



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
MARKET INTERMEDIARIES REGULATION AND SUPERVISION DEPARTMENT
POLICY AND DEVELOPMENT-2

SEBI/HO/MIRSD/POD2/OW/P/2023/13863/1

April 05, 2023

To,

M/s LGT Wealth India Private Limited
414, 16/1 to 24 & 17, B Wing,
Comm. Building, Kanakia Wall Street,
Near Chakala Signal, JB Nagar,
Andheri East, Mumbai,
Maharashtra-400093

Kind Attention: Mr. Lalatendu Acharya, Compliance Officer

Sir,

Sub: Request for informal guidance by way of an "interpretive letter" under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 with respect to the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 by LGT Wealth India Private Limited.

1. This is with reference to your letter dated November 11, 2022 ("application") seeking guidance by way of an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme")
2. In your application, you have, *inter-alia*, stated as under-
 - a) LGT Wealth India Private Limited ("LGT Wealth India") is registered with SEBI as a portfolio manager under SEBI (Portfolio Managers) Regulations, 2020 ("PMS Regulations") bearing registration number INP000007322.
 - b) LGT India provides discretionary services and non-discretionary portfolio management services to its clients under the regulatory framework of the PMS Regulations.
 - c) Further, LGT India provides referral services by making client referrals to various financial products/service providers including but not limited to third party portfolio management service (PMS) products and alternative investment fund (AIF) products.

1 | Page

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

3. In your letter under reference, you have sought an interpretive letter under the Informal Guidance Scheme on the following questions:-

- (i) Does the term "research recommendation, or an opinion concerning securities" as per the Regulation 2(w) read with Regulation 4(u)(i) and 4(u)(ii) include making buy/sell/hold recommendation and/or giving price target in respect of securities (hereinafter referred to as "recommendation")?
- (ii) In this connection, does making recommendation also include providing recommendations for a basket comprising of more than one security to the clients who avail RA services of LGT Wealth India?
- (iii) As per exemption available under Regulation 3 of the RA Regulation, can LGT Wealth India, being a registered portfolio manager, provide separate RA services relating to providing recommendation, to any person, without registration under RA Regulations?
- (iv) If the answer to above is affirmative, can LGT Wealth India charge fee for providing aforesaid RA service to any person referred above, so as to recover the time and efforts spent by the analysts of LGT Wealth India in providing such services?
- (v) Can LGT Wealth India charge fees from its existing PMS clients for providing aforesaid RA services, if the client wishes to avail such RA services separately?
- (vi) Can LGT Wealth India make recommendations on private market securities, including stocks and bonds?
- (vii) Can LGT Wealth India make recommendations on global stocks or bonds too?

4. We have considered the submissions made by you in your application. Without necessarily agreeing with your analysis, we are issuing interpretive letter as under:

With respect to the guidance sought under paragraphs 3 (i) and 3(ii):

5. At the outset, it is to be noted that under the extant Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (RA Regulations) there are no provisions numbered as "4(u)(i) and 4(u)(ii)" as referred in your query. Therefore, due to lack of identification of the provision in respect of which the query has been raised, the query shall be substantively answered in the context of the facts stated in your letter.



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

6. Regulation 2(1)(w) of the RA Regulations defines "research report" as under-

"research report" means any written or electronic communication that includes research analysis or research recommendation or an opinion concerning securities or public offer, providing a basis for investment decision and does not include the following communications: -

- (i) comments on general trends in the securities market;*
- (ii) discussions on the broad-based indices;*
- (iii) commentaries on economic, political or market conditions;*
- (iv) periodic reports or other communications prepared for unit holders of mutual fund or alternative investment fund or clients of portfolio managers and investment advisers;*
- (v) internal communications that are not given to current or prospective clients;*
- (vi) communications that constitute offer documents or prospectus that are circulated as per regulations made by the Board;*
- (vii) statistical summaries of financial data of the companies;*
- (viii) technical analysis relating to the demand and supply in a sector or the index;*
- (ix) any other communication which the Board may specify from time to time."*

7. Therefore, research report means any communication, written or electronic, that includes research analysis, research recommendation and opinion concerning securities that provide a basis of investment decision. As "making buy/sell/hold recommendation and/or giving price target in respect of securities" are recommendation(s)/analysis/opinion(s) "that provide a basis of investment decision", the same shall *prima facie* be covered by the definition of the 'research report' as specified under regulation 2(1)(w) of the RA Regulations unless it falls under one or more categories expressly excluded thereunder. Further, since the abovementioned regulations expressly uses the term "securities", making recommendation in respect a basket comprising more than one security to the clients, shall also be covered within the definition under regulation 2(1)(w).

