

## **SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2019**

In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely:—

### **CHAPTER PRELIMINARY**

**1. Short title and commencement.**—(1) These regulations may be called the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2019.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

**2. Definitions.**— In these regulations, unless the context otherwise requires,—

(a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) “body corporate” shall have the meaning assigned to it under clause (11) of section 2 of the Companies Act, 2013 (18 of 2013) as amended from time to time;

(c) “certificate” means a certificate of registration issued by the Board;

(d) “change of status or constitution” in relation to a portfolio manager—

(i) means any change in its status or constitution of whatsoever nature; and

(ii) without prejudice to generality of sub-clause (i), includes—

- (A) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 230 of the Companies Act, 2013 (18 of 2013) or the corresponding provision of any other law for the time being in force;
- (B) change in its managing director or whole-time director; and
- (C) any change in control over the body corporate;

(e) “change in control”, in relation to a portfolio manager being a body corporate:—

- (i) if its shares are listed on any recognized stock exchange, shall be construed with reference to the definition of control in terms of Regulation 2(e) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended from time to time;
- (ii) in any other case, change in the controlling interest in the body corporate;

*Explanation.*— For the purpose of sub-clause (ii), the expression “controlling interest” means,

- (A). an interest, whether direct or indirect, to the extent of at least fifty one percent of voting rights in the body corporate;
- (B). right to appoint majority of the directors or to control the management directly or indirectly.

(f) “chartered accountant” means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(g) “discretionary portfolio manager” means a portfolio manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investments or management

of the portfolio of securities or the funds of the client, as the case may be;

- (h) "form" means a form specified in Schedule I;
- (i) "inspecting authority" means one or more persons appointed by the Board to exercise powers conferred under Chapter I
- (j) "NISM" means the National Institute of Securities Market established by the Board;
- (j) "portfolio" means the total holdings of securities belonging to any person;
- (k) "portfolio manager" means any body corporate which pursuant to a contract or arrangement with a client, advises or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be;
- (l) "principal officer" means an employee of the portfolio manager who is responsible for:-
  - (A) the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be.
  - (B) the overall supervision of the operations of the portfolio manager.
- (m) "securities lending" means the securities lending as per the Securities Lending Scheme, 1997 specified by the Board;
- (n) Words and expressions used and not defined in these regulations but defined in the Act shall have the meanings respectively assigned to them in the Act.

## **CHAPTER II**

### **REGISTRATION OF PORTFOLIO MANAGERS**

**3. Application for grant of certificate** On and from the commencement of these regulations, no person shall act as a portfolio manager unless he has obtained a certificate of registration from the Board under these regulations.

**4. Application for grant of certificate —**

(1) An application by a portfolio manager for the grant of a certificate shall be made to the Board in *Form A* and shall be accompanied by a non-refundable application fee, as specified in clause (1) of Schedule II, to be paid in the manner specified in *Part B* thereof.

(2) Notwithstanding anything contained in sub-regulation (1), any application made by a portfolio manager prior to coming into force of these regulations containing such particulars or as near thereto as mentioned in *Form A* shall be treated as an application made in pursuance of sub- regulation (1) and dealt with accordingly.

**5. Application to conform to the requirements.—** Subject to the provisions of sub-regulation (2) of regulation 3, any application, which is not complete in all respects and does not conform to the instructions specified in the form, shall be rejected:

Provided that, before rejecting any such application, the applicant shall be given an opportunity to remove such objections within the time specified by the Board, not later than 3 weeks.

**6. Furnishing of further information, clarification and personal representation.—**

(1) The Board may require the applicant to furnish further information or clarification regarding matters relevant to his activity of a portfolio manager for the purposes of disposal of the application.

(2) The applicant or, its principal officer shall, if so required, appear before the Board for personal representation.

**7. Consideration of application.**—(1) For considering the grant of certificate of registration to the applicant, the Board shall take into account all matters which it deems relevant to the activities relating to portfolio management.

(2) Without prejudice to the generality of the foregoing provisions, the Board shall consider whether-

(a) the applicant is a body corporate;

(b) the applicant has the necessary infrastructure like adequate office space, equipments and the manpower to effectively discharge the activities of a portfolio manager;

(c) the principal officer of the applicant has—

(i) a professional qualification in finance, law, accountancy or business management from a university or an institution recognized by the Central Government or any State Government or a foreign university and relevant NISM certification as prescribed by the Board from time to time; and

(ii) an experience of at least five years in related activities in the securities market including as a portfolio manager, stock broker, investment advisor or as a fund manager.

