THE GAZETTE OF INDIA
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SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the 23rd September , 2019

SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) (SECOND AMENDMENT) REGULATIONS, 2019

No. SEBI/LAD-NRO/GN/2019/37 - In exercise of the powers conferred by section 30 read with clause (c) of sub-section (2) of section 11 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, namely –

1. These Regulations may be called the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2019.

2. They shall come into force on the date of their publication in the Official Gazette:
   Provided that the amendments to regulation 24 shall come into force with effect from October 15, 2019.

3. In the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, -

   I. in regulation 24, -
      i. in clause (b), the words and symbols "Category I foreign portfolio investor as specified in Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014" shall be substituted with the words "such categories of foreign portfolio investor subject to such conditions, as maybe specified by the Board from time to time"

      ii. in the proviso to sub-clause (vi) of the first proviso to clause (b), the words and symbols "Category I foreign portfolio investors and/or Category II foreign portfolio investors which are appropriately regulated broad based funds, as specified in Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014" shall be substituted with the words and symbols "such categories of foreign portfolio investor subject to such conditions, as maybe specified by the Board from time to time".

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II. in the Seventh Schedule, -

i. clause 1A shall be substituted by the following clause, namely, -

"1A. A mutual fund scheme shall not invest in unlisted debt instruments including commercial papers, except Government Securities and other money market instruments:
Provided that Mutual Fund Schemes may invest in unlisted non-convertible debentures up to a maximum of 10% of the debt portfolio of the scheme subject to such conditions as may be specified by the Board from time to time:
Provided further that mutual fund schemes shall comply with the norms under this clause within the time and in the manner as may be specified by the Board:
Provided further that the norms for investments by mutual fund schemes in unrated debt instruments shall be specified by the Board from time to time".

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ii. existing clause 11, shall be substituted with the following clause, namely, -

"11. All investments by a mutual fund scheme in equity shares and equity related instruments shall only be made provided such securities are listed or to be listed."

III. in the Eighth Schedule, under the heading "Valuation Guidelines" –

i. in clause 1, in the heading, the words "Traded Securities" shall be substituted with the following words and symbols, namely, -

"Traded Securities (other than money market and debt securities)"

ii. in clause 2, in the heading, the words and symbols "Non-Traded Securities" shall be substituted with the following words and symbols, namely, -

"Non-Traded Securities (other than money market and debt securities)"

iii. in clause 2, in sub-clause (ii), the words and symbols "For example, non traded debt and money market securities of short term maturities, as may be specified by the Board from time to time, may be valued on amortization

basis provided that such valuation shall be reflective of the fair value of the securities and all investors are treated fairly.", shall be omitted;

iv. in clause 2, in sub-clause (ii), items (b), (c), (cc) and (f) shall be omitted.

IV. in the Ninth Schedule, in Part A, –

i. clause (g), shall be substituted with the following clause, namely,-

"(g) Where income receivable on investments has accrued but has not been received or in case of debt securities classified as below investment grade, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by the Board."

ii. in clause (k), the words and symbol, "In respect of privately placed debt instruments any front-end discount offered should be reduced from the cost of the investment.", shall be omitted.

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V. In the Eleventh Schedule, -

i. in item 2, in clause (a), sub-clause (viii) shall be omitted;

ii. in item 3, -

a. in clause (iii), sub-clause (A) shall be substituted by the following sub-clause, namely,-

"The balance-sheet shall disclose under each type of investment(s) in securities, the aggregate market value or fair value of securities classified as below investment grade and default. A security shall be classified as below investment grade or default in the manner specified in guidelines issued by the Board."

b. clause (iv) shall be omitted.

sd/-
AJAY TYAGI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Footnote:

1. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the Principal Regulations, were published in the Gazette of India on December 9, 1996 vide S.O. No. 856 (E).

2. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 were subsequently amended–

(1) on April 15, 1997 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 1997 vide S.O. No.327 (E).
(2) on January 12, 1998 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 1998 vide S.O. No.32 (E).
(3) on December 08, 1999 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 1999 vide S.O. No.1223 (E).
(4) on March 14, 2000 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2000 vide S.O. No.235 (E).
(5) on March 28, 2000 by the Securities and Exchange Board of India (Appeal to the Securities Appellate Tribunal) (Amendment) Regulations, 2000 vide S.O. No.278 (E).
(6) on May 22, 2000 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2000 vide S.O. No.484 (E).
(7) on January 23, 2001 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2001 vide S.O. No.69 (E).
(8) on May 29, 2001 by the Securities and Exchange Board of India (Investment Advice by Intermediaries) (Amendment) Regulations, 2001 vide S.O. No.476 (E).
(9) on July 23, 2001 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2001 vide S.O. No.698 (E).
(10) on February 20, 2002 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2002 vide S.O. No.219 (E).
(11) on June 11, 2002 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2002 vide S.O. No.625 (E).
(12) on July 30, 2002 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2002 vide S.O. No.809 (E).
(13) on September 9, 2002 by the Securities and Exchange Board of India (Mutual Funds)(Fourth Amendment) Regulations, 2002 vide S.O. No.956 (E).
(14) on September 27, 2002 by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No.1045 (E).
(15) on May 29, 2003 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2003 vide S.O. No. 632 (E).
(16) on January 12, 2004 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2004 vide F.No. SEBI/LAD/DOP/4/2004.
(17) on March 10, 2004 by the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004 vide S.O. No. 398 (E).
(18) on January 12, 2006 by the Securities and Exchange Board of India (Mutual Funds)(Amendment) Regulations, 2006 vide S.O. No. 38 (E).

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(19) on May 22, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2006 vide S.O. No. 783 (E).
(20) on August 3, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2006 vide S.O. No. 1254 (E).
(21) on December 27, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Fourth Amendment) Regulations, 2006 vide F. No. SEBI/LAD/DOP/82534/2006.
(22) on December 27, 2006 by the Securities and Exchange Board of India (Mutual Funds) (Fifth Amendment) Regulations, 2006 vide F. No. SEBI/LAD/DOP/83065/2006.
(23) on May 28, 2007 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2007 vide F. No. 11/LC/GN/2007/2518.
(24) on October 31, 2007 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2007 vide F. No. 11/LC/GN/2007/4646.
(25) on March 31, 2008 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2008 vide F. No. 11/LC/GN/2008/21669.
(26) on April 16, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2008 vide F. No. LADNRO/ GN/2008/03/123042.
(27) on May 22, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2008 vide No. LADNRO/GN/2008/09/126202.
(28) on September 29, 2008 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2008 vide No. LADNRO/ GN/2008/24/139426.
(29) on April 8, 2009 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2009 vide No. LAD-NRO/GN/2009-10/01/159601.
(30) on June 5, 2009 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2009 vide No. LAD- NRO/GN/2009-10/07/165404.
(31) on July 29, 2010 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2010 vide No. LAD-NRO/GN/2010-11/13/13945.
(32) on August 30, 2011 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2011 vide No. LAD-NRO/GN/2011-12/27668.
(33) on February 21, 2012 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2011-12/38/4290.
(34) on 26th September, 2012 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2012-13/17/21502.
(35) on 16th April, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/03/5652.
(36) on 19th June, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/12/6108.
(37) on 19th August, 2013 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/18/6384.
(38) on 6th May, 2014 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/01/1039.
(39) on 23rd May, 2014 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/03/1089.
(40) on 30th December, 2014 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/19/1973.

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(41) on 15th May, 2015 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2015 No. NROOIAE/GN/2015-16/005.

(42) on 12th February, 2016 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2016 vide No. SEBI/LAD-NRO/GN/2015-16/034.

(43) on 15th February, 2017 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2017 vide No. SEBI/LAD/NRO/GN/2016-17/031.

(44) on 13th March, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/02.

(45) on 30th May, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/14.

(46) on 6th December, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/50.

(47) on 13th December, 2018 by the Securities and Exchange Board of India (Mutual Funds) (Fourth Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2018/51.

(48) on 1st January, 2019 by the Securities and Exchange Board of India (Custodian of Securities) (Amendment) Regulations, 2018 vide No. SEBI/LAD-NRO/GN/2019/01.

(49) on 26th April, 2019 by the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2019 vide No. SEBI/LAD-NRO/GN/2019/011.

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