



**CIRCULAR**

**SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/654**

**October 28, 2021**

**All Mutual Funds**

**All Asset Management Companies (AMCs)**

**All Trustee Companies / Boards of Trustees of Mutual Funds**

**Association of Mutual Funds in India (AMFI)**

Sir/ Madam,

**Subject: Investment/ trading in securities by employees and Board members of AMC(s) and Trustees of Mutual Funds**

1. SEBI vide circular dated November 17, 2016, has specified the norms for investment/ trading in securities by employees of AMC(s) and Trustees of Mutual Funds and consolidated the provisions of all the previous circulars as Annexure A to the said circular. Subsequently, SEBI vide circular dated March 04, 2021, partially modified Annexure A of the circular dated November 17, 2016.

2. Based on the representations received from the industry participants & AMFI and recommendations of Mutual Fund Advisory Committee, it is decided to review the circular and partially modify the provisions of the circular dated November 17, 2016 as under:

2.1. Paragraph II(B)(2) of Annexure A of the circular dated November 17, 2016, regarding the objectives of the guidelines and definition of 'access person', shall read as under:

*"To ensure that the employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not take undue advantage of any sensitive information that they may have about any company or its securities or about the AMC's schemes or its units.*

*Access Person for the purpose of these Guidelines shall mean the Head of the AMC (designated as CEO/Managing Director/President or by any*

*other name), Executive Directors, Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as decided by the AMC(s) and/or Trustees. Non-Executive Directors of the AMC/trustee company or trustees who are in possession of / have access to any non-public information which could materially impact the price of the securities, NAV of the schemes or interest of the unitholders shall also be deemed as Access Persons.”*

2.2. Paragraph II(C)(1)(b)(iii) of Annexure A of the circular dated November 17, 2016, regarding investments not covered under the guidelines, shall read as under:

*“Investments in government securities, overnight schemes and schemes of other Mutual Funds.”*

2.3. Paragraph II(C)(3)(f) of Annexure A of the circular dated November 17, 2016, regarding obtaining prior approval for personal investment transactions, shall read as under:

*“All employees shall refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 30 calendar days from the date of their personal transaction. However, in cases where it is done, the employee shall provide a suitable explanation to the Compliance Officer, which shall be reported to the Board of the AMC and the Trustees at the time of review.*

*This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions of SEBI circulars dated April 28, 2021 and September 20, 2021 on ‘Alignment of interest of Key Employees (‘Designated Employees’) of Asset Management companies with the Unitholders of the Mutual Fund Schemes’.”*



2.4. In respect of investments through the secondary markets, the following shall be inserted after Paragraph II(D)(2)(b)(ii) of Annexure A of the circular dated November 17, 2016, with respect to relaxation from the provisions of “cooling off” period:

*“Provisions of the “cooling off” period may be relaxed for Access Persons, subject to the following:*

- a. Such relaxation shall be given by Compliance Officer for not more than 2 times in a financial year per Access Person.*
- b. Such relaxation shall be applicable only for sale of securities.*
- c. Such relaxation shall be applicable only for securities held by the Access Person for not less than a period of one year.*
- d. Access Person may apply anytime during the financial year for such relaxation to the Compliance Officer. Compliance Officer shall decide on the said application within 5 days of receipt of such application.*
- e. Access Person may sell the securities within 10 trading days from the date of clearance by the Compliance Officer.*
- f. Roll over of unexecuted portion, if any, shall not be allowed. However, a second request can be made within the financial year as stated at (a) above.*
- g. The Access Person shall ensure that from the time of making an application under clause (d) till the conclusion of the sale of the concerned securities, he/she is not in possession of / does not have access to any non-public information which could materially impact the price of the concerned securities. Compliance Officer shall not grant clearance for such transaction, where the Asset Management Company is in possession of / has access to any non-public information which could materially impact the price of the concerned securities.*
- h. The Compliance Officer shall maintain all other regulatory checks and obtain necessary undertakings from the Access Person.*

