

**THE GAZETTE OF INDIA EXTRAORDINARY**  
**PART-II- SECTION -3- SUB-SECTION (ii)**  
**PUBLISHED BY AUTHORITY**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**NOTIFICATION**  
**THE FIFTEENTH DAY OF OCTOBER, 1999**  
**MUMBAI**  
**SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE**  
**INVESTMENT SCHEMES) REGULATIONS, 1999**

In exercise of the powers conferred by section 30 read with section 11 and section 19 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely :—

**CHAPTER I**  
**PRELIMINARY**

**Short title and commencement**

1. (1) These regulations may be called the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999.
- (2) They shall come into force on the date of their publication in the Official Gazette.

**Definitions**

2. (1) In these regulations, unless the context otherwise requires:
  - (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
  - (b) “advertisement” includes:
    - (i) notices, brochures, pamphlets, circulars, showcards, catalogues, hoardings, placards, posters, insertions in newspapers, pictures, films and cover pages of offer documents;
    - (ii) any other matter to which publicity is given through print medium, radio, television programmes or electronic media;
  - (c) “appraising agency” means an agency empanelled with the Board for the purpose of conducting technical or financial appraisal of the <sup>1</sup>[collective investment scheme];
  - (d) “associate” in relation to a collective investment management company or trustee, includes a person:
    - (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Collective Investment Management Company or the trustee, as the case may be, or

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<sup>1</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

- (ii) (ii) in respect of whom the Collective Investment Management Company or the trustee, as the case may be directly or indirectly, by itself, or in combination with other persons, exercises control, or
  - (iii) (iii) whose director, officer or employee is a director, officer or employee of the Collective Investment Management Company or the trustee, as the case may be;
- <sup>2</sup>[(e) “auditor” means a firm, including a limited liability partnership, constituted under the Limited Liability Partnership Act, 2008, who is eligible and qualified to audit the accounts of a company under section 141 of the Companies Act, 2013 (18 of 2013)];
- <sup>3</sup>[(ea) “designated employees” of the Collective Investment Management Company includes:
- (i) chief executive officer, chief investment officer, chief risk officer, chief information security officer, chief operation officer, fund manager, compliance officer, sales head, investor relation officer, heads of other departments and dealer of the Collective Investment Management Company;
  - (ii) persons directly reporting to the chief executive officer (excluding personal assistant/ secretary);
  - (iii) fund management team and research team;
  - (iv) other employees as identified by Collective Investment Management Companies or trustees.”]
- (f) “Board” means the Securities and Exchange Board of India established under the provisions of section 3 of the Act;
  - (g) “certificate” means a certificate of registration granted under regulation 10 of these regulations;
  - (h) “Collective Investment Management Company” means a company incorporated under the Companies Act, 1956 (1 of 1956) <sup>4</sup>[or the Companies Act, 2013 (18 of 2013)] and registered with the Board under these regulations, whose object is to organise, operate and manage a collective investment scheme;
  - (i) “collective investment scheme” has the meaning assigned to it by sub-regulation (2) of this regulation;
  - (j) “closed-ended <sup>5</sup>[collective investment scheme]” means any <sup>6</sup>[collective investment scheme] launched by a Collective Investment Management Company, in which the period of maturity of the <sup>7</sup>[collective investment scheme] is specified and there is no provision for re-purchase before the expiry of the maturity of the <sup>8</sup>[collective investment scheme];
  - (k) “control” or “controlling interest” means control exercised or controlling interest held :

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<sup>2</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution the sub-regulation (e) of Regulation 2 read as under:

*“(e) auditor” means a person qualified to audit the accounts of companies under the Companies Act, 1956;”*

<sup>3</sup> Inserted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>4</sup> Inserted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>5</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>6</sup> *ibid.*

<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*

- <sup>9</sup>[(i) in the case of a company, by any person individually or together with persons acting in concert, who directly or indirectly own, control or hold shares carrying not less than ten percent of the voting rights of such company; or  
(ii) as between two companies, if the same person either individually or together with persons acting in concert, directly or indirectly, own, control or hold shares carrying not less than ten percent of the voting rights of each of the two companies; or]  
(iii)<sup>10</sup>[by] majority of the directors of any company who are in a position to exercise control over the Collective Investment Management Company;
- (l) “credit rating agency” means a body corporate registered under Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999;
- (m) “depository” means a body corporate as defined in the Depositories Act, 1996 (22 of 1996);
- (n) <sup>11</sup>[\*\*\*]
- (o) “form” means any of the forms specified as such in the First Schedule;
- <sup>12</sup>[(p) “fraud” means a fraud as defined in sub-clause (c) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003];
- (q) “inspecting officer” means any person appointed as such by the Board under Chapter VII of these regulations;
- (r) “key personnel” in relation to a company, means the persons who exercise effective control over its affairs;
- (s) “net worth” means the aggregate value of the paid-up equity capital and free reserves (excluding funds created out of revaluation), reduced by the aggregate value of accumulated losses and deferred expenditure not written off, including miscellaneous expenses not written off;
- (t) “offer document” means any document by which applications for subscribing to units of the <sup>13</sup>[collective investment scheme] are invited from the public;
- (u) “regulation” means a regulation forming part of these regulations;
- <sup>14</sup>[(v) “relative” means a person as defined in section 2(77) of the Companies Act, 2013 (18 of 2013).]

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<sup>9</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, sub-regulation k (i) and (ii) of Regulation 2 read as under:

*“(i) in case of a company, by any person or combination of persons who directly or indirectly own, control or hold shares carrying not less than 10% of the voting rights of such company; or*

*(ii) as between two companies, if the same person or combination of persons, directly or indirectly, own, control or hold shares carrying not less than 10% of the voting rights of each of the two companies; or”*

<sup>10</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>11</sup> Omitted by the SEBI (Amendment) Regulations, 2022 w.e.f. 10-5-2022. Prior to its omission sub-regulation (n) of Regulation 2 read as under:

*“(n) “economic offence” means an offence to which the Economic Offences (Limitation of Prosecutions) Act, 1974 (12 of 1974) applies for the time being;”*

<sup>12</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, the sub-regulation (p) of Regulation 2 read as under:

*“(p) “fraud”, has the same meaning as is assigned to it in section 17 of the Indian Contract Act, 1872 (9 of 1872);”*

<sup>13</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>14</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, sub-regulation (v) Regulation 2 read as under;

*“(v) “relative” means a person who is a relative, as defined in section 6 of the Companies Act, 1956 (1 of 1956);”*

- (w) “registrars to an issue and share transfer agent” means a person registered as Registrars to an Issue and Share Transfer Agents under the Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993;
- (x) “schedule” means any of the schedule appended to these regulations;
- (y) <sup>15</sup>[\*\*\*]
- (z) <sup>16</sup>[“collective investment scheme” property” includes:
  - i. subscription of moneys or money’s worth (including bank deposits) to the <sup>17</sup>[collective investment scheme];
  - ii. property acquired, directly or indirectly, with, or with the proceeds of, subscription of money referred to in item (i) of this Clause; or
  - iii. income arising, directly or indirectly, from subscription money or property referred to in item (i) or (ii),

<sup>18</sup>[(aa) “securities laws” means the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Depositories Act, 1996 (22 of 1996), the provisions of any other law to the extent it is administered by the Board and the relevant rules and regulations made thereunder;]

(bb) “stock broker” means a stock broker as defined in Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992;

(cc) “trustee” means a person who holds the property of the collective investment scheme in trust for the benefit of the unit holders, in accordance with these regulations;

(dd) “unit” includes any instrument issued under a <sup>19</sup>[collective investment scheme], by whatever name called, denoting the value of the subscription of a unit holder; and

(ee) “unit holder” means a person holding a unit in a <sup>20</sup>[collective investment scheme].

<sup>21</sup>[(2) In these regulations the expression ‘collective investment scheme’ shall have the same meaning as assigned to it under section 11AA of the Act.]

<sup>15</sup> Omitted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>16</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>17</sup> *ibid.*

<sup>18</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, sub-regulation (aa) of Regulation 2 read as under:

“(z) “securities laws” means:

- i. the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- ii. the Securities Contracts (Regulation) Act, 1956 (42 of 1956); and
- iii. the Depositories Act, 1996 (22 of 1996), as amended from time to time;”

<sup>19</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>20</sup> *ibid.*

<sup>21</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2000, w.e.f. 14-2-2000. Prior to its substitution the sub-regulation 2 of Regulation 2 read as under:

“(a) the purpose of which is to enable the investors to participate in the scheme or arrangements by way of subscriptions and to receive profits or income or produce arising from the management of such property or the investments made thereof; and

(b) in which the subscriptions of the investors by whatever name called, are pooled, and are utilized for the purposes of the schemes or the arrangements; and

(c) in which the property or such subscriptions are managed on behalf of the investors, who do not have day to day control over the management or operation of the scheme, whether or not such properties or subscriptions and the investments made thereof are evidenced by identifiable properties or otherwise;

Provided that following shall not be deemed to be a collective investment scheme:

<sup>22</sup>[(3) The words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Companies Act, 2013 (18 of 2013), the Depositories Act, 1996 (22 of 1996), or any rules or regulations made thereunder shall have the same meanings respectively assigned to them in those acts, rules or regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.]

## CHAPTER II

### REGISTRATION OF COLLECTIVE INVESTMENT MANAGEMENT COMPANY

**No Person Other than Collective Investment Management Company to Launch** <sup>23</sup>[collective investment scheme]

3. No person other than a Collective Investment Management Company which has obtained a certificate under these regulations shall carry on or sponsor or launch a collective investment scheme.

#### **Application for grant of certificate.**

4. Any person proposing to carry any activity as a Collective Investment Management Company on or after the commencement of these regulations shall make an application to the Board for the grant of registration in Form A.

<sup>24</sup> [**Application by a scheme or arrangement deemed to be a collective investment scheme**

4A. (1) Any person proposing to carry on or sponsor or launch any scheme or arrangement which would be deemed to be a collective investment scheme under the proviso to sub-section (1) of section 11AA of the Act, shall make an application for grant of registration as a Collective Investment Management Company in Form A:

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(a) acceptance of deposits by companies under section 58A of the Companies Act, 1956 (1 of 1956) or by Non-Banking Financial Companies as defined in section 45-I of the Reserve Bank of India Act, 1934 ( 2 of 1934 );

b) acceptance of funds by Chit Funds in terms of the Chit Funds Act, 1982 (40 of 1982);

(c) acceptance of funds by companies declared as Nidhi companies under section 620A of the Companies Act, 1956, ( 1 of 1956 ), as per directions issued under, section 637A of the said Act;

(d) contracts of insurance under the Insurance Act, 1938 ( 4 of 1938 );

(e) any scheme of the employer as per Employees' Provident Fund and Miscellaneous Provisions Act, 1952, ( 19 of 1952); or any other recognized Provident Fund under the Income Tax Act, 1961;

(f) arrangements of cooperative societies under the Cooperative Societies Act, 1912 ( 2 of 1912 ) including Cooperative Societies registered under any Provincial Act or State Act for the time being in force;

(g) any scheme under Securities and Exchange Board of India (Mutual Funds ) Regulations, 1996;

or

(h) any other scheme or arrangement specifically exempted by the Board, from the operation of these regulations.”

<sup>22</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to substitution, the sub-regulation (3) of Regulation 2 read as under:

“(3) Words and expressions used and not defined in these regulations, but defined in the Act shall have the same meanings as are respectively assigned to them in the Act.”

<sup>23</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>24</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

Provided that any scheme or arrangement which is otherwise regulated or prohibited under any other law shall not be deemed to be a collective investment scheme.

(2) All other provisions of these regulations and the guidelines and circulars issued thereunder, shall apply to any scheme or arrangement deemed to be a collective investment scheme under the proviso to sub-section (1) of section 11AA of the Act.]

### **Application by existing Collective Investment Schemes.**

5. (1) Any person who immediately prior to the commencement of these regulations was operating a <sup>25</sup>[collective investment scheme], shall subject to the provisions of Chapter IX of these regulations make an application to the Board for the grant of a certificate within a period of two months from such date.

(2) An application under sub-regulation (1) shall contain such particulars as are specified in Form A and shall be treated as an application made in pursuance of regulation 4 and dealt with accordingly.

### **Application fee to accompany the application**

6. Every application for registration under regulation 4 shall be accompanied by a non-refundable application fee as specified in the Second Schedule.

### **Application to conform to the requirements**

7. An application, which is not complete in all respects or does not conform to the requirements of regulation 6 or regulation 9 shall be rejected by the Board Provided that before rejecting any such application, the applicant may be given an opportunity to remove within one month such objections as may be indicated by the Board Provided further that the Board may on sufficient reasons being shown extend the time in order to enable the applicant to remove such objections.

### **Furnishing information**

8. (1) The Board may direct the applicant to furnish such further information or clarification as may be required by it, for the purpose of processing the application.

(2) The Board, if it so desires, may ask the applicant or its authorized representative to appear before the Board for personal representation in connection with the grant of a certificate.

### **Conditions for eligibility**

9. The Board shall not consider an application for the grant of a certificate unless the applicant satisfies the following conditions, namely:—

- a) the applicant is set up and registered as a company under the Companies Act, 1956;
- b) the applicant has, in its Memorandum of Association specified the managing of collective investment scheme as one of its main objects;

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<sup>25</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>26</sup>[(c) the applicant or its promoters should have a sound track record and general reputation of fairness and integrity in all their business transactions.

Explanation.— For the purposes of this clause “sound track record” shall mean that,

- i. the applicant or its promoter should be carrying on business in financial services or in the relevant field, in which collective investment schemes are proposed to be launched, for a period of not less than five years;
- ii. the networth of applicant or its promoter is positive in all the immediately preceding five years;
- iii. the applicant or its promoter has profits after providing for depreciation, interest and tax in three out of the immediately preceding five years, including the fifth year; and
- iv. the applicant has a net worth of not less than rupees fifty crores on a continuous basis:

Provided that the applicant shall have a networth not less than rupees hundred crore till it has profits for five consecutive years in case the requirements under sub-clause (iii) of clause (c) of this regulation is not fulfilled;]

- d) the applicant is a fit and proper person for the grant of such certificate;
- e) the applicant has adequate infrastructure to enable it to operate collective investment scheme in accordance with the provision of these regulations;
- f) the directors or key personnel of the applicant shall consist of persons of honesty and integrity having adequate professional experience in related field and have not been convicted for an offence involving moral turpitude or for any economic offence or for the violation of any securities laws;
- g) at least fifty per cent of the directors of such Collective Investment Management Company shall consist of persons who are independent and are not directly or indirectly associated with the persons who have control over the Collective Investment Management Company;
- h) no person, directly or indirectly connected with the applicant has in the past been refused registration by the Board under the Act.

**Explanation:** For the purposes of this clause, the Board shall take into account whether the previous application for a certificate of any person, directly or indirectly, connected with the applicant has been rejected by the Board or any disciplinary action has been taken against such person under the Act or any of the rules or any of the regulations made under the Act.

(i) at least one of the directors, on the Board of the Collective Investment Management Company, who is not subject to retirement, is a representative of the trustee;

(j) the Collective Investment Management Company is not a trustee of any collective investment scheme;

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<sup>26</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, clause (c) of Regulation 9 read as under:

*“(c) the applicant has a net worth of not less than rupees five crores:*

*Provided that at the time of making the application the applicant shall have a minimum net worth of rupees three crores which shall be increased to rupees five crores within three years from the date of grant of registration;”*

(k) in case the applicant is an existing collective investment scheme, it complies with the provisions of Chapter IX of these regulations.

<sup>27</sup>**[Criteria for fit and proper person**

9A. For the purpose of determining whether an applicant or the collective investment management company is a fit and proper person, the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.]

<sup>28</sup>[9B. (1) No Collective Investment Management Company or a promoter of a Collective Investment Management Company, their associates or group companies, through the schemes of the Collective Investment Management Company or otherwise, individually or collectively, directly or indirectly, have –

- (a) ten percent or more of the shareholding or voting rights in the Collective Investment Management Company or the trustee company of any other Collective Investment Management Company; or
- (b) representation on the board of the Collective Investment Management Company or the trustee company of any other Collective Investment Management Company.

(2) Any shareholder holding ten percent or more of the shareholding or voting rights in the Collective Investment Management Company or the trustee company of a Collective Investment Management Company, shall not have, directly or indirectly,-

- (a) ten percent or more of the shareholding or voting rights in the Collective Investment Management Company or the trustee company of any other Collective Investment Management Company; or
- (b) representation on the board of the Collective Investment Management Company or the trustee company of any other Collective Investment Management Company:

Provided that in the event of a merger, acquisition, scheme of arrangement or any other arrangement involving the promoters of the Collective Investment Management Company, shareholders of the Collective Investment Management Company or trustee companies, their associates or group companies which results in the incidental acquisition of shares, voting rights or representation on the board of the Collective Investment Management Company or trustee companies, this regulation shall be complied with within a period of one year of coming into force of such an arrangement.]

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<sup>27</sup> Substituted by the SEBI (Intermediaries) Regulations, 2008, w.e.f. 26-05-2008. Prior to its substitution Regulation 9A as inserted by the SEBI (Criteria for Fit and Proper Person) Regulations, 2004, w.e.f. 10-03-2004, read as under: “9A. Applicability of the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004. – The Provisions of the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004, shall, as far as may be, apply to all applicants or the Collective Investment Management Companies under these regulations.”

<sup>28</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.



## **Grant of Certificate**

10. (1) The Board may, on receipt of an application and on being satisfied that the applicant complies with the requirements specified in regulation 9, call upon the applicant to pay registration fee as specified in the Second Schedule.

(2) On receipt of registration fee, the Board shall grant a certificate in Form B, on such terms and conditions as are in the interest of investors and as may be specified by the Board.

## **Terms and conditions to be complied with**

11. The certificate granted under regulation 10 shall be subject to the following conditions, namely:—

- (a) any director of the Collective Investment Management Company shall not be a director in any other Collective Investment Management Company unless such person is an independent director referred to in clause (g) of regulation 9 and approval of the board of Collective Investment Management Companies of which such person is an independent director, has been obtained;
- (b) the Collective Investment Management Company shall forthwith inform the Board of any material change in the information or particulars previously furnished, which have a bearing on the certificate granted by it;
- (c) appointment of a director of a Collective Investment Management Company shall be made with the prior approval of the trustee;
- (d) the Collective Investment Management Company shall comply with provisions of the Act and these regulations;
- (e) no change in the controlling interest of the Collective Investment Management Company shall be made without obtaining prior approval of the Board, the trustee and the unit holders holding at least one-half of the nominal value of the unit capital of the <sup>29</sup>[collective investment scheme];
- (f) the Collective Investment Management Company shall take adequate steps to redress the grievances of the investors within one month from the date of receipt of the complaint from the aggrieved investor;
- <sup>30</sup>[(g) the Collective Investment Management Company shall enter into an agreement with a depository for dematerialization of the units of collective investment scheme proposed to be issued;
- (h) all monies payable towards subscription of units of collective investment scheme shall be paid through cheque or demand draft or through any other banking channel, but not by cash;
- (i) the Collective Investment Management Company shall comply with KYC (know your client) norms as specified by the Board.]

