Tightened Norms on Mutual Funds Investments

The markets regulator **Securities and Exchange Board of India (SEBI)** has tightened **norms on investments by mutual funds** (MFs).

- MF schemes **can now invest only in listed debt or equity.**
- **Valuation of securities in debt funds** will now be on **mark-to-market basis** instead of the earlier practice of considering it on an amortisation basis.
- **Liquid funds** can now invest **a maximum of 20% of their assets in a single sector** as against the current cap of 25%, and must keep aside at least a fifth of their assets in cash equivalents to meet sudden redemption pressures.

Mutual Fund: A mutual fund collects money from investors and invests the money, on their behalf, in securities (debt, equity or both). It charges a small fee for managing the money.

Liquid Funds: These are debt mutual funds that invest in securities up to a maturity of 91 days.