*In case of pre-existing pledges / encumbered arrangements (i.e., securities pledged prior to becoming an Access Person), the provisions of “cooling off”*

*period shall not be applicable in the event of sale of securities by lenders due to shortfall of margin, subject to the following:*

- a. Access person shall, on the date of applicability of this circular or on the date of joining the AMC or on the date of being designated as such, declare to the Compliance Officer (i) details of all the pre-existing pledges / encumbered arrangements in which the securities held by him/her are pledged or encumbered and (ii) details of ESOPs bought with borrowed funds, along with the agreement with such lender.*
- b. Any instances of sale of securities by lender shall be promptly intimated to the Compliance Officer. The Access Person shall ensure the following and submit a self-declaration to the following effect:*
  - that the Access Person has not engaged directly or indirectly in front-running, self-dealing, trading while in possession of non-public information which could materially impact the price of the concerned securities or any other prohibited activities.*
  - that the sale by the lender was due to shortfall of margin as per the terms of agreement with the lender and he had not entered into any other arrangement with the lender in this regard.*
- c. Access Person shall also submit the margin notice received for the said shortfall of margin to the compliance officer.”*

2.5. Paragraph II(E)(1) of Annexure A of the circular dated November 17, 2016, regarding investments in units of Mutual Fund Schemes, shall read as under:

*“Access persons as well as other employees do not require prior clearance of the Compliance Officer for purchase or sale of units of Mutual Fund schemes. However, details of each such transaction, excluding transactions in overnight schemes shall be reported by them to the Compliance Officer within 7 calendar days from the date of transaction.*

*This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions of SEBI circulars dated April 28, 2021 and September 20, 2021 on ‘Alignment of interest of Key Employees*



*(‘Designated Employees’) of Asset Management companies with the Unitholders of the Mutual Fund Schemes’.*”

2.6. Paragraph II(E)(3) of Annexure A of the circular dated November 17, 2016, regarding investments in units of Mutual Fund Schemes, shall read as under:

*“Notwithstanding anything mentioned earlier, employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not purchase or sell or repurchase or redeem units of any scheme, including overnight scheme of their Mutual Fund, where any information available to the Mutual Fund is not yet communicated to the unitholders and which could materially impact the NAV or interest of unitholders, including scenarios where there is a likelihood of:*

- a. a change in the investment objectives of the concerned Mutual Fund Scheme(s);*
- b. a change in the accounting policy;*
- c. a material change in the valuation of any asset, or class of assets;*
- d. conversion of a close ended scheme to an open-ended scheme or an open-ended scheme to a close ended scheme;*
- e. restrictions on redemptions, winding up of scheme(s);*
- f. creation of segregated portfolio;*
- g. material change in the liquidity position of the concerned Mutual Fund Scheme(s);*
- h. default in the underlying securities which is material to the concerned Mutual Fund Scheme(s) etc.”*

3. All the provisions of this circular shall be applicable with effect from December 01, 2021 except for the provision at para 2.3 which shall be applicable from the date of this circular.

4. For ease of reference, the consolidated norms for investment / trading in securities by employees and Board members of AMC(s) and Trustees of Mutual Fund are given in Annexure to this circular.



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India

5. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision 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,

**R. Anand**  
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### Annexure

1. The guidelines enumerated below specify the minimum requirements that have to be followed. The AMC(s) and Trustees are free to set more stringent norms for investment and/or trading in securities by their employees. The Board of the AMC and Trustees shall ensure compliance with these Guidelines on a continuous basis and shall report any violations and remedial action taken by them in the periodical reports submitted to the Board.
2. Guidelines for Investment and/or Trading in Securities by Employees of AMC(s) and Trustees:

#### 2.1. Applicability

- 2.1.1. These Guidelines shall be applicable to all employees of AMC(s) and Trustees and shall form a part of the Code of Conduct for employees adopted by the AMC(s) and/or Trustees. New employees shall be bound by these Guidelines from the date of joining the AMC(s) and/or Trustees.
- 2.1.2. These Guidelines shall cover transactions for sale or purchase of securities made:
  - a. In the name of employees, either individually or jointly,
  - b. In the name of the employees' spouse,
  - c. As a member of HUF,
  - d. In the name of parent, sibling or child of the employee or of the spouse of such employee, any of whom is either dependent financially on such employee or spouse of employee, or consults such employee or spouse of employee in taking decisions relating to trading in securities.