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<sup>29</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>30</sup> Inserted, *ibid*.

## **Procedure where registration is not granted**

12. (1) Where an application made under regulation 4 for grant of registration does not satisfy the conditions specified in regulation 9, the Board may reject the application after giving the applicant a reasonable opportunity of being heard and inform the applicant of the same.

(2) The decision shall be communicated to the applicant by the Board within 30 days of such decision stating therein the grounds on which the application has been rejected.

## **CHAPTER III BUSINESS ACTIVITIES AND OBLIGATIONS OF COLLECTIVE INVESTMENT MANAGEMENT COMPANY**

### **Restrictions on business activities**

13. The Collective Investment Management Company shall not:

- a) undertake any activity other than that of managing the <sup>31</sup>[collective investment scheme];
- b) act as a trustee of any <sup>32</sup>[collective investment scheme];
- c) launch any <sup>33</sup>[collective investment scheme] for the purpose of investing in securities;
- d) invest in any <sup>34</sup>[collective investment scheme] floated by it.

Provided that a Collective Investment Management Company may invest in its own <sup>35</sup>[collective investment scheme],

(i) if it makes a disclosure of its intention to invest in the offer document of the <sup>36</sup>[collective investment scheme], and

(ii) does not charge any fees on its investment in that <sup>37</sup>[collective investment scheme].

### **Obligations of Collective Investment Management Company**

14. Every Collective Investment Management Company shall:

(a) be responsible for managing the funds or properties of the <sup>38</sup>[collective investment scheme] on behalf of the unit holders;

(b) take all reasonable steps and exercise due diligence to ensure that the <sup>39</sup>[collective investment scheme] is managed in accordance with the provisions of these regulations, offer document and the trust deed;

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<sup>31</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>32</sup> *ibid.*

<sup>33</sup> *ibid.*

<sup>34</sup> *ibid.*

<sup>35</sup> *ibid.*

<sup>36</sup> *ibid.*

<sup>37</sup> *ibid.*

<sup>38</sup> *ibid.*

<sup>39</sup> *ibid.*

- (c) exercise due diligence and care in managing assets and funds of the <sup>40</sup>[collective investment scheme];
  - (d) be responsible for the acts of commissions and omissions by its employees or the persons whose services have been availed by it;
  - (e) remain liable to the unit holders for its acts of commission or omissions, notwithstanding anything contained in any contract or agreement;
  - (f) be incompetent to enter into any transaction with or through its associates, or their relatives relating to the <sup>41</sup>[collective investment scheme];
- Provided that in case the Collective Investment Management Company enters into any transactions relating to the <sup>42</sup>[collective investment scheme] with any of its associates, a report to that effect shall immediately be sent to the trustee and to the Board.
- (g) appoint registrar and share transfer agents;
  - (h) abide by the Code of Conduct as specified in the Third Schedule;
  - (i) give receipts for all monies received by it and give a report to the Board every month, particularly of receipts and payments;
  - (j) hold a meeting of the Board of Directors to consider the affairs of <sup>43</sup>[collective investment scheme] at least twice in every three months;
  - (k) ensure that its officers or employees do not make improper use of their position or information to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the <sup>44</sup>[collective investment scheme];
  - (l) obtain adequate insurance against the property of the <sup>45</sup>[collective investment scheme];
  - (m) comply with such guidelines, directives, circulars and instructions as may be issued by the Board from time to time, on the subject of collective investment schemes<sup>46</sup>[;]
- <sup>47</sup>[(n) the Collective Investment Management Company and its designated employees shall invest such amounts in such schemes of the Collective Investment Management Company, as may be specified by the Board from time to time.]

## Dispute Resolution

<sup>48</sup>[14A. All claims, differences or disputes between the Collective Investment Management Company and investors arising out of or in relation to the activities of the Collective Investment Management Company in the securities market shall be submitted to a resolution mechanism that includes mediation and/or conciliation and/or arbitration, in accordance with the procedure specified by the Board.]

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<sup>40</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>41</sup> *ibid.*

<sup>42</sup> *ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> *ibid.*

<sup>45</sup> *ibid.*

<sup>46</sup> Substituted for the symbol ‘.’ by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>47</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>48</sup> Inserted by the Securities and Exchange Board of India (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023, w.e.f., 04-07-2023.

## **Submission of information and documents**

15. (1) The Collective Investment Management Company shall prepare quarterly reports (*i.e.*, as at the end of March, June, September and December) on its activities and the position regarding compliance with these regulations and submit the same to the trustees within one month of the expiry of each quarter.

(2) The Collective Investment Management Company shall file with the trustee and the Board—  
(a) particulars of all its directors along with their interest in other companies within fifteen days of their appointment; and  
(b) any change in the interests of directors, within fifteen days of such change.

(3) The Collective Investment Management Company shall furnish a copy of the Balance Sheet, Profit and Loss Account and a copy of the summary of the yearly appraisal report to the unit holders within two months from the closure of financial year.

(4) The Collective Investment Management Company shall furnish to the Board and the trustee such information and documents to the Board and the trustee as may be required by them concerning the affairs of the <sup>49</sup>[collective investment scheme].

## **CHAPTER IV TRUSTEES AND THEIR OBLIGATIONS**

### **Trust Deed to be registered under the Registration Act**

16. (1) A <sup>50</sup>[collective investment scheme] 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 Indian Registration Act, 1908 (16 of 1908) executed by the Collective Investment Management Company in favour of the trustees named in such an instrument.

### **Appointment of trustees**

(2) A Collective Investment Management Company shall appoint a trustee who shall hold the assets of the <sup>51</sup>[collective investment scheme] for the benefit of unit holders.

### **Contents of trust deed**

17. (1) The trust deed shall contain such clauses as are specified in the Fourth Schedule and such other clauses as are necessary for safeguarding the interests of the unit holders.

(2) No trust deed shall contain a clause which has the effect of—

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<sup>49</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>50</sup> *ibid.*

<sup>51</sup> *ibid.*

- (i) limiting or extinguishing the obligations and liabilities of the Collective Investment Management Company in relation to any <sup>52</sup>[collective investment scheme] or the unit holders; or
- (ii) indemnifying the trustee or the Collective Investment Management Company for loss or damage caused to the unit holders by their acts of negligence or acts of commissions or omissions.

### **Eligibility for appointment as trustee**

18. (1) Only persons registered with the Board as Debenture Trustee under Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 shall be eligible to be appointed as trustees of collective investment scheme.

Provided that no person shall be eligible to be appointed as trustee, if he is directly or indirectly associated with the persons who have control over the collective investment management company.

(2) The Collective Investment Management Company shall furnish to the Board particulars as specified in Form C in respect of trustees appointed under sub-regulation (1).

### **Appointment of trustee not found guilty**

19. No person shall be appointed as trustee of a <sup>53</sup>[collective investment scheme] if—

- (a) he has been found guilty of an offence under the securities laws, or
- (b) the Board or any authority to which the Board has delegated its power has passed against such person, an order under the Act for violation of any provision of the Act or of regulations made hereunder.

### **Agreement with collective investment management company**

20. (1) The trustee and the Collective Investment Management company shall enter into an agreement for managing the <sup>54</sup>[collective investment scheme] property.

(2) The agreement for managing the <sup>55</sup>[collective investment scheme] property shall contain such clauses as are specified in the Fifth Schedule and such other clauses as are necessary for the purpose of fulfilling the objectives of the <sup>56</sup>[collective investment scheme].

### **Rights and obligations of the trustee**

21. (1) The trustee shall have a right:—

- (a) to obtain from the Collective Investment Management Company such information as is considered necessary by the trustee.
- (b) to inspect the books of account and other records relating to the <sup>57</sup>[collective investment scheme].

(2) The trustee shall ensure that the Collective Investment Management Company has:—

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<sup>52</sup> *ibid.*

<sup>53</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>54</sup> *ibid.*

<sup>55</sup> *Ibid.*

<sup>56</sup> *ibid.*

<sup>57</sup> *ibid.*

- (a) the necessary office infrastructure;
  - (b) appointed all key personnel including managers for the <sup>58</sup>[collective investment scheme] and submitted their bio-data which shall contain the educational qualifications and past experience in the areas relevant for fulfilling the objectives of the <sup>59</sup>[collective investment scheme]s;
  - (c) appointed auditors to audit the accounts of the <sup>60</sup>[collective investment scheme] from the list of auditors approved by the Board;
  - (d) appointed a compliance officer to comply with the provisions of the Act and these regulations and to redress investor grievances;
  - (e) appointed registrars to an issue and share transfer agent;
  - (f) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
  - (g) taken adequate insurance for the assets of the <sup>61</sup>[collective investment scheme];
  - (h) not given any undue or unfair advantage to any associates of the company or dealt with any of the associates in any manner detrimental to the interest of the unit holders;
  - (i) operated the <sup>62</sup>[collective investment scheme] in accordance with the provisions of the trust deed, these regulations and the offer document of the <sup>63</sup>[collective investment scheme](s);
  - (j) undertaken the activity of managing <sup>64</sup>[collective investment scheme]s only;
  - (k) taken adequate steps to ensure that the interest of investors of one <sup>65</sup>[collective investment scheme] are not compromised with the object of promoting the interest of investors of any other <sup>66</sup>[collective investment scheme];
  - (l) minimum networth on a continuous basis and shall inform the Board immediately of any shortfall;
  - (m) been diligent in empanelling the marketing agents and in monitoring their activities.
- (3) Where the trustee has reason to believe that the conduct of business of the <sup>67</sup>[collective investment scheme] is not in accordance with these regulations, trust deed and the offer document of the <sup>68</sup>[collective investment scheme], the trustee shall forthwith take such remedial steps as are necessary and shall immediately inform the Board of the action taken.
- (4) The trustee shall be accountable for, and be the custodian of, the funds and property of the respective <sup>69</sup>[collective investment scheme]s and shall hold the same in trust for the benefit of the unit holders in accordance with these regulations and the provisions of trust deed.
- (5) The trustee shall be responsible for the calculation of any income due to be paid to the <sup>70</sup>[collective investment scheme] and also for any income received in the <sup>71</sup>[collective investment scheme] to the unit holders.

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<sup>58</sup> *ibid.*

<sup>59</sup> *ibid.*

<sup>60</sup> *ibid.*

<sup>61</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>62</sup> *ibid.*

<sup>63</sup> *ibid.*

<sup>64</sup> *ibid.*

<sup>65</sup> *ibid.*

<sup>66</sup> *ibid.*

<sup>67</sup> *ibid.*

<sup>68</sup> *ibid.*

<sup>69</sup> *ibid.*

<sup>70</sup> *ibid.*

<sup>71</sup> *ibid.*

- (6) The trustee shall convene a meeting of the unit holders—
- (a) whenever required to do so by the Board in the interest of the unit holders; or
  - (b) whenever required to do so on the requisition made by unitholders holding at least one-tenth of nominal value of the unit capital of any <sup>72</sup>[collective investment scheme]; or
  - (c) when any change in the fundamental attributes of any <sup>73</sup> [collective investment scheme] Provided that no such change shall be carried out unless the consent of unit holders holding at least three-fourths of nominal value of the unit capital of the <sup>74</sup>[collective investment scheme] is obtained.

Explanation :- For the purposes of this clause “fundamental attributes” means the investment objective and terms of a <sup>75</sup>[collective investment scheme].

- (7) The trustee shall review:

- (a) on a quarterly basis (i.e., by the end of March, June, September and December) every year all activities carried out by the Collective Investment Management Company;
- (b) periodically all service contracts relating to registrars to an issue and share transfer agents and satisfy itself that such contracts are fair and reasonable in the interest of the unit holders;
- (c) investor complaints received and the redressal of the same by the Collective Investment Management Company.

- (8) (i) The trustee shall ensure that:—

- (a) net worth of Collective Investment Management Company is not deployed in a manner which is detrimental to interest of unit holders;
- (b) property of each <sup>76</sup>[collective investment scheme] is clearly identifiable as <sup>77</sup>[collective investment scheme] property and held separately from property of the Collective Investment Management Company and property of any other <sup>78</sup>[collective investment scheme];
- (c) clearances or no objection certificate is obtained, in respect of transactions relating to property of the <sup>79</sup>[collective investment scheme] from such authority as is competent to grant such clearance or no objection certificate.

- (ii) The trustee shall abide by the Code of Conduct as specified in the Third Schedule.

- (9) The trustee shall furnish to the Board on a quarterly basis (i.e., by end of March, June, September and December), every year—

- (a) a report on the activities of the <sup>80</sup>[collective investment scheme];
- (b) a certificate stating that the trustee has satisfied himself that affairs of the Collective Investment Management Company and of the various <sup>81</sup>[collective investment scheme]s are conducted in accordance with these regulations and investment objective of each <sup>82</sup>[collective investment scheme].

- (10) The trustee shall cause:—

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<sup>72</sup> *ibid.*

<sup>73</sup> *ibid.*

<sup>74</sup> *ibid.*

<sup>75</sup> *ibid.*

<sup>76</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>77</sup> *ibid.*

<sup>78</sup> *ibid.*

<sup>79</sup> *ibid.*

<sup>80</sup> *ibid.*

<sup>81</sup> *ibid.*

<sup>82</sup> *ibid.*

(a) the profit and loss accounts and balance sheet of the <sup>83</sup>[collective investment scheme]s to be audited at the end of each financial year by an auditor empanelled with the Board.

(b) each <sup>84</sup>[collective investment scheme] to be appraised at the end of each financial year by an appraising agency.

(c) <sup>85</sup>[collective investment scheme] rated by a credit rating agency.

(11) A meeting of the trustees to discuss the affairs of the <sup>86</sup>[collective investment scheme] shall be held at least twice in every three months in a financial year.

(12) The trustee shall report to the Board any breach of these regulations and has had, or is likely to have, a materially adverse effect on the interests of unit holders as soon as they become aware of the breach.

(13) The trustee shall ensure that—

(a) the fees and expenses of the <sup>87</sup>[collective investment scheme] are within the limits as specified in Part I of the Ninth Schedule;

(b) accounts of the <sup>88</sup>[collective investment scheme]s are drawn up in accordance with the accounting norms as specified in Part II of the Ninth Schedule.

(c) accounts of the <sup>89</sup>[collective investment scheme] comply with the format of the balance sheet and the profit and loss account as specified in Part III of the Ninth Schedule.

### **Termination of trusteeship**

22. (1) The trusteeship of a trustee shall come to an end—

(a) if the trustee ceases to be trustee under the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993; or

(b) if the trustee is in the course of being wound up; or

(c) if unit holders holding at least three-fourths of the nominal value of the unit capital of the <sup>90</sup>[collective investment scheme] pass a resolution for removing the trustee and the Board approves such resolution; or

(d) if in the interest of the unit holders, the Board, for reasons to be recorded in writing decides to remove the trustee for any violation of the Act or these regulations committed by them; or  
Provided that the trustee shall be afforded reasonable opportunity of hearing before action is taken under this clause;

(e) if the trustee serves on the Collective Investment Management Company a notice of not less than three months expressing its intention not to continue as trustee.

(2) On termination of the trusteeship under sub-regulation (1), another trustee, eligible to be appointed under regulation 18, shall be appointed by the Collective Investment Management Company.

(3) The appointment of the new trustee under sub-regulation (2), shall be completed within three months from the date the previous trusteeship came to an end.

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<sup>83</sup> *ibid.*

<sup>84</sup> *ibid.*

<sup>85</sup> *ibid.*

<sup>86</sup> *ibid.*

<sup>87</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>88</sup> *ibid.*

<sup>89</sup> *ibid.*

<sup>90</sup> *ibid.*



(4) The Board may notwithstanding anything contained in regulation 18 appoint any person as a trustee if the Collective Investment Management Company fails to appoint a trustee under sub-regulations (2) and (3).

(5) The trustee appointed under sub-regulations (3) and (4) shall stand substituted as a trustee in all the documents to which the trustee so removed was a party.

(6) The person appointed by the Board shall apply to the Court for an order directing the Collective Investment Management Company to wind up the <sup>91</sup>[collective investment scheme].

(7) A trust deed in the form as specified under regulation 16 shall be executed by the Collective Investment Management Company in favour of the trustee so appointed and from the date of such appointment, trustees shall be subject to all the rights and duties as specified in the regulations.

(8) The trustee so removed shall from such date be discharged from complying with the obligations under the trust deed but shall remain liable for any action taken by them before such removal.

### **Termination of the Agreement with the Collective Investment Management Company**

23. (1) The agreement referred to in regulation 20 entered into by the trustee with the Collective Investment Management Company may be terminated—

(a) if the Collective Investment Management Company is in the course of being wound up as per the provisions of the Companies Act, 1956; or

(b) if unit holders holding at least three-fourths of the nominal value of the unit capital of the <sup>92</sup>[collective investment scheme] pass a resolution for terminating the agreement with the Collective Investment Management Company and the prior approval of the Board has been obtained; or

(c) if in the interest of the unit holders the Board or the trustee, after obtaining prior approval of the Board, and after giving an opportunity of being heard to the Collective Investment Management Company, decide to terminate the agreement with the Collective Investment Management Company.

(2) Upon termination of agreement under sub-regulation (1), another Collective Investment Management Company, registered with the Board, shall be appointed by the trustee within three months from the date of such termination.

(3) The Collective Investment Management Company so removed shall continue to act as such at the discretion of trustee or the trustee itself may act as Collective Investment Management Company till such time as new Collective Investment Management Company is appointed.

(4) The Collective Investment Management Company appointed under sub-regulation (2) shall stand substituted as a party in all the documents to which the Collective Investment Management Company so removed was a party.

(5) The Collective Investment Management Company so removed shall continue to be liable for all acts of omission and commissions notwithstanding such termination.

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<sup>91</sup> *ibid.*

<sup>92</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

(6) If, none of the Collective Investment Management Company, registered under these regulations, consent to be appointed as Collective Investment Management Company within a further period of three months, then the trustee may wind up the <sup>93</sup>[collective investment scheme].

(7) An agreement for managing <sup>94</sup>[collective investment scheme] property shall be executed in favour of the new Collective Investment Management Company subject to all the rights and duties as specified in the regulations.

## **CHAPTER V**

### **<sup>95</sup>[COLLECTIVE INVESTMENT SCHEME]S OF COLLECTIVE INVESTMENT MANAGEMENT COMPANY**

#### **Procedure for launching of <sup>96</sup>[collective investment scheme]s**

24. (1) No <sup>97</sup>[collective investment scheme] shall be launched by the Collective Investment Management Company unless such <sup>98</sup>[collective investment scheme] is approved by the Trustee.

#### **Rating**

(2) No <sup>99</sup>[collective investment scheme] shall be launched by the Collective Investment Management Company without obtaining rating from a credit rating agency.

