

# Top Heavy Mutual Fund Industry - New Entrant Dilemma

R. Uppily<sup>1</sup>, M. S. Ramaratnam<sup>2</sup>

<sup>1</sup>Senior Vice President – Consumer Finance Division & Investment Operations, IndusInd Bank Limited

<sup>2</sup>Dean, Department of Management, HR & Commerce, Sri Chandrasekharendra Saraswathi Viswa Mahavidyalaya, Kanchipuram, TN

## Abstract

Mutual fund investments are growing in India at a rapid phase. The mutual fund industry has witnessed a more than fivefold increase in assets under Management (AUM) in 10 years (on 30th November 2023 the AUM was 48.75 trillion and as of November 2013 AUM was 8.90 trillion). ABC Limited a leading conglomerate in the American financial industry is looking for an entry into the top-heavy Indian Mutual Fund Industry. Growth in this Industry has fascinated them, they are not sure what strategy they should adopt and what ROI they can generate. Whether they should enter the industry by acquiring a stake in a smaller AMC or a bigger AMC or should take over an existing AMC. ABC Limited is also unsure about the time of their entry. This case study presents an opportunity for students to analyze whether ABC Limited should enter the Indian Mutual Fund industry or not and to explore the entry-level and other strategies if they are going to enter the Indian Mutual Fund industry.

**Keywords:** Asset Management Company, Average Asset under Management, Mutual Fund Industry, Business Expansion

Management Insight (2023). DOI: <https://doi.org/10.21844/mijia.19.2.9>

## Top Heavy Mutual Fund Industry – New Entrant Dilemma

Mutual fund industry has witnessed more than fivefold increase in its Asset Under Management (AUM) in a span of 10 years (during 30<sup>th</sup> November 2023 the AUM is 48.75 trillion and as on November 2013 AUM was 8.90 trillion). Indian Mutual Fund Industry has 40 plus players and still there exist a huge scope for penetration. Indian Mutual Fund Industry over the last 2 years have witnessed lot of mergers and acquisitions and has remained competitive. ABC Limited a leading conglomerate in American financial industry is looking for an entry into the top heavy Indian Mutual Fund Industry. Growth in this Industry has fascinated them, they are not sure on what strategy they should adopt and what would be the ROI that they can generate? Whether they should enter the industry by acquiring stake in a smaller AMC or a bigger AMC or should take over an existing AMC. They are also not sure on when they should time their entry?

## Background - Indian Mutual Fund Industry

Mutual funds were started in India in 1963, The Average Assets Under Management of Indian Mutual Fund Industry as of 30<sup>th</sup> November 2023 is at 48.75 trillion.

**Corresponding Author:** R. Uppily, Senior Vice President – Consumer Finance Division & Investment Operations, IndusInd Bank Limited, Email: [uppilyphd@gmail.com](mailto:uppilyphd@gmail.com)

**How to cite this article:** Uppily R., Ramaratnam M.S. (2023).

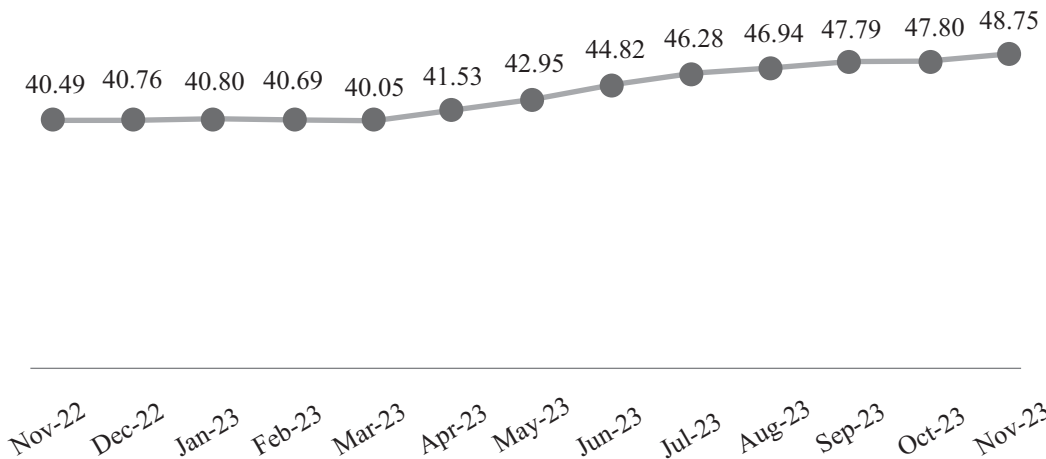
Top Heavy Mutual Fund Industry - New Entrant Dilemma, Management Insight, 19(2) 67-79

