Address by
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Leadership Dialogue for Trustees of Mutual Fund
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Good morning, ladies and gentlemen!

It is a pleasure to be among the trustees — the guardians of India's mutual fund ecosystem, and the custodians of millions of investors' trust.

Dialogues like this are invaluable. They bring together our collective experience, insights, and wisdom - helping us not just to solve today's issues but to shape tomorrow's standards.

I am sure that this forum will give all of us a moment to step back and reflect on how far we've come as an industry, and more importantly, where we must go next. Because the strength of our capital markets does not rest only on regulations or returns, but on the trust - that the system will always act in the best interest of investors. Over the years, this collective trust - nurtured by regulators, trustees and fund managers alike - has transformed India's mutual fund landscape.

The journey of India's mutual fund industry is, in many ways, a reflection of India's economic and financial maturity.

What was once a niche savings route has now become a powerful instrument of wealth creation for many — from small households investing through SIPs to large institutions building long-term portfolios.

Over the past decade, the industry's Assets Under Management have grown sixfold — from around ₹12 lakh crore to ₹75.6 lakh crore as of September 2025.

Equally heartening is the deepening of retail participation. The number of unique mutual fund investors has grown from about 1 crore a decade ago to over 5.6 crore today. Individual investors now hold around 60% of total mutual fund assets and 18% of these assets come from beyond the top 30 cities, signaling that the benefits of market participation are reaching India's smaller towns and new savers. Monthly SIP flows — which were about ₹3,000 crore in April 2016 — have now crossed ₹28,000 crore.

Mutual funds today are not just a financial product; they are a social enabler, helping millions of Indians participate in capital formation, manage risk, and achieve their financial goals.

And as the scale, complexity, and reach of mutual funds expand, the governance responsibilities entrusted to Trustees — as custodians of investors' trust — become ever more important.

Mutual Fund Trustees as Custodians of Trust

Trustees are the backbone of investor confidence. Your role is not ceremonial — it is fiduciary, moral, and institutional.

You stand between investor and intermediary, ensuring that the promise of transparency and fairness is upheld in every transaction, every product, every disclosure.

Three simple but powerful principles define the trustee's role:

- Independence — not just in name, but in judgment and action.
- Oversight — not just reactive, but proactive.
- Accountability — not just to the regulator, but to every unitholder whose savings you safeguard.

This role is unique in the financial system — combining fiduciary care with regulatory oversight, strategic foresight with ethical restraint.

The Trustee's Expanding Mandate – Key Dimensions of Oversight

The expectations from trustees have evolved alongside the market. Let me highlight a few broad dimensions where your oversight remains most critical:

Fiduciary and Regulatory Compliance

Trustees ensure that every AMC's operation aligns with SEBI regulations and the fund's stated objectives.

Operational Vigilance

From valuation practices and risk management to appointment of custodians and RTAs, trustees are the first line of defense in ensuring the integrity of systems and processes.

Transparency and Fairness

You ensure that valuations are fair, that fees and expenses are justified, and that every investor — large or small — is treated equitably.

Action on Behalf of Investors

When needed, trustees are empowered to act — to question, to escalate, and, if necessary, to intervene. This authority carries with it the moral duty to act decisively and fearlessly, to protect the interests of investors.

The Evolving Landscape – New Challenges and Imperatives

The mutual fund industry is expanding faster than ever before, driven by innovation, technology, and new asset classes. But with growth comes complexity.

Bandwidth and Expertise

Trustees today must keep pace with evolving areas like derivatives, ESG investing, alternative assets, and risk analytics. Continuous learning and specialized training are not optional — they are essential for effective oversight.

Rigorous Internal Controls

Even when compliance reports are submitted by AMCs, trustees must independently test controls, seek explanations, and challenge assumptions. Oversight must have depth — not just documentation.

Red Flags and Escalation Mechanisms

Trustees must ensure robust early warning systems — mechanisms that detect anomalies, track exceptions, and trigger timely interventions.

Ethics and Independence

The credibility of the trust structure rests on perceived and actual independence. Even the appearance of conflict must be avoided or transparently disclosed.

Constructive Engagement with Regulation

Trustees should not be passive recipients of SEBI's reforms. You must engage actively by proposing workable guardrails, suggesting simplifications that do not weaken the safeguards, and bring wide experience during the consultation process.

Regulatory Developments – Strengthening Accountability

Let me briefly touch upon a few key regulatory initiatives aimed at reinforcing trust and transparency.

a) Clarifying Roles and Responsibilities:

SEBI has recently delineated the distinct roles of Trustees and AMC Boards. Trustees are now explicitly expected to undertake independent evaluation and due diligence, while AMC Boards are required to establish a Unitholder Protection Committee.

This ensures clarity of accountability — Trustees safeguard investor interest, AMC Boards ensure operational excellence, and both together create a stronger governance framework.

b) Institutional Mechanisms Against Market Abuse

In light of recent global and domestic experiences, AMCs are now mandated to establish structured mechanisms to prevent market abuse — including front-running, insider trading, and misuse of sensitive information.

Trustees are expected not just to verify the presence of such mechanisms, but to ensure they function in spirit and in substance.

c) Realignment of AMC Employees' Interests with Unitholders

We have relaxed requirements for minimum investment by AMC employees, reduced disclosure frequency, and lowered lock-in periods for employees who have resigned — all aimed at aligning employee incentives with unitholder outcomes while easing compliance burden.

Here again, the trustee's role is to confirm that regulatory relaxations do not erode internal discipline or dilute investor safeguards.

The Way Forward

Strong governance is the bedrock of investor confidence — and this investor confidence, in turn, drives the strength and stability of this industry.

As mutual funds expand into new frontiers — passive funds, international exposure, tokenized assets, and AI-enabled portfolio management— trustees will play an even more strategic role: balancing innovation with integrity.

Let us remember — technology can enable transparency, but only good governance can ensure trust. As regulators, our role is to set clear rules, ensure fair play, and nurture innovation. But no regulation can substitute for judgment, diligence, and integrity — the values you, as trustees, embody every day.

Going forward, SEBI will continue to engage closely with you — to simplify where possible, to clarify where needed, and to strengthen oversight where required.

Together, let us ensure that every investor — from the small SIP contributor to the large institution — feels confident that their savings are in safe and responsible hands.

Because in the end, the true measure of our success is not the size of our AUM, but the depth of our investors' trust.

Thank you.