#### **Appraisal**

(3) No <sup>100</sup>[collective investment scheme] shall be launched by the Collective Investment Management Company without getting the <sup>101</sup>[collective investment scheme] appraised by an appraising agency.

#### **Close ended <sup>102</sup>[collective investment scheme] and <sup>103</sup>[collective investment scheme] duration**

(4) Collective Investment Management Company shall:—

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<sup>93</sup> *ibid.*

<sup>94</sup> *ibid.*

<sup>95</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>96</sup> *Ibid.*

<sup>97</sup> *ibid.*

<sup>98</sup> *ibid.*

<sup>99</sup> *ibid.*

<sup>100</sup> *ibid.*

<sup>101</sup> *ibid.*

<sup>102</sup> *ibid.*

<sup>103</sup> *ibid.*

- (a) launch only close ended <sup>104</sup>[collective investment scheme]s;
- (b) the duration of the <sup>105</sup>[collective investment scheme]s shall not be of less than three calendar years.

## **Insurance**

(5) Collective Investment Management Company shall obtain adequate insurance policy for protection of the <sup>106</sup>[collective investment scheme]e property.

### <sup>107</sup>**[Closure of subscription list**

(6) Each collective investment scheme shall immediately after the closure of the subscription list comply with the following conditions, namely,-

- (a) minimum subscription amount of rupees twenty crore;
- (b) minimum twenty investors; and
- (c) no person shall hold more than twenty-five percent of the assets under management of scheme:

Provided that where the collective investment scheme fails to comply with this sub-regulation, Collective Investment Management Company shall be liable to refund the application money to the applicants.]

## **No guaranteed returns**

25. No <sup>108</sup>[collective investment scheme] shall provide guaranteed or assured returns.

**Provided** that indicative return may be indicated in the offer document only, if the same is assessed by the appraising agency and expressed in monetary terms.

## **Disclosures in the offer document**

26. (1) The Collective Investment Management Company shall before launching any <sup>109</sup>[collective investment scheme] file a copy of the offer document of the <sup>110</sup>[collective investment scheme] as referred to in sub-regulation (1) of regulation 24 with the Board and pay filing fees as specified in the Second Schedule.

(2) The offer document shall contain such information as specified in the Sixth Schedule.

(3) The offer document shall also contain true and fair view of the <sup>111</sup>[collective investment scheme] and adequate disclosures to enable the investors to make informed decision.

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<sup>104</sup> *ibid.*

<sup>105</sup> *ibid.*

<sup>106</sup> *ibid.*

<sup>107</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022

<sup>108</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>109</sup> *ibid.*

<sup>110</sup> *ibid.*

<sup>111</sup> *ibid.*

(4) The Board may in the interest of investors require the Collective Investment Management Company to carry out such modifications in the offer document as it deems fit.

(5) In case no modifications are suggested by the Board in the offer document within 21 days from the date of filing, the Collective Investment Management Company may issue the offer document to public.

### **Advertisement material**

27. (1) Advertisements in respect of every <sup>112</sup>[collective investment scheme] shall be in conformity with the Advertisement Code as specified in the Seventh Schedule.

(2) The advertisement for each <sup>113</sup>[collective investment scheme] shall disclose in addition to the investment objectives, the method and periodicity of valuation of <sup>114</sup>[collective investment scheme] property.

### **Appraising Agency**

28. The appraising agency whose appraisal report forms part of the offer document and has given a written consent for the inclusion of the appraisal report in the offer document shall be liable for any statement in the appraisal report which is misleading, incorrect or false.

### **Misleading Statements**

29. (1) The offer document and advertisement materials shall not be misleading or contain any statement or opinion which are incorrect or false.

(2) Where an offer document or advertisement includes any statement or opinion which are incorrect or false or misleading, every person—

(i) who is a director of the Collective Investment Management Company at the time of the issue of the offer document;

(ii) who has issued the offer document and shall be punishable under the Act unless he proves either that the statement or opinion was immaterial or that he had reasonable ground to believe at the time of the issue of the offer document or advertisement that the statement was true.

### <sup>115</sup>**[Offer period]**

30. No collective investment scheme shall be open for subscription for more than fifteen days: Provided that collective investment scheme may be kept open for subscription for a maximum of another fifteen days subject to issuance of public notice by the Collective Investment Management Company before the expiry of initial fifteen days.]

### **Allotment of Units and refunds of moneys**

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<sup>112</sup> *ibid.*

<sup>113</sup> *ibid.*

<sup>114</sup> *ibid.*

<sup>115</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, Regulation 30 read as under:

**“Offer period**

30. No collective investment scheme shall be open for subscription for more than 90 days.”

31. (1) The Collective Investment Management Company shall specify in the offer document,—  
(a) the minimum and the maximum subscription amount it seeks to raise under the <sup>116</sup>[collective investment scheme]; and  
(b) in case of oversubscription the process of allotment of the amount oversubscribed.

(2) The Collective Investment Management Company shall refund the application money to the applicants,—  
(i) if the <sup>117</sup>[collective investment scheme] fails to receive the minimum subscription amount referred to in clause (a) of sub-regulation (1).

<sup>118</sup>[(3) Any amount refundable under sub-regulation (2) or proviso to sub-regulation (6) of regulation 24, shall be refunded within a period of five working days from the date of closure of subscription list, by cheque or demand draft marked “A/C Payee” through Registered A.D. or speed post, courier etc., or payment channels such as RTGS, NEFT, IMPS, direct credit, etc. or any other mode allowed by the Reserve Bank of India from time to time, to the applicants.]

(4) In the event of failure to refund the amounts within the period specified in sub-regulation (3), the Collective Investment Management Company shall pay interest to the applicants at a rate of fifteen per cent per annum on the expiry of <sup>119</sup>[five working days] from the date of closure of the subscription list.

## Unit certificates

32. The Collective Investment Management Company shall issue to the applicant whose application has been accepted, <sup>120</sup>[the units only in dematerialized form within a period of five working days] from the date of closure of the subscription list<sup>121</sup>[.]

<sup>122</sup>[\*\*\*]

## Transfer of units

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<sup>116</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>117</sup> *ibid.*

<sup>118</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, the sub-regulation (3) of Regulation 31 read as under:

*“(3) Any amount refundable under sub-regulation (2) shall be refunded within a period of six weeks from the date of closure of subscription list, by Registered A.D. and by cheque or demand draft marked “A/C Payee” to the applicants.”*

<sup>119</sup> Substituted for the words “six weeks” by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>120</sup> Substituted for the words “unit certificates as soon as possible but not later than six weeks” by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>121</sup> Substituted for the symbol “:” by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>122</sup> Omitted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to omission, proviso to Regulation 32 read as under:

*“Provided that if the units are issued through a depository, a receipt in lieu of unit certificate will be issued as per provisions of Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and byelaws of the depository.”*

33. (1) A unit certificate issued under the <sup>123</sup>[collective investment scheme] shall be freely transferable.

(2) The Collective Investment Management Company shall, on production of instrument of transfer together with relevant unit certificates, register the transfer and return the unit certificate to the transferee within thirty days from the date of such production.

**Provided** that if the units are held in a depository such units shall be transferable in accordance with the provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and the byelaws of the depository

### **Money to be kept in separate account and utilisation of money**

34. (1) The subscription amount received shall be kept in a separate bank account in the name of the <sup>124</sup>[collective investment scheme] and shall be utilised for—

(a) adjustment against allotment of units only after the trustee has received a statement from the registrars to the issue and share transfer agent regarding minimum subscription amount, as stated in the offer document, having been received from the public, or

(b) for refund of money in case minimum subscription amount, as stated in the offer document, has not been received or in case of over-subscription.

(2) The minimum subscription amount as specified in the offer document shall not be less than the minimum amount, as specified by the appraising agency, needed for completion of the project for which the <sup>125</sup>[collective investment scheme] is being launched.

(3) The moneys credited to the account of the <sup>126</sup>[collective investment scheme] shall be utilised for the purposes of the <sup>127</sup>[collective investment scheme] and as specified in the offer document.

(4) Any unutilised amount lying in the account of the <sup>128</sup>[collective investment scheme] shall be invested in the manner as disclosed in the offer document.

### **Investments and segregation of funds**

35. The Collective Investment Management Company shall:

(a) not invest the funds of the <sup>129</sup>[collective investment scheme] for purposes other than the objective of the <sup>130</sup>[collective investment scheme] as disclosed in the offer document.

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<sup>123</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>124</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>125</sup> *ibid.*

<sup>126</sup> *ibid.*

<sup>127</sup> *ibid.*

<sup>128</sup> *Ibid.*

<sup>129</sup> *ibid.*

<sup>130</sup> *ibid.*

(b) segregate the <sup>131</sup>[collective investment scheme] assets of different s<sup>132</sup>[collective investment scheme] s.

(c) not invest corpus of a <sup>133</sup>[collective investment scheme] in other <sup>134</sup>[collective investment scheme]s.

(d) not transfer funds from one <sup>135</sup>[collective investment scheme] to another <sup>136</sup>[collective investment scheme]:

Provided that inter-scheme transfer of <sup>137</sup>[collective investment scheme] property may be permitted at the time of termination of the <sup>138</sup>[collective investment scheme] with prior approval of the trustee and the Board.

<sup>139</sup>[(e) not invest more than twenty five percent of the amount raised by Collective Investment Management Company in projects owned directly or indirectly by Collective Investment Management Company.]

### **Listing of <sup>140</sup>[collective investment scheme]s**

36. The units of every <sup>141</sup>[collective investment scheme] shall be listed immediately after the date of allotment of units and not later than six weeks from the date of closure of the <sup>142</sup>[collective investment scheme] on each of the stock exchanges as mentioned in the offer document.

### **Winding up of <sup>143</sup>[collective investment scheme]**

37. (1) A <sup>144</sup>[collective investment scheme] shall be wound up on the expiry of duration specified in the <sup>145</sup>[collective investment scheme] or on the accomplishment of the purpose of the <sup>146</sup>[collective investment scheme].

(2) Notwithstanding anything contained in sub-regulation (1), a <sup>147</sup>[collective investment scheme] may also be wound up—

(a) on the happening of any event which, in the opinion of the trustee, requires the <sup>148</sup>[collective investment scheme] to be wound up and the prior approval of the Board is obtained; or

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<sup>131</sup> *ibid.*

<sup>132</sup> *ibid.*

<sup>133</sup> *ibid.*

<sup>134</sup> *ibid.*

<sup>135</sup> *ibid.*

<sup>136</sup> *ibid.*

<sup>137</sup> *ibid.*

<sup>138</sup> *ibid.*

<sup>139</sup> Inserted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022.

<sup>140</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>141</sup> *ibid.*

<sup>142</sup> *ibid.*

<sup>143</sup> *ibid.*

<sup>144</sup> *ibid.*

<sup>145</sup> *ibid.*

<sup>146</sup> *ibid.*

<sup>147</sup> *ibid.*

<sup>148</sup> *ibid.*

(b) if unit holders of a <sup>149</sup>[collective investment scheme] holding at least three-fourth of the nominal value of the unit capital of the <sup>150</sup>[collective investment scheme] pass a resolution that the <sup>151</sup>[collective investment scheme] be wound up and the approval of the Board is obtained; or

(c) if in the opinion of the Board, the continuance of the <sup>152</sup>[collective investment scheme] is prejudicial to the interests of the unit holders; or

(d) if in the opinion of the Collective Investment Management Company, the purpose of the <sup>153</sup>[collective investment scheme] cannot be accomplished and it obtains the approval of the trustees and also of the unit holders of the <sup>154</sup>[collective investment scheme] holding at least three-fourth of the nominal value of the unit capital of the <sup>155</sup>[collective investment scheme] with a resolution that the <sup>156</sup>[collective investment scheme] be wound up and the approval of the Board is obtained.

(3) Where a <sup>157</sup>[collective investment scheme] is to be wound up under sub-regulation (1) or sub-regulation (2), the trustee shall give notice disclosing the circumstances leading to the winding up of the <sup>158</sup>[collective investment scheme] in a daily newspaper having nationwide circulation and in the newspaper published in the language of the region where the Collective Investment Management Company is registered.

(4)(a) The trustee shall dispose of the assets of the <sup>159</sup>[collective investment scheme] concerned in the best interest of the unit holders of that <sup>160</sup>[collective investment scheme].

(b) The proceeds of sale realised under clause (a), shall be first utilized towards the discharge of such liabilities as are due and payable under the <sup>161</sup>[collective investment scheme] and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the unit holders in proportion to their unit holding.

(5) On the completion of the winding up, the trustee shall forward to the Board and the unit holders:

(a) a report on the steps taken for realisation of assets of the <sup>162</sup>[collective investment scheme], expenses for winding up and net assets available for distribution to the unit holders, and

(b) a certificate from the auditors of the <sup>163</sup>[collective investment scheme] to the effect that all the assets of the <sup>164</sup>[collective investment scheme] are realised and the details of the distribution of the proceeds.

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<sup>149</sup> *ibid.*

<sup>150</sup> *ibid.*

<sup>151</sup> *ibid.*

<sup>152</sup> *ibid.*

<sup>153</sup> *ibid.*

<sup>154</sup> *ibid.*

<sup>155</sup> *ibid.*

<sup>156</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>157</sup> *ibid.*

<sup>158</sup> *ibid.*

<sup>159</sup> *ibid.*

<sup>160</sup> *ibid.*

<sup>161</sup> *ibid.*

<sup>162</sup> *ibid.*

<sup>163</sup> *ibid.*

<sup>164</sup> *ibid.*



(6) The unclaimed money if any at the time of winding up shall be kept separately in a bank account by the trustee for a period of three years for the purpose of meeting investors' claims and thereafter shall be transferred to investor protection fund, as may be specified by the Board.

### **Effect of commencement of winding up proceedings**

38. On and from the date of the publication of notice under sub-regulation (3) of regulation 37, the trustee or the Collective Investment Management Company as the case may be, shall cease to carry on any business activities in respect of the <sup>165</sup>[collective investment scheme] so wound up.

### **Cessation of the <sup>166</sup>[collective investment scheme]**

39. If, after the receipt of the report under sub-regulation (5) of regulation 37, the Board is satisfied that all the measures for winding up of the <sup>167</sup>[collective investment scheme] have been complied with, the <sup>168</sup>[collective investment scheme] shall cease to exist.

## **CHAPTER VI GENERAL OBLIGATIONS**

### **To maintain proper books of account and records, etc.**

40. (1) Every Collective Investment Management Company shall—

- (a) keep and maintain proper books of account, records and documents, for each <sup>169</sup>[collective investment scheme] so as to explain its transactions and to disclose at any point of time the financial position of each <sup>170</sup>[collective investment scheme] and in particular give a true and fair view of the state of affairs of the <sup>171</sup>[collective investment scheme], and
- (b) intimate to the Board and the trustees the place where such books of account, records and documents including computer records are maintained.

(2) Every Collective Investment Management Company shall continue to maintain and preserve, for a period of five years after the close of each <sup>172</sup>[collective investment scheme], its books of account, records, computer data and documents.

### **Financial year**

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<sup>165</sup> *ibid.*

<sup>166</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>167</sup> *ibid.*

<sup>168</sup> *ibid.*

<sup>169</sup> *ibid.*

<sup>170</sup> *ibid.*

<sup>171</sup> *ibid.*

<sup>172</sup> *ibid.*

41. The financial year for all the <sup>173</sup>[collective investment scheme]s shall end as on March 31 of each year.

### **Dispatch of warrants and proceeds**

42. The Collective Investment Management Company shall,

- (a) Dispatch to the unit holders the warrants within 42 days of the declaration of the interim returns.
- (b) Dispatch the redemption proceeds within 30 days of the closure or the winding up of the <sup>174</sup>[collective investment scheme].

### **Statement of Accounts and Annual Report**

43. (1) The Collective Investment Management Company shall:

- (a) not exceed the ceilings on expenses or fees in respect of the <sup>175</sup>[collective investment scheme] as specified in Part I of the Ninth Schedule;
- (b) prepare the accounts of the <sup>176</sup>[collective investment scheme] in accordance with accounting norms as specified in Part II of the Ninth Schedule;
- (c) comply with format of balance sheet and profit and loss accounts as specified in Part III of the Ninth Schedule.

(2) An annual report and annual statement of accounts of each <sup>177</sup>[collective investment scheme] shall be prepared in respect of each financial year.

(3) Every Collective Investment Management Company shall within two months from the date of closure of each financial year forward to the Board a copy of the Annual Report.

### **Auditor's Report**

44. (1) Every <sup>178</sup>[collective investment scheme] shall have the annual statement of accounts audited by an auditor who is empanelled with the Board and who is not in any way associated with the auditor of the Collective Investment Management Company.

(2) The auditor shall be appointed by the trustee.

(3) The auditor shall forward his report to the trustee and such report shall form part of the Annual Report of the v.

(4) The auditor's report shall comprise the following:—

- (a) a certificate to the effect that:—

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<sup>173</sup> *ibid.*

<sup>174</sup> *ibid.*

<sup>175</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>176</sup> *ibid.*

<sup>177</sup> *ibid.*

<sup>178</sup> *Ibid.*

- (i) he has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of the audit;
- (ii) the balance sheet and the revenue account give a fair and true view of the v, state of affairs and surplus or deficit in the <sup>179</sup>[collective investment scheme] for the accounting period to which the Balance Sheet or, as the case may be the Revenue Account relates;
- (iii) the statement of account has been prepared in accordance with accounting policies and standards as specified in Part II of the Ninth Schedule;
- (iv) any other matter which in the opinion of the auditor is vital and has a bearing on the <sup>180</sup>[collective investment scheme]s.

### **Functions of auditors of <sup>181</sup>[collective investment scheme]**

45. (1) The auditor of the <sup>182</sup>[collective investment scheme] shall, as soon as possible, notify the Board and the trustee in writing if he has reasonable grounds to suspect that a contravention of the regulations has occurred or if the <sup>183</sup>[collective investment scheme]s are not conducted on sound commercial principles.

(2) The auditor of the <sup>184</sup>[collective investment scheme]:

- (a) shall have a right to access at all reasonable times to the books of the <sup>185</sup>[collective investment scheme]; and
- (b) may require any employee of the Collective Investment Management Company to give the auditor information and explanations for the purposes of the audit.

### **Removal or Resignation of auditors**

46. (1) The trustee, after prior approval of the trustee and for reasons to be recorded in writing remove the auditor of the v for misconduct or inefficiency after giving the auditor a reasonable opportunity of hearing :

**Provided** that another auditor for the <sup>186</sup>[collective investment scheme] is appointed by trustee immediately from auditors empanelled with the Board.

(2) The auditor of the <sup>187</sup>[collective investment scheme] may resign by giving a three months written notice to the Collective Investment Management Company and to the trustee.

