

Ethical Standards Board

Clarification for Members Regarding requirement to register as Investment Adviser (IA) with SEBI

This has reference to multiple queries received from the members regarding the permissibility to act as an Investment Adviser. Accordingly, it is clarified as under:-

In terms of the provisions of "Management Consultancy and other Services" issued by the Council under section 2(2)(iv) of the Chartered Accountants Act, 1949 and contained in Volume-II of Code of Ethics, a member in practice may inter alia render the following service: -

(xx) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

Further, members may take note of the clarification issued by the Ethical Standards Board as per which the members in practice are allowed to take license / registration of Investment Adviser from SEBI. However, members are not allowed to engage in services of broking, underwriting and portfolio management. Further, the statutory auditor cannot provide investment counselling services to the audit clients as the same is not permissible in terms of the provisions of Companies Act, 2013.

Attention is also invited to the following FAQ of the FAQs dt. 02nd July, 2024 on Registered Investment Adviser issued by Securities and Exchange Board of India ("SEBI") :-

15. Are members of Institute of Company Secretaries of India (ICSI), Institute of Chartered Accountants of India (ICAI), Institute of Cost and Works Accountants of India (ICWAI) and Actuarial Society of India (ASI) exempted from seeking certificate of registration under the IA Regulations?

Members of ICSI, ICAI, ICWAI and ASI who provide investment advice to their clients incidental to their professional services are exempted from seeking certificate of registration under the IA Regulations. [Ref. Regulation 4(f)]

An example of incidental activity is, an advice by a professional CA as a tax consultant to his tax client for investing in ELSS in the course of tax planning which will be treated as incidental to his profession as a tax consultant.

However, if members of ICSI, ICAI, ICWAI and ASI are engaged in providing investment advisory services in securities as an activity or business to clients or

investors which is not incidental to their main activity then they are required to get registration as an IA.

The said FAQs have been issued by SEBI on its website and may be accessed at https://www.sebi.gov.in/sebi_data/faqfiles/sep-2024/1727418139473.pdf

In view of the above, it is permissible for a member in practice to act as an Investment Adviser with SEBI (Not allowed to engage in broking, underwriting and portfolio management). However, if the nature of the investment advisory is not incidental to the main services rendered to the client(s), the member should get registered as an investment adviser with SEBI.