



PR No.37/2020

SEBI notifies Amendments to SEBI (Investment Advisers) Regulations, 2013

SEBI has notified amendments to SEBI (Investment Advisers) Regulations, 2013. These amendments are intended to strengthen the regulatory framework for investment advisers.

Some of the key regulatory changes include:

A. Segregation of Advisory & Distribution Activities

- Segregation of Advisory & Distribution Activities at client level to avoid conflict of interest.
- An individual shall have the option to register as an Investment Adviser or provide distribution services as a distributor.
- A non-individual investment adviser shall have client level segregation at group level for investment advisory and distribution services and maintain an arm's length relationship between its activities by providing advisory services through a separately identifiable department or division.

B. Implementation services

- Investment Advisers are allowed to provide implementation services (Execution) through direct schemes/ products in the securities market. However, no consideration can be received directly or indirectly, at investment adviser's group or family level for these services.

C. Agreement between Investment Adviser and client

- Mandatory agreement to be entered between Investment Adviser and the client for ensuring greater transparency with reference to advisory activities.

D. Fees

- The fee charged by the Investment Adviser for providing Investment Advice from a client shall be in the manner as specified by SEBI.

E. Eligibility Criteria for IAs

- Enhanced eligibility criteria for registration as an Investment Adviser including net worth of Rs.50 lakhs for non-individuals and Rs. 5 lakhs for individuals.
- Individual investment adviser or a principal officer of a non-individual investment adviser to have enhanced professional or post-graduate qualification in relevant subjects and relevant experience of five years while grandfathering existing Individual Investment Advisers from complying with the enhanced qualification and experience as specified by SEBI.
- Individuals registered as investment advisers whose number of clients exceed 150 in total, shall apply for registration with SEBI as non-individual investment adviser.

SEBI had issued a Consultation Paper, in January 2020, on Review of Regulatory Framework for Investment Advisers and sought comments from the public on the proposals.

After considering the public comments received, the SEBI Board had approved the proposals on regulatory changes including amendments to SEBI (Investment Advisers) Regulations, 2013. To give effect to these proposals the Securities and Exchange Board of India (Investment Advisers) (Amendment) Regulations, 2020 have been notified.

The guidelines dealing with various other issues like key terms and conditions of Investment Advisory Services agreement, modes of charging fee, periodicity etc. will be separately specified through a Circular.

These amendments shall come into force on the ninetieth day from the date of their publication in the Official Gazette.

Mumbai

July 03, 2020