

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

On Settlement Application Nos.

1. 4062 of 2019 - filed by HDFC Asset Management Company Limited [PAN : AAACH7614L],
2. 4063 of 2019 - filed by HDFC Trustee Company Limited [PAN : AAACH7615M],
3. 4064 of 2019 - filed by Mr. Milind Barve, CEO - HDFC Asset Management Company Limited [PAN : ABGPB6755Q],
4. 4065 of 2019 - filed by Mr. Prashant Jain, Chief Investment Officer & Executive Director – HDFC Asset Management Company Limited [PAN : AACPJ2583K],
5. 4066 of 2019 - filed by Mr. Anil Bamboli, Senior Fund Manager – HDFC Asset Management Company Limited [PAN : AABPB0026A],
6. 4067 of 2019 - filed by Mr. Shobhit Mehrotra, Senior Fund Manager & Head Credit – HDFC Asset Management Company Limited [PAN : AAAPM0737E] and
7. 4068 of 2019 - filed by Mr. Yezdi Khariwala, the then Compliance Officer – HDFC Asset Management Company Limited [PAN : AACPK8707E] –

In the matter of investments of various mutual fund schemes of HDFC Asset Management Company Limited in the debt instruments of Essel group of companies.

1. HDFC Asset Management Company Limited [hereinafter referred to as the “HDFC AMC”], HDFC Trustee Company Limited [hereinafter referred to as the “HDFC Trustee”], Mr. Milind Barve, CEO - HDFC AMC, Mr. Prashant Jain, Chief Investment

Officer & Executive Director – HDFC AMC, Mr. Anil Bamboli, Senior Fund Manager – HDFC AMC, Mr. Shobhit Mehrotra, Senior Fund Manager & Head Credit – HDFC AMC and Mr. Yezdi Khariwala, the then Compliance Officer – HDFC AMC (all of whom are hereinafter referred to as the “applicants”) had filed settlement applications in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as the “Settlement Regulations”) proposing to settle, without admitting or denying the findings of fact and conclusions of law, through a settlement order, the pending enforcement proceedings for the alleged violations as detailed hereunder:

Sr. No.	Name of Entity	SCN No.	SCN Date	Alleged Violations
1	HDFC Asset Management Company Limited	SEBI/IMD2/DO F3/OW/11851 /2019	May 10, 2019	Regulations 10(a), 25(1), 25(2), 25(16), 25(19), 33(1) read with 2(b), 33(4), and 47 of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (2), (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008. SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010 as amended by CIR/IMD/DF/6/2012 dated February 28, 2012.
		SEBI/IMD2/DO F3/OW/11853 /2019	May 10, 2019	Regulations 10(a), 25(1), 25(2), 25(16), 33(4), 39(1), 47, and 53(b) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (2), (6) and (9) of Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular

				<p>SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.</p> <p>Clauses 2 of the SEBI Circular No. MFD/CIR/05/432/2002 dated June 20, 2002 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018.</p> <p>SEBI Circular No. SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010.</p>
		SEBI/IMD2/DO F3/OW/2019/14771/1	June 12, 2019	<p>Regulations 10(a), 25(1), 25(16), 31, 33(4) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000</p> <p>Clauses (2), (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.</p>
		SEBI/IMD2/DO F3/OW/2019/14770/1	June 12, 2019	<p>Regulations 10(a), 25(1), 25(2), 25(16), 25(19), and 47, of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000</p> <p>Clauses (2), (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018.</p>

2	HDFC Trustee Company Limited	EAD5/OW/P/ MC/VS/2019/ 13321/1	May 27, 2019	Regulations 10(a), 18(7), 18(9), 18(22), 33(4), 39(1), 53(b), 60 and provisions of Eighth Schedule under Regulations 25(19) and 47 of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008. SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010 as amended by CIR/IMD/DF/6/2012 dated February 28, 2012 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018.
		EAD5/OW/P/ MC/VS/2019/ 13364/1	May 27, 2019	Regulations 2(b), 10(a), 18(7), 18(9), and 18(22), 47, and 60 of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (2), (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008. SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010 as amended by CIR/IMD/DF/6/2012 dated February 28, 2012

3	Mr. Milind Barve (CEO – HDFC AMC Limited)	EAD5/OW/P/MC/VS/2019/13321/1	May 27, 2019	<p>Regulations 25(6a), 25(19), 33(4), 39(1), 53(b) and provisions of Eighth Schedule under Regulations 25(19) and 47 of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018.</p> <p>Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.</p> <p>SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010 as amended by CIR/IMD/DF/6/2012 dated February 28, 2012</p>
		EAD5/OW/P/MC/VS/2019/13364/1	May 27, 2019	<p>Regulations 2(b), 25(6a), 25(19), 31, 33(4), 47, and 60, of the SEBI (Mutual Funds) Regulations, 1996</p> <p>Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.</p> <p>SEBI/IMD/Cir No. 16/193388/2010 dated February 02, 2010 as amended by CIR/IMD/DF/6/2012 dated February 28, 2012</p>

