

CIRCULAR

SEBI/HO/IMD/PoD2/P/CIR/2025/92

June 26, 2025

To

All Mutual Funds (MFs)

Asset Management Companies (AMCs)

All Trustee Companies/ Board of Trustees of Mutual Funds

Association of Mutual Funds in India (AMFI)

Sir / Madam,

Subject: Timelines for rebalancing of portfolios of mutual fund schemes in cases of all passive breaches

1. SEBI vide paragraph 2.9 of the “Master Circular for Mutual Funds” (“the Master Circular”) provided the timelines for rebalancing of portfolios of mutual fund schemes in the event of deviation from mandated asset allocation mentioned in the Scheme Information Document (SID) due to passive breaches (occurrence of instances not arising out of omission and commission of AMCs).
2. The SEBI (Mutual Funds) Regulations, 1996 (“the MF Regulations”) and circulars issued thereunder prescribe various prudential limits *inter alia* including issuer limits, group limits and sector limits etc. While active breaches of those limits are treated as clear violations of concerned SEBI MF Regulations/circulars issued thereunder and suitable actions are taken, passive breaches of these limits do occur due to various reasons such as corporate action, substantial rise/ fall in the price of an underlying scrip, maturity of any underlying security, large redemptions, etc., which may not be out of omission and commission of AMCs.
3. In view of the above and based on the recommendation of Mutual Funds Advisory Committee (MFAC), it is clarified that:

- 3.1.** The provisions prescribed under paragraph 2.9 of the Master Circular shall be applicable for all types of passive breaches for the actively managed mutual fund schemes.
- 4.** 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 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,

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