#### 2.2. The objectives and principles of these Guidelines are:

- 2.2.1. To ensure that all securities transactions made by employees in their personal capacity are conducted in consonance with these Guidelines and in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.

2.2.2. To ensure that the employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not take undue advantage of any sensitive information that they may have about any company or its securities or about the AMC's schemes or its units.

**Explanation:** Access Person for the purpose of these Guidelines shall mean the Head of the AMC (designated as CEO/Managing Director/President or by any other name), Executive Directors, Chief Investment Officer, Chief Risk Officer, Chief Operation Officer, Chief Information Security Officer, Fund Managers, Dealers, Research Analysts, all employees in the Fund Operations Department, Compliance Officer and Heads of all divisions and/or departments or any other employee as decided by the AMC(s) and/or Trustees. Non-Executive Directors of the AMC/trustee company or trustees who are in possession of / have access to any non-public information which could materially impact the price of the securities, NAV of the schemes or interest of the unitholders shall also be deemed as Access Persons.

2.2.3. To guide employees of AMC(s) and Trustees in maintaining a high standard of probity that one would expect from an employee in a position of responsibility.

### 2.3. **General**

2.3.1. Investments covered:

2.3.1.1. These Guidelines cover transactions for purchase or sale of any securities such as shares, debentures, bonds, warrants, derivatives and units of schemes floated by Mutual Funds / AMCs where the concerned persons (in terms of the applicability stated at Clause 2.1.1 above) are employed.

2.3.1.2. These Guidelines do not apply to the following investments by the employees:

- i. Investments in Fixed Deposits with banks /Financial Institutions



/companies, Life Insurance Policies, Provident Funds (including Public Provident Fund) or investment in savings schemes such as National Savings Certificates, National Savings Schemes, Kisan Vikas Patra, or any other similar investment.

- ii. Investments of a non-financial nature such as gold etc., where there is no likely conflict between the Mutual Fund's interest and the employees' interest.
- iii. Investments in government securities, overnight schemes and schemes of other Mutual Funds.

2.3.2. No employee shall pass on information to anybody inducing him to buy/sell securities which are being bought and/or sold by the Mutual Fund of which the AMC is the investment manager.

2.3.3. Prior approval of personal investment transactions:

2.3.3.1. All access persons except Compliance Officer shall apply in the form prescribed by the AMC(s) and/or Trustees to the Compliance Officer for prior approval of transactions for sale or purchase of securities other than those expressly stated to be exempt under these guidelines. The Compliance Officer shall apply to the Head of the AMC(s). The decision of the Compliance Officer shall be final and binding on the employee.

2.3.3.2. In these Guidelines, in the case of the Compliance Officer's own transactions for purchase or sale of securities or disclosure or any other related matter, the term "Compliance Officer" wherever it appears, shall be read as "Head of the AMC."

2.3.3.3. The Compliance Officer may coordinate with the Fund Management Department of the Mutual Fund, wherever necessary, to clear requests of investment and/or trading in securities by the employees.

2.3.3.4. The approval of Compliance Officer for carrying out a transaction of sale or purchase of a security by the access person shall not be valid for more than seven trading days from the date of approval.

2.3.3.5. If a transaction approved by Compliance Officer has not been effected within seven trading days from the date of its approval, the access person shall be required to obtain approval once again from Compliance Officer prior to effecting the transaction.

