

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2609  
ANSWERED ON:09.12.2005  
MUTUAL FUND PLAYERS  
Patil Shri Balasaheb Vikhe

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether the Government is aware that Mutual Funds Players in the country are adopting unhealthy and misleading practices to attract business;
- (b) If so, the details of complaints received or noticed by Securities and Exchange Board of India in this regard;
- (c) Whether SEBI has taken action against such mutual fund companies, and
- (d) if so, the details thereof ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SH. S. S. PALANIMANICKAM)

(a), (b), (c) & (d) : SEBI has stated that following two types of practices related to sales and distribution of mutual fund products have come to their notice:

(i) They have understood from media reports that some of the distributors are encouraging investors to frequently switch from one scheme to the other in order to enhance their commissions. However, no specific complaint regarding this has been received by them from any investor.

(ii) One of the Mutual Funds namely Principal Mutual Fund was advertising exceptionally high rates of dividends months in advance before actual announcement of dividend in order to attract investors. On noticing, they wrote to the mutual fund to immediately withdraw all such sales material and advertisements. The fund complied with the SEBI directive and also paid the declared dividend to the investors, on November 2, 2005 instead of the advertised date in February 2006.