भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/36 **March 21, 2025**

To All,

Mutual Funds (MFs)/
Asset Management Companies (AMCs)/
Trustee Companies/ Board of Trustees of Mutual Funds/
Association of Mutual Funds in India (AMFI)/
Registrars to an Issue and Share Transfer Agent (RTAs)

Madam/ Sir,

Sub: Facilitating ease of doing business relating to the framework on "Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders"

1. With an objective to facilitate ease of doing business for Mutual Funds, amendments to SEBI (Mutual Funds) Regulations, 1996 ('MF Regulations') were carried out to relax the regulatory framework relating to 'Alignment of interest of the Designated Employees of the AMCs with the interest of the unitholders' (hereinafter referred to as 'skin in the game requirements'). The amendments have been notified vide notification dated February 14, 2025 (link to the Gazette notification) and March 04, 2025 (link to the Gazette notification). The said amendments shall be applicable from April 01, 2025.

2. Accordingly, in terms of Regulation 25 (16B) of MF Regulations, the Master Circular for Mutual Funds dated June 27, 2024 ('Master Circular') has been modified as under:

Sr. No.	Clause of the Master Circular	Revised Provision
A	Clause 6.10.1.1 modified as:	*"A minimum slab wise percentage of the salary/ perks/ bonus/ non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e. PF and NPS) of the Designated Employees of the AMCs shall be mandatorily invested in units of Mutual Fund schemes in which they have a role/oversight. The manner for such investments shall be as under:*

<table>
<tr><th>Sr. No.</th><th>Clause of the Master Circular</th><th>Revised Provision</th></tr>
<tr><td></td><td></td><td>
a) The slabs based on gross annual CTC shall be as under:
<table>
<tr><td>Slabs based on gross annual CTC</td><td>Minimum percentage required to be invested with inclusion of Employee Stock Ownership Plan (ESOPs), if any</td><td>Minimum percentage required to be invested with exclusion of ESOPs</td></tr>
<tr><td>Option</td><td>Option A</td><td>Option B</td></tr>
<tr><td>Slab 0 (Gross CTC below 25 lakhs)</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Slab 1 (Gross CTC above 25 lakhs but below 50 lakhs)</td><td>10% of gross annual CTC net of income tax and any statutory contributions.</td><td>12.5% of gross annual CTC net of income tax, any statutory contributions and ESOPs.</td></tr>
<tr><td>Slab 2 Gross CTC above 50 lakhs but less than 1 crore</td><td>14% of gross annual CTC net of income tax and any statutory contributions.</td><td>17.5% of gross annual CTC net of income tax, any statutory contributions and ESOPs.</td></tr>
<tr><td>Slab 3 (Gross CTC above 1 crore)</td><td>18% gross annual CTC net of income tax and any statutory contributions</td><td>22.5% of gross annual CTC net of income tax, any statutory contributions and ESOPs.</td></tr>
<tr><td colspan="3">AMC shall have the option to adopt Option A or Option B for its Designated Employees. Designated Employee with no ESOP component as part of their CTC shall be covered under Option A.</td></tr>
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b) The slabs applicable to a Designated Employee at point (a) above shall also be decided based on the role of the Designated Employee in the AMC in the following manner:
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<tr><td></td><td></td><td>
<table>
<tr><th>Category</th><th>Employees</th><th>Slab applicable</th></tr>
<tr><td>Category A</td><td>Chief Executive Officer (CEO)
Chief Investment Officer (CIO)
Fund Managers
Investment Research team
Dealers
Chief Risk Officer (CRO)
Compliance Officer
Members of the Investment Committee</td><td>Slab applicable based on the CTC of the employee as per Clause 6.10.1.1.a above.</td></tr>
<tr><td>Category B</td><td>Direct reportees to the CEO (excluding Personal Assistant / Secretary and Category A employees)
Chief Information Security Officer (CISO)
Chief Operation Officer (COO)
Sales Head
Investor Relation Officer(s) (IRO)
Heads of departments other than investment and risk functions</td><td>Slab 0 or Slab 1, irrespective of the CTC, as decided by AMC based on the activity being performed by the employee. AMCs, while deciding the suitable slabs, shall ensure that the employee who is directly or indirectly related to investment function, is considered under Slab 1.</td></tr>
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c) For dedicated Designated Employees associated with liquid fund schemes, Slab 1 as proposed at Clause 6.10.1.1
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Sr. No.	Clause of the Master Circular	Revised Provision
		(a) above shall be considered even if the Designated Employee falls in either Slab 2 or Slab 3 based on the CTC. For Designated Employees associated with other schemes in addition to liquid fund scheme, Slabs based on the CTC of the employee shall be applicable."
B	After Clause 6.10.1.5 of the Master Circular, Clause 6.10.1.5 (A) shall be inserted as:	*"Provided that for Designated Employees managing liquid fund schemes, up to 75 percent of the minimum investment amount required to be invested in liquid fund schemes may be invested in schemes, managed by the AMC, with higher risk as compared to liquid fund schemes. This shall be applicable for Designated Employees associated with only liquid fund scheme and also for Designated Employees associated with other schemes in addition to liquid fund scheme, only with respect to the quantum required to be invested in liquid fund schemes.* *For this purpose the risk value based on the risk-o-meter of the immediate preceding month shall be considered.*"
C	Clause 6.10.2.2. modified as:	*"In case of retirement on attaining the superannuation age as defined in the AMC service rules, the units shall be released from the lock-in and the Designated Employee shall be free to redeem the units, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over. However, on resignation or retirement of the Designated Employee from the AMC before attaining the age of superannuation as defined in the AMC service rules, the lock-in period, for the investments made under Clause 6.10 of the Master Circular, shall be reduced to 1 year from the end of the employment or completion date of 3 year lock-in period, whichever is earlier, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over.*
D	Clause 6.10.2.3 modified as:	*"Deleted"*
E	Clause 6.10.2.4. modified as:	*"Open Ended Schemes: After the expiry of the mandatory lock-in period, Designated Employee can redeem their units in open ended schemes, subject to compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015. Such*

