

# SEBI bars Investment Advisors From Distributing Products

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Will also enhance the eligibility criteria for registration as an Investment advisor SEBI on Monday cleared norms that will require investment advisors and distributors of Financial Products to segregate their services.

Distributors of Financial Products will no longer be able to act as Investment Advisors to the same clients. SEBI approved changes to the law, requiring firms that advise clients on buying, selling stocks or mutual funds to segregate their services from distribution of those products.

Fees for such services will also be streamlined. SEBI said it will also introduce enhanced eligibility criteria for registration as an investment advisor, including for net-worth qualification and experience. There will be a provision for grandfathering existing individual advisors.

Distributors such as Bank Relationship Managers will not be allowed to call themselves “Financial Advisors” or “Wealth Managers” unless they are registered with SEBI as advisors.

## **Mutual Fund schemes**

SEBI chief Ajay Tyagi said that the regulator was actively looking at issues concerning Re-classification of Mutual Fund Schemes and even upfront margin-related rules in Stock markets. He said SEBI will soon come out with norms for mutual funds and the issue is under examination but refused to put any timeline to it. Fund managers had complained saying SEBI’s 2018 norms were restrictive in taking investment decisions.

Also, the upfront margin collection norms in both the cash and derivatives segment, which were to be implemented from January, were pushed back to April 2020.

It is likely that SEBI will relax the norms as it revisits its earlier decision, sources said.

With the aim of facilitating use of the latest Fintech Innovations in Capital Markets, the regulator has decided to allow live testing of New Products, services and Business Models by market players on select customers.

## **Fintech sandbox**

Initially, all SEBI-registered entities will be eligible to participate in such a ‘Regulatory Sandbox’, a live testing environment where new Products, Processes, Services and business models can be deployed on a limited set of eligible customers for a specified period of time with certain relaxations in Rules and Guidelines, SEBI said.

## **Making Corporate India Comply**

Tyagi Three-Year term will come to an end this month and if he is not granted an extension, the new Chairman will have to Ponder over these Decisions.

Commenting on his Three-Year stint at SEBI, Tyagi said: “I and my team believed in a consultative approach. We did not have any Regulatory capture we worked in a transparent manner, and we did things cautiously. Enforcement needs further improvement, there are many things to be done.”