer its passive schemes which are eligible as mutual fund lite schemes from an existing mutual fund to a mutual fund lite belonging to a group entity of the same sponsor subject to conditions as specified by SEBI from time to time.
(3) If an existing sponsor transfers its passive schemes from its existing mutual fund to a mutual fund lite, the existing mutual fund shall not launch any passive schemes that are eligible as mutual fund lite schemes after such transfer.

Migrating Mutual Fund Registration to Mutual Fund Lite Registration [Regulation 59]

An existing mutual fund that intends to only launch mutual fund lite schemes may surrender its existing registration and migrate as a mutual fund lite under Chapter X subject to the conditions and the manner specified SEBI.

Appointment of Trustee [Regulation 61]

(1) A debenture trustee may be appointed as a trustee of more than one mutual fund lite.
(2) The trustee of a mutual fund lite shall be an independent entity and not an associate of the sponsor or manager of the concerned mutual fund lite asset management company.
(3) No debenture trustee shall be eligible to be appointed as a trustee under Chapter X unless it meets the criteria for a fit and proper person specified under the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993.
(4) The trustee shall have satisfactory wherewithal with respect to infrastructure, personnel, systems etc. as may be required for the proper discharge of its duties under these regulations.

Expenses Charged to Mutual Fund Investors

Fees and Expenses of Mutual Fund Schemes [Regulation 66]

(1) All expenses of mutual fund schemes should be clearly identified and shall be paid from the scheme. The expenses shall be subject to the base expense limits, brokerage limits, transaction cost and statutory levy permissible under these regulations.

(2) Any expenditure in excess of the base limits specified in these regulations shall be borne by the asset management company or the trustees or sponsors. If any expense of the scheme is borne by asset management company or by the trustee or sponsors, the same shall be done only after the investment and advisory fees charged to the scheme, if any, is fully reversed.

(3) All the expenditures pertaining to launch of new fund offer till the date of allotment of mutual fund units to investors shall be borne by the asset management company or trustees or sponsor.

(4) The asset management company may charge the scheme with investment and advisory fees which shall fully disclosed in the offer document.

(5) In addition to the fees mentioned in sub-regulation (4), the mutual fund schemes may be charged with the following recurring expenses including:

(a) marketing and selling expenses including fees, commission and charges towards distribution of mutual fund schemes, if any;
(b) brokerage cost incurred towards execution of trades;
(c) registrar services for transfer of units sold or redeemed;
(d) fees and expenses of trustees;
(e) audit fees;
(f) custodian fees;
(g) costs related to investor communication;
(h) costs of fund transfer from location to location;
(i) costs of providing account statements and Income Distribution cum Capital Withdrawal payout/redemption cheques and warrants;
(j) insurance premium paid by the fund;
(k) winding up costs for terminating a scheme;
(l) costs of statutory advertisements;
(m) expenses towards storage and handling of underlying goods due to physical settlement of any commodity derivative contract or cost towards storage and handling of gold and silver;
(n) listing fees, in case of schemes listed on a recognised stock exchange; and
(o) such other expenses as may be specified or approved by SEBI.

(6) The asset management company shall pay charges or commission or fees related to distribution of mutual fund schemes in the manner as may be specified by SEBI from time to time.

(7) The base expense ratio of the scheme shall be sum of expenses mentioned at sub-regulation (4), sub-regulation (5) and sub-regulation (6) but excluded statutory levy applicable, if any, on the said expenses and transaction cost specified under sub-regulation (10). The base expense ratio shall be subject to the limits specified in these regulation.

(8) The base expense ratio of Fund of Funds to be charged over and above the weighted average of the base expense ratio of the underlying scheme shall not exceed two times the weighted average of the base expense ratio levied by the underlying scheme(s), subject to the overall ceilings for Fund of Funds as stated under sub-regulation (7), unless otherwise specified by SEBI.

(9) A mutual fund scheme may charge expense incurred towards brokerage, for the purpose of execution of trade, over and above the base expense ratio subject to a maximum of 0.06 per cent of trade value in case of cash market transactions and 0.02 per cent of trade value in case of derivatives transactions. Expense charged towards brokerage, over and above the specified limit, shall be part of the base expense ratio limit specified under sub-regulation (7).

(10) Transaction cost incurred for the purpose of execution of a trade shall mean regulatory levies and any other expenses charged by the stock exchanges, clearing corporation, and clearing house, as applicable. Such transaction costs shall not form part of the base expense ratio.

(11) Any expenses other than those specified in sub-regulation (4), sub-regulations (5), subregulation (6), sub-regulation (9) and sub-regulation (10), shall be borne by the asset management company or trustee or sponsors.

