



SEBI introduces voluntary lock-in / debit freeze facility for mutual fund folios

The Securities and Exchange Board of India (SEBI), through its circular dated 6 March 2026, has introduced a voluntary lock-in / debit freeze facility for Mutual Fund folios to enhance the digital security of investor holdings. The framework applies to Mutual Funds, Asset Management Companies (AMCs), Trustee Companies, Registrar and Transfer Agents (RTAs) and will enable investors to temporarily freeze debits from their mutual fund folios across both demat and non-demat (Statement of Account) holdings. The facility will be operational through the MF Central platform and is scheduled to come into effect from 30 April 2026.

Analysis

- The Securities and Exchange Board of India (SEBI) has introduced a **voluntary debit freeze facility** allowing investors to lock their mutual fund folios so that **no units can be debited until the folio is unlocked**, thereby enhancing security against unauthorised transactions and fraud in digital mutual fund holdings.
- The facility will be available for **both demat and non-demat (Statement of Account) mutual fund folios**, ensuring coverage across different modes through which investors hold mutual fund units.
- In the **first phase**, the facility will be implemented by RTAs through the **inter-operable RTA platform** MF Central, which was introduced to streamline mutual fund transactions and investor service requests.
- The facility will be available only to **KYC-compliant investors with a registered email ID and mobile number**, ensuring proper authentication and communication during the locking and unlocking process.
- The Association of Mutual Funds in India (AMFI) will prescribe the **detailed operational process for locking and unlocking folios**, and will also determine the **financial and non-financial transactions that may be permitted during the lock-in period** after consultation with SEBI.
- **AMCs and RTAs will be required to disclose the detailed procedure for availing the facility and its impact on financial and non-financial transactions** on their websites and in the Statement of Additional Information (SAI) to ensure transparency for investors.
- The circular has been issued under **Section 11(1) of the SEBI Act, 1992 read with Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996**, with the objective of **protecting investor interests and strengthening the securities market framework**.



➤ **Key Takeaways**

- SEBI has introduced a voluntary debit freeze mechanism for mutual fund folios to strengthen investor protection.
 - Investors will be able to lock their folios to prevent any debit of units until the folio is unlocked.
 - The facility will initially be made available through the MF Central platform operated by RTAs.
 - Only KYC-compliant investors with registered email ID and mobile number will be eligible to use the facility.
 - AMFI will issue detailed operational guidelines, including permitted transactions during the lock period.
 - The circular comes into force on 30 April 2026, requiring AMCs and RTAs to update disclosures and systems accordingly.
- The notification is attached herein.

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