**Source of support:** Nil

**Conflict of interest:** None

**Received:** 04.02.2024; **Accepted:** 09.03.2024; **Published:** 15.04.2024

The mutual fund industry has witnessed a more than fivefold increase in its AUM in 10 years (during 30<sup>th</sup> November 2013, the AUM was 8.90 trillion). Locations are classified as top 30 cities and B30 (beyond top 30) by AMFI (Association of Mutual Funds in India). In India, mutual fund sales are predominantly driven by distributors. There are individual as well as corporate distributors (including banks). Mutual funds are distributed in online and offline modes. Direct distribution of mutual funds is picking up with the introduction of direct schemes (schemes without any commission to distributors). Mutual fund schemes as of 30<sup>th</sup> November 2023 were 1472. Indian Mutual fund industry is dominated by retained investments. Here Mutual funds are regulated by SEBI. It is mandatory for the distributors who are selling mutual funds to clear the mutual fund certification exam. AMFI also plays an important role in regulating the Mutual fund industry



Source: AMFI website industry data analysis report.

**Figure 1. Mutual Fund Industry - Total Assets (Rs. Trillion)**

Investor accounts have increased from 4.76 crore in March 2009 to 16.18 crore in November 2023. There are 161,814,583 accounts in the mutual fund industry on November 2023, 91.2% is accounted are held by retail investors. Indian Mutual Funds has around 7.44 crore (74.4million) SIP accounts as on November 2023 it was 5.27 crores during 2021-2022 financial year. Scheme and AUM data as on 30<sup>th</sup> November 2023 and details of SIP registrations are given in *Exhibit -1*

### Indian Mutual Fund Space

Indian Mutual fund industry has 44 AMC – Asset Management Company as of 30th November 2023. The list of Mutual fund houses is given in *Exhibit -2*. In India Asset Management Companies are classified as Bank sponsored, Institutions, Private sector – Indian, Foreign, and Joint ventures (predominantly Indian).

### Geography-wise performance

Maharashtra tops the average AUM chart with a 40.84% share of the total average AUM. New Delhi holds 8.69%, Karnataka holds 6.92%, Gujarat holds 6.88% and West Bengal holds 5.32%. These top 5 states hold 68.64% of the total Average AUM. State-wise details are available in *Exhibit -3*

### Capital and Regulatory requirements for setting up Mutual Fund business in India

A mutual fund is set up in the form of a trust, which has a

sponsor, trustees, asset management company (AMC), and custodian. Trust is established by a sponsor or more than one sponsor. Asset Management Company (AMC) approved by SEBI manages the funds by making investments in various types of securities. The custodian, who is registered with SEBI, holds the securities of various schemes of the fund in its custody. The trustees are vested with the general power of supervising and directing AMC. Trustee monitor the performance and compliance of SEBI Regulations by the mutual fund. SEBI Regulations require that at least two-thirds of the directors of a trustee company or board of trustees must be independent. Also, 50% of the directors of AMC must be independent. All mutual funds are required to be registered with SEBI before they launch any scheme. To set up a Mutual Fund Company in India application need to submitted to SEBI and obtain a certificate of registration. Details of registration process is provided in *Exhibit 5*.

