

**Consultation Paper on Amendments to the SEBI  
(Investment Advisers) Regulations, 2013**

**Background**

SEBI had issued a consultation paper on October 07, 2016 seeking public comments on the clarifications/amendments to SEBI (Investment Advisers) Regulations, 2013 ('IA Regulations'). A revised consultation paper was issued on June 22, 2017 clarifying certain issues raised by the market participants. Based on the feedback received and to prevent the conflict of interest between “advising” of investment products and “selling” of investment products by the same entity/person, the proposals are revised as under.

**Proposals**

- i. There should be clear segregation between the two activities of the entity i.e. providing investment advice and distribution of the investment products/ execution of investment transactions.
- ii. Individuals who are willing to get registered as investment advisers shall not provide any distribution services in financial products, either directly or through any of their immediate relatives. Similarly, individuals providing distribution services shall not provide advice for investing in financial product either directly or through their immediate relatives. “Immediate relative” means a spouse of a person, and includes parent,

brother, sister or child of such person or of the spouse as defined under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

- iii. Banks, NBFCs, Body Corporates, LLPs and firms who are willing to get registered as investment advisers, shall not provide any distribution services in financial products, either directly or through their holding company or associate company or subsidiary company. Similarly, banks, NBFCs, body corporates, LLPs and firms providing distribution services shall not provide investment advice in financial products either directly or through their holding company or Associates Company or subsidiary company. “Associate company” of an entity means a body corporate in which the entity or its director or partner holds, either individually or collectively, more than fifteen percent of its paid-up equity share capital or partnership interest, as the case may be.
- iv. Existing registered investment advisers who are offering distribution services through immediate relatives or through separately identifiable division or department or through holding / subsidiary /associate company shall choose among providing investment advice or the distribution services before March 31, 2019. Similarly, distributors who are offering advisory services through aforesaid modes shall also choose between distribution services and advisory services. From April 01, 2019, any person, including their immediate relatives or

holding/subsidiary/associate entity, shall offer either investment advice or distribution services.

- v. Mutual Fund Distributors (MFDs), while distributing their mutual fund products can explain the features of products to client, and shall ensure the principle of ‘appropriateness’ of products to the client. As per the extant SEBI circulars, appropriateness is defined as selling only that product categorization that is identified as best suited for the client. As part of disclosures to clients, MFDs shall disclose the list of mutual funds they are affiliated with and that the information provided is restricted to the mutual fund products being distributed by them. However, the client may also consider other alternate products, which are not being offered by them before making investment decision.

### **Public Comments**

In light of the above, public comments are invited on the proposals contained in the consultation paper. Comments/suggestions may be provided in the format given below:

Name of entity / person / intermediary/ Organization*			
Sr. No.	Pertains to Point No	Suggestions	Rationale

\* *In order to have a consolidated view, mutual fund distributors are requested to send their suggestions on the proposals only through their association/ representative body.*



The comments may either be forwarded by email to [sebiria@sebi.gov.in](mailto:sebiria@sebi.gov.in) or may be sent by post to the following address latest by January 23, 2018.

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