

## Collection Investment Scheme.

(Section 11AA of SEBI, 1992)

→ CIS is a scheme/arrangement which satisfy the following condition.

- ① Funds being raised from both resident & non-resident investor.
- ② Pool of funds being created and invested as per investment objective of the scheme.
- ③ The contribution made by the investor has been made with intention to receive income.
- ④ Such Fund is managed by CIMC on behalf of investor.
- ⑤ The investor do not have day to day control on the management & operation of the scheme.
- ⑥ The return of the investment shall be received by CIMC and shall be distributed among investor in the proportion of their investment after deducting their fees.

NOTE:

Any pool of fund which have been raised pursuant to a scheme or arrangement which is not registered with SEBI & having corpus (capital) of 100 cr or more shall be considered as CIS.

### Exclusion from CIS [11AA(3)]

Following schemes of arrangement from which fund is raised but can not be considered as CIS:

- ① Scheme issued by co-operative society
- ② Deposits accepted by NBFC
- ③ Fund raised by Chit Fund Company
- ④ Fund raised from its members by NIDH Company

- ⑤ Fund raised pursuant to the contract of Insurance by Insurance company.
- ⑥ Deposit raised by Company under companies Act, 2013.
- ⑦ Any amount raised by mutual fund.
- ⑧ Any scheme or arrangement for employee welfare (Pension fund, PF, Insurance)
- ⑨ Any other scheme or arrangement which the central govt. in consultation with SEBI notifies as not a CIS.

### Mutual Funds.

### Collective Investment Scheme.

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| 1.) It is a trust which carry out fund management activity.  | It is a scheme issued by CIMC by which fund is raised from investor.         |
| 2.) Trustee shall be responsible for function of MF.         | CIMC shall be responsible for functioning of CIS.                            |
| 3.) Sponsor shall be responsible for registration with SEBI. | CIMC shall be responsible for making application for obtaining registration. |
| 4.) Sponsor appoint trustee by executing trust deed.         | CIMC appoint trustee by executing trust deed.                                |
| 5.) Mutual fund can be open ended as well as close ended.    | CIS always have close ended Scheme.  |
| 6.) Mutual fund credit rating is not compulsory.             | CIS every scheme credit rating is compulsory.                                |
| 7.) MF is not compulsory to be listed on Stock Exchange.     | CIS is mandatory to be listed on Stock exchange.                             |

8) MF schemes is not required to appraised by appraisal agency

9) Every MF is required to register with SEBI & there is no deemed MF

10) Trustee shall appoint AMC & custodian for functioning of MF

11) FOF is allowed only if disclosure made in offer document.

CIS every scheme is required to be appraised by appraisal agency.

Any pool of fund raised for pursuant the scheme having corpus of 100 cr or more & not registered with SEBI, shall be deemed to be CIS

CIMC shall appoint RTA & trustee for function of CIS

FOF (Fund of Fund) is not allowed.

For making changes in the

Controlling Interest of CIMC need to approve by SEBI, trustee,  $\frac{1}{2}$  (50%) of unit holders by value

Fundamental attributes of CIMC need to approve by SEBI, trustee, min-75% (3/4) of unit holders by value

Duties of trustee

- 1) Ensure that CIMC is following with SEBI regulation & promote the interest of the unit holder
- 2) Inform SEBI about functioning of CIMC which is as per the investment objective
- 3) Require to hold the meeting of unit holders on the request of SEBI/unit holder
- 4) Shall review on quaterly basis
  - a) Activities carried by CIMC

- b) Investor's complaint
- c) Service the contract entered with RTA.
- d) Ensure that network of CIMC is not used for affecting the interest of investor.
- 5) Trustee should ensure that
  - a) each scheme should rate by CRA.
  - b) each scheme is appraised by appraising agency
  - c) Financial statement is duly audited by auditor specified by SEBI.
  - d) The meeting of the trustee.
  - e) Shall ensure that fees and expense of the scheme are within the limit specified by SEBI

### Penalties

- ① Suspension of certificate of registration.
- ② Cancellation of certificate of registration.
- ③ Initiate criminal prosecution against the defaulting person
- ④ Required the person not to collect any funds from the investor
- ⑤ Any person or required person may not launch any scheme.
- ⑥ Prohibit the person from disposing any properties/ assets of schemes acquired for violation of securities law.
- ⑦ Required the person to dispose off the asset of the scheme as specified by SEBI.
- ⑧ Required the person to refund the money/ asset along with the penalty interest as specified by SEBI
- ⑨ Prohibit the person to operate in the capital market or dealing in security