2.3.3.6. All employees shall refrain from profiting from the purchase and sale or sale and purchase of any security within a period of 30 calendar days from the date of their personal transaction. However, in cases where it is done, the employee shall provide a suitable explanation to the Compliance Officer, which shall be reported to the Board of the AMC and the Trustees at the time of review.

This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions of SEBI circulars dated April 28, 2021 and September 20, 2021 on 'Alignment of interest of Key Employees ('Designated Employees') of Asset Management companies with the Unitholders of the Mutual Fund Schemes'.

#### 2.4. **Investments in Shares and/or Debentures and/or Bonds and/or Warrants and/or Derivatives**

Investments in securities shall broadly be classified into investments through (a) primary markets and (b) secondary markets.

2.4.1. Investments through the primary markets:

2.4.1.1. An employee including access person is permitted to apply to a public issue of shares and/or debentures and/or bonds and/or warrants of any company, as long as the application is made in the normal course of the public issue. Such an application may be made without seeking the clearance from the Compliance Officer. Employees of AMC(s) and Trustees are prohibited from applying in any reserved quota such as promoters' quota, employees' quota etc. Employees may participate in private placement of equity by any company subject to there being no conflict with the interest of unitholders of the mutual fund and

disclosure of such investments to the Compliance Officer immediately.

2.4.1.2. Notwithstanding anything stated in 2.4.1.1. above, an employee of an AMC(s) and/or Trustees may apply for shares and/or debentures and/or bonds and/or warrants in a preferential offer, in cases where such a preferential offer is being made by a company that belongs to the same industrial group as the company in which the employee already has an investment, provided that such a preferential offer is made to all shareholders and/or debenture holders of such companies. Details of such applications made shall be intimated to the Compliance Officer.

2.4.1.3. The employees of the AMC(s) and/or Trustees including access person may apply for any rights offer of any company in which they are already shareholders. Applications for additional rights (over and above the normal rights entitlement) shares may be made by the employees including access person without getting the clearance from the Compliance Officer. An employee including access person may also sell and/or renounce his rights entitlement without getting the clearance from the Compliance Officer. However, if an access person wishes to purchase the “Rights renunciations” he shall get the clearance of the Compliance Officer for the same. Such purchases shall be done only at market prices. Details of any applications made in any rights issue, whether in the normal course, or through purchase of rights renunciations, shall be intimated to the Compliance Officer.

2.4.1.4. The employees of AMC and Trustees may avail discretionary Portfolio Management Services (PMS) subject to compliance with all applicable SEBI Regulations and circulars. AMCs and Trustees shall adhere to the guidelines issued by AMFI in this regard.

2.4.2. Investments through the secondary markets:

2.4.2.1. An access person who wishes to make a secondary market transaction shall submit a written application to that effect to the Compliance Officer. Such an application shall specify the name of the

company whose securities the employee wishes to buy and/or sell, type of security, and the number of shares and/or debentures and/or bonds and/or warrants and/or derivatives that the access person wishes to buy/sell.

2.4.2.2. The Compliance Officer shall clear these requests if the following conditions are met:

2.4.2.2.1. If the shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the access person are not held by any scheme of the Mutual Fund of which the AMC is the investment manager;

2.4.2.2.2. If such shares and/or debentures and/or bonds and/or warrants of the company or derivatives specified by the employee are held by any scheme of the Mutual Fund of which the AMC is the investment manager, there should be a “cooling off” period of 15 calendar days. The Compliance Officer shall ensure that the last transaction in that particular security was done by the Mutual Fund at least 15 calendar days prior to the date of the written application by the access person. In other words, an application for a purchase /sale transaction on a personal basis would be cleared only if the Mutual Fund has not transacted in that particular security for at least 15 calendar days.