### Mutual Fund Industry – Key developments from regulatory perspective

Following are the key developments in Indian Mutual Fund industry

**Table 1. Mutual Fund Industry – Key developments**

Period	Description	Impact
January-2013	Introduction of Direct Mutual fund scheme	Investors investing using a direct mutual fund scheme need not pay any commission to the distributor.
March-2013	Product labeling for the MF industry	Mutual fund houses use color code boxes to classify schemes based on risk category.
March-2017	Advertisement guidelines	SEBI has specified the rules for mutual fund advertisements. The circular also specifies rules for the display of past performance and returns.
October-2017	Categorization and Rationalisation of Mutual Fund Schemes	Mutual funds schemes are reclassified as per the new regulations specified by SEBI
September-2018	SEBI ban on Upfront Commission	Distributors in the mutual fund industry were getting both upfront and trail commissions. SEBI discontinued payment of an upfront commission.
October-2018	Total Expense Ratio (TER) and Performance Disclosure	SEBI has specified the limits for Total Expense Ratio and funds expenses cannot exceed the limit specified.
Decemer-2018	Concept of Segregated Portfolio	Segregated portfolios consist of those instruments (Debt or Equity) affected by some abnormal event. Mutual fund houses have to remove such instruments from their regular portfolio and create a segregated portfolio
January-2021	New Risk meter	SEBI has specified mutual fund houses to update the riskometer every month. In case of a change in riskometer level, the same should be explicitly communicated
April-2021	Dividend options renamed	Dividend option is renamed as payout or income distribution cum capital withdrawal option. (IDCW)
September-2021	Risk Management Framework for Mutual Funds	Risk-based framework for mutual fund investments
November-2021	Introduction of Silver Exchange-traded funds	Silver Exchange-traded fund was introduced. It is similar to the Gold ETF. The underlying asset for silver ETF is silver

Apart from a lot of scheme consolidation, the industry witnessed some important AMC mergers in 2022 like Sundaram and Principal Mutual fund, HSBC and L& T mutual fund, Bandhan and IDFC AMC

### Mutual Fund AMC performance

Every fund house earns revenue from fund management

expenses, which it earns as part of the total expense ratio (TER) of the schemes, TER is capped at a maximum of 2.5 percent of the assets under management. Equity funds have a higher TER than debt funds. Fund houses try to minimise their costs and maximise their fund management revenue.

**Table 2. Mutual Fund Asset Management Company Performance**

Profit (In Crores)			
AMC	FY20	FY21	FY22
Axis	17	245	402
Bank of India	-6	-8	-2
Birla Sunlife	483	516	660
DSP	116	259	330
HDFC	1262	1326	1393
HSBC	9	18	28
ICICI	1046	1245	1454
IDFC	80	143	176
Invesco	-45	18	47
Kotak Mahindra	311	323	380
Mahindra	-38	-27	-38
Navi	-10.26	-8.95	-21.31
Nippon India	412	649	711
PPFAS	3.46	9.17	39.01
Quant	1.17	1.22	8.88
Quantum	-10	-8	-7
SBI	606	863	1071
UTI	309	352	418

Fund houses like HDFC, SBI, and ICICI Prudential have not posted losses in the last five financial years, starting FY18. Many foreign fund houses have exited the industry over the years. India's tougher regulatory environment compared with overseas markets may be one of the reasons. Another attribute that has resulted in Foreign AMC's downfall is implementing their learnings from Western markets into India which did not work. Franklin Templeton fund house and experienced fund house have seen a continuous fall in profit from Rs 533.96 crore in FY18 to Rs 154.96 crore in FY21. Franklin Templeton India wound up six of its debt funds as it couldn't sell most of the underlying lower-rated securities

Mahindra MF, Bank of India MF, Quantum MF, and Navi MF are the fund houses that have been posting losses for the last five financial years. AMC-wise average AUM is given in *Exhibit -4*

### About ABC Limited

ABC Limited is a leading conglomerate in the American financial industry. They have an Asset Management company, Insurance, and investment consultancy business. They have been in the American industry for the last 20 years. So far they have not expanded their business beyond America. Their net worth as of November 2023 is \$800 Billion. Recently their MD and Directors wanted to expand their presence beyond America and started discussing about expanding their business in India. Seeing the performance of the Indian Mutual Fund Industry they thought it would be ideal for ABC Limited to enter the Indian Mutual Fund Industry.