Sr. No.	Clause of the Master Circular	Revised Provision
		redemption transactions shall also be subject to the restriction on trade in closure period and the requirement of pre-clearance from compliance officer when closure period is not applicable, in terms of Clause 6 of Schedule B1 of SEBI (Prohibition of Insider Trading) Regulations, 2015. *For mandatory subscription/investment in the units of mutual funds under Clause 6.10 of the Master Circular, the requirements specified under Clause 6 of Schedule B1 of SEBI (Prohibition of Insider Trading) Regulations, 2015 shall not be applicable."*
F	Clause 6.10.2.5. modified as:	*"Deleted"*
G	After Clause 6.10.7.1. of the Master Circular, Clause 6.10.7.2 shall be inserted as:	*"In the event of violation of Code of Conduct under the MF Regulations, fraud, gross negligence by Designated Employees, the Nomination and Remuneration Committee of AMC shall undertake the preliminary examination and provide recommendations to SEBI for consideration, after approval of the Trustees. For AMCs where the Nomination and Remuneration Committee has not been constituted, an equivalent body under the Board of AMC shall undertake the preliminary examination and provide recommendations to SEBI for consideration, after approval of the Trustees."*
H	Clause 6.10.8.3. modified as:	*"Every scheme shall disclose the 'compensation, in aggregate, mandatorily invested in units for the Designated Employees', under the provisions of this Master Circular, on the website of Stock Exchanges. The disclosure shall be at quarterly aggregate level showing the total investment across all relevant employees in a specific scheme. The disclosure shall be made within 15 calendar days from the end of each quarter."*

3. This circular shall come into effect from April 1, 2025.

4. 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 Regulation 25 (16B) and 77 of MF Regulations, to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

5. This circular is available at www.sebi.gov.in under the link “Legal ->Circulars”.

Yours faithfully,

Peter Mardi
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