2.4.2.2.3. However, trades executed pursuant to a trading plan submitted by the employees in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015 shall be exempt from the requirement of a “cooling off” period, provided that such trading plan:

- (a) Is in compliance with the norms prescribed in SEBI (Prohibition of Insider Trading) Regulations, 2015
- (b) Is publicly disclosed on the website of the concerned Mutual Fund

2.4.2.2.4. The Compliance Officer shall also properly monitor trades of the MF

scheme and that of the access person, as per the trading plan, in order to ensure that such trading plan does not entail trading in securities for market abuse;

2.4.2.2.5. Provisions of the “cooling off” period may be relaxed for Access Persons, subject to the following:

- (a) Such relaxation shall be given by Compliance Officer for not more than 2 times in a financial year per Access Person.
- (b) Such relaxation shall be applicable only for sale of securities.
- (c) Such relaxation shall be applicable only for securities held by the Access Person for not less than a period of one year.
- (d) Access Person may apply anytime during the financial year for such relaxation to the Compliance Officer. Compliance Officer shall decide on the said application within 5 days of receipt of such application.
- (e) Access Person may sell the securities within 10 trading days from the date of clearance by the Compliance Officer.
- (f) Roll over of unexecuted portion, if any, shall not be allowed. However, a second request can be made within the financial year as stated at (a) above.
- (g) The Access Person shall ensure that from the time of making an application under clause (d) till the conclusion of the sale of the concerned securities, he/she is not in possession of / does not have access to any non-public information which could materially impact the price of the concerned securities. Compliance Officer shall not grant clearance for such transaction, where the Asset Management Company is in possession of / has access to any non-public information which could materially impact the price of the concerned securities.
- (h) The Compliance Officer shall maintain all other regulatory checks and obtain necessary undertakings from the Access Person.

2.4.2.2.6. In case of pre-existing pledges / encumbered arrangements (i.e.,

securities pledged prior to becoming an Access Person), the provisions of “cooling off” period shall not be applicable in the event of sale of securities by lenders due to shortfall of margin, subject to the following:

- (a) Access person shall, on the date of applicability of this circular or on the date of joining the AMC or on the date of being designated as such, declare to the Compliance Officer, (i) details of all the pre-existing pledges / encumbered arrangements in which the securities held by him/her are pledged or encumbered and (ii) details of ESOPs bought with borrowed funds, along with the agreement with such lender.
- (b) Any instances of sale of securities by lender shall be promptly intimated to the Compliance Officer. The Access Person shall ensure the following and submit a self-declaration to the following effect:
  - that the Access Person has not engaged directly or indirectly in front-running, self-dealing, trading while in possession of non-public information which could materially impact the price of the concerned securities or any other prohibited activities.
  - that the sale by the lender was due to shortfall of margin as per the terms of agreement with the lender and he had not entered into any other arrangement with the lender in this regard.
- (c) Access Person shall also submit the margin notice received for the said shortfall of margin to the compliance officer.

2.4.2.3. The Compliance Officer shall keep a track of the transactions of the employees and transactions of the Mutual Fund to ensure that there is no conflict of interest between them i.e. the Compliance Officer should track whether the Mutual Fund has transacted in the same securities either before or after the employee’s transaction(s).

- 2.4.2.4. The Compliance Officer shall maintain a record of all requests for pre-clearance regarding the purchase or sale of a security, including the date of the request, the name of the access person, the details of the proposed transaction and whether the request was approved or denied and waivers given, if any, and its reasons.
- 2.4.2.5. No employee shall purchase any security (including derivatives) on a “Carry Forward” basis or indulge in “Short Sale” of any security (including derivatives) i.e. employees who effect any purchase transaction(s) shall ensure that they take delivery of the securities purchased, before selling them.
- 2.4.2.6. Any transaction of Front Running by any employee directly or indirectly is strictly prohibited. For this purpose, “Front Running” means any transaction of purchase and/or sale of a security carried by any employee whether for self or for any other person, knowing fully well that the AMC also intends to purchase and/or sell the same security for its Mutual Fund operations. To ascertain that the employee had no prior knowledge of the Mutual Fund's intended transactions, the Compliance Officer may take a declaration in this regard from the employee. Such declaration may be included in the application form itself.
- 2.4.2.7. Any transaction of self-dealing by any employee either directly or indirectly, whether alone or in concert with another person is prohibited. For this purpose, “Self- Dealing” means trading in the securities based on price sensitive information to which the employee has access by virtue of his office. Declaration to this effect may be taken from the employee while clearing the proposals for investment.
- 2.4.2.8. The employees shall not insist or suggest to the concerned brokers to charge reduced brokerage, or accept any contract with a clause on reduced brokerage charge.

