



CIRCULAR

SEBI/HO/IMD/DF4/CIR/P/2021/29

March 05, 2021

**All Mutual Funds (MFs)/
Asset Management Companies (AMCs)/
Trustee Companies/ Board of Trustees of Mutual Funds/
Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

Sub: Guidelines for votes cast by Mutual Funds

SEBI, vide Circular no. SEBI/IMD/CIRNo18/198647/2010 dated March 15, 2010, CIR/IMD/DF/05/2014 dated March 24, 2014, SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016 and CIR/CFD/CMD1/168/2019 dated December 24, 2019, has prescribed guidelines for votes cast by Mutual Funds. In order to further improve transparency as well as encourage Mutual Funds/AMCs to diligently exercise their voting rights in best interest of the unitholders and based on the deliberations in MFAC, following additional guidelines have been prescribed:

1. Mutual Funds including their passive investment schemes like Index Funds, Exchange Traded Funds etc. shall be required to cast votes compulsorily in respect of the following resolutions:
 - i. Matters mentioned at Para no.4(iii) of SEBI Circular SEBI/IMD/CIR No 18/ 198647 /2010 dated March 15, 2010 i.e.
 - a) Corporate governance matters, including changes in the state of incorporation. merger and other corporate restructuring, and anti-takeover provisions.
 - b) Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
 - c) Stock option plans and other management compensation issues.
 - d) Social and corporate responsibility issues.
 - e) Appointment and Removal of Directors.
 - f) Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.



- ii. Related party transactions of the investee companies (excluding own group companies).
For this purpose, "Related Party Transactions" shall have same meaning as assigned to them in clause (zc) of Sub-Regulation (1) of Regulation (2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.
2. Further, for all remaining resolutions which are not covered at Para 1 of this circular, Mutual Funds shall also compulsorily be required to cast their votes with effect from April 01, 2022.
3. In case of the Mutual Funds having no economic interest on the day of voting, it may be exempted from compulsorily casting of votes.
4. The vote shall be cast at Mutual Fund Level. However, in case Fund Manager/(s) of any specific scheme has strong view against the views of Fund Manager/(s) of the other schemes, the voting at scheme level shall be allowed subject to recording of detailed rationale for the same.
5. Fund Managers/Decision makers shall submit a declaration on quarterly basis to the Trustees that the votes cast by them have not been influenced by any factor other than the best interest of the unit holders. Further, Trustees in their Half Yearly Trustee Report to SEBI, shall confirm the same.
6. This circular shall be applicable with effect from April 01, 2021 except Para 2 which will be applicable from the mentioned date.
7. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Lamber Singh
Deputy General Manager
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