### **Publication of Annual Report and summary thereof**

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<sup>179</sup> *ibid.*

<sup>180</sup> *ibid.*

<sup>181</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>182</sup> *ibid.*

<sup>183</sup> *ibid.*

<sup>184</sup> *ibid.*

<sup>185</sup> *ibid.*

<sup>186</sup> *Ibid.*

<sup>187</sup> *ibid.*

47. (1) The <sup>188</sup>[collective investment scheme] wise annual report or an abridged form thereof shall be published in a national daily as soon as possible but not later than two calendar months from the date of finalisation of accounts.

(2) The annual report shall contain details as specified in the Ninth Schedule and such other details as are necessary for the purpose of providing a true and fair view of the operations of the collective investment scheme.

(3) The report if published in abridged form shall carry a note that full annual report shall be available for inspection at the Head Office and all branch offices of the Collective Investment Management Company.

### **Periodic and continual disclosures**

48. (1) The Collective Investment Management Company and the trustee, shall make such disclosures or submit such documents as they may be called upon by the Board to make or submit.

(2) Without prejudice to the generality of sub-regulation (1), the Collective Investment Management Company on behalf of the <sup>189</sup>[collective investment scheme] shall furnish the following periodic reports to the Board, namely:

(a) copies of the duly audited annual statements of account including the balance sheet and the profit and loss account in respect of each <sup>190</sup>[collective investment scheme], once a year;

(b) a copy of quarterly unaudited accounts;

(c) a quarterly statement of changes in net assets for each of the <sup>191</sup>[collective investment scheme]s.

### **Quarterly disclosures**

49. A Collective Investment Management Company, on behalf of the <sup>192</sup>[collective investment scheme] shall before the expiry of one month from the close of each quarter that is 31st March, 30th June, 30th September and 31st December publish its unaudited financial results in one daily newspaper having nationwide circulation and in a newspaper published in the language of the region where

the Head Office of the Collective Investment Management Company is situated.

Provided that the quarterly unaudited report referred in this sub-regulation shall contain details as specified in the regulations and such other details as are necessary for the purpose of providing a true and fair view of the operations of the <sup>193</sup>[collective investment scheme].

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<sup>188</sup> *ibid.*

<sup>189</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>190</sup> *ibid.*

<sup>191</sup> *ibid.*

<sup>192</sup> *ibid.*

<sup>193</sup> *ibid.*

### **Disclosures to the investors**

50. The trustee shall ensure that the Collective Investment Management Company shall make such disclosures to the unit holders as are essential in order to keep them informed about any matter which may have an adverse bearing on their investments.

### **Calling of meeting of unit holders, transfer and transmission of units**

51. The calling of meeting of unit holders as well as transfer and transmission of units of <sup>194</sup>[collective investment scheme] shall be as per the provisions of the Eighth Schedule.

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<sup>194</sup> *ibid.*

## **CHAPTER VII INSPECTION AND AUDIT**

### **Board's right to inspect and investigate**

52. (1) The Board may appoint one or more persons as Inspecting Officer to undertake the inspection of the books of account, records, documents and infrastructure, systems and procedures or to investigate the affairs of the trustee and Collective Investment Management Company for any of the following purposes, namely:

- (a) to ensure that the books of account are being maintained by the Collective Investment Management Company in the manner specified in these regulations;
- (b) to ascertain whether the provisions of the Act and these regulations are being complied with by the trustee and Collective Investment Management Company;
- (c) to ascertain whether the systems, procedures and safeguards followed by the Collective Investment Management Company are adequate;
- (d) to investigate into the complaints received from the investors or any other person on any matter having a bearing on the activities of the trustee and Collective Investment Management Company.

### **Notice before inspection and investigation**

53. (1) Before ordering an inspection under regulation 52 the Board shall give not less than ten days' notice to the Collective Investment Management Company or trustee as the case may be.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice is required to be given, it may, by an order in writing direct that such inspection or investigation be taken up immediately without any notice.

(3) During the course of inspection or investigation, the trustee or Collective Investment Management Company against whom the inspection or investigation is being carried out shall be bound to discharge his obligations as provided in regulation 54.

### **Obligations during inspection and investigation**

54. (1) It shall be the duty of the trustee or Collective Investment Management Company whose affairs are being inspected or investigated, and of every director, officer and employee thereof, to produce such books, accounts, records, and other documents in its custody or control and furnish him such statements and information relating to the activities as trustee or Collective Investment Management Company, as the inspecting officer may require, within such reasonable period as the inspecting officer may specify.

(2) The trustee or Collective Investment Management Company shall allow the inspecting officer to have a reasonable access to the premises occupied by it or by any other person on its behalf and also provide necessary infrastructure for examining any books, records, documents, and computer data in the possession of the trustee and Collective Investment Management Company or such other person and also provide copies of documents or other materials which in the opinion of the inspecting officer are relevant for the purpose of the inspection.

## **Submission of report to the Board**

55. The inspecting officer shall, on completion of the inspection or investigation, submit a report to the Board:

Provided that if directed to do so by the Board, he shall submit interim reports also.

## **<sup>195</sup>Action on inspection or investigation report**

56. The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under <sup>196</sup>Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008].]

## **Appointment of Auditor and recovery of expenses**

57. (1) Without prejudice to the provisions of regulation 52, the Board shall have the power to appoint an auditor to inspect or investigate, as the case may be, into the books of account or the affairs of the trustee or Collective Investment Management Company in respect of <sup>197</sup>[collective investment scheme]s :

Provided that the Auditor so appointed shall have the same powers of the inspecting officer as stated in regulation 52 and the obligation of the Collective Investment Management Company or trustee and their respective employees in regulation 54, shall be applicable to the inspection under this regulation.

## **Payment of inspection fees to the Board**

(2) The Board shall be entitled to recover such expenses including fees paid to the auditors as may be incurred by it for the purposes of inspecting the books of account, records and documents of the trustee or Collective Investment Management Company.

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<sup>195</sup> Substituted by the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. Prior to substitution the regulation 56 read as under:

*“Communications of findings, etc.*

56. (1) *The Board shall, after consideration of the report referred to in regulation 55, communicate the findings to the trustee or Collective Investment Management Company as the case may be, and give him an opportunity of being heard within fourteen days from the date of receipt of such communication.*

(2) *Without prejudice to its right to initiate necessary action under the Act and these regulations, the Board upon receipt of the reply, if any, from the trustee or Collective Investment Management Company may call upon it to take such remedial measures as the Board may direct in this behalf and may also initiate action under Chapter VIII of these regulations.”*

<sup>196</sup> Substituted for “the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002” by the SEBI (Intermediaries) Regulations, 2008, w.e.f. 26-05-2008.

<sup>197</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

## CHAPTER VIII PROCEDURE FOR ACTION IN CASE OF DEFAULT

58. <sup>198</sup>[\*\*\*]

### **<sup>199</sup>Liability for action in case of default**

59. In case a Collective Investment Management Company—

- (a) contravenes any provision of the Act or these regulations;
- (b) for the purposes of these regulations furnishes any information which is false or misleading or suppresses any material information;
- (c) does not co-operate in any inspection, investigation or inquiry conducted by the Board under the Act or these regulations;
- (d) fails to comply with any directions issued by the Board under the Act or the regulations;
- (e) fails to resolve the complaints of the investors or fails to furnish to the Board a satisfactory reply in this behalf when called upon to do so by the Board;
- (f) commits a breach of any provision of the Code of Conduct specified in the Third Schedule;
- (g) fails to pay the fees specified in the Second Schedule;
- (h) commits a breach of the conditions of registration; or
- (i) fails to make an application for listing or fails to list units of a <sup>200</sup>[collective investment scheme] in a recognized stock exchange, shall be dealt with in the manner provided in <sup>201</sup>[Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008].

60. to 64. <sup>202</sup>[\*\*\*]

### **Directions by the Board**

65. The Board may, in the interests of the securities market and the investors and without prejudice to its right to initiate action under this Chapter, including initiation of criminal prosecution under section 24 of the Act, give such directions as it deems fit in order to ensure effective observance of these regulations, including directions:

- (a) requiring the person concerned not to collect any money from investors or to launch any <sup>203</sup>[collective investment scheme];
- (b) prohibiting the person concerned from disposing of any of the properties of the <sup>204</sup>[collective investment scheme] acquired in violation of these regulations;

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<sup>198</sup> Omitted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-09-2002.

<sup>199</sup> Substituted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-09-2002.

<sup>200</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>201</sup> Substituted for “the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002” by the SEBI (Intermediaries) Regulations, 2008, w.e.f. 26-05-2008.

<sup>202</sup> Regulations 60 to 64 omitted by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, w.e.f. 27-09-2002.

<sup>203</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>204</sup> *ibid.*



- (c) requiring the person concerned to dispose of the assets of the <sup>205</sup>[collective investment scheme] in a manner as may be specified in the directions;
- (d) requiring the person concerned to refund any money or the assets to the concerned investors along with the requisite interest or otherwise, collected under the <sup>206</sup>[collective investment scheme];
- (e) prohibiting the person concerned from operating in the capital market or from accessing the capital market for a specified period.

### **Action against intermediaries**

66. The Board may initiate action for suspension or cancellation of registration of an intermediary holding a certificate of registration under section 12 of the Act who fails to exercise due diligence in the performance of its functions or fails to comply with its obligations under these regulations: **Provided** that no such certificate of registration shall be suspended or cancelled unless the procedure specified in the regulations applicable to such intermediary is complied with.

### **Appeal to the Central Government**

<sup>207</sup>67. Any person aggrieved by an order of the Board made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999, (*i.e.*, after 16th December, 1999), under these regulations may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter.]

## **CHAPTER IX EXISTING COLLECTIVE INVESTMENT SCHEMES**

### **Existing <sup>208</sup>[collective investment scheme]s to obtain provisional registration**

68. (1) Any person who has been operating a collective investment scheme at the time of commencement of these regulations shall be deemed to be an existing collective investment scheme and shall also comply with the provisions of this Chapter.

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<sup>205</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>206</sup> *ibid.*

<sup>207</sup> Substituted by the SEBI (Appeal to the Securities Appellate Tribunal) (Amendment) Regulations, 2000, w.e.f. 28-03-2000. Prior to its substitution the regulation read as under:

“ 67. Any person aggrieved by an order of the competent authority or the Board under these regulations:

(a) suspending the certificate of registration; or

(b) canceling such certificate; or

(c) issuing directions under regulation 65

may prefer an appeal to the Central Government against such order, in accordance with the Securities and Exchange Board of India ( Appeals to Central Government) Rules, 1993.”

<sup>208</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

**Explanation :** The expression ‘operating a collective investment scheme’ shall include carrying out the obligations undertaken in the various documents entered into with the investors who have subscribed to the <sup>209</sup>[collective investment scheme].

(2) An existing collective investment scheme shall make an application to the Board in the manner specified in regulation 5.

(3) The application made under sub-regulation (2) shall be dealt with in any of the following manner:

- (a) by grant of provisional registration by the Board under sub-regulation (1) of regulation 71;
- (b) by grant of a certificate of registration by the Board under regulation 10;
- (c) by rejection of the application for registration by the Board under regulation 12.

#### **No <sup>210</sup>[collective investment scheme] to be launched until grant of registration**

69. No existing collective investment scheme shall launch any new <sup>211</sup>[collective investment scheme] or raise money from the investors even under the existing <sup>212</sup>[collective investment scheme], unless a certificate of registration is granted to it by the Board under regulation 10.

#### **Consideration of application for grant of provisional registration**

70. (1) The applicant for the purpose of being considered eligible for the grant of provisional registration shall satisfy the Board that—

- (a) the <sup>213</sup>[collective investment scheme]s of the applicant are in the nature of collective investment schemes;
- (b) the affairs of the applicant are not being conducted in a manner detrimental to the interest of existing investors;
- (c) the applicant has at least 50% independent directors at the time of making the application.

Explanation :— “Independent directors” shall mean directors who are not associates of the persons operating the existing collective investment scheme;

(d) any person, directly or indirectly connected with it has not been granted registration by the Board under the Act.

(2) The Board for the purposes of grant of provisional registration may, *inter alia*, inspect the <sup>214</sup>[collective investment scheme]s, books of account, records and documents of the applicant.

(3) The Board shall recover from the applicant such expenses including fees paid to the auditor, appraising agency as may be incurred by it for the purposes of inspecting the <sup>215</sup>[collective investment scheme]s, books of account, records and documents of the applicant.

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<sup>209</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>210</sup> *ibid.*

<sup>211</sup> *ibid.*

<sup>212</sup> *ibid.*

<sup>213</sup> *ibid.*

<sup>214</sup> *ibid.*

<sup>215</sup> *ibid.*

(4) The Board on being satisfied that the requirements specified in sub-regulation (1) are not fulfilled may reject the application and the applicant thereupon shall wind up its existing <sup>216</sup>[collective investment scheme] (s) in the manner specified in regulation 73.

### **Grant of provisional registration**

71. (1) The Board after being satisfied that the conditions specified in regulation 70 are fulfilled may grant provisional registration to the applicant subject to the following conditions, namely :—

- (a) the applicant shall get the existing <sup>217</sup>[collective investment scheme]s rated by a credit rating agency within <sup>218</sup>[two] year from the date of grant of provisional registration;
- (b) the applicant shall get the existing <sup>219</sup>[collective investment scheme]s audited by an auditor within a period of <sup>220</sup>[two] year from the date of grant of provisional registration;
- (c) the applicant shall get existing <sup>221</sup>[collective investment scheme]s appraised by an appraising agency within a period of <sup>222</sup>[two] year from the date of grant of provisional registration;
- (d) the applicant shall create a trust and appoint trustees in the manner specified in Chapter IV of these regulations within a period of <sup>223</sup>[two] years from the date of grant of provisional registration;
- (e) the applicant shall comply with accounting and valuation norms in respect of <sup>224</sup>[collective investment scheme]s floated before the commencement of these regulations as specified in Part II of the Ninth Schedule within a period of <sup>225</sup>[two] year from the date of provisional registration;
- (f) the applicant shall meet the minimum net worth of Rupees one crore within one year from the date of grant of provisional registration which shall be increased by Rupees one crore each within two years, three years, four years and five years from the date of grant of provisional registration;
- (g) the applicant shall not dispose of the <sup>226</sup>[collective investment scheme] property except for meeting obligations arising under the offer document of the <sup>227</sup>[collective investment scheme];
- (h) the applicant shall comply with the conditions specified in regulation 11;
- (i) such other conditions which the Board may impose.

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<sup>216</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>217</sup> *ibid.*

<sup>218</sup> Word “one” in clause (a) of sub-regulation (1) of Regulation 71 is substituted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2002, w.e.f. 17-01-2002.

<sup>219</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>220</sup> Word “one” in clause (b) of sub-regulation (1) of Regulation 71 is substituted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2002, w.e.f. 17-01-2002.

<sup>221</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>222</sup> Word “one” in clause (c) of sub-regulation (1) of Regulation 71 is substituted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2002, w.e.f. 17-01-2002.

<sup>223</sup> Word “one” in clause (d) of sub-regulation (1) of Regulation 71 is substituted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2002, w.e.f. 17-01-2002.

<sup>224</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>225</sup> Word “one” in clause (e) of sub-regulation (1) of Regulation 71 is substituted by the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2002, w.e.f. 17-01-2002.

<sup>226</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>227</sup> *ibid.*

(2) The applicant shall give a written undertaking to the Board to comply with the conditions specified in sub-regulation (1).

(3) The applicant who has been considered eligible for the grant of provisional registration by the Board shall pay provisional registration fee as per the Second Schedule.

(4) An applicant who after grant of provisional registration fails to comply with the conditions as specified in sub-regulation (1) and regulation 9 shall not be considered eligible for the grant of certificate of registration under regulation 10 and shall wind up the <sup>228</sup>[collective investment scheme] in the manner specified in regulation 73.

### **Registration to existing <sup>229</sup>[collective investment scheme]**

72. (1) An existing Collective Investment Scheme which satisfies the Board that the requirements specified in regulation 9 and the conditions specified under regulation 71 have been fulfilled, shall be granted a certificate of registration under regulation 10 upon payment of registration fees as specified in paragraph 2 of the Second Schedule and on such terms and conditions as may be specified by the Board.

(2) An existing Collective Investment Scheme which has been granted certificate of registration under sub-regulation (1) may be allowed to float new <sup>230</sup>[collective investment scheme]s on such terms and conditions as may be specified by the Board.

### **Manner of repayment and winding up**

73. (1) An existing collective investment scheme which:

- (a) has failed to make an application for registration to the Board; or
  - (b) has not been granted provisional registration by the Board; or
  - (c) having obtained provisional registration fails to comply with the provisions of regulation 71;
- shall wind up the existing <sup>231</sup>[collective investment scheme].

(2) The existing Collective Investment Scheme to be wound up under sub-regulation (1) shall send an information memorandum to the investors who have subscribed to the <sup>232</sup>[collective investment scheme]s, within two months from the date of receipt of intimation from the Board, detailing the state of affairs of the <sup>233</sup>[collective investment scheme], the amount repayable to each investor and the manner in which such amount is determined.

(3) The information memorandum referred to in sub-regulation (2) shall be dated and signed by all the directors of the <sup>234</sup>[collective investment scheme].

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<sup>228</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>229</sup> *ibid.*

<sup>230</sup> *ibid.*

<sup>231</sup> *ibid.*

<sup>232</sup> *ibid.*

<sup>233</sup> *ibid.*

<sup>234</sup> *ibid.*

(4) The Board may specify such other disclosures to be made in the information memorandum, as it deems fit.

(5) The information memorandum shall be sent to the investors within one week from the date of the information memorandum.

(6) The information memorandum shall explicitly state that investors desirous of continuing with the <sup>235</sup>[collective investment scheme] shall have to give a positive consent within one month from the date of the information memorandum to continue with the <sup>236</sup>[collective investment scheme].

(7) The investors who give positive consent under sub-regulation (6), shall continue with the <sup>237</sup>[collective investment scheme] at their risk and responsibility :  
Provided that if the positive consent to continue with the <sup>238</sup>[collective investment scheme], is received from only twenty-five per cent or less of the total number of existing investors, the <sup>239</sup>[collective investment scheme] shall be wound up.

(8) The payment to the investors, shall be made within three months of the date of the information memorandum.

(9) On completion of the winding up, the existing collective investment scheme shall file with the Board such reports, as may be specified by the Board.

**Existing <sup>240</sup>[collective investment scheme] not desirous of obtaining registration to repay**

74. An existing collective investment scheme which is not desirous of obtaining provisional registration from the Board shall formulate a scheme of repayment and make such repayment to the existing investors in the manner specified in regulation 73.

