

**PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY**

1. Penalties imposed on the Sponsor or AMC or Trustees or any of the Directors or key personnel of the AMC or Trustees in the last 3 years.

During the last three years, there were no penalties imposed on the Sponsor or AMC or Trustees or any of the Directors or key personnel of the AMC or Trustees in the last 3 years, except for the following penalty levied on the Sponsor:

Exchange	Reason	Date	Penalty imposed and paid (Rs.)
BSE	Charge for Observations in Internal Audit Report for HY ended Sep 2021	June - 2022	2,000
NSE	Delayed submission of Enhance Surveillance Report	Nov - 2022	10,000
NSE	Delayed submission of Bank Account Balances	Nov - 2022	10,000
NSE	Operational error in reporting Securities Holding Statement (ISIN number of one security had changed)	March - 2023	100,000
NSE	Non uploading of CTCL details in ENIT	August - 2023	1,900

2. Pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by any regulatory authority.

(a) **Garnishee Notice from Income Tax Authorities:** During the financial year 2011-12, an Income tax demand of Rs. 32.58 crores was purported to be recovered under garnishee proceedings, by Income Tax Authorities in respect of investments made in Pass through Certificates (PTC) by some of the debt schemes (including matured schemes) of HSBC Mutual Fund (HSBC MF), for A.Y. 2009-2010. The said demand, impacting various mutual fund players in the industry, raised originally on the trusts sponsored by IL&FS Trust Company Ltd., (Appellants) was sought to be also recovered u/s 177(3) of the Income Tax Act, from HSBC MF. Similar to AY 2009-10, HSBC MF had received a demand notice from the Income Tax authorities for AY 2010-11 for Rs. 6.95 crores. Further, assessment for the A.Y. 2007-2008 was also been reopened by the Income Tax Authorities and demand of Rs. 2.04 Crores was made on the trust sponsored by IL&FS Trust Company Ltd. HSBC MF has not received any demand notice from the Income Tax authorities for this assessment year. Against all the above demands, an appeal was filed by the Appellant with the first Appellate Authority CIT(A) and thereafter with ITAT. The matter of several Loan Trusts were consolidated and heard by ITAT and vide order dated 17th February 2017, the Income Tax Appellate Tribunal (ITAT) passed an order allowing the appeal of the assessee and dismissed the appeal of the Revenue. The Department filed Miscellaneous Applications (MA) under section 254(2) of the Income Tax Act with ITAT against the favorable orders passed by ITAT on the ground that the Income Tax Appellate Tribunal has failed to consider all aspects of revenue contentions / appeal. The ITAT has vide its order dated March 25<sup>th</sup> 2022 dismissed the MA filed by department. An appeal filed by Revenue in the High court against the aforesaid order of February 2017 is pending before High Court.

- (b) SEBI has issued a Show Cause Notice dated August 04, 2023 to the AMC & members of Trustees as on that date (hereinafter referred to as “Said Trustees”), alleging violation of Regulation 18(9) of Regulations by the Said Trustees & violation of Clause 5 of the Fifth schedule of Mutual Fund Regulations and Clause 1.3.1 (c) of the SEBI Circular No. SEBI/HO/IMD/DF2/ CIR/P/2021/683 dated December 10, 2021 by the AMC. The AMC & the Said Trustees have filed a settlement application with SEBI on the matter.
- (c) The AMC had acquired the entire share capital of L&T Investment Management Limited (“L&T AMC”), the asset management company of erstwhile L&T Mutual Fund, on 25 November 2022 and L&T AMC was subsequently merged into the AMC. Pursuant to the SEBI Inspection of L&T AMC for the period April 01, 2019 to March 31, 2021, SEBI had issued Show Cause Notice (SCN) dated March 20, 2023 & Supplementary SCN dated June 16, 2023 alleging L&T AMC of not complying with SEBI circular No. MFD/CIR/6/73/2000 dated July 27, 2000, Regulation 25(2) and Clause 9 of Fifth Schedule-Part A of SEBI (Mutual Funds) Regulations, 1996. Adjudicating Officer (AO) of SEBI vide its order dated August 23, 2023, had disposed of the said SCNs without imposing any penalty. Subsequently, SEBI issued a SCN dated Nov 06, 2023 under Section 15-I(3) of SEBI Act, 1992 calling upon the AMC to show cause as to why the AO order dated Aug 23, 2023 should not be revised under Section 15-I(3) of SEBI Act, 1992.
- (d) SEBI has issued a Show Cause Notice dated January 4, 2024, under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 to one of the key employees of the AMC in a matter pertaining to his past employer and along with others, alleging violation of SEBI Regulations. The said key employee has filed a settlement application with SEBI under the SEBI (Settlement Proceedings) Regulations, 2018.
- (e) There are about 10 cases filed by AMC or filed by various parties against the Fund or AMC, which are pending in various courts in India.