**Exhibit -1****Scheme and AUM data as on 30<sup>th</sup> November 2023**

Scheme Name	No of schemes	No of folio	Average Net UM for the month November 2023 (INR in crore)
<b>Open ended Schemes</b>			
Income Debt Oriented Schemes	314	7,225,651	1,410,246
Growth Equity Oriented Schemes	418	110,510,699	1,962,162
Hybrid Schemes	146	12,639,551	630,997
Solution Oriented Schemes	37	5,785,230	39,090
Other Schemes	435	25,065,762	805,412
Total	1,350	161,226,893	4,847,907
<b>Close Ended Schemes</b>			
Income Debt Oriented Schemes	90	298,557	22,658
Growth Equity Oriented Schemes	20	286,514	3,914
Total	110	585,071	26,571
<b>Interval Schemes</b>			
Interval Schemes	12	2619	334
Total	12	2619	334
Grand Total	1,472	161,814,583	4,874,813

Source: AMFI

**Details of new SIPs registered and discontinued during FY 22-23 are as under:**

	Total No. of outstanding SIP Accounts SIP Count in Lakh	No. of New SIPs registered SIP Count in Lakh	No. of SIPs discontinued / tenure completed SIP Count in Lakh	SIP AUM in crores)	SIP Contribution (in crores)
Apr 23 - Nov 23	744.14	243.25	135.1	9,31,333	1,24,312
Apr 22 - Mar 23	635.99	251.41	143.15	6,83,296	1,55,972
Apr 21 - Mar 22	527.73	266.36	111.17	5,76,358	1,24,566

**Year-wise amount collected (in crore) from FY 2016-17 onwards are mentioned below:**

Month	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Total during FY	1,24,313	1,55,972	1,24,566	96080	1,00,084	92693	67190	43921

Source: AMFI

**Exhibit: 2****List of Mutual Fund Houses**

S.No.	Fund House Name	Sponsor	Year of Incorporation of AMC
1	360 One Mutual fund	360 ONE WAM Limited (Formerly Known As IFFL Wealth Management Limited)	2010
2	Aditva Birla Sun Life Mutual Fund	Aditva Birla Capital Limited, Sun Life (India) AMC - Investment Inc.	1994
3	Axis Mutual Fund	Axis Bank Limited	2009
4	Bajaj Finserv Mutual Fund	Bajaj Finserv Limited	2021
5	Bandhan Mutual Fund	Bandhan Financial Holdings Limited	1999
6	Bank of India Mutual Fund	Bank of India	2007
7	Baroda BNP Paribas Mutual Fund	Bank of Baroda. BNP Paribas Asset Management Asia Limited	2003
8	Canara Robeco Mutual Fund	Canara Bank ORIX Corporation Europe N.V. (Formerly Known as Robeco Groep N.V.)	1993
9	DSP Mutual Fund	DSP KMK Holdings Pvt. Ltd. & DSP Adiko Holdings Pvt. Ltd.	2021
10	Edelweiss Mutual Fund	Edelweiss Financial Services Limited	2007
11	Franklin Templeton Mutual Fund	Templeton International Inc.	1995
12	Grow Mutual fund	Groww Invest Tech Private Limited (formerly known as Nextbillion Technology Private Limited)	2008
13	HDFC Mutual Fund	HDFC Bank Ltd	1999
14	Helios Mutual Fund	Helios Capital Management Pte. Limited, Singapore	2021
15	HSBC Mutual Fund	HSBC Securities and Capital Markets (India.) Private Limited	2001
16	ICICI Prudential Mutual Fund	ICICI Bank Limited and Prudential Plc	1993
17	Invesco Mutual Fund	Invesco Hongkong Ltd.	2005
18	ITI Mutual Fund	The Investment Trust of India Ltd. and ITI Credit Limited	2008
19	JI Financial Mutual Fund	JI Financial Limited	1994
20	Kotak Mahindra Mutual Fund	Kotak Mahindra Bank Limited	1994
21	LIC Mutual Fund	Life Insurance Corporation of India	1994
22	Mahindra Manulife Mutual Fund	Mahindra and Mahindra Financial Services Ltd. Manulife Investment Management (Singapore) Pte. Ltd.	2013