<sup>241</sup>[CHAPTER IX A  
EXISTING SCHEMES OR ARRANGEMENTS DEEMED TO BE A COLLECTIVE  
INVESTMENT SCHEME

**Existing schemes or arrangements deemed to be a collective investment scheme to obtain provisional registration**

74A. (1) Any person who has been operating a scheme or arrangement deemed to be a collective investment scheme under the proviso to sub-section (1) of section 11AA of the Act at the time of commencement of the Securities and Exchange Board of India (Collective Investment Schemes) (Amendment) Regulations, 2014, shall be deemed to be an existing collective investment scheme and shall also comply with the provisions of Chapter IX:

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<sup>235</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>236</sup> *ibid.*

<sup>237</sup> *ibid.*

<sup>238</sup> *ibid.*

<sup>239</sup> *ibid.*

<sup>240</sup> *ibid.*

<sup>241</sup> Inserted, *ibid.*

Provided that any scheme or arrangement which is otherwise regulated or prohibited under any other law shall not be deemed to be a collective investment scheme.

Explanation : The expression ‘operating a scheme or arrangement deemed to be a collective investment scheme’ shall include carrying out the obligations undertaken in the various documents entered into with the investors who have subscribed to the scheme or arrangement.

(2) An existing collective investment scheme shall make an application to the Board in the manner specified in regulation 5.]

## <sup>242</sup>[CHAPTER IX-B

### **POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS**

#### **Exemption from enforcement of the regulations in special cases.**

74B. (1) The Board may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation<sup>243</sup>[\*\*\*] relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. — For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.]

## **CHAPTER X**

### **MISCELLANEOUS**

#### **Power of the Board to issue clarifications**

75. In order to remove any difficulties in the application or interpretation of these regulations, the Board shall have the power to issue clarifications and guidelines in the form of notes or circulars which shall be binding on the trustee or Collective Investment Management Company or any other intermediary in the capital market.

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<sup>242</sup> Inserted by the SEBI (Regulatory Sandbox) (Amendment) Regulations, 2020, w.e.f. 17-04-2020.

<sup>243</sup> The words “*in technological aspects*” omitted by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2021, w.e.f. 03-08-2021.

## 11. ANCILLARY OBJECTS :

(the Memorandum and Articles of Association should have necessary clause in respect of collective investment scheme and amendments, if any, shall have to be incorporated in the existing Memorandum and Articles of Association)

**12. CAPITAL STRUCTURE AND SHAREHOLDING PATTERN :**

(give list of major shareholders holding 5% or more voting rights and percentage of their share holdings, as of the latest date)

**13. NET WORTH OF THE COMPANY :**

(as of the latest date)

**14. PRESENT LINE(S) OF BUSINESS ACTIVITIES:**

(History, major achievements and present activity)

**15. FINANCIAL INFORMATION :**

(Enclose Balance Sheet and Profit and Loss account for the immediately preceding 3 years)

**16. ACCOUNTING POLICIES:**

(Furnish description of significant accounting policies)

**17. NAMES AND ACTIVITIES OF ASSOCIATE COMPANIES/CONCERNS CARRYING ON ACTIVITIES RELATED TO THE SECURITIES MARKET AND GRANTED REGISTRATION BY SEBI :**

**18. MANAGEMENT OF THE COLLECTIVE INVESTMENT MANAGEMENT COMPANY:**

**19. BOARD OF DIRECTORS :**

(Indicate name, qualifications, background, experience, whether directorship is on whole-time/part-time basis, other directorships, of the Directors. Whether any of the Directors is in full employment elsewhere; give details thereof. If any of the Directors is a member of a professional body *i.e.*, the ICAI or ICSI, to furnish permission of the professional body for acting as director of the applicant )

**20. KEY MANAGEMENT PERSONNEL :**

(Furnish the names, qualifications, experience of the key management personnel indicating their experience. Also, submit proof of acceptance of appointment letter, latest salary slips)

**21. OTHER EMPLOYEES :**

(Furnish the names, qualifications, experience of the other employees)

**22. DETAILS OF INFRASTRUCTURAL FACILITIES :**

**23. OFFICE SPACE :**

(Mention extent of area available at the place where the main activity would be carried out; detail of office space available at all the locations; certified copies of relevant sale deed/lease deed/rental agreement etc. in respect of each of the premises to be enclosed.)



**24. OFFICE EQUIPMENT :**

(mention the details of electronic office equipment, computers, fax, telephones etc; submit proof of purchase of the above equipments.)

**25. INVOLVEMENT IN CASES :**

(a) Court cases/litigations in which the applicant may have been involved in the last 3 years.

(b) Involvement in any offence relating to moral turpitude/economic offences of the directors, employees of the applicant in the last 3 years.

**26. AUDITORS**

**27. OTHER INFORMATION :**

Any other information considered relevant to the nature of services rendered by the applicant.

Names and addresses of the auditors of the applicant :

**28. DOCUMENTS :**

Submit copies of :

(a) Draft Trust Deed; and

(b) Draft Investment Management Agreement

**INSTRUCTION FOR FILLING UP THE FORM :—**

(a) Applicants must submit a completed application form together with appropriate supporting documents to the Board.

(b) It is important that this application form should be filled in accordance with the regulations.

(c) An application which is not complete is liable to be rejected.

(d) Answers must be typed and legible.

(e) Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.

(f) The application must be signed by the competent person having authority to do so and all signatures must be in original.

**FORM B**

**SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE  
INVESTMENT SCHEME) REGULATIONS, 1999**

**[Regulation 10]**

**CERTIFICATE OF REGISTRATION**

In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), read with the Securities and Exchange Board of India (Collective Investment Scheme) Regulations, 1999 made thereunder the Board hereby grants a certificate of registration to ..... as an Collective Investment Management Company.

Registration Code for the Collective Investment Management Company is

CIMC/CIS/ / /

Date

By order

Sd/-

For and on behalf

Securities and Exchange Board of India

## **FORM C**

### **SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999 [Regulation 18(2)] TRUSTEESHIP OF THE COLLECTION INVESTMENT SCHEME**

(1) Furnish the following particulars :

(a) Name of the Institution

(b) Address/telephone/telex/fax Nos.

(c) Name of the contact person

(d) SEBI Registration No.:

(e) Management of the trustee

Board of Directors

Key Personnel

Other Employees

(f) Details of Infrastructure facilities

Office Space

Office Equipment

(g) Court cases/litigations in which the trustee may have been involved in the last three years and whether the case is pending or has been adjudicated.

(h) Any penalty imposed by SEBI or by other regulatory bodies during the last three years.

(i) Any other information considered relevant to the nature of services rendered by the trustee.

(2) INSTRUCTION FOR FILLING UP THE FORM

(See Form A)

## **SECOND SCHEDULE**

### **SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999 [Regulations 6, 10, 26(1), 59(g), 71(3), 72(1)]**

#### **FEES**

1. (a) Application fees payable by the applicant : Rupees Twenty- Five Thousand

(b) Provisional registration fees payable by existing collective investment scheme: [see para 2 below] Rupees Five Lacs

(c) Registration fees payable by the applicant for grant of registration as collective investment management company : Rupees Ten Lacs

(d) Filing fees for offer document : Rupees Twenty-Five thousand

2. The applicant who has paid provisional registration fee of Rs. 5 lacs under sub-paragraph (b) of paragraph 1, shall pay remaining registration fee of Rs. 5 lacs at the time of grant of registration.

<sup>244</sup>[3. The fees referred to in paragraphs 1 and 2 above, shall be paid by way of direct credit into the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time.]

## **THIRD SCHEDULE**

### **SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999 [Regulations 14(h), 21(8), 59(f)]**

#### **CODE OF CONDUCT**

1. Interests of all classes of unit holders to be protected

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244 Substituted by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2023 w.e.f 01.04.2023. Prior to its substitution, clause 3 read as under-

“3. The fees referred to in paragraphs 1 and 2 above, shall be paid \*[by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or] by means of a bank draft in favour of “Securities and Exchange Board of India” at Mumbai or at the regional offices where the application for registration or draft offer document is submitted.”

\*[ Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6-3-2017.]

The organisation, operation and management of the Collective Investment Scheme and the creation of assets therein shall be conducted—

- (a) in the interest of all classes of unit holders of the <sup>245</sup>[collective investment scheme]; and
- (b) not merely in the interests of the directors of the company or associated persons or any special class of unit holders.

## 2. Dissemination of information

(a) the trustee and the Collective Investment Management Company shall ensure the timely dissemination to all unit holders, of adequate accurate and explicit information about the investment policies, investment objectives, financial position and general affairs of the <sup>246</sup>[collective investment scheme];

(b) all such information shall be fairly presented in simple language.

## 3. Conflict of interest

The trustee and the Collective Investment Management Company shall in managing the affairs of the <sup>247</sup>[collective investment scheme]s avoid conflicts of interest and treat the interests of all unit holders paramount in all matters.

## 4. Segregation

The trustee and the Collective Investment Management Company shall ensure scheme-wise segregation of funds and assets as created.

## 5. Integrity, investments as per objects, etc.

The trustee and the Collective Investment Management Agency shall

(a) carry on the business and make investments in accordance with the investment objectives stated in the offer documents and take investment decisions solely in the interests of unit holders;

(b) not use any unethical means for marketing their <sup>248</sup>[collective investment scheme]s or for inducing investors to bring the same;

(c) carry on all their activities in the interests of unit holders and with strict regard to integrity and honesty.

# FOURTH SCHEDULE

## SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999 [Regulation 17(1)]

### CONTENTS OF THE TRUST DEED

#### 1. *Principal Clauses*

The Trust Deed shall contain the following clauses, namely:—

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<sup>245</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>246</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>247</sup> *ibid.*

<sup>248</sup> *ibid.*

- (a) the responsibilities, obligations and rights of the trustee for the protection of the assets of the <sup>249</sup>[collective investment scheme],
- (b) provisions to ensure that management of <sup>250</sup>[collective investment scheme] property shall be in accordance with that specified in the offer document and these regulations,
- (c) the responsibilities, obligations and rights of the Collective Investment Management Company,
- (d) the policies for issue, pricing of units and expenses of the <sup>251</sup>[collective investment scheme], including payment of fees and distribution of income and gains and accounting,
- (e) the policies for disclosures of the investors of various <sup>252</sup>[collective investment scheme]s objectives and investment objectives in offer documents and advertisements and annual and half-yearly reporting requirements,
- (f) provisions to ensure that the auditor for the <sup>253</sup>[collective investment scheme] shall be different from the Auditor of the Collective Investment Management Company. Further, it shall contain conditions of appointment, retirement, removal and replacement of auditor of the <sup>254</sup>[collective investment scheme],
- (g) broad policies regarding allocation of expenditure to capital or income,
- (h) provisions to explicitly forbid the acquisition of any asset out of the trust property which involves the assumption of any liability which is unlimited or shall not result in encumbrance of the trust property in any way,
- (i) trusteeship fee, if any, payable to the trustee,
- (j) provisions to the effect that no amendment to the Trust Deed shall be carried out without the prior approval of the Board and unit holders,
- (k) provisions to ensure that removal of the trustee in all cases shall require the prior approval of the Board and the provisions regarding appointment of new trustee and their removal be specified,
- (l) procedure for seeking approval of the unit holders,
- (m) provisions for redressal of grievances of the investors and time within which such complaints shall be redressed,
- (n) the circumstances under which the assets may be disposed of with the approval of the trustee,
- (o) provisions regarding transfer of units, meeting of unit holders and maintenance of upto date register of unit holders,
- (p) the time within which the unit certificates shall be issued after allotment and the time within which transfer of units shall be completed,
- (q) provisions to ensure that any document required to be lodged with the Board shall be signed by at least two Directors of the Collective Investment Management Company with at least one of them being an independent director,
- (r) provisions to ensure the public availability of the trust deed for inspection of unit holders and investors,
- (s) provisions to ensure that unit holders shall have beneficial interest in the trust property to the extent of individual holding in respective <sup>255</sup>[collective investment scheme]s only.

## *2. Trustee's duties regarding information properly, etc.*

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<sup>249</sup> *ibid.*

<sup>250</sup> *ibid.*

<sup>251</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>252</sup> *ibid.*

<sup>253</sup> *ibid.*

<sup>254</sup> *ibid.*

<sup>255</sup> *Ibid.*

The Trust Deed shall lay down that the trustee shall:

- (a) obtain necessary information and a quarterly report from the Collective Investment Management Company,
- (b) make spot checks on the Collective Investment Management Company regarding pricing of units and payment into and out of the <sup>256</sup>[collective investment scheme] and proper accounting of the income of the <sup>257</sup>[collective investment scheme] and charging of expenses and distribution as permitted,
- (c) maintain an arms' length relationship with other companies, or institutions or financial intermediaries or any body corporate with which it may be associated,
- (d) take into their custody, or under their control all the property of the <sup>258</sup>[collective investment scheme]s and hold it in trust for the unit holders,
- (e) act in the interest of the unit holders,
- (f) provide or cause to be provide information to unit holders and Board as may be specified by the Board,
- (g) enter into an agreement for managing the <sup>259</sup>[collective investment scheme] property with the Collective Investment Management Company for this purpose, and shall enclose the same with the Trust Deed,
- (h) supervise the collection of any income due to be paid to the <sup>260</sup>[collective investment scheme] and for claiming any repayment of tax and holding any income received in trust for the holders in accordance with the Trust Deed, Offer document and regulations,
- (i) take reasonable care to ensure that the funds under the <sup>261</sup>[collective investment scheme]s floated by and managed by the Collective Investment Management Company are in accordance with the Trust Deed, Offer document and regulations,
- (j) have to remove the Collective Investment Management Company under the specific events only with the approval of Board in accordance with the regulations,
- (k) be responsible for the supervision of its activities of the Collective Investment Management Company in relation to the <sup>262</sup>[collective investment scheme] and shall also act as a Custodian of the assets of the <sup>263</sup>[collective investment scheme].

### 3. Obligations of the Company

The Trust Deed shall lay down that Collective Investment Management Company shall:

- (a) float <sup>264</sup>[collective investment scheme]s for the <sup>265</sup>[collective investment scheme] after approval by the trustee, and manage the funds mobilised under various <sup>266</sup>[collective investment scheme]s, in accordance with the provisions of the Trust Deed, Offer document and regulations,

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<sup>256</sup> *ibid.*

<sup>257</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>258</sup> *ibid.*

<sup>259</sup> *ibid.*

<sup>260</sup> *ibid.*

<sup>261</sup> *ibid.*

<sup>262</sup> *ibid.*

<sup>263</sup> *ibid.*

<sup>264</sup> *Ibid.*

<sup>265</sup> *ibid.*

<sup>266</sup> *ibid.*

(b) not invest the corpus of the <sup>267</sup>[collective investment scheme] in other <sup>268</sup>[collective investment scheme],

(c) not without the approval of the trustee publish or cause to be published any advertisement containing any invitation to buy units, or any statement with respect to the sale price of the units or the return expected from the <sup>269</sup>[collective investment scheme],

(d) use its best endeavours to carry on and conduct its business in a proper and efficient manner and to ensure that the <sup>270</sup>[collective investment scheme] to which the deed relates is carried on and conducted in a proper and efficient manner,

(e) make available to the trustee or to the auditors for inspection all the books of the <sup>271</sup>[collective investment scheme],

(f) furnish to the trustee or to the auditors such oral or written information as the trustee or the auditor requires with respect to all matter relating to the <sup>272</sup>[collective investment scheme] or otherwise relating to the affairs of the <sup>273</sup>[collective investment scheme],

(g) not exercise the right to vote in respect of any units relating to the <sup>274</sup>[collective investment scheme] held by the Collective Investment Management Company.

## **FIFTH SCHEDULE**

### **SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999**

#### **[Regulation 20(2)]**

#### **CONTENTS OF THE AGREEMENT FOR MANAGING SCHEME PROPERTY**

The Investment Management Agreement shall contain the following clauses namely:—

#### **Obligations of the Collective Investment Management Company:**

##### **1. *The Collective Investment Management Company***

(a) shall be responsible for floating <sup>275</sup>[collective investment scheme]s after obtaining approval from the trustee and managing the funds mobilised under various <sup>276</sup>[collective investment scheme]s, in accordance with the provisions of the Trust Deed, Offer document and regulations;

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<sup>267</sup> *ibid.*

<sup>268</sup> *ibid.*

<sup>269</sup> *ibid.*

<sup>270</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>271</sup> *ibid.*

<sup>272</sup> *ibid.*

<sup>273</sup> *ibid.*

<sup>274</sup> *ibid.*

<sup>275</sup> *Ibid.*

<sup>276</sup> *ibid.*

(b) shall invest the funds raised under various <sup>277</sup>[collective investment scheme]s in accordance with the provisions of the Trust Deed, Offer document and the regulations;

(c) shall not acquire any assets out of the <sup>278</sup>[collective investment scheme] property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the <sup>279</sup>[collective investment scheme] property in any way;

(d) shall not give or guarantee loans or take up any activity in contravention of the regulations;

(e) shall ensure that no application form, or sales literature or other printed matter issued to prospective investors, or advertisement, or report and/or announcement addressed to the general body of unit holders, or to the public, or to the press or other communications media, is issued or published without the trustee's prior approval in writing, and contains any statement or matter extraneous to the Trust Deed or Offer Document <sup>280</sup>[collective investment scheme] particulars approved by the trustee and Board;

(f) shall submit quarterly reports on the functioning of the <sup>281</sup>[collective investment scheme]s to the trustee or at such intervals as may be required by the trustee or Board.

## **2. The trustee :**

(a) shall have the right to obtain from the Collective Investment Management Company all information concerning the operations of the various <sup>282</sup>[collective investment scheme]s managed by the Collective Investment Management Company at such intervals and in such a manner as required by the trustee to ensure that the Collective Investment Management Company is complying with the provisions of the Trust Deed, Offer document and regulations;

(b) shall have the power to remove the Collective Investment Management Company under the specific events only with the approval of Board in accordance with the regulations.

## **3. Meeting the losses**

No loss or damage or expenses incurred by the Collective Investment Management Company or its officers or any person delegated by the Collective Investment Management Company<sup>283</sup>[, including those in relation to resolution of claims or disputes of investors in terms of regulation 14A,] shall be met out of the trust property.

# **SIXTH SCHEDULE**

## **SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEME) REGULATIONS, 1999**

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<sup>277</sup> *ibid.*

<sup>278</sup> *ibid.*

<sup>279</sup> *ibid.*

<sup>280</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>281</sup> *ibid.*

<sup>282</sup> *ibid.*

<sup>283</sup> Inserted by the Securities and Exchange Board of India (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023, w.e.f., 04-07-2023.



**[Regulation 26(2)]**  
**CONTENTS OF THE OFFER DOCUMENT**

**Contents**

The offer document filed with the Board shall contain, in addition to the requirements specified in the regulations, following information so as to enable the investors to make a true, fair and informed decision on the investments in the <sup>284</sup>[collective investment scheme], namely:

**1. Outer Cover Pages**

**1.1 Front Outer Cover Page**

- (i) The front outer cover page of the offer document filed with the Board shall contain the following details only:—  
The name of the <sup>285</sup>[collective investment scheme], name and address of the registered office of the Collective Investment Management Company and trustee along with their telephone number and fax number.
- (ii) The nature, number, price and amount of the units offered.
- (iii) The following clause in respect of general risk should be incorporated:  
“Investment in units involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the <sup>286</sup>[collective investment scheme] and the offer including the risks involved. The units have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.”  
Specific attention of investors shall be invited to the summarized and detailed statement of Risk Factors by indicating their page number(s) in the ‘General Risks’.
- (iv) Collective Investment Management Company’s Absolute Responsibility clause to be incorporated as under:  
“The Collective Investment Management Company, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the <sup>287</sup>[collective investment scheme] and that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of

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<sup>284</sup> *ibid.*

<sup>285</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>286</sup> *ibid.*

<sup>287</sup> *ibid.*

such information or the expression of any such opinions or intentions misleading in any material respect.”