4	Mr. Yezdi Khariwala, (the then compliance Officer – HDFC AMC Limited)	EAD5/OW/P/MC/VS/2019/13321/1	May 27, 2019	Regulations 18(4)(d), 33(4), and 39(1) of the SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018. SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.
		EAD5/OW/P/MC/VS/2019/13364/1	May 27, 2019	Regulations 2(b), 18(4)(d), 31, and 33(4) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.
5	Mr. Prashant Jain (Chief Investment Officer & Executive Director – HDFC AMC Limited)	EAD5/OW/P/MC/VS/2019/13321/1	May 27, 2019	Regulation 25(6b) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996.
		EAD5/OW/P/MC/VS/2019/13364/1	May 27, 2019	Regulation 25(6b) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996.
6	Mr. Anil Bamboli	EAD5/OW/P/MC/VS/2019/13321/1	May 27, 2019	Regulation 25(6b), of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000

	(Senior Fund Manager – HDFC AMC Limited)			Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996
		EAD5/OW/P/MC/VS/2019/13364/1	May 27, 2019	Regulations 2(b),25(6b),31, and 33(4) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008.
7	Mr. Shobhit Mehrotra (Senior Fund Manager & Head Credit – HDFC AMC Limited)	EAD5/OW/P/MC/VS/2019/13321/1	May 27, 2019	Regulations 25(6b), 33(4), and 39(1) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 and SEBI Circular SEBI/IMD/CIR No. 12/147132/08 dated December 11, 2008 read with SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018. Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations.
		EAD5/OW/P/MC/VS/2019/13364/1	May 27, 2019	Regulation 25(6b) of the SEBI (Mutual Funds) Regulations, 1996 and SEBI Circular No. MFD/CIR/6/73/2000 dated July 27, 2000 Clauses (6) and (9) of the Code of Conduct as specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations.

2. The HDFC AMC (the applicant no.1) had invested on behalf of the Mutual Fund in the debt instruments of Essel group of companies through various mutual fund schemes of

HDFC Asset Management Company Limited. It is alleged that the Mutual Fund herein had defaulted in complying with the above referred to Regulations, adhering to the requisite standards and thus failed to exercise proper due diligence and hence the captioned settlement applications were filed.

3. Pursuant to the receipt of applications, during the meeting with the Internal Committee of SEBI on February 05, 2020, the authorized representatives of the applicants deliberated upon the settlement terms. Thereafter, the applicants vide e-mail dated February 27, 2020, proposed the revised settlement terms to settle the proceedings that may be initiated for the said defaults. While forwarding the revised settlement terms the applicants also submitted that there are no subsisting complaints by the unit-holders with regard to the said matter in respect of the various mutual fund schemes of HDFC AMC and that the HDFC AMC has already compensated the unit-holders of the affected mutual fund schemes for an amount of Rs.4,46,00,000/- (Rupees Four Crores and Forty Six Lakh only). It was further proposed that, the settlement amount of Rs. 4,20,46,420/- (Rupees Four Crore Twenty Lakh Forty Six Thousand Four Hundred and Twenty only) would be paid out of the funds of HDFC AMC and that the liability would not be passed on to the unit holders.
4. The High Powered Advisory Committee (hereinafter referred to as the “HPAC”) in its meeting held on March 02, 2020 considered the proposed settlement terms by the applicants and recommended the case for settlement upon payment of Rs. 4,20,46,420/- (Rupees Four Crore Twenty Lakh Forty Six Thousand Four Hundred and Twenty only) towards the settlement terms.
5. The applicants vide UTR No. N081201100485911 dated March 21, 2020 remitted Rs. 4,20,46,420/- (Rupees Four Crore Twenty Lakh Forty Six Thousand Four Hundred and Twenty only) towards the settlement terms as proposed by them for the settlement of the

proceedings initiated against them and intimated the same to SEBI vide their e-mail dated March 21, 2020.

6. In view of the above, in exercise of the powers conferred under Section 15JB of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the enforcement proceedings for the alleged defaults as discussed in paragraph 1 and 2 above are settled qua the applicants and as per the following terms:
 - i. SEBI shall not initiate enforcement action against the applicants for the said defaults;
 - ii. this order disposes of the enforcement proceedings in respect of the applicants as mentioned above; and
 - iii. passing of this Order is without prejudice to the right of SEBI to take enforcement actions including commencing proceedings against the applicants, if SEBI finds that:
 - a. any representation made by the applicants in the present settlement proceedings is subsequently found to be untrue;
 - b. the applicants has breached any of the clauses/conditions of undertakings/ waivers filed during the present settlement proceedings.
7. This settlement order is passed on this 16th day of April, 2020 and shall come into force with immediate effect.
8. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the applicants and also be published on the website of SEBI.

Sd/-

S.K. MOHANTY
WHOLE TIME MEMBER

Sd/-

ANANTA BARUA
WHOLE TIME MEMBER