S.No.	Fund House Name	Sponsor	Year of Incorporation of AMC
23	Mirae Asset Mutual Fund	Mirae Asset Global Investments Co. Ltd.	2019
24	Motilal Oswal Mutual Fund	Motilal Oswal Financial Services Ltd.	2008
25	Navi Mutual Fund	Anmol Como Broking Private Limited, Anmol Como Broking Pvt. Ltd.	2009
26	Nippon India Mutual Fund	Nippon Life Insurance Company	1995
27	NJ Mutual Fund	NJ India Onvest Private Limited	2005
28	Old Bridse Mutual fund	Old Bridge C apital Management Private Limited, Old Bridge Capital Management Pvt. Ltd.	2022
29	PGIM India Mutual Fund	Prudential Financial Inc. (USA)	2008
30	PPFAS Mutual Fund	Parag Parikh Financial Advisory Services Ltd.	2011
31	Quant Mutual Fund	Quant Capital Finance & Investment Private Limited	1995
32	Quantum Mutual Fund	Quantum Advisors Private Limited	2005
33	Samco Mutual Fund	Samco Securities Ltd.	2019
34	SBI Mutual Fund	State Bank of India	1992
35	Shriram Mutual Fund	Shriram Credit Company Ltd.	1994
36	Sundaram Mutual Fund	Sundaram Finance Limited	1996
37	Tata Mutual Fund	Tata Sons Limited & Tata Investment Corp. Ltd.	1994
38	Taurus Mutual Fund	HB Portfolio Limited	1993
39	TRUST Mutual Fund	Trust Investment Advisors Private Limited	2017
40	Union Mutual Fund	Dai-i chi Life Holdings Inc., Union Bank of India	2009
41	UTI Mutual Fund	State Bank of India ,Punjab National Bank, Bank of Baroda, Life Insurance Corporation	2002
42	White Oak Capital Mutual Fund	GPL Finance and Investments Private Limited	2017
43	Zerodha Mutual fund	Zerodha Broking Limited	2021



**Exhibit: 3**

<b>State Wise Average AUM - November 2023</b>			
<b>S.No.</b>	<b>Name of the States/ Union Territories</b>	<b>AAUM in Crs</b>	<b>% to Total AAUM</b>
1	Andaman and Nicobar Islands	738.46	0.02
2	Andhra Pradesh	63562.94	1.30
3	Arunachal Pradesh	1326.15	0.03
4	Assam	26080.67	0.54
5	Bihar	45495.03	0.93
6	Chandigarh	14627.58	0.30
7	Chhattisgarh	29443.38	0.60
8	Dadra and Nagar Haveli	800.70	0.02
9	Daman and Diu -	26.34	0.01
10	Goa	27866.45	0.57
11	Gujarat	335400.04	6.88
12	Haryana	156464.42	3.21
13	Himachal Pradesh	11728.47	0.24
14	Jammu and Kashmir	6434.61	0.13
15	Markhand	50548.60	1.04
16	Karnataka	337101.56	6.92
17	Kerala	58465.66	1.20
18	Lakshadweep	32.52	0.00
19	Madhya Pradesh	72782.18	1.49
20	Maharashtra	1990798.2 0	40.84
21	Manipur	946.51	0.02
22	Meghalaya	3271.96	0.07
23	Mizoram	1254.77	0.03
24	Nagaland	1504. 1	0.03
25	New Delhi	423571.48	8.69
26	Orissa	45494.69	0.93
27	Others	213495 23	4.38
28	Pondicherry	2915.50	0.06
29	Punjab	58039.58	1.19
30	Rajasthan	88166.83	1.81
31	Sikkim	1701.31	0.03
32	Tamil Nadu	226764.94	4.65
33	Telangana	74245.79	1.52
34	Tripura	1871.38	0.04
35	Uttar Pradesh	220420.54	4.52
36	Uttarakhand	21581.72	0.44
37	West Bengal	259342.12	5.32
	<b>Total</b>	<b>4874812.52</b>	<b>100</b>