Provided that at least 2 years of relevant experience is in portfolio management or investment advisory services or in the areas related to fund management.”

(d) the applicant has in its employment minimum of two persons

with the following qualification:

(i) a professional qualification in finance, law, accountancy or business management from a university or an institution recognized by the Central Government or any State Government or a foreign university and relevant NISM certification as prescribed by the Board from time to time; and

(ii) an experience of at least two years in related activities in the securities market including as a portfolio manager, stock broker, Investment Advisor or a fund manager.

(e) Provided that any employee of the Portfolio Manager who has decision making authority related to fund management shall have the same minimum qualifications as prescribed for the Principal Officer in clause (c) of sub-regulation (2) of regulation 7.

(f) any disciplinary action has been taken by the Board against a person directly or indirectly connected with the applicant under the Act or the Rules or the Regulations made thereunder.

*Explanation.*— For the purposes of sub-clauses (e) and (f), the expression "person directly or indirectly connected" means any person being an associate, subsidiary company, or an associate company within the meaning of section 2 (6) of the Companies Act, 2013;

(g) the applicant fulfills the capital adequacy requirements specified in regulation 9;

(h) the applicant, its director, principal officer or the employee as

specified in clause (d) is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant;

- (j) the applicant, its director, principal officer or the employee as specified in clause (d) has at any time been convicted for any offence involving moral turpitude or has been found guilty of any economic offence;
- (j) the applicant is a fit and proper;
- (k) grant of certificate to the applicant is in the interest of investors.

**8. Criteria for fit and proper person.**— For the purposes of determining whether an applicant or the portfolio manager is a fit and proper person the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

**9. Capital Adequacy Requirement.** —The capital adequacy requirement referred to in clause (g) of regulation 7 shall not be less than the networth of five crore rupees:

Provided that a portfolio manager, who was granted a certificate under these regulations prior to the commencement of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2019, shall raise its networth to not less than five crore rupees within twelve months from such commencement:

Provided further that the portfolio manager shall fulfill capital adequacy requirement under these regulations, separately and independently, of capital adequacy requirements, if any, for each activity undertaken by it under the relevant regulations.

*Explanation.*— For the purposes of this regulation, "networth" means the aggregate value of paid up equity capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses and deferred

expenditure not written off, including miscellaneous expenses not written off.

**10. Procedure for registration.—** (1) The Board on being satisfied that the applicant fulfils the requirements specified in regulation 7 shall send an intimation to the applicant and on receipt of the payment of registration fees as specified in clause (1A) of Schedule II then grant a certificate in Form B.

(2) The portfolio manager who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2019 shall be deemed to have been granted a certificate of registration, in terms of sub- regulation (1).

**11. Conditions of registration.—**

(1) Any registration granted under regulation 10 shall be subject to the following conditions, namely:-

- (a) where the portfolio manager proposes to change its status or constitution, it shall obtain prior approval of the Board for continuing to act as such after the change;
- (b) it shall pay the fees for registration in the manner provided in these regulations;
- (c) it shall take adequate steps for redressal of grievances of the investors within one month of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received;
- (d) it shall maintain capital adequacy requirements specified in regulation 9 at all times during the period of the certificate
- (e) it shall abide by the regulations made under the Act in respect of the activities carried on by it as portfolio manager.

(2) Nothing contained in clause (a) of sub-regulation (1) shall affect the obligation to obtain a fresh registration under section 12 of the Act in cases where it is applicable.



**12. Period of validity of certificate.**— The certificate of registration granted under regulation 10 shall be valid unless it is suspended or cancelled by the Board.

**13. Procedure where registration is not granted.**—

(1) Where an application for grant of a certificate under regulation 4 does not satisfy the requirements set out in regulation 7, the Board may reject the application, after giving an opportunity of being heard.

(2) The refusal to grant registration shall be communicated by the Board within thirty days of such refusal to the applicant stating therein the grounds on which the application has been rejected.

**14. Effect of refusal to grant certificate.**— Any portfolio manager whose application for a certificate has been refused by the Board shall on and from the date of the receipt of the communication under sub- regulation (2) of regulation 13 cease to carry on any activity as portfolio manager.

**15. Payment of fees, and the consequences of failure to pay fees.**—

(1) Every applicant eligible for grant of a certificate shall pay fees within 15 days of receiving intimation from the Board in such manner as specified in Schedule II.

Provided that the Board may on sufficient cause being shown permit the portfolio manager to pay such fees at any time before the expiry of one month from the date on which such fees become due.

