

SEBI Notification – SEBI (Mutual Funds) (Second Amendment) Regulations, 2025 – 31st October 2025

1. Objective

To expand investment avenues for mutual funds, strengthen liquidity norms, align cross-holding limits with REIT investments, and simplify expense ratio provisions.

2. Key Amendments

(i) Inclusion of REIT Units (In Chapter I, in regulation 2, in sub-regulation (1), in clause (ja))

- Mutual funds can now invest in **units of Real Estate Investment Trusts (REITs)** in addition to equity, debt, and InvITs.
- Expands diversification options and allows exposure to real estate assets.

(ii) Enhanced Liquidity Requirement (In Chapter VI, in regulation 49, in sub-regulation (3))

- The minimum investment in liquid assets for liquid schemes raised from **95% to 97%**, improving redemption safety and liquidity risk management.

(iii) Cross-Holding and Concentration Limits (In Chapter VI-C, in regulation 49AA)

- Mutual funds (across all schemes) may now hold **up to 15% of REIT units issued by a single issuer**.
- If mutual funds hold **10%** of a company's equity or REIT units, group **Specialized Investment Funds (SIFs)** cannot hold more than **5%** of the same.
- "Company" replaced with "**entity**" for wider applicability.
- Redundant REIT references removed for clarity.

(iv) Removal of TER Clause

- Clause **52(6A)(b)** (relating to additional Total Expense Ratio for B-30 city inflows) **omitted**, in line with SEBI's TER rationalization efforts.

(v) Schedule VII Alignment

- Investment restriction clauses updated to include REITs (10% per issuer limit).
- References to "company" replaced with "entity."
- Duplicative REIT mentions deleted.

3. Key Implications

Area	Impact
Diversification	Enables MF participation in real estate through REITs.
Liquidity Safety	Higher mandatory liquid holdings enhance redemption resilience.
Group Exposure Control	Prevents excessive concentration across MF and SIF entities.
Regulatory Simplification	Streamlined definitions and uniform investment limits.
Cost Framework	TER structure simplified by removing redundant provisions.

4. Effective Date

The notification shall come into effect **immediate basis**.