**Exhibit: 4**

<b>Average Assets under Management (AAUM) for the quarter of Jul - September 2023 (Rs in Lakhs)</b>			
<b>S.No.</b>	<b>AMC</b>	<b>Average AUM</b>	<b>%</b>
1	360 ONE Mutual Fund	620500	0.13
2	Aditya Birla Sun Life Mutual Fund	31168239	6.54
3	Axis Mutual Fund	26062494	5.46
4	Bajaj Finsery Mutual Fund	392376	0.08
5	Bandhan Mutual Fund	12474161	2.62
6	Bank of India Mutual Fund	491510	0.10
7	Baroda BNP Paribas Mutual Fund	3125997	0.66
8	Canara Robeco Mutual Fund	7491564	1.57
9	DSP Mutual Fund	13014904	2.73
10	Edelweiss Mutual Fund	13323911	2.79
11	Franklin Templeton Mutual Fund	7425674	1.56
12	Groww Mutual Fund	43829	0.01
13	HDFC Mutual Fund	52904702	11.09
14	HSBC Mutual Fluid	9777031	2.05
15	ICICI Prudential Mutual Fund	60756124	12.74
16	IIFCL Mutual Fund (IDF)	64613	0.01
17	IL &FS Mutual Fund (IDF)	151121	0.03
18	Inv esco Mutual Fund	5774049	1.21
19	ITI Mutual Fluid	471238	0.10
20	JM Financial Mutual Fund	384492	0.08
21	Kotak Mahindra Mutual Fund	33632410	7.05
22	L IC Mutual Fluid	2430035	0.51
23	Mahindra Manulife Mutual Fund	1258175	0.26
24	Mira e Asset Mutual Fund	14117883	2.96
25	Motilal Oswal Mutual Fund	3921027	0.82
26	Navi Mutual Fund	359958	0.08
27	Nippon India Mutual Fund	35286050	7.40
28	NJ Mutual Fund	446978	0.09
29	PGIM India Mutual Fund	2354839	0.49
30	PPFAS Mutual Fund	4560759	0.96
31	quant Mutual Fund	3174828	0.67
32	Quantum Mutual Fund	228906	0.05
33	Samco Mutual Fund	126833	0.03
34	SBI Mutual Fund	82831238	17.37
35	Shriram Mutual Fund	30158	0.01
36	Sundaram Mutual Fund	4919507	1.03

37	Tata Mutual Fluid	12763608	2.68
38	Taurus Mutual Fund	59692	0.01
39	Trust Mutual Fund	118486	0.02
40	Union Mutual Fund	1246554	0.26
41	UTI Mutual Fund	26692457	5.60
42	WhiteOak Capital Mutual Fund	419951	0.09
	<b>Grand Total</b>	<b>476898863</b>	<b>100</b>

**Exhibit - 5**

**How to get registered as a Mutual Fund**

*Securities And Exchange Board Of India  
Mutual Funds Department*

How to get registered as a Mutual Fund

SEBI will guide the applicant step by step after getting an application for registration as a mutual fund. Normally, all replies are sent within 21 working days from the date of getting each communication from the applicant during the process of registration. Thus, the total period for registration depends on how fast the requirements are complied with by the applicant.

*Main requirements under SEBI (Mutual Funds) Regulations, 1996:*

The following are the eligibility criteria for the grant of a certificate of registration as per Regulation 7 of SEBI (Mutual Funds) Regulations, 1996 (Please see SEBI web site [www.sebi.gov.in](http://www.sebi.gov.in))

For the grant of a certificate of registration, the applicant has to fulfill the following, namely: -

- a) The sponsor should have a sound track record and general reputation of fairness and integrity in all his business transactions;

Explanation: For this clause "soundtrack record" shall mean the sponsor should, -

- I. be carrying on business in financial services for not less than five years; and
- II. The net worth is positive in all the immediately

preceding five years; and

- III. The net worth in the immediately preceding year is more than the capital contribution of the sponsor in the asset management company; and
  - IV. the sponsor has profits after providing for depreciation, interest and tax in three out of the immediately preceding five years, including the fifth year.
    - aa) The applicant is a fit and proper person.
    - b) in the case of an existing mutual fund, such fund is in the form of a trust and the trust deed has been approved by the Board;
    - c) the sponsor has contributed or contributes at least 40% to the net worth of the asset management company;
- Provided that any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in these regulations;
- d) the sponsor or any of its directors or the principal officer to be employed by the mutual fund should not have been guilty of fraud or has not been convicted of an offense involving moral turpitude or has not been found guilty of any economic offense.
  - e) appointment of trustees to act as trustees for the mutual fund by the provisions of the regulations;
  - f) appointment of asset management company to manage the mutual fund and operate the scheme of such funds by the provisions of these regulations;

- g) appointment of a custodian to keep custody of the securities and carry out the custodian activities as may be authorized by the trustees.

