

CIRCULAR

SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/610

August 4, 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,

Subject: Maintenance of Current Accounts in multiple banks by Mutual Funds

1. Mutual funds currently maintain current accounts in multiple banks including in banks having presence beyond the top 30 cities (“B-30 cities”), for receiving subscription amount and for payment of redemption proceeds / dividend / brokerage/ commission etc. This enables investors to transact with banks of their choice and facilitates faster transfer of funds.
2. Mutual fund industry has informed that the Reserve Bank of India (“RBI”) has instructed that banks shall not open current accounts for customers who have availed credit facilities in the form of cash credit / overdraft from the banking system. On a review, however, RBI has provided an indicative list of accounts stipulated under various statutes and instructions of other regulators that can be opened without such restriction, including accounts for the purpose of New Fund Offerings (“NFOs”)/ dividend payment/ share buyback, etc.
3. Mutual fund industry has represented that subscription in units of open ended mutual fund schemes is akin to continuous NFO and redemption of units of mutual fund schemes is akin to buy back or repurchase of shares. Considering the above, industry has requested SEBI to issue instructions for mutual funds in respect of maintenance of current accounts in multiple banks.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

4. Based on the request of mutual fund industry, it is clarified that mutual funds should maintain current accounts in an appropriate number of banks for the purpose of receiving subscription amount and for payment of redemption / dividend / brokerage / commission etc. to facilitate financial inclusion, convenience of investors and ease of doing business.
5. 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 regulations 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Divya Kulshrestha

Deputy General Manager

Tel no.: 022-26449357

Email: divyam@sebi.gov.in