

**Government of India
Ministry of Finance
Department of Economic Affairs
(Capital Market Division)**

PRESS RELEASE

Subject: Reenergizing Indian Mutual Fund Industry- Reg

Secretary, Department of Economic Affairs, today, met the representatives of the Mutual Fund Industry and Financial Advisors' Association to evolve a common strategy to re-energize the Mutual Fund (MF) Industry. The meeting was also attended by other senior officials of the Finance Ministry and Securities and Exchange Board of India (SEBI).

The gross asset mobilization by the MFs had seen a decline since 2009-10 and the need to reverse this trend has been engaging the attention of the Government and SEBI. The Mutual Fund Advisory Committee of SEBI has been meeting to consider the various steps that would need to be taken to give additional boost to the industry. The objective of the Government and SEBI is to specifically align the interests of all stakeholders and streamline the operational procedures and to achieve higher growth in the MF industry.

During the meeting, the representatives from the Industry raised several issues relating to compensation payable to the distributors and the increasing preference of investors in other asset classes. The steps outlined for attention were categorised into immediate and medium term plans. The immediate plan includes steps that may have to be taken to energize the distribution network and to provide greater flexibility to Asset Management Companies to manage the Total Expense Ratio (TER). The Industry representatives also raised issues relating to the tax regime

applicable to MF schemes. The industry has been requested to study in depth the taxation issues and submit their proposals to the Government. The medium term plan would include the greater role for Pension and Insurance sectors in further augmenting the MF industry.

The Government would continue to engage with the MF industry and SEBI to make MFs more competitive and attract greater retail participation through innovative financial literacy programmes. Special emphasis would be given to improve penetration of MF products in Tier II and Tier III cities/towns and to redress the grievance of investors.

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New Delhi, Dated 2nd July 2012

The Press Information Bureau is requested to give wide publicity to this press release.



(Dr. Thomas Mathew)

Joint Secretary to the Government of India

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