## 2.5. Investments in units of Mutual Fund Schemes

2.5.1. Access persons as well as other employees do not require prior clearance of the Compliance Officer for purchase or sale of units of Mutual Fund schemes. However, details of each such transaction, excluding transactions in overnight schemes shall be reported by them to the Compliance Officer within 7 calendar days from the date of transaction.

This clause shall not be applicable in case of investments and redemptions made in Mutual Fund units as per the provisions of SEBI circulars dated April 28, 2021 and September 20, 2021 on 'Alignment of interest of Key Employees ('Designated Employees') of Asset Management companies with the Unitholders of the Mutual Fund Schemes'.

2.5.2. In case of investments in SIP of any Mutual Fund scheme, the employees may report only at the time of making the first installment of the SIP.

2.5.3. Notwithstanding anything mentioned earlier, employees of AMC(s), Board members of AMC(s) and Board members of Trustees, including Access Persons shall not purchase or sell or repurchase or redeem units of any scheme, including overnight scheme of their Mutual Fund, where any information available to the Mutual Fund is not yet communicated to the unitholders and which could materially impact the NAV or interest of unitholders, including scenarios where there is a likelihood of:

- (a) a change in the investment objectives of the concerned Mutual Fund Scheme(s);
- (b) a change in the accounting policy;
- (c) a material change in the valuation of any asset, or class of assets;
- (d) conversion of a close ended scheme to an open-ended scheme or an open-ended scheme to a close ended scheme;
- (e) restrictions on redemptions, winding up of scheme(s);
- (f) creation of segregated portfolio;



(g) material change in the liquidity position of the concerned Mutual Fund Scheme(s);

(h) default in the underlying securities which is material to the concerned Mutual Fund Scheme(s) etc.

## 2.6. **Periodic Disclosures**

2.6.1. All access persons shall submit, in the form prescribed by the Mutual Fund of which the AMC is the investment manager, details of their personal transactions of purchase or sale of securities to the Compliance Officer. The details to be submitted are as follows:

2.6.1.1. Details of transactions effected for purchase and/or sale of securities including transactions in rights entitlements through the secondary market within 7 calendar days from the date of transaction;

2.6.1.2. Details of allotment received against application for public and rights issues within 7 calendar days from the date of receipt of the allotment advice;

2.6.1.3. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.

2.6.2. All employees other than access persons shall submit, in the form prescribed by the Mutual Fund, to the Compliance Officer:

2.6.2.1. Details of each of their transactions for purchase or sale of securities including allotment in public and rights issues within 7 calendar days.

2.6.2.2. A statement of holding in securities as on March 31 within 30 calendar days from the end of every financial year ending March 31.

2.6.2.3. A declaration shall also be included in the reporting form on the lines of clause 2.4.2.6 and 2.4.2.7 regarding Front Running and Self-Dealing.

**2.7. Review by the Board of Directors of AMC and the Trustee(s)**

2.7.1. The Board of the AMC and the Trustees shall review the compliance of these Guidelines in their periodic meetings. They shall review the existing procedures and recommend changes in procedures based on the AMC's experience, industry practices and/or developments in applicable laws and regulations. They shall report compliance and any violations and remedial action taken by them in their reports submitted to the Board.

**2.8. Applicability of Insider Trading Regulations**

2.8.1. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 shall be followed strictly by the Trustees, asset management companies and their employees and directors.

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