- (v) The name and address of the Registrar to the issue along with the telephone number and fax number.
- (vi) The name and address of the auditor of the <sup>288</sup>[collective investment scheme].
- (vii) Opening, Closing and Earliest closing date (if any) for the offer.
- (viii) Credit Rating - Name of the Credit Rating Agency, the rating given, the tenure of the rating.
- (ix) Name of the Compliance Officer.
- (x) Name of the appraising agency - A brief appraisal report.
- (xi) The front cover page shall be white. No patterns or pictures shall be printed on this page.
- (xii) The cover page paper shall be of adequate thickness (preferably minimum 100 gcm quality).

### 1.2 Front Inside Cover Page

Index shall appear on the Front Inside Cover Page.

### 1.3 Inner Cover Pages

The other risk factors shall be printed in clear readable font (preferably of minimum point 10 size) starting on the first inner cover page to be numbered page i (and, if need be, shall continue on subsequent pages ii, iii, etc. as distinct from the page number of the offer document proper which would run as 1, 2, 3, etc. ) in addition to appearing in the offer document.

### 1.4 Back cover Pages Back

Inside Cover Page and Back Outside Cover Page shall be in white and blank.

Any ‘notes’ required to be given prominence shall appear immediately after the Risk Factors wherever they appear.

## 2. Risk Factors

The Collective Investment Management Company shall classify the risk factors as those which are specific and internal to the <sup>289</sup>[collective investment scheme] and those which are external and beyond the control of the Collective Investment Management Company. Collective Investment Management Company’s perception of the internal and external risk factors shall be given immediately after each of the risk factors and not as a separate heading under management perception.

## 3. Disclaimer Clause

The offer document shall contain the following disclaimer clause in capital letters and bold.

It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take

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<sup>288</sup> *ibid.*

<sup>289</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

any responsibility either for the financial soundness of any <sup>290</sup>[collective investment scheme] for which the issue is proposed to be made or for the correctness of the statements made or opinions expressed in the offer document. Collective Investment Management Company, ..... has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI (Collective Investment Scheme) Regulations, 1999 in force for the time being. This requirement is to facilitate unit holders to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that the Collective Investment Management Company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document.

WE THE COLLECTIVE INVESTMENT MANAGEMENT COMPANY CONFIRM that:

the offer document forwarded to SEBI is in conformity with the documents, materials and paper relevant to the issue; all the legal requirements connected with the said issue, as also the guidelines, instructions, etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with; and the disclosures made in the offer document are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed <sup>291</sup>[collective investment scheme].

We confirm that beside ourselves, all the intermediaries named in the prospectus are registered with SEBI and till date such registration is valid.

#### **4. Undertaking from the Collective Investment Management Company**

The following undertaking by the Collective Investment Management Company shall be incorporated in the offer document:

- (i) that the complaints received in respect of the issue of units of the <sup>292</sup>[collective investment scheme] would be attended to expeditiously and satisfactorily,
- (ii) that the funds required for despatch of refund orders/allotment letters/certificates by registered post shall be made available to the Registrar to the Issue by the Collective Investment Management Company,
- (iii) that the certificates of the units/refund orders to the non-resident Indians shall be despatched in time,
- (iv) that no units shall be issued to the public later than six months after the date of the offer document i.e. the date when the offer document is filed with the Board.

#### **5. Fictitious Applications**

Any person who makes in a fictitious name an application for acquiring or subscribing for any units of a <sup>293</sup>[collective investment scheme], or otherwise induces the <sup>294</sup>[collective investment scheme] to allot, or register any transfer of units therein to him, or to any other person in a fictitious name, shall be punishable under the provisions of the SEBI Act, 1992.

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<sup>290</sup> *ibid.*

<sup>291</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>292</sup> *ibid.*

<sup>293</sup> *Ibid.*

<sup>294</sup> *ibid.*

## **6. Minimum Subscription Clause**

The Collective Investment Management Company shall state that the minimum subscription of units necessary for the purpose of launching the <sup>295</sup>[collective investment scheme]. The minimum subscription clause is to be incorporated in the offer document as under:

“If the <sup>296</sup>[collective investment scheme] does not receive the above stated minimum subscription of units from the public on the date of closure of the issue, then the entire subscription amount received shall be refunded forthwith.”

## **7. Maximum Subscription Clause**

The Collective Investment Management Company shall state the maximum number of units that shall be offered through the offer document.

Minimum and Maximum - by Appraising Agency compared.

## **8. Terms of the present issue**

8.1 Terms of payments

8.2 Rights of the investors

8.3 How to apply - availability of forms, offer document and mode of payment

8.4 Any special tax benefits for investing in the <sup>297</sup>[collective investment scheme].

## **9. Appraisal of the Project**

Project to be appraised by appraising agency for carrying out appraisal and salient features of the appraisal report to be detailed. The scope and purpose of the appraisal along with the date of appraisal may be disclosed. The cost of the project and means of finance as per the appraisal report should also be disclosed. The weakness and threats, if any, given in the appraisal report should also be disclosed by way of risk factors.

## **10. Project relating to the <sup>298</sup>[collective investment scheme]**

The Collective Investment Management Company shall disclose—

(i) detail particulars as are sufficient to disclose the true nature of the <sup>299</sup>[collective investment scheme],

(ii) the nature and description of property and the conditions or circumstances under which it will become vested with the trustee,

(iii) with respect to the property purchased or acquired or proposed to be purchased or acquired in relation to the <sup>300</sup>[collective investment scheme], the following shall be given :

- the name and address of the vendor(s)

- the amount of cash or other consideration paid or payable to the vendor or each vendor, as the case may be,

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<sup>295</sup> *ibid.*

<sup>296</sup> *ibid.*

<sup>297</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>298</sup> *ibid.*

<sup>299</sup> *ibid.*

<sup>300</sup> *ibid.*

- short particulars of any transaction relating to the property, in which any vendor of the property or any person who is, or was at the time of the transaction, having control or controlling interest in or director of the Collective Investment Management Company or directly or indirectly related to the Collective Investment Management Company

(if the property to be acquired by the trustee is to be taken on lease then the term “vendor” would construe to mean “lessor”, the expression “purchase money” would include the consideration for the lease)

(iv) the amount or estimated amount of,

(v) the expense of setting up the <sup>301</sup>[collective investment scheme], and

(vi) the expense of the issue, and the names of the persons by whom any of these expenses have been paid or are payable.

## **11. Management of the <sup>302</sup>[collective investment scheme]**

11.1 This section shall describe the manner in which the <sup>303</sup>[collective investment scheme] is managed.

The disclosures shall include—

- (i) Identification of Collective Investment Management Company and the name of the key personnel of the Collective Investment Management Company who would be responsible for managing the v along with his qualifications, experience and background;
- (ii) Name and address of the Investor Relations Officer;
- (iii) The name and the address of the Collective Investment Management Company and the names and addresses of the Directors on the Board of the Collective Investment Management Company with a brief description of the experience of the Collective Investment Management Company;
- (iv) disclosure of the date of entering the Investment Management Agreement;
- (v) Full information regarding the remuneration/compensation of the trustee and the Collective Investment Management Company respectively, the manner in which that remuneration/compensation is provided for, and the changes (if any) that will be made by way of that remuneration/compensation upon the sale of or subscription for any units of the <sup>304</sup>[collective investment scheme] and upon the distribution of income and capital or otherwise in connection with the <sup>305</sup>[collective investment scheme].

11.2 The identity of any other person who provides significant administrative or business management services and a brief description of the services provided and the compensation to be paid therefore.

11.3 The name and principal business address of the Registrars and Transfer Agents. A statement to the effect that the trustee and the Collective Investment Management Company have ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and despatching unit certificates to unit holders within the time limit prescribed in the regulations and also has sufficient capacity to handle investor complaints.

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<sup>301</sup> *ibid.*

<sup>302</sup> *ibid.*

<sup>303</sup> *ibid.*

<sup>304</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>305</sup> *ibid.*

11.4 Identification and name and address of the statutory auditor for the <sup>306</sup>[collective investment scheme].

## 12. Constitution of the Collective Investment Scheme

Under this head, the following shall be discussed:

- (i) A brief description of the objectives of the <sup>307</sup>[collective investment scheme];
- (ii) Functions and responsibilities of the constituents of the Collective Investment Scheme viz., Collective Investment Management Company and trustee;
- (iii) Names and addresses of the Directors of the trustee and details of their principal occupations and current directorships;
- (iv) Summary of substantial provisions of the Trust Deed which may be of material interest to the unit holders.

## Units and Offer

13. Describe concisely the nature and the most significant attributes of the units being offered, including:

- (i) The minimum and maximum number of units on offer and refund beyond this amount shall be disclosed.
- (ii) The circumstances under which refund may take place and the period within which refunds must be carried out.
- (iii) A calendar indicating opening, closing, earliest closing, allotment and despatch of certificates.
- (iv) The period within which allotment and despatch of certificates will be completed and relevant regulations in this regard alongwith a statement to the effect that an advertisement will be published in a newspaper soon after completion of allotment procedure.
- (v) Maturity period or duration of the <sup>308</sup>[collective investment scheme].
- (vi) The circumstances under which the <sup>309</sup>[collective investment scheme] shall be wound up (in accordance with regulations).
- (vii) Procedures to be followed for transfer and transmission of units.
- (viii) The rights of the unit holders including voting, calling of meetings etc.
- (ix) The address where the register of unit holders is or will be kept and the days on which and the hours during which the register is or will be accessible to the public.
- (x) The amount, if any, paid or payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any units of the <sup>310</sup>[collective investment scheme], or the rate of any such commission. Also, the names of persons having control or controlling interest in or director of the Collective Investment Management Company who are entitled to receive any such commission and the amount or rate of that commission.
- (xi) Any amount or benefit paid or given or intended to be paid or given, to persons having control or controlling interest in or director of the Collective Investment Management

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<sup>306</sup> *ibid.*

<sup>307</sup> *ibid.*

<sup>308</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>309</sup> *ibid.*

<sup>310</sup> *ibid.*

Company out of the proceeds of an issue of units, and the consideration for the payment or giving of the amount or benefit.

- (xii) The policy regarding the valuation of any investment made or property held in relation to the <sup>311</sup>[collective investment scheme].
- (xiii) The policy regarding distribution of income to the unit holders derived from the <sup>312</sup>[collective investment scheme].

#### **14. Outstanding Litigations, Defaults, Dues, etc.**

- (i) All pending litigations in which the Collective Investment Management Company is involved, defaults to the financial institutions/banks and nonpayment of statutory dues by the Collective Investment Management Company shall be listed in the offer document together with the amounts involved and the present status of such litigations/defaults.
- (ii) The above information is required to be furnished in addition to the litigations against the Collective Investment Management Company or against any other entity whose outcome could have a materially adverse effect on the position of the <sup>313</sup>[collective investment scheme].
- (iii) The pending proceedings initiated for economic offences against the directors of the Collective Investment Management Company, shall be disclosed separately indicating their present status. The Collective Investment Management Company shall furnish the details of the past cases in which penalties were imposed by the concerned authorities.
- (iv) Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the <sup>314</sup>[collective investment scheme] including disputed tax liabilities etc. shall be furnished in the offer document.
- (v) The Collective Investment Management Company shall ensure to appropriately incorporate in the offer document and as risk factor(s) information regarding pending litigations, defaults, non-payment of statutory dues and proceedings initiated for economic offences/Civil offences against the <sup>315</sup>[collective investment scheme]s.
- (vi) If any of the abovementioned litigations, etc., arise after the filing of the offer document, the facts shall be incorporated appropriately in the offer document (and as risk factors). In case there are no such cases a distinct negative statement is required to be made in this regard in the offer document.
- (vii) An enquiry/adjudication proceedings under the SEBI Act and the regulations made thereunder, that are in progress against the <sup>316</sup>[collective investment scheme] or any company associated in any capacity with the Collective Investment Management Company, trustee or any of the Directors or key personnel of the Collective Investment Management Company shall be disclosed.

#### **15. Disclosure on investor grievances and redressal system**

The offer documents should disclose the arrangements or any mechanism evolved by the Collective Investment Management Company for redressal of investor grievances. By way of

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<sup>311</sup> *ibid.*

<sup>312</sup> *ibid.*

<sup>313</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>314</sup> *ibid.*

<sup>315</sup> *ibid.*

<sup>316</sup> *ibid.*

additional information, the company should disclose the time normally taken by it for disposal of various types of investor grievances. Also describe briefly the investor's complaints history for the last three fiscal years of existing <sup>317</sup>[collective investment scheme] and the redressal mechanism, thereof. The offer document should include data updated 30 days prior to the launch of the <sup>318</sup>[collective investment scheme] on the number of complaints received, redressed and pending with the collective investment scheme.

#### **16. Disclosures about stockinvests**

The disclosures regarding manner of obtaining Stockinvests, and disposal of applications accompanied by Stockinvest, Mode of drawing stockinvests, utilisation of stockinvests by third party, time period for utilisation of stockinvests by the purchasers should be incorporated at the appropriate places in the offer document in line with the prevailing instructions of RBI in this regard. Further, name of the bank through which the stockinvests shall be realised, shall be given in the offer document. Also the following paragraph shall appear at the appropriate places : “Registrars to the Issue have been authorised by the trustee to sign on behalf of the trustee to realise the proceeds of the Stockinvest from the issuing bank or to affix non-allotment advice on the instrument or cancel the stockinvest of the non-allottees or partially successful allottees who have enclosed more than one stockinvest. Such cancelled Stockinvest shall be sent back by the Registrars directly to the Investors.”

Stockinvests should be marked account payee and inscribed with the words - Collective Investment Scheme - A/c <sup>319</sup>[collective investment scheme].

#### **17. Despatch of Refund Orders**

The following clause should be incorporated in the offer document:

“The trustee shall ensure despatch of refund orders of value over Rs. 1,500 and unit certificates by Registered Post only and adequate funds for the purpose will be made available to the Registrars.”

#### **18. Interest in case of delay in despatch of allotment letters/refund orders**

The caption should appear under terms of the present issue and should contain the following:

“The trustee agrees that as far as possible allotment of units offered to the public shall be made within 30 days of the closure of the issue. The trustee further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been despatched to the applicants within 30 days from the date of the closure of the issue.”

#### **19. Appointment of Compliance Officer**

The name of Compliance Officer appointed should be mentioned in the offer document with details such as telephone number, fax number and address on which he/she would be available. The investor's attention should also be invited to contact the Compliance Officer in case of any pre-issue/post-issue related problems.

#### **20. Promise vis-à-vis performance**

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<sup>317</sup> *ibid.*

<sup>318</sup> *ibid.*

<sup>319</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.



A separate para entitled “Promise v. Performance - All earlier <sup>320</sup>[collective investment scheme]s” shall be given indicating whether all the objects mentioned in the respective offer documents relating to the earlier <sup>321</sup>[collective investment scheme]s launched by the Collective Investment Management Company were met and whether all projections made in the said offer documents were achieved. If not, non-achievement of objects/projections shall be brought out distinctly (shortfall/delay to be quantified).

## **21. Utilisation of stockinvest by third parties**

SI should be utilised by the purchaser(s) and the purchaser’s name/name of one of the purchasers should be invariably indicated as the first applicant in the share application form. Thus, if the signature of the purchaser on the stockinvest and the signature of the first applicant on the application form does not tally, the application should be treated as having been accompanied by a third party stockinvest.

## **22. Utilisation of stockinvest within 10 days**

Stockinvests are to be used by the purchaser(s) within 10 days of issue and for the purpose. The last day for use of the SI for submitting application to the bank is indicated on the face of the SI with a notation “To be used before .....”.

## **23. Due Diligence Certificate**

- (i) The Collective Investment Management Company, while filing the draft offer document with the Board, shall furnish a due diligence certificate.
- (ii) The Collective Investment Management Company shall also:—
  - a) certify that all amendments suggested/observations made by Board have been given effect to in the offer document;
  - b) furnish a fresh certificate immediately before the opening of the issue that no corrective action on its part is needed;
  - c) furnish a fresh certificate after the issue has opened but before it closes for subscription.

## **24. The Collective Investment Management Company shall submit with the offer document the following certificates:**

- i. all refund orders of the previous issues were despatched within the prescribed time and in the prescribed manner;
- ii. all unit certificates were despatched to the allottees within the prescribed time and in the prescribed manner; and

## **25. Appointment of other intermediaries**

- (i) Collective Investment Management Company should ensure that the intermediaries being appointed are registered with the Board, wherever required. The Collective Investment Management Company shall independently assess the capability and the capacity of the various intermediaries to handle the issue.
- (ii) Collective Investment Management Company should ensure that Bankers to the Issue are appointed in all the mandatory collection centres.

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<sup>320</sup> *ibid.*

<sup>321</sup> *ibid.*

- (iii) Collective Investment Management Company shall ensure that Registrars to Issue registered with the Board are appointed.
- (iv) Registrar to an issue who is associated with the Collective Investment Management Company as a promoter or a director shall not be allowed to act as Registrar for that issue.

## **26. Offer document to be made public**

The draft offer document filed with the Board shall be made public for a period of 21 days from the date of filing the offer document with the Board.

The Collective Investment Management Company shall make copies of offer document available to the public. Collective Investment Management Company can charge an appropriate sum to the person requesting for the copy.

## **27. Despatch of Issue Material**

The Collective Investment Management Company shall ensure that offer document and other issue materials are dispatched to the bankers to the issue, investors association etc. in advance.

## **28. No Complaints Certificate**

After a period of 21 days from the date the draft offer document was made public, the Collective Investment Management Company shall file a statement with SEBI:

- (i) giving a list of complaints received by it,
- (ii) a statement by it whether it is proposed to amend the draft offer document or not, and
- (iii) highlight those amendments.

## **29. Mandatory Collection Centres**

There should be at least 30 mandatory collection centres which should invariably include the places where stock exchanges have been established.

