

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA  
UNSTARRED QUESTION NO. 1072  
TO BE ANSWERED ON 22<sup>ND</sup> JULY, 2016

IRREGULARITIES IN MUTUAL FUNDS

QUESTION

1072. SHRI AJAY NISHAD:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of irregularities in mutual funds, if so, the details of the last two years along with the names of companies found guilty in this regard;
- (b) the action taken against those companies; and
- (c) the reasons for not taking action against the guilty, if any?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI ARJUN RAM MEGHWAL)

(a) & (b): Yes, Madam. The details of the irregularities and actions taken in the last two years against Mutual Funds (MFs) are given as under:

Financial Year 2014-15

Based on the outcome of enquiry proceeding initiated on June 09, 2014 against Sahara Mutual Fund for alleged violation of 'Fit & Proper' criteria and other provisions of SEBI (Mutual Funds) Regulations, 1996, an order was passed by SEBI on July 28, 2015 for cancellation of registration of the Mutual Fund. The Mutual Fund has filed an appeal against the aforesaid order before the Securities Appellate Tribunal. Adjudication proceedings have been initiated against JP Morgan Mutual Fund on February 24, 2015 for launching a scheme after the expiry of the time limit of six months from the date of the issuance of observations by SEBI in violation of the provisions of SEBI (Mutual Funds) Regulations, 1996. The details of administrative actions viz. 49 warning letters and 56 deficiency letters issued to Mutual Funds during 2014-15 are placed at Annexure-A.

Financial Year 2015-16

Adjudication proceedings were initiated against Franklin Templeton Mutual Fund on March 04, 2016 for violation of SEBI's circular dated September 30, 2002 and violation of Regulation 25(18) of SEBI (Mutual Funds) Regulations, 1996.

Adjudication and enquiry proceedings were initiated against JP Morgan Mutual Fund on December 03, 2015 for violation of various SEBI's circulars and provisions of SEBI (Mutual Funds) Regulations, 1996 in the matter of investment in Amtek Auto debt securities by the Mutual Fund. Further, The details of administrative actions viz. 41 warning letters and 20 deficiency letters were issued to Mutual Funds during 2015-16 are placed at Annexure-B.

HDFC Trustee Company Limited, HDFC Asset Management Company (AMC) Limited and Mr. Milind Barve, CEO, HDFC AMC, were charged in the matter of front-running activities of Nilesh Kapadia and other entities. Consequent to settlement of the proceedings against HDFC AMC, HDFC Trustee Company Limited and Mr. Milind Barve, HDFC AMC were advised to compensate the unit holders for the losses incurred in the instances of front running.

The total losses caused to the unit holders due to the front running matters of HDFC, was Rs. 6,96,93,914. HDFC AMC deposited this amount in a segregated bank account and utilised it to compensate the unit holders.

(c): Does not arise in view of reply (a) & (b) above.

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## Annexure-A.

Sr No	Name of Mutual Fund (MF)	Warning	Deficiency
1	Axis MF	2	1
2	Baroda Pioneer MF	0	1
3	Birla Sunlife MF	2	4
4	BOI AXA MF	0	2
5	CanaraRobeco MF	2	2
6	Pramerica MF	1	1
7	DSP BlackRock MF	2	1
8	Edelweiss MF	0	1
9	Franklin Templeton	1	1
10	Goldman Sachs MF	1	1
11	HDFC MF	3	3
12	HSBC MF	1	0
13	ICICI Prudential MF	1	2
14	IDBI MF	4	2
15	IDFC MF	1	2
16	IIFCL MF (IDF)	1	0
17	IIFL MF	1	1
18	IL&FS IDF MF	0	0
19	Indiabulls MF	1	2
20	JP Morgan MF	0	1
21	JM Financial MF	3	1
22	Kotak Mahindra MF	1	1
23	L&T MF	1	1
24	LIC Nomura MF	4	1
25	Mirae Mutual Fund	0	1
26	MotilalOswal MF	0	1
27	Peerless MF	0	2
28	Principal MF	1	2
29	Quantum MF	0	1
30	Reliance MF	1	1
31	Religare Invesco MF	1	1
32	Sahara MF	0	1
33	SBI MF	4	3
34	Tata MF	2	3
35	Taurus MF	2	2
36	Union KBC MF	0	1
37	UTI MF	4	2
38	Pinebridge	0	1
39	Deutsche	1	2
	<b>Total</b>	<b>49</b>	<b>56</b>

## Annexure-B.

Sr. No.	Name of the Mutual Fund (MF)	Warning	Deficiency
1	Axis MF	2	1
2	Baroda Pioneer MF	2	1
3	Birla MF	2	1
4	BNP Paribas Mutual Fund	2	1
5	BOI AXA MF	1	0
6	DSP BlackRock MF	2	2
7	Edelweiss MF	0	1
8	Escorts MF	1	0
9	Franklin Templeton	3	0
10	HDFC MF	1	1
11	HSBC MF	1	0
12	ICICI Prudential MF	1	0
13	IDFC MF	1	0
14	IIFL MF	1	1
15	J P Morgan MF	2	0
16	JM Financial MF	1	1
17	Kotak Mahindra MF	2	1
18	L&T MF	2	1
19	LIC MF	3	1
20	Mirae Mutual Fund	2	1
21	MotilalOswal MF	1	0
22	Principal MF	1	0
23	Quantum MF	0	1
24	Reliance Capital MF	1	2
25	SBI MF	1	1
26	Shriram MF	1	0
27	Sundaram MF	1	1
28	Taurus MF	1	0
29	Union KBC MF	1	1
30	UTI MF	1	0
	<b>Total</b>	<b>41</b>	<b>20</b>