(2) Where a portfolio manager fails to pay the fees as provided in Schedule II, the Board may suspend the certificate, whereupon the portfolio manager shall forthwith cease to carry on the activity as a portfolio manager for the period during which the suspension subsists.

**CHAPTER II-A**  
**ELIGIBLE FUND MANAGERS**

**Definitions**

**16.** For the purposes of this Chapter, unless the context otherwise requires:-

(i) The term “eligible fund manager” shall have the same meaning as assigned to it in sub section (4) of Section 9A of the Income-tax Act, 1961.

(ii) The term “eligible investment fund” shall have the same meaning as assigned to it in sub section (3) of Section 9A of the Income-tax Act, 1961.

**Applicability**

**17.** (1) The provisions of this Chapter shall apply to eligible fund managers exclusively, pertaining to their activities as portfolio managers to eligible investment funds.

(2) All other provisions of these regulations and the guidelines and circulars issued thereunder, unless the context otherwise requires or repugnant to the provisions of this chapter, shall apply to eligible fund managers in relation to their activities as portfolio managers to eligible investment funds.

**Procedure to be followed by an existing Portfolio Manager**

**18.** An existing portfolio manager may act as a portfolio manager to an eligible investment fund if:

a) it fulfills all the conditions specified in sub section (4) of Section 9A of the Income-tax Act, 1961; and

b) it intimates the Board prior to undertaking such activity and submit declarations as

specified in clause (1) of Schedule VI.

### **Procedure to be followed by an applicant for fresh registration**

**19.** An applicant who is a company or a limited liability partnership or a body corporate who intends to act as an eligible fund manager may be granted registration under regulation 10 if:

- a) it fulfills all the conditions specified in sub section (4) of Section 9A of the Income-tax Act, 1961;
- b) it complies with the requirements specified under Chapter II of these regulations, unless specified otherwise in this Chapter;
- c) it pays the fees as specified in Schedule II; and it provides a declaration to the Board as specified in clause (2) of Schedule VI.

### **Obligation and Responsibilities of Eligible Fund Managers**

**20.** An eligible fund manager shall be required to:-

- (1) comply with the requirements specified under Section 9A of the Income-tax Act, 1961 or any amendment, notification, clarification, guideline issued thereon;
- (2) offer discretionary or non-discretionary or advisory services or a combination thereof to eligible investment funds;
- (3) operate in accordance to its mutually agreed contract with the eligible investment funds;
- (4) provide all material disclosures to eligible investment funds;

- (5) segregate funds and securities of each eligible investment fund;
- (6) segregate the funds and securities of eligible investment funds from that of its other clients;
- (7) maintain and segregate its books and accounts pertaining to its activities as a portfolio manager to eligible investment funds and other clients;
- (8) appoint a custodian: Provided that requirement of compliance to this sub-regulation does not arise in case an eligible investment fund has already appointed a custodian under the applicable act or regulations;
- (9) keep the funds of eligible investment funds in scheduled commercial banks: Provided that requirement of compliance to this sub-regulation does not arise in case an eligible investment fund does not intend to invest in Indian securities;
- (10) maintain any additional records as may be specified by the Board and disclose the same to the Board as and when required;
- (11) provide quarterly reports to the Board;
- (12) ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations prescribed thereunder;
- (13) abide by the provisions in these regulations and circulars / guidelines issued from time to time by the Board.

**Certain provisions not to apply**

**20.** The eligible fund managers shall be exempted from the following provisions pertaining to their activities as portfolio managers to eligible investment funds notwithstanding

anything contained in these regulations, schedules thereto or circulars made thereunder:

- (i) clauses (a) and (b) of sub-regulation (1) of Regulation 22;
- (ii) clauses (a) and (b) of sub-regulation (2) of Regulation 22;
- (iii) sub-regulation (2), (3) (4), (7), (8) of Regulation 23;
- (iv) sub-regulation (3) of Regulation 24;
- (v) clause (b) of sub-regulation (1) of Regulation 24;
- (vi) clause (a) of sub-regulation (2) of Regulation 24
- (vii) sub-regulation (8) of Regulation 24;
- (viii) sub-regulation (1) of Regulation 26;
- (ix) Regulation 28;
- (x) sub-regulation (3) of Regulation 30;
- (xi) sub-regulation (1),(2), (3) and (4) of Regulation 31;
- (xii) Form C in Schedule I; and (xiii) Schedules IV and V.