## **30. Authorised Collection agents**

- (i) The Collective Investment Management Company's are also permitted to appoint authorised collection agents subject to necessary disclosures including the names and addresses of such agents being mentioned in the offer document. While the modalities of selection and appointment of collection agents are left to the discretion of the Collective Investment Management Company's, it should be ensured that the agents so selected are properly equipped for the purpose, both in terms of infrastructure and manpower requirements.
- (ii) The collection agents should be permitted to collect such applications as are accompanied by payment of application moneys paid by cheques, drafts and stockinvests. Under no circumstances they should be permitted to collect application moneys in cash.
- (iii) The applications so collected shall be deposited in the special unit application account with designated scheduled bank either on the same date or latest by the next working day. The application forms along with duly reconciled schedules should be forwarded to the Registrars to the Issue after realisation of cheques and

after weeding out the applications in respect of cheques return cases, within a period of 2 weeks from the date of closure of the issue.

- (iv) The applications accompanied by stockinvests should be sent directly to the Registrars to the Issue along with the schedules within one week from the date of closure of the issue. Further, the offer documents and application forms should specifically indicate that the acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on the Collective Investment Management Company and other persons connected with the issue.
- (v) The investors from the places other than from the places where the mandatory collection centres and authorised collection agents are located, can forward their applications along with stockinvests to the Registrars to the Issue directly by Registered Post with Acknowledgement Due and such applications shall be dealt with by the Registrars to the Issue in the normal course.

### **31. Post issue Monitoring reports**

(a) Collective Investment Management Company shall ensure the submission of the post issue monitoring reports irrespective of the level of subscription. These reports are required to be submitted within 3 working days from the due dates.

(b) 3-day post issue monitoring report

The due date for this report shall be the 3rd day from the date of closure of subscription of the issue.

(c) 98-day post issue monitoring report

The due date for this report shall be the 98th day from the date of closure of subscription of the issue.

### **Bankers to an issue**

32. The trustee shall ensure that moneys received pursuant to the issue shall be utilised only after the minimum subscription as mentioned in the offer document has been received and a statement to that effect has been given by the Registrars to the Issue.

### **33. Post-issue advertisements**

33.1 Collective Investment Management Company shall ensure that in all issues, advertisement giving details relating to oversubscription, basis of allotment, number, value and percentage of applications received along with stockinvest, number, value and percentage of successful allottees who have applied through stockinvest, date of completion of despatch of refund orders, date of despatch of certificates is released within 10 days from the date of completion of the various activities in at least two national dailies.

33.2 Collective Investment Management Company shall ensure that advisors/brokers or any other agencies connected with the issue do not publish any advertisement stating that issue has been oversubscribed or indicating investors' response to the issue, during the period when the public issue is still open for subscription by the public.

33.3 Advertisement stating that the subscription list has been closed may be issued after the actual closure of the issue.

### **34. Other responsibilities**

34.1 In case of delay in refund of subscription moneys/excess subscription, the Collective Investment Management Company shall ensure that the interest for the delayed period as mentioned in the offer document, is paid to the applicants.

34.2 The Collective Investment Management Company shall ensure that the despatch of refund orders/allotment letters/share certificates is done by way of registered post/certificate of posting as may be applicable.

### **35. Certificate Regarding Realisation of Stockinvests**

(i) The Collective Investment Management Company shall submit within two weeks from the date of allotment, a Certificate to the trustee certifying that the stockinvests on the basis of which allotment was finalised, have been realised.

(ii) Subscription list for the <sup>322</sup>[collective investment scheme] shall be kept open for not more than 90 working days and this fact should be disclosed in the offer document.

### **Retention of Oversubscription**

36. The quantum of issue shall not exceed the amount specified in the offer document. However, an oversubscription to the extent of 10% of the amount mentioned is permissible for the purpose of rounding off to the nearer multiple of 100 while finalising the allotment.

### **37. Updation of Offer Document**

(i) The Collective Investment Management Company should ensure that the particulars (audited statement) contained therein should not be more than 6 months old from issue opening date.

(ii) Restrictions, if any, on transfer and transmission of units.

(iii) Tax treatment of Investments in vs. A detailed write-up on the various tax benefits that are available and the taxes that are charged to the unit holders in the <sup>323</sup>[collective investment scheme]s.

### **38. Basis of Allotment**

In each and every issue of units to the public that has been oversubscribed, the Collective Investment Management Company and the Registrar to an Issue, shall ensure that allotments are made in the following manner :

(a) Proportionate allotment procedure:

The allotment shall be subject to allotment in marketable lots, on a proportionate basis as explained below:

(i) Applicants will be categorised according to the number of units applied for.

(ii) The total number of units to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e., the total number of units applied for in that category (number of applicants in the category × number of units applied for) multiplied by the inverse of the oversubscription ratio as illustrated below :

Total number of applicants in category of 100s - 1,500

Total number of units applied for - 1,50,000

Number of times oversubscribed - 3

Proportionate allotment to category -  $1,50,000 \times 1/3$

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<sup>322</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>323</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

$$= 50,000$$

Number of the units to be allotted to the successful allottees will be arrived at on a proportionate basis i.e., total number of units applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.

Number of units applied for by – 100 each applicant

Number of times oversubscribed - 3

Proportionate allotment to each successful applicant -  $100 \times 1/3 = 33$

(to be rounded off to 100)

(iii) All the applications where the proportionate allotment works out to less than 100 units per applicant, the allotment shall be made as follows:

\*Each successful applicant shall be allotted a minimum of 100 units; and

(iv) \*The successful applicants out of the total applicants for that category shall be determined by drawal of lots in such a manner that the total number of units allotted in that category is equal to the number of units worked out as per (ii) above.

(v) If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot), the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. (As an illustration, if the proportionate allotment works out to 250, the applicant would be allotted 300 units. If however the proportionate allotment works out to 240, the applicant would be allotted 200 units). All applicants in such categories would be allotted units arrived at after such rounding off.

(vi) If the units allocated on a proportionate basis to any category is more than the units allotted to the applicants in that category, the balance available units for allotment shall be first adjusted against the category comprising applicants applying in number of units and thereafter the remaining, if any surplus still remains, should be adjusted to next higher category and so on till the surplus is fully used.

(vii) As the process of rounding off to the nearer multiple of 100 may result in the actual allocation being higher than the units offered, it would be necessary to allow a 10% margin i.e., the final allotment may be higher upto 110% of the size of the offering.

### **39. The Date of the Offer Document**

The date of the offer document shall be reckoned to be the date when the offer document was filed with the Board.

### **40. Trust Deed**

(a) The offer date shall mention the date of, and parties to, the trust deed relating to the collective investment scheme.

(b) The summary of the provisions of the trust deed and the regulation regarding the retirement, removal and replacement of trustee and Collective Investment Management Company.

### **41. <sup>324</sup>[Collective investment scheme]s and investments**

All offer documents shall contain :

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<sup>324</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

- a) All offer documents shall contain the name and description and the date of commencement of operation of every other <sup>325</sup>[collective investment scheme] involving the issue of units to the public conducted by the Collective Investment Management Company within the 5 years immediately preceding the date of the offer document.
- b) A report by the Collective Investment Management Company summarising the current investment relating to the <sup>326</sup>[collective investment scheme] made up to a date not more than 28 days before the date of the offer document.
- c) A report by the auditor of the <sup>327</sup>[collective investment scheme], in respect of every issue of units relating to any other <sup>328</sup>[collective investment scheme], launched by the Collective Investment Management Company, within the five financial years immediately preceding the date of the offer document, setting out such information as sufficiently discloses the number of distribution (if any) of income to holders to units relating to a Collective Investment Scheme in each of the 5 financial years immediately preceding the date of the offer document during which those units had been in existence, the amount and each distribution and the nature and value of each of the components of the distribution.
- d) A report by the auditors of the <sup>329</sup>[collective investment scheme], setting out the profits or losses of the Collective Investment Management Company in respect of each of the 5 financial years immediately preceding the date of the offer document during which the Collective Investment Management Company was carrying on business, and the rates of dividends (if any) paid by the company in respect of each of those years, and the assets and liabilities of the Collective Investment Management Company as at the last date on which its accounts were made up being a date no more than 12 months before the date of issue of the offer document.

**SEVENTH SCHEDULE**  
**SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE**  
**INVESTMENT SCHEME) REGULATIONS, 1999**  
**[Regulation 27(1)]**

**ADVERTISEMENT CODE**

- (1) A <sup>330</sup>[collective investment scheme] advertisement shall:
- a. be truthful, fair and clear and shall not contain any statement which is untrue or misleading,
  - b. be set forth in a clear, concise and understandable language. Extensive use of technical, legal terminology or complex language and the inclusion of excessive details which may detract the investor, shall be avoided,
  - c. not contain statements which promise or guarantee an appreciation of rapid profits,

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<sup>325</sup> *ibid.*

<sup>326</sup> *ibid.*

<sup>327</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>328</sup> *ibid.*

<sup>329</sup> *ibid.*

<sup>330</sup> *ibid.*

- d. not contain any information or language that is not contained in the offer document,
- e. not include any slogans or brand names except the normal commercial name of the <sup>331</sup>[collective investment scheme]s,
- f. not have slogans, expletives or non-factual and unsubstantiated titles,
- g. contain risk factors giving equal importance in all respects including the print size. The print size of highlights and risk factors in issue advertisements shall not be less than point 9 size. It shall mention the names of <sup>332</sup>[collective investment scheme]s, Collective Investment Management Company, trustee, address of their registered office and Registrars to the Issue,
- h. contain “Risk Factors” in respect of the concerned issue :  
**Provided** that an offer opening/closing advertisement which does not contain the highlights need not contain risk factors.

(2) A <sup>333</sup>[collective investment scheme] advertisement shall be considered to be misleading, if it contains—

- i. statements made about the performance or activities of the <sup>334</sup>[collective investment scheme]s in the absence of necessary explanatory or qualifying statements, which may give an exaggerated picture of the performance or activities, than what it really is.
- ii. an inaccurate portrayal of past performance or its portrayal in a manner which implies that past gains or income will be repeated in the future.

(3) Any advertisement reproducing or purporting to reproduce any information contained in an offer document shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that item.

(4) No models, celebrities, fictional characters, landmarks or caricatures or the likes shall be displayed on or form part of the offer documents or advertisements of the <sup>335</sup>[collective investment scheme].

(5) No corporate advertisement of the Collective Investment Management Company shall be issued after 21 days of the filing of the offer document with the Board till the closure of the <sup>336</sup>[collective investment scheme] unless the risk factors as are required to be mentioned in the offer document, are mentioned in such advertisement.

(6) No advertisement shall be issued stating that the <sup>337</sup>[collective investment scheme] has been fully subscribed or oversubscribed during the period the <sup>338</sup>[collective investment scheme] is open for subscription, except to the effect that the issue is open or closed. No announcement regarding

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<sup>331</sup> *ibid.*

<sup>332</sup> *ibid.*

<sup>333</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>334</sup> *ibid.*

<sup>335</sup> *ibid.*

<sup>336</sup> *ibid.*

<sup>337</sup> *ibid.*

<sup>338</sup> *ibid.*

closure of the issue shall be made except on the last closing date. If the <sup>339</sup>[collective investment scheme] is fully subscribed before the last closing date as stated in the offer document, the announcement shall be made only after the <sup>340</sup>[collective investment scheme] is fully subscribed and such announcement is made on the date on which the issue is to be closed.

(7) Announcement regarding closure of <sup>341</sup>[collective investment scheme] shall be made only after the trustee is satisfied that at least minimum number of units have been subscribed and a certificate has been obtained to that effect from the Registrar to the Issue.

(8) No incentives shall be offered through any advertisements to any one associated with marketing the issue.

(9) In case there is a reservation for the Non-resident Indians, the <sup>342</sup>[collective investment scheme] advertisement shall specify the same and indicate the place in India from where the individual NRI applicant can procure application forms.

(10) The advertisement shall not compare one <sup>343</sup>[collective investment scheme] with another, implicitly or explicitly, unless the comparison is fair and all information relevant to the comparison is included in the advertisement.

(11) If any existing collective investment scheme indicates the past performance of the <sup>344</sup>[collective investment scheme] in advertisements, the basis for computing the rates of return/yield and adjustments made (if any) must be expressly indicated with a statement that, such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments.

(12) Advertisements on the performance of a <sup>345</sup>[collective investment scheme] or its Collective Investment Management Company shall compare the past performances only on the basis of per unit of statistics as per these regulations. Advertisements for NAVs, if any, must indicate the past as well as the latest NAV of a <sup>346</sup>[collective investment scheme]. The yield calculations shall be made as provided in these regulations.

(13) The trustee shall:

- (i) ensure strict compliance by the Collective Investment Management Company set with the code of advertisement set out above, (ii) obtain an undertaking from the Collective Investment Management Company to the effect that the Collective Investment Management Company shall not directly or indirectly release, during any conference or at any other time, any material or information which is not contained in the offer documents,

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<sup>339</sup> *ibid.*

<sup>340</sup> *ibid.*

<sup>341</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014..

<sup>342</sup> *ibid.*

<sup>343</sup> *ibid.*

<sup>344</sup> *ibid.*

<sup>345</sup> *ibid.*

<sup>346</sup> *ibid.*



- (ii) ensure that the Collective Investment Management Company obtains approval in respect of all <sup>347</sup>[collective investment scheme] advertisements and publicity materials from them.

**EIGHTH SCHEDULE  
SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE  
INVESTMENT SCHEME) REGULATIONS, 1999  
[Regulation 51]**

**PROCEDURE FOR CONDUCT OF MEETINGS**

**MEETINGS**

Procedure relating to conduct of meeting are as follows:

The trustee or unit holders holding one-tenth in nominal value of the unit capital of the <sup>348</sup>[collective investment scheme] may call a meeting of the unit holders in the manner as set out below:

- (i) Within 21 days of the receipt of the notice from the unit holders, the trustee shall call a meeting of the unit holders by causing to send a notice by post of the proposed meeting at least 7 days before the proposed meeting to each of the unit holders or, in the case of joint holders, to the joint holder whose name appears first in the records.
- (ii) The trustee shall preside as chairman at every meeting.
- (iii) Any unit holder may appoint another person as his proxy to attend and vote instead of himself.
- (iv) Proxy so appointed shall not have any right to speak at the meeting.
- (v) Each unit holder shall have one vote for every 1.00 unit of capital contributed by him (or his predecessor in title). Except where expressly provided to the contrary in the deed or the regulations, all decisions relating to the <sup>349</sup>[collective investment scheme] shall be by ordinary resolution. Equality of voting shall result in the resolution being deemed lost. The Chairman shall have a casting vote. An extraordinary resolution shall be carried if threequarters of the votes are in favour of the resolution.
- (vi) No business shall be transacted at a meeting without a quorum. Quorum shall be met if unit holders (including proxies) holding at least one-tenths in nominal value of the unit capital of the <sup>350</sup>[collective investment scheme] are present at the meeting.
- (vii) The Collective Investment Management Company shall keep a minute book in which the Minutes and Resolutions of each meeting shall be recorded.

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<sup>347</sup> *ibid.*

<sup>348</sup> *ibid.*

<sup>349</sup> *ibid.*

<sup>350</sup> *ibid.*

- (viii) At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded by the Chairman or by any unit holder present in person.
- (ix) Entry of a resolution in the Minute Book shall be conclusive evidence of the number of votes recorded in favour of or against the resolution.
- (x) A resolution of the unit holders shall be invalid if it constitutes a fraud on those unit holders who oppose the resolution.

**NINTH SCHEDULE**  
**SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE**  
**INVESTMENT SCHEME) REGULATIONS, 1999**  
**[Regulations 21(13), 43(1), 44(4)(iii), 71(1)(e)]**  
**ACCOUNTING NORMS, INVESTMENTS AND EXPENSE CEILING**

<sup>351</sup>[PART I -CEILING ON EXPENSES]

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<sup>351</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2022, w.e.f. 10-5-2022. Prior to its substitution, Part I of Ninth Schedule read as under:

***“PART I -CEILING ON EXPENSES***

*The expenses incurred shall be subject to a ceiling as specified below :*

***(1) Initial Issue Expenses***

***(a) These may include:***

- *cost of offer documents and related costs;*
- *marketing and selling expenses including agents' commission, if any;*
- *fees to Lead Managers, if any, Registrars and collecting banks;*
- *initial rating and appraisal fees.*

***(b) These expenses shall be borne by the collective investment scheme.***

***(c) These expenses shall not exceed***

- (i) 7.00 per cent of the funds raised under the collective investment scheme for a collective investment scheme of duration upto 8 years and***
- (ii) 9.00 per cent of the funds raised under the collective investment scheme for a collective investment scheme having a duration of more than 8 years.***

***(d) These expenses shall be amortized equally over a period not exceeding seven years or the period of the collective investment scheme, whichever is less.***

***(2) Management and Advisory Fees to CIMC***

***(a) Such fees may consist of:***

- *Basic Fee*
- *Incentive Fee*

***(b) The 'basic fee' shall not exceed:***

- (i) 1.00 per cent each year of the funds raised under the collective investment scheme for the first five years of operation of the collective investment scheme;***
- (ii) 1.25 per cent each year of the funds raised under the collective investment scheme for the next five years of operation of the collective investment scheme;***
- (iii) 1.50 per cent each year of the funds raised under the collective investment scheme for the subsequent period thereof till the termination of the collective investment scheme.***

The expenses incurred shall be subject to a ceiling as specified below:

**(1) Initial Issue Expenses**

(a) These may include:

- cost of offer documents and related costs;
- marketing and selling expenses including agents' commission, if any;
- fees to Lead Managers, if any, Registrars and collecting banks;
- initial rating and appraisal fees.

(b) These expenses may be borne by the collective investment scheme.

(c) These expenses shall not exceed 2.00 percent of the funds raised under the collective investment scheme.

**(2) Annual recurring expenses**

(a) Annual recurring expenses consist of the following:

- i. Management and Advisory Fees;
- ii. Registrar fees for transfer of units sold or redeemed;
- iii. Fees and expenses of trustees;
- iv. Audit fees;
- v. Subsequent Rating and Appraisal fees; and
- vi. Listing fees.

(b) The annual recurring expenses shall not exceed 2 percent of the funds raised under the collective investment scheme.

(c) Incentive fees

No incentive fee based on performance of the scheme shall be charged to the scheme in any form or manner.

**(3) Other Expenses**

Other direct costs, if any, which are incidental to the operation of the collective investment scheme may be charged to scheme, as may be approved by trustee:

Provided that granular (item wise) list of direct costs covering at least eighty percent expenses shall be disclosed in offer document and a quarterly disclosure of actual expenses shall be made.

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***Incentive fees***

*The incentive fees shall not exceed 25 per cent of the excess return realized over and above the indicative return as shown in the offer document (excluding the unit capital) at the time of the termination of the <sup>351</sup>[collective investment scheme]. In case the return at the termination of the collective investment scheme is less than or equal to the indicative return as shown in the offer document, then no incentive fees shall be paid.*

**(3) Other Expenses**

*Only the following expenses should be borne by the collective investment scheme namely :*

- registrar services for transfer of units sold or redeemed;
- fees and expenses of trustees;
- audit fees;
- subsequent rating and appraisal fees;
- listing fees;
- other direct costs (if any) which are incidental to the operation of the collective investment scheme, as may be approved by trustee;

*(4) All other expenses shall be borne by the CIMC."*

(4) All other expenses shall be borne by the Collective Investment Management Company: Provided that collective investment scheme related expenses including commission paid to distributors, by whatever name it may be called and in whatever manner it may be paid, shall necessarily be paid from the scheme only within the regulatory limits and not from the books of the Collective Investment Management Company, its associate, promoter(s), trustee or any other entity or through any other route:

Provided further that Collective Investment Management Companies shall adopt full trail model of commission in all schemes, without payment of any upfront commission or upfronting of any trail commission, directly or indirectly, in cash or kind, through sponsorships, or any other route.]

