

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**CORAM: S. K. MOHANTY, WHOLE TIME MEMBER**

**ORDER**

**UNDER SECTION 15JB OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 23(1) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SETTLEMENT PROCEEDINGS) REGULATIONS, 2018.**

**IN RESPECT OF**

SETTLEMENT APPLICATION NO. 6912/2022

**IN THE MATTER OF FAIRFAX FINANCIAL HOLDING LIMITED**

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**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') has brought in an amendment in Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 (hereinafter referred to as '**MF Regulations**'), which came into effect from March 13, 2018. By way of the aforementioned amendment, Regulation 7B was introduced in MF Regulations, which reads as below:

***Norms for Shareholding and Governance in Mutual Funds***

**7B.** (1) *No sponsor of a mutual fund, its associate or group company including the asset management company of the fund, through the schemes of the mutual fund or otherwise, individually or collectively, directly or indirectly, have –*

- (a) *10% or more of the share-holding or voting rights in the asset management company or the trustee company of any other mutual fund; or*
  - (b) *representation on the board of the asset management company or the trustee company of any other mutual fund.*
- (2) *Any shareholder holding 10% or more of the share-holding or voting rights in the asset management company or the trustee company of a mutual fund, shall not have, directly or indirectly, -*

- (a) 10% or more of the share-holding or voting rights in the asset management company or the trustee company of any other mutual fund; or
  - (b) representation on the board of the asset management company or the trustee company of any other mutual fund.
- (3) Any person not in conformity with the sub-regulations (1) and (2) of this regulation, as on the date of the coming into force of this regulation shall comply with sub-regulations (1) and (2) within a period of one year from the date of the coming into force of this regulation.

*Provided that in the event of a merger, acquisition, scheme of arrangement or any other arrangement involving the sponsors of the mutual funds, shareholders of the asset management companies or trustee companies, their associates or group companies which results in the incidental acquisition of shares, voting rights or representation on the board of the asset management companies or trustee companies, this regulation shall be complied with within a period of one year of coming into force of such an arrangement.*

As mentioned in the provisions itself, for compliance of the aforementioned provision, a grace period of one year was granted to all such entities which were not compliant of the aforementioned provision on the day the amendment was made effective.

2. Subsequently, SEBI conducted an examination and, on the basis of the said examination, it was alleged that Fairfax Financial Holding Limited (hereinafter referred to as '*the Applicant*') was not compliant with the provisions of Regulation 7B of MF Regulations even after completion of one-year grace period.
3. Pursuant to above examination, a Show Cause Notice dated October 08, 2021 has been issued to *the Applicant* calling upon it to show cause as to why suitable direction including imposition of penalty under the provisions of Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') should not be imposed upon *the Applicant* for the alleged violation of Regulation 7B of MF Regulations.

4. Subsequent to the issuance and receipt of the Show Cause, the *Applicant* vide application ref. 6912/2022, received June 06, 2022 in terms of Regulations 3(1) and 3(2) of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**'), proposed to SEBI to settle the instant proceedings, without admitting or denying the findings of fact and conclusions of law, through a settlement order.
5. After attending meeting with the Internal Committee of SEBI on November 29, 2022, in terms of the Settlement Regulations, *the Applicant*, vide letter dated December 13, 2022, proposed the revised settlement terms. The High Powered Advisory Committee (in short 'HPAC') in its meeting held on December 27, 2022, considered the settlement terms proposed and recommended the case for settlement upon payment of ₹29,25,000/- (Rupees Twenty-Nine Lakh Twenty-Five Thousand only) towards settlement charges.
6. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on January 20, 2023 and the same was communicated by SEBI to *the Applicant* vide a Notice of Demand dated February 01, 2023. Accordingly, *the Applicant*, has remitted the sum of ₹29,25,000/- (Rupees Twenty-Nine Lakh Twenty-Five Thousand only) through online transfer towards settlement charges and the same was communicated by *the Applicant* to SEBI vide email dated February 17, 2023. The concerned department of SEBI has confirmed the receiving of the settlement charges.
7. Therefore, in view of the acceptance of the settlement terms and receipt of settlement amount as above by SEBI, the instant proceedings initiated against *the Applicant* vide Show Cause Notice dated October 08, 2021 are disposed of in terms of section 15JB read with Section 19 of the SEBI Act read with Regulation 23(1) of the Settlement Regulations on the basis of the settlement terms.

8. This order shall come into force with immediate effect. Further, in terms of Regulation 28 of the Settlement Regulations, this order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
- a. *the Applicant* has not made full and true disclosure;
  - b. *the Applicant* has breached any of the clauses/conditions of undertakings/waivers filed during the present settlement proceedings; and
  - c. there was a discrepancy while arriving at the settlement terms.
9. In terms of Regulation 25 of the Settlement Regulations, a copy of this order is sent for service to *the Applicant* and the order is also published on the website of SEBI.

Sd/-

**DATE: March 01, 2023**

**S. K. MOHANTY**

**PLACE: MUMBAI**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**