Total Expense Ratio [Regulation 67]

(1) The total of all expenses charged to the investors of the scheme, as mentioned under definition of 'Total expense ratio', shall be total of expense charged within the base limit specified under sub-regulation 7 of regulation 66, brokerage cost permitted under sub-regulation 9 of regulation 66, transaction cost incurred for the purpose of execution of trade as referred under sub-regulation 10 of regulation 66, and statutory levies charged to the investors.
(2) No charges other than the base expense ratio, brokerage cost, transaction cost, statutory levy and exit load including levies as may be specified by SEBI, shall be charged to the investors.

Disclosures to Unitholders and Board

Disclosures to the Investors [Regulation 70]

(1) Disclosure of annual report of mutual fund schemes to unitholders
- (a) The asset management company shall send the digital copy of the scheme-wise Annual Report of a mutual fund or an abridged summary thereof to all unitholders within four months from the date of closure of the relevant financial year, in the manner specified by the Board from time to time.
- (b) The Annual Report and its abridged scheme wise summary shall contain the details as specified in the Ninth Schedule and such other information necessary to present a true and fair view of the operations of the mutual fund.
- (c) The asset management company shall provide physical copy of the abridged summary of the Annual Report, prepared in the format specified by the Board from time to time, without any cost, if a request is received from a unitholder.
- (d) The asset management company may provide physical copy of the Annual Report to the unitholders on payment of such nominal fees as may be specified by the mutual fund.
- (e) The asset management company shall display a functional link of the full scheme-wise Annual Reports prominently on their website.

(2) **Disclosure of Half-Yearly Unaudited Financial Results to Unitholders**
- (a) Every mutual fund and asset management company shall, within one month from the close of each half-year ending on 31st March and 30th September, host the unaudited financial results of their schemes on their website.
- (b) The financial results referred to in clause (a) shall be in the format specified by the Board from time to time and shall include such additional details as are necessary to give a true and fair view of operations of the mutual fund.
- (c) Written communication (including digital modes such as email/SMS etc.) shall be sent to unitholders by the asset management company about the availability of financial results referred to in clause (a).

(3) **Disclosure of Portfolio Statement**: An asset management company shall send to all unitholders a complete statement of its scheme portfolio in the manner as specified by SEBI from time to time.
(4) **Disclosure of Total Expense Ratio:** The total expense ratio of mutual fund schemes shall be disclosed to the investors in manner and format specified by SEBI from time to time.
(5) **Disclosure of Net Asset Value**: The Net Asset Value of the scheme shall be calculated on daily basis and disclosed in the manner specified by SEBI from time to time.

(6) **Other Disclosures**

(a) The trustee shall make such disclosures to the unitholders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.

(b) No sale of units of any scheme of a mutual fund shall be made by the trustees or an asset management company unless investment application is accompanied by documents containing adequate information for the investors to make an informed decision.

(c) The mutual fund, and the asset management company, the trustees, custodian and sponsor of the mutual fund shall:

(i) make such disclosures as may be specified by SEBI; and

(ii) submit such documents as they may be called upon to do so by SEBI.

Dispute Resolution and Grievance Redressal Mechanism [Regulation 71]

1. The asset management company shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance, and in such manner as may be specified by SEBI from time to time.
2. All claims, differences or disputes between the asset management company and investors, arising out of or in relation to the activities of the asset management company in the securities market, shall be submitted to a dispute resolution mechanism that includes mediation, conciliation and arbitration, in accordance with the procedure specified SEBI.
3. SEBI may recognize a body corporate for handling and monitoring the process of grievance redressal within such time and in such manner as may be specified.

General Obligations

To maintain proper Books of Account and Records [Regulation 72]

(1) Every asset management company shall keep and maintain proper books of account, records and documents, for each scheme so as to-

(a) explain its transactions, including inter scheme transactions, and rationale for valuations;

(b) maintain a complete audit trail;

(c) disclose, at any time, the financial position of each scheme; and

(d) give a true and fair view of the state of affairs of the fund.

(2) The asset management company shall intimate SEBI of the place where such books of account, records and documents are maintained.

(3) The financial statements and accounts of the mutual fund schemes shall be prepared in accordance with Indian Accounting Standards (IND AS), as notified by the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time.

(4) Where an inconsistency arises between the IND AS and these regulations or guidelines issued thereunder, the asset management companies shall follow the requirements specified under these regulations.

(5) Every asset management company shall maintain and preserve its books of account, records and documents for a minimum period of **eight years**.

(6) The asset management company shall follow the accounting policies and standards as specified in Eighth Schedule and as specified by SEBI from time to time, in a fair and true manner so as to provide:

a) appropriate details of the scheme-wise disposition of the assets of the fund at the relevant accounting date;

b) performance of the scheme during that period; and

c) information on distribution or accumulation of income accruing to the unitholders.

Financial Year [Regulation 73]

(1) The financial year for all the schemes shall end on March 31st of each year.
(2) For a new scheme commenced during a financial year, the disclosure and reporting requirements shall apply from the date of its commencement upto March 31st of that financial year.

For details: https://www.sebi.gov.in/legal/regulations/apr-2026/securities-and-exchange-board-of-india-mutual-funds-regulations-2026_100744.html

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