### Application for Registration:

An applicant should apply for registration in form A prescribed under Schedule I of SEBI (Mutual Funds) Regulations 1996. It may be noted here that as per the proviso to Reg. 7 (c) of the Regulations, any person who holds 40% or more of the net worth of an asset management company shall be deemed to be a sponsor and will be required to apply in Form A.

While applying, please ensure that the main objects of the memorandum of the sponsor company permit it to carry on mutual fund activities. An applicant should also submit the following additional information for the sponsor as well as for the other shareholders in the proposed asset management company.

1. A complete list of your group/associate companies registered with SEBI in any capacity, also indicate the capacity in which they are registered and the SEBI Registration number. In case of foreign sponsors, details of registration of the sponsor/any of its associate/group companies with any regulatory agency abroad You may also refer to SEBI (Mutual Funds) Regulations for the definition of 'associates', 'group', and 'control'.)
2. Whether any of the sponsor or its group/associate companies are listed in any of the recognized stock exchange(s) in India. If so, please furnish the details.
3. Whether there have been any instances of violation of or non-adherence to any securities-related regulations and whether any action has been taken against you or any of your associate/group companies in this regard, by a regulatory agency in India or abroad; (please provide the following information)
  - a) Top 10 monetary penalties in case of foreign entities and all monetary penalties in case of Indian entities, imposed against the sponsor or any associate of the sponsor (for irregularities/ violations in the

financial services sector or defaults in respect of shareholders/debenture holders and depositors, by any financial regulatory body or government authority or settlement arrived with any financial regulatory body during the last five years and details thereof. Penalties awarded for economic offenses may be disclosed only in the case of the sponsor.

- b) Details of all cases of suspensions and cancellation of certificate of registration (for irregularities/ violations in the financial services sector or defaults in respect of shareholders, debenture holders, and depositors) of the sponsor or any associate of the sponsor shall be disclosed for the last 10 years.

All disclosures on penalties and action taken as per (a) and (b) above against foreign entities may be limited to the jurisdiction of the country where the principal activities (in terms of income/ revenue) of the sponsors/ associate companies are carried out or where the headquarter is situated.

- 4 Declaration in terms of Regulation 7(d) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 that your sponsor company or any of your directors have not been found guilty of fraud or have not been convicted of an offense involving moral turpitude or have not been found guilty of any economic offense. If there are such cases, full details should be provided.
- 5 (a) Details of registration of your company/associate/group companies, which are registered/ required to be registered with the Reserve Bank of India (RBI) as a Banking company or Non-Banking Finance Company or in any other capacity.
  - (b) Details of disciplinary action taken by RBI against you or any of your group/associate companies. Please also inform us in case there is any default in repayment of deposits by you or any of your group/associate companies.
  - (c) Details of the RBI approval, if any required, to sponsor a mutual fund.
6. Whether any of the directors or employees of your

company or your group/associate companies were ever associated with any organization as a director or an employee against whom SEBI had initiated action of suspension or cancellation of certificate of registration or initiated any other action under the provisions of SEBI Act or launched any prosecution for acts committed during their association. If so, please furnish details.

7. The application shall be accompanied by a business plan.
8. Undertaking from the sponsor to provide additional capital to the AMC, if required, till its operations breakeven, to protect the interest of the unitholders.

*Onsite Due diligence of Sponsor by SEBI*

SEBI may conduct an on-site due diligence of the existing businesses of the sponsor to study the following:

1. Existing infrastructure for client servicing, and complaints handling;
2. Track record of complaint/grievance handling; and
3. Compliance philosophy and practice.

