Why SEBI's Mutual Fund schemes reduction by half is totally a smart move...

Asset manager might cut its mutual funds by half of the numbers as SEBI has re-regularised the definitions on how mutual funds are categorised and offered to customer.

The Securities and Exchange Board of India's mutual fund advisory panel has recommended the revision on mutual schemes offered by asset managers in the country. The motto behind this step is to ensure that an asset management company has only one product for each category.

There are about 2,000 of total number of mutual fund schemes, offered by 42 AMCs. This scheme will now be shrunk to only 10 types of equity funds, 10 types of debt funds and 3-4 types of hybrid funds. Rest of unwanted options will be removed promptly which accounted nearly half of the schemes to be diminished by AMCs.

Moreover, SEBI will direct to invest 80% of investments in these fund categories. Funds, who fails to match the definition will be either merged or needs to be shut down. This will clutter the 2,000 investment schemes and widen the decision making by customers/brokers.

At the end of August, 42 fund houses in India managed to gather Rs 20.6 trillion.

Furthermore, mutual fund advisory has directed to segregate the funds in equity, debt, hybrid and thematic. In categories such as equity and debt, there would be further sub-categories such as large cap and small cap, said one of the two people.

At present, according to SEBI regulations, funds can be invested in either Equity or Debt. It is either open-ended or close-ended.

SEBI has also observed that country's largest funds houses are managing two ELSS or four monthly income plans or exactly the same kind of balance funds. On other hand, companies are already planning to merge before they face the clutter.