

# WHAT'S SIDE-POCKETING IN FUND MANAGEMENT?

**Swatantra Kumar explains:**

Side pocketing is a type of accounting practice that fund managers resort to in case of special situations where one or more of the fund's holding turns illiquid. In such a situation, the illiquid assets are taken out and put in a separate (smaller size)

fund with all the investors of the undivided fund getting units of the new fund on a pro-rata basis. Sebi is currently discussing allowing India mutual funds to allow side-pocketing, mainly after defaults on some of the bonds by troubled financier IL&FS.



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