With respect to the guidance sought under paragraph 3 (iii):

8. Regulation 3(1) of the RA Regulations prohibits any person from acting as research analyst or research entity or holding itself out as a research analyst unless he has obtained a certificate of registration from the Board. The second proviso to regulation 3(1) provides a limited exemption to certain categories of intermediaries registered with the Securities and Exchange Board of India (SEBI) from the requirement of obtaining a certificate of registration provided that such intermediaries are in compliance with Chapter III of the RA Regulations. Such exempted intermediaries include an investment adviser, credit rating agency, asset management company and fund manager. The relevant extract of regulation 3(1) is reproduced for reference, as under-

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अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

“3. (1) On and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations:

Provided that

Provided further that an investment adviser, credit rating agency, asset management company or fund manager, who issues research report or circulates/distributes research report to public or its director or employee who makes public appearance, shall not be required to seek registration under regulation 3, subject to compliance of Chapter III of these regulations.”

Further, regulation 2(1)(g) of the RA regulations defines ‘fund manager’ as:

“fund manager” includes fund managers of a mutual fund or alternative investment fund or venture capital fund or portfolio manager;”

9. Therefore, a portfolio manager would be eligible for the exemption from the requirement of registration as a Research Analyst under the RA Regulations. However, the exemption from the registration requirement under regulation 3(1) of the RA Regulations is restricted to the entities mentioned therein “... *who issues research report or circulates/distributes research report to **public** or its director or employee who makes **public appearance***”, subject to compliance with Chapter III of the RA Regulations.

10. The term “public appearance” has been defined under regulation 2(1)(q) of the RA Regulations, in order to include different means and modes of mass communication only. The regulation has been reproduced below for reference:

“public appearance” means any participation in a conference call, seminar, forum (including interactive and non-interactive electronic forum), radio or television or internet or web or print media broadcast, authoring a print media article or other public speaking activity in public media in which a research analyst makes a recommendation or offers an opinion, concerning securities or public offer:

Regulation 2(1)(r) of the RA Regulations defines the term “public media” as:

“public media” means any media source available to the general public and includes a radio, television, internet, web or print media;”

11. Further, the proviso to regulation 2(1)(q) excludes even those cases wherein corrections or updates, in respect of research reports previously issued to public or in a public appearance, are issued or communicated to selected clients by means of



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

password protected webcast, conference call or such other events with such clients. The proviso has been reproduced below for reference:

"Provided that it does not include a password protected webcast, conference call or such other events with the clients, if all of the event participants previously received the research report or other documentation that contains the required applicable disclosures and that the research analyst appearing at the event corrects and updates during the public appearance any disclosures in the research report that are inaccurate, misleading or no longer applicable;"

12. Thus, RA Regulations restrict the exemption provided under second proviso to regulation 3(1) to such intermediaries specified therein, only with respect to issuance, circulation or distribution of research report to the public, in clear contrast to the issuance of research report to specific clients or identified or selected persons. Further, for the purpose of availing such limited exemption under the provision, such intermediaries shall have to comply with the chapter III of the RA Regulations.
13. Therefore, by virtue of regulation 3(1) read with 2(1)(g) of the RA Regulations, Portfolio Managers registered under PMS Regulations shall be exempted from obtaining a certificate of registration under regulation 3(1) of the RA Regulations, subject to compliance with Chapter III of the regulations, for the purpose of issuance, circulation or distribution of research report to the public. However, in order to issue research report/ recommendation to "any person", identified or selected, the PMS shall need to obtain a certificate of registration in terms of regulation 3(1) of the RA Regulations.

With respect to the guidance sought under paragraphs 3 (iv) and (v):

14. Since the query under paragraph 3(iii) has been answered in negative, the queries under paragraphs 3(iv) and (v) have been rendered infructuous and redundant.

With respect to the guidance sought under paragraph 3 (vi):

15. In terms of the Scheme, informal guidance may be provided in respect of a specific provision of any Act, Rules, Regulations, Guidelines, Circulars or other legal provisions being administered by the SEBI. Since securities of private companies are not regulated by SEBI under the aforesaid legislative instruments, the question under reference is beyond the scope of informal guidance under the Scheme.

With respect to the guidance sought under paragraphs 3 (vii):

16. The applicable provisions of the applicable Act, Rules, Regulations, Guidelines, Circulars or any other provision being administered by SEBI and providing reference to "Global stocks and bonds" have not been cited in the query. Therefore, in terms of



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

Paragraph 8(iv) of the Informal Guidance Scheme, the question under reference is beyond the scope of informal guidance under the Scheme.

17. The above position is based on the information furnished in your letter under reference. Different facts or conditions may lead to a different result. Further, this letter does not express a decision of the Board on the question referred.
18. You may note that the above views are expressed only with respect to the clarification sought in your letters under reference with respect to the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and do not affect the applicability of any other law and requirements of any other SEBI Regulations, guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Amrita Shukla