## **PART II - ACCOUNTING NORMS**

### **Plantation <sup>352</sup>[collective investment scheme]**

#### **1. Accounting norms for plantation <sup>353</sup>[collective investment scheme]**

##### **2. Unit Capital**

**2.1** All amounts received from an investor, by whatever name called, during the period the <sup>354</sup>[collective investment scheme] is open for subscription shall be treated as towards the sale of units of the <sup>355</sup>[collective investment scheme] and shall be accounted as Unit Capital.

**2.2** Unit capital will be disclosed in the Balance Sheet of the <sup>356</sup>[collective investment scheme] under the head “Sources of Funds” (in the same manner as Share Capital in the case of a limited company). No portion of Unit capital shall be apportioned to revenue or to any other account under any circumstances.

##### **3. Costs Relating to Land**

**3.1** Land Acquired with Ownership Rights should be accounted as a Fixed Asset in accordance with Accounting Standard 10 (‘AS-10’) on “Accounting for Fixed Assets” issued by ICAI. In respect of land with ownership rights, the cost of the land should be amortised over the <sup>357</sup>[collective investment scheme] period by way of a suitable charge to ‘Crop Development Expenses’.

**3.2** Land acquired under lease may either be against:

- Payment of (non-refundable) premium; or
- Payment of monthly or periodic lease rentals

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<sup>352</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014

<sup>353</sup> *ibid.*

<sup>354</sup> *ibid.*

<sup>355</sup> *ibid.*

<sup>356</sup> *ibid.*

<sup>357</sup> *ibid.*

Land acquired against payment of non-refundable premium should be accounted as a Fixed Asset and separately disclosed in the Fixed Assets schedule. Such premium paid for leasehold land should be capitalised as cost of land and amortized over the lease period or the period of the sc<sup>358</sup>[collective investment scheme], whichever is less.

In respect of land acquired against the payment of periodic lease rentals, such amounts shall be charged to the profit and loss account. The following disclosures are required in the financial statements:

- Period of Lease
- Owner of land
- Relationship of owner with trustees and directors of CIMC
- If lease period is shorter than tenure of the <sup>359</sup>[collective investment scheme], the period of lease and conditions for future renewals of lease.

### 3.3 Land Development Expenses

These include expenses on :

- New access roads and fencing
- Major changes in land contours
- Levelling, uprooting and terracing
- Regular upkeep and maintenance of land

Expenses of a capital nature should be added to the cost of land.

In case of leasehold land, these expenses should be written off over the period of the lease or the period of <sup>360</sup>[collective investment scheme], whichever is less.

Expenses of a revenue nature should be charged to the Profit and Loss Account in the year in which they are incurred.

### 3.4 Infrastructure and other facilities shall include :

- Roads and Fencing
- Security and Research and Development Buildings
- Drip Irrigation systems, water systems
- Agriculture Equipments and Production facilities

These should be accounted as Fixed Assets in accordance with AS-10 on “Accounting for Fixed Assets” issued by ICAI.

**3.5** IAS 36 requires that impairment losses in respect of assets should be recognised. Impairment arises whenever an asset’s carrying amount exceeds its recoverable amount. All impairment losses should be provided for.

**3.6** In case such assets are taken on lease, then the amounts spent should be accounted on the same basis as mentioned in Paragraph 3.2 and the disclosure requirements mentioned therein will also apply.

## 4. Fixed Assets (other than land and related infrastructure facilities)

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<sup>358</sup> *ibid.*

<sup>359</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>360</sup> *ibid.*

**4.1** Such Fixed Assets should be accounted in accordance with AS-10 on “Accounting for Fixed Assets” issued by ICAI – Basically that the cost of a fixed asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

**4.2** These assets should be depreciated as per Schedule XIV to the Companies Act, 1956.

**4.3** Capital Subsidies received should be accounted as per Accounting Standard (‘AS’) – 12 on “Accounting for Government Grants” issued by ICAI – Basically that the recognition of a grant should depend on assurance of the compliance of conditions and certainty of receipts and grants relating to specific fixed assets should be deducted from the gross value of assets in arriving at their book value.

**4.4** As required by IAS 36, impairment losses in respect of assets should be recognised. Impairment arises whenever an asset’s carrying amount exceeds its recoverable amount.

**4.5** In case such assets are taken on lease, then the amounts spent should be accounted on the same basis as mentioned in Paragraph 3.2 and the disclosure requirements mentioned therein will also apply.

## **5. Crop Development Expenses**

**5.1** There are generally expenses incurred for development and upkeep of crop. This includes expenses on:

- Soil Manuring.
- Sapling and crop Plantation.
- Regular maintenance and upkeep of crop.
- Lease rentals paid for land and for any other assets directly attributable to crop development.
- Amount proportionately amortised over the <sup>361</sup>[collective investment scheme] period relating to cost of land.
- Depreciation and maintenance of fixed assets directly attributable to crop development.
- Other expenses directly attributable to crop development.

These expenses should be accounted as “Crop Development Expenses”. They should be disclosed as a separate item appearing between “Fixed Assets” and “Current Assets” in the Balance Sheet.

**5.2** The total of Crop development expenses at the end of the year should be compared with Net Realisable Value (‘NRV’). NRV would generally mean the amount that would be realised in the normal course, in case the standing crops are disposed of on that day. NRV can be determined on the basis of estimated selling price in the ordinary course of business less estimated cost to be incurred in future for bringing the crop to maturity, and the cost necessarily to be incurred to make the sale. In case the NRV is lower than the total of the crop development expenses at the year end, then a suitable provision for the difference between these two figures should be made and disclosed as follows :

Crop Development Expenses (At Cost)	X
Less : Provision for diminution in value	Y

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<sup>361</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

**5.3** The crop development expenses and the provision for diminution will be carried forward to the next year at gross values. A similar exercise would be done at the end of each year. In case the NRV at the end of the second or subsequent year is greater than/or equal to cost in the respective year, then it will be possible to recoup the provision account by transferring it to the credit of Profit and Loss Account only to the extent such a provision was made in the past. The basic principle of valuation at lower of Cost or NRV, would still hold good every year. In case the crop is at such a stage that it is not possible to determine NRV, these expenses should be valued At Cost and a suitable disclosure to that effect should be made in the financial statements. These expenses will be set off against income arising from the sale of crops, either in stages or at the terminal point.

**5.4** Considering the peculiar nature of this expenditure and the long production cycle, “Crop Development Expenses” should be separately disclosed between “Fixed Assets and Current Assets” as discussed in Paragraph 5.1 above.

## **6. Investments**

**6.1** All investments should be carried at lower of cost and fair value determined either on an individual investment basis or by category of investment, but not on an overall (or global) basis.

**6.2** In respect of quoted investments, market value generally provides the best evidence of fair value.

**6.3** Unquoted investments in debt instruments should be valued on a yield to maturity basis, the capitalisation factor being determined for comparable traded investments and with an appropriate discount for lower liquidity.

## **7. Inventory Valuation**

Inventories other than Crop Development Expenses should be valued as per the basic principles laid down by AS 2 on Inventory Valuation – Inventory should be valued at the lower of cost and net realisable value and the Accounting Policy for valuation should be disclosed in the financial statements.

## **8. Revenue Recognition**

**8.1** Revenue should be recognized as per Accounting Standard (‘AS’) – 9 on “Revenue Recognition” issued by Institute of Chartered Accountants of India, to the extent it is applicable – Revenue should be recognised only if there is a reasonable certainty of collectibility or measurability.

**8.2** Income would generally arise from the following sources:

- Sale of Crops - the sale proceeds of crops arising at periodical intervals should be accounted during the year in which the sale has been effected. The cost allocable to such sale proceeds should be set off against the crop development expenses account and the surplus, if any, should be transferred to Profit and Loss account.

- Sale of Residuals and Scraps - the sales proceeds shall be accounted as income in the year of sale and credited to Profit and Loss account.
- Income from Investments - income arising out of investments of surplus bank balances, etc. shall be accounted on a time proportion basis taking into account the amount outstanding and the rate applicable.
- Dividend from Investments - dividends, if any, will be recognized when the right to receive payment is established.
- Sale of Standing Crops at terminal point - sale proceeds/transfer value of the standing crops at the terminal point shall be accounted as and when they are disposed off/transferred. The profit arising on such transactions over the book value shall be accounted at the point of sale/disposal; this should be set off against the crop development expenses.

## **9. Expenses**

**9.1** Expenses other than Crop Development Expenses can be broadly classified as under:

- Initial Marketing and Launch Expenses
- Normal Business Expenses

### **9.2** Initial issue expenses

Initial issue expenses may be treated as deferred revenue expenses to be written off over eight years or duration of the <sup>362</sup>[collective investment scheme] whichever is earlier.

**9.3** Normal Business Expenses would include:

- Registrar services for transferor of units sold or redeemed
- CIMC and trustee Fees
- Depreciation
- Audit Fees
- Subsequent Rating and Appraisal Fees
- Listing Fees
- Other costs, (if any), which are incidental for the operation of the <sup>363</sup>[collective investment scheme], as may be approved by trustees.

These expenses shall be treated as an expense of the year in which they are incurred and written off to the Profit and Loss Account.

## **10. Returns to Investors**

**10.1** Interim Returns to investors in respect of CIS can be paid only out of the distributable surplus of the CIS. Interim Returns can be paid only in cash and not in kind.

**10.2** “Distributable surplus” means the profits of the CIS after:

- Providing for all expenses on accrual basis including depreciation as discussed in paragraph 4.2 above
- Providing for diminution in value of crop development expenses as discussed in paragraph 5.2 above

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<sup>362</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>363</sup> *ibid.*



- Fully setting off the debit balance in Profit and Loss account, if any
- Transferring 50% of the remaining balance to a separate reserve called “Special Reserve”

**10.3** The amount of interim returns distributed to investors should not exceed the distributable surplus.

**10.4** The balance in the Special Reserve cannot be utilised for any purpose except for distribution to unit holders at the termination of the <sup>364</sup>[collective investment scheme].

**10.5** At the end of the tenure of the <sup>365</sup>[collective investment scheme], the surplus of the <sup>366</sup>[collective investment scheme], if any, shall be calculated on the basis of realisable value of all the assets, including land, of the <sup>367</sup>[collective investment scheme]. The surplus of the <sup>368</sup>[collective investment scheme] distributed in cash shall be in proportion to unit capital.

## **ACCOUNTING NORMS: LIVESTOCK <sup>369</sup> [COLLECTIVE INVESTMENT SCHEME]**

### **1. Costs relating to owned land**

**1.1** Land acquired with ownership rights should be accounted as a Fixed asset in accordance with Accounting Standard 10 (AS-10) on “Accounting for Fixed Assets” issued by ICAI.

**1.2** Cost of such land should not be amortised over the <sup>370</sup>[collective investment scheme] period (refer paragraph 2.3 above).

### **2. Livestock development expenses**

**2.1** There are generally expenses incurred on rearing and development of livestock including maintenance and upkeep. This includes expenses on:

- Cost of base stock.
- Food costs.
- Medicines and other maintenance.
- Cost of artificial insemination.
- Lease rentals paid for land and for any other assets directly attributable to livestock development.
- Depreciation and maintenance of fixed assets directly attributable to livestock development.
- Any other expenses directly attributable to livestock development.

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<sup>364</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>365</sup> *ibid.*

<sup>366</sup> *ibid.*

<sup>367</sup> *ibid.*

<sup>368</sup> *ibid.*

<sup>369</sup> *ibid.*

<sup>370</sup> *ibid.*

These expenses should be accounted as “Livestock Development Expenses”. They should be disclosed as a separate item appearing between “Fixed Assets” and “Current Assets” in the balance sheet. (Reference is invited to Paragraph 5.1).

**2.2** Valuation of livestock development expenses and provision for diminution in value would be in the same manner as in respect of crop development expenses which is discussed in Paragraphs 5.2 and 5.3.

### **3. Livestock Trading**

**3.1** Separate quantitative information should be maintained in respect of livestock that is procured for resale without being used in rearing/development activity. An annual trading account should be prepared in respect of Livestock traded during the year (which shall be exclusive of Livestock under rearing/development).

**3.2** A suitable annual charge should be made in respect of cost of maintenance etc. of the livestock which remained for trading purpose only.

The cost of maintenance etc. to be charged to the livestock trading account shall be calculated on the basis of quantitative proportion of livestock held under rearing/development and for trading.

### **4. Valuation of by-products**

**4.1** Inventory of by-products at the year end (*i.e.*, manure in case of Goat, eggs in case of Poultry etc.) should be carried at “lower of cost or market value”.

**4.2** Cost of by product shall be calculated on the basis of specific cost incurred on the by-product after the point of separation to make it marketable.

## **PART III -FORMAT OF FINANCIAL STATEMENTS**

### **Basic Framework relating to Financial Statements**

#### **1. Scheme wise financial statements**

**1.1** Broadly, financial statements would consist of

- Balance sheet
- Revenue account

**1.2** These should be prepared schemewise

#### **2. Contents of scheme wise Balance sheet**

**2.1** Asset side of the balance sheet

The assets of the balance sheet shall be grouped into the following categories :

- Fixed assets
- Investments

- Crop development expenses
- Current assets
- Deferred revenue expenditure

#### I. Fixed assets

Cost, accumulated depreciation and net block should be disclosed for each of the following:

- Land
- Leasehold land
- Land development expenses
- Infrastructure and other facilities
- Buildings
- Plant and machinery
- Furniture and fixtures
- Research and development assets
- Others

#### II. Investments

The following types of investment shall be separately disclosed:

- Central or State Government securities
- Deposits with scheduled banks
- Debentures, Bonds and Deposits with public sector companies and financial institutions
- Other Investments

#### III. Crop Development Expenses

The following information should be disclosed:

- Opening balance
- Expenses incurred during the year
- Deductions
- Closing balance

In addition, net realisable value at year end and the Break up of various expenses included in closing balance should be disclosed. The closing balance in provisions for diminution in value in Crop Development Expense Account, if any, will be shown as a deduction from closing balance of Crop Development Expenses.

#### IV. Current assets

The following should be separately disclosed :

- Balances with banks in current account
- Cash on hand
- Sundry debtors, distinguishing between good and doubtful
- Inventories
- Outstanding and accrued income
- Advances recoverable in cash or kind
- Deposits
- Others

## V. Deferred revenue expenditure

The following should be disclosed:

- Opening balance
- Additions during the year
- Amount amortised during the year
- Closing balance

VI. The debit balance in Profit and Loss Account, if any, shall be brought out

## 2.2 Liability side of the balance sheet

Liabilities in the balance sheet shall be grouped into the following categories:

- Unit Capital
- Reserves and Surplus
- Current liabilities and provisions

### I. Unit Capital

Unit capital (including number of units and face value per unit)

### II. Reserves & Surplus

The following should be separately disclosed:

- General reserve
- Revaluation reserve
- Special reserve
- Any other reserve (disclosing its nature)
- Surplus in Profit and Loss account

### III. Current liabilities and provisions

#### (a) Current Liabilities

The following should be separately disclosed :

- Sundry creditors
- Statutory liabilities
- Bank account overdrawn as per books
- Unclaimed distributed income
- Others

#### (b) Provisions

The following should be separately disclosed:

- Provision for gratuity
- Proposed income distribution on unit capital
- Provision for taxation
- Other provisions

### IV. Contingent liabilities

Disclosure should be made of all contingent liabilities, showing separately the nature and amount of each such liability.

### **3. Contents of scheme wise Revenue account**

#### **3.1 Income**

The following should be separately disclosed:

- Surplus on Sale proceeds from crops
- Dividend
- Interest
- Profit on sale/fixed assets and investments
- Sale of residuals and scrap
- Other income (indicating nature)

#### **3.2 Expenses and losses:**

The following should be separately disclosed:

- Crop development expenses also disclosing each major item of expense under this head
- Provision for doubtful debtors and other assets
- Loss on sale of fixed assets and investments
- Management fees
- Trusteeship fees
- Registration and local charges
- Audit fees
- Repairs and maintenance
- Deferred revenue expenses written off
- Depreciation of fixed assets
- Registration fees
- Other operating expenses

#### **3.3 Increase/decrease in amount of Crop Development Expenses.**

### **4. Accounting policies**

Accounting policies in respect of the following should be separately disclosed at one place and form part of the financial statements:

(a) Fixed assets

1. Land
2. Others

(b) Depreciation

1. Land
2. Others

(c) Investments

(d) Crop Development Expenses (major items under this head should be disclosed)

(e) Inventories

(f) Revenue recognition

(g) Retirement benefits

(h) Foreign currency transactions

(i) Deferred revenue expenditure

## **5. Approval and authorisation**

The financial statements shall be signed by the schemewise fund managers and the Board of trustees and reported upon by the Auditors. They should be approved at a meeting of the Board of Directors of the Collective Investment Management Company and also at a meeting of the trustees or in case of a trustee company, by the Board of directors of the trustee Company.

## **6. Auditors report**

**6.1** All funds operating CIS shall be required to get their accounts audited in terms of a provision to that effect in their trust deeds. The Auditors' Report shall form a part of the Annual Report. It should accompany the Balance Sheet, Profit and Loss Account and Revenue Account. The auditor shall report to the Board of trustees and not to the unitholders.

**6.2** The auditor shall state whether:—

- (a) he has obtained all information and explanations which, to the best of his knowledge and belief, were necessary for the purpose of his audit,
- (b) the Balance Sheet, Profit and Loss Account and the Revenue account are in agreement with the books of account of the <sup>371</sup>[collective investment scheme].

**6.3** The auditor shall give his opinion as to whether:

- (a) the Balance Sheet gives a true and fair view of the schemewise state of affairs of the <sup>372</sup>[collective investment scheme] as at the balance sheet date, and
- (b) the Profit and Loss Account gives a true and fair view of the surplus/deficit of the <sup>373</sup>[collective investment scheme] for the year/period ended at the Balance Sheet date, and
- (c) the Revenue Account gives a true and fair view of the schemewise surplus/deficit of the <sup>374</sup>[collective investment scheme] for the year/period ended at the balance sheet date.

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<sup>371</sup> Substituted by the SEBI (Collective Investment Schemes) (Amendment) Regulations, 2014, w.e.f. 9-1-2014.

<sup>372</sup> *ibid.*

<sup>373</sup> *ibid.*

<sup>374</sup> *ibid.*