*Communication by SEBI:*

- A. At any stage of registration, the applicant has to provide all required information within 30 days from the date of receipt of any communication from SEBI for the said purpose, failing which the case may be considered closed from SEBI.
- B. SEBI will examine the application and a communication will be sent to you about your eligibility status. If you are found eligible, you will be required to undertake the following steps within 12 months from the date of communication, failing which you will be required to submit a fresh application for registration:

1. Incorporation of the Asset Management Company and the Trustee Company/Board of Trustees:

For this purpose, you may submit two copies of the completed Memorandum and Articles of Association of the Asset Management Company and the Trustee Company for our forwarding to the Registrar of Companies.

Please ensure that these documents contain a clause that “notwithstanding anything mentioned in these documents, only those activities will be carried out which are permitted under the SEBI (Mutual Funds) Regulations. All the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the Guidelines issued from time to time shall be applicable.”

Please also indicate the address of the ROC where these companies would be incorporated.

2. Auditor's certificate:

After incorporation of the AMC and the Trustee Company, please submit a certificate from a Chartered Accountant certifying that:

- a) The sponsor has contributed at least 40% to the net worth of the AMC (Regulation 7 ©).
- b) The AMC has a net worth of not less than Rupees Ten Crore ( ` 100 million), as required under regulation 21 (1) (f) of SEBI (Mutual Funds) Regulations, 1996 (the net worth should be furnished in the following format):

Particulars	Amount ( ` )
Paid-up capital	Add: Free reserves of the company
Less: miscellaneous expenditure to the extent not written-off	Less: accumulated losses, if any
Less: intangible assets, if any	Total Net worth

3. Filing of executed copies of Trust Deed and Investment Management Agreement.

Please file executed copies of trust deed and Investment Management Agreement along with a check list clearly mentioning where you have incorporated the clauses of contents of the trust deed and Investment Management agreement as per third schedule and fourth schedule of SEBI (Mutual Funds) Regulations.

4. Setting up of Infrastructure by the Applicant After complying with the above requirements, a detailed note on the infrastructure facilities available with the Asset Management Company should be sent to SEBI, providing the following specific details:

- a) Details of the office premises and address.
- b) Organization chart of the AMC, clearly specifying the responsibilities of various personnel.
- c) Profile of the key personnel including the fund managers and equity research personnel.
- d) Justification of adequacy of personnel in fund management, equity research and other operational areas considering the expected size of mutual fund. At what stage, the number of key personnel will be reviewed, should be indicated.
- e) Systems support in terms of hardware and software.
- f) Arrangement made for investor services.
- g) Establishing the financial viability of sponsoring a Mutual Fund giving details of the expected size of the mutual fund over some time,
- h) Internal systems and control procedures developed to check insider trading and front-running
- I) Size of funds that the AMC feels competent to manage and the expertise available with the sponsor/AMC etc.
- j) Whether the compliance manual has been prepared to ensure that all provisions of SEBI (Mutual Funds) Regulations and Guidelines are complied with. (All guidelines issued to mutual funds are available on SEBI's website).
- k) Submission of completed Form C and Form D, providing details of Trustee Company and AMC, as given in the First Schedule of SEBI (Mutual Funds) Regulations.
- l) Bio-data of the directors of the trustee company and the AMC in the prescribed format (Please refer to

SEBI circular dated December 20, 2001, available on the site).

- m) Biodata of key personnel in hard and soft copies (Please refer to SEBI circular dated May 7, 1997)
- n) Any other information relevant to the application for registration.

#### 5. Grant of Certificate of Registration

Once all the above requirements have been complied with and a requisite fee as per the Second Schedule of Regulations has been paid, SEBI will grant certification of registration as a mutual fund and will approve AMC. SEBI may also conduct infrastructure inspection of the applicant before grant of certificate of registration.

Further, it may be noted that in case no Mutual Fund scheme is launched within 12 months from the date of registration, the registration granted would be treated as cancelled.

#### References

<https://www.amfiindia.com/research-information/other-data>

<https://www.amfiindia.com/research-information/aum-data>

<https://www.amfiindia.com/research-information/amfi-quarterlydata>

<https://www.amfiindia.com/research-information/amfi-monthly>

<https://www.amfiindia.com/amfi-members-details>

<https://www.moneycontrol.com/news/business/personal-finance/the-real-story-behind-amc-earnings-9916691.html>

<https://www.amfiindia.com/mutual-fund>

<https://www.amfiindia.com/research-information/aum-data/average-aum>