

SEBI Clarifies Mutual Fund Portfolio Rebalancing Timelines

The Securities and Exchange Board of India (SEBI) through its **Circular No. SEBI/HO/IMD/PoD2/P/CIR/2025/92 dated June 26, 2025**, has clarified the timelines for rebalancing portfolios of actively managed mutual fund schemes in cases of “passive breaches.”

Passive breaches occur when deviations from mandated asset allocation, or prudential limits (like issuer, group, or sector limits), happen due to factors not attributable to the Asset Management Company's (AMC) omission or commission. These factors can include corporate actions, significant price fluctuations of underlying securities, maturity of holdings, or large redemptions.

While active breaches are considered violations, SEBI, based on recommendations from the Mutual Funds Advisory Committee (MFAC), has now explicitly stated that the provisions outlined in paragraph 2.9 of the “Master Circular for Mutual Funds” will apply to all types of such passive breaches.

This clarification, issued under the powers conferred by the SEBI Act, 1992, and SEBI (Mutual Funds) Regulations, 1996, aims to protect investor interests and regulate the securities market by providing a clear framework for AMCs to manage unintended portfolio deviations.

Link - https://www.sebi.gov.in/legal/circulars/jun-2025/timelines-for-rebalancing-of-portfolios-of-mutual-fund-schemes-in-cases-of-all-passive-breaches_94804.html