### CHAPTER III

#### GENERAL OBLIGATIONS AND RESPONSIBILITIES

**21. Code of Conduct.**— Every portfolio manager shall abide by the Code of Conduct as specified in Schedule III.

**22. Contract with clients and disclosures.**— (1) (a) The portfolio manager shall, before taking up an assignment of management of funds or portfolio of securities on behalf of a client, enter into an agreement in writing with such client clearly defining the *inter se* relationship, and setting out their mutual rights, liabilities and obligations relating to management of funds or portfolio of securities containing the details as specified in Schedule IV.

- (b) The agreement between the portfolio manager and the client shall, *inter alia*, contain:
  - (i) the investment objectives and the services to be provided;

- (ii) investment approach, areas of investment and restrictions, if any, imposed by the client with regard to the investment in a particular company or industry;

Explanation: An investment approach is a broad outlay of the type of securities to be invested in by the portfolio manager for the customer.

- (iii) type of instruments and proportion of exposure;
- (iv) tenure of portfolio investments;
- (v) terms for early withdrawal of funds or securities by the clients;
- (vi) attendant risks involved in the management of the portfolio;
- (vii) period of the contract and provision of early termination, if any;
- (viii) amount to be invested subject to the restrictions provided under these regulations;
- (ix) procedure of settling client's account including form of repayment on maturity or early termination of contract;
- (x) fees payable to the portfolio manager;
- (xi) the quantum and manner of fees payable by the client for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is out sourced);
- (xii) custody of securities;
- (xiii) in case of a discretionary portfolio managera condition that the liability of a client shall not exceed his investment with the portfolio manager;
- (xiv) the terms of accounts and audit and furnishing of the reports to the clients as per the provisions of these regulations; and
- (xv) other terms of portfolio investment subject to these regulations.

- (2) (a) The portfolio manager shall provide to the client, the Disclosure Document as specified in Schedule V, along with a certificate in Form C as specified in Schedule I, prior to entering into an agreement with the client as referred to in sub-regulation (1).

- (b) The Disclosure Document, shall *inter alia* contain the following—

- (i) the quantum and manner of payment of fees payable by the client for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is out sourced);
- (ii) portfolio risks;
- (iii) complete disclosures in respect of transactions with related parties as per the accounting standards specified by the Institute of Chartered Accountants of India in this regard;
- (iv) the performance of the portfolio manager:

Provided that the performance of a discretionary portfolio manager shall be calculated using weighted average method taking each individual category of investments for the immediately preceding three years and in such cases performance indicators shall also be disclosed;

Provided that the portfolio manager may be allowed to disclose performance segregated on the basis of investment approach.

- (v) the audited financial statements of the portfolio manager for the immediately preceding three years.
- (c) The contents of the Disclosure Document shall be certified by an independent chartered accountant.
  - (d) The portfolio manager shall ensure that a copy of Disclosure Document is available on the website of the portfolio manager at all times and as soon as the registration is granted.

- (e) The portfolio manager shall file with the Board, a copy of the Disclosure Document before circulating it to any client, whenever any material change is effected within 5 working days from the date of the change along with the certificate in Form C as specified in Schedule I.
- (f) The portfolio manager shall file with the Board, a copy of the Disclosure Document before circulating it to any client ,whenever any change in the investment approach of the portfolio manager is effected within 5 working days from the date of the change along with the certificate in Form C as specified in Schedule I.
- (g) The portfolio manager shall disclose a change in the identity of the Principal Officer to the Board and the clients within one week of effecting the change.
- (h) The portfolio manager shall report its performance uniformly in the disclosures to the Board, marketing materials for the clients and its website.
- (i) The portfolio manager shall charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return and the fee so charged may be a fixed fee or a return based fee or a combination of both.

Provided that no up-front fees shall be charged by the portfolio manager directly or in-directly while handling the portfolio of the clients.



- (b) The portfolio manager may, subject to the disclosure in terms of the Disclosure Document and specific permission from the client, charge such fees from the client for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is out sourced).

**23. General responsibilities of a Portfolio Manager.—**

(1) The discretionary portfolio manager shall individually and independently manage the funds of each client in accordance with the needs of the client in a manner which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client.

(2) The portfolio manager shall not accept from the client, funds or securities worth less than rupees fifty lacs.

Provided that the minimum investment amount per client shall be applicable for new clients and fresh investments by existing clients:

Provided further that existing investments of clients, as on date of notification of Securities and Exchange Board of India (Portfolio Managers) (Amendment) Regulations, 2019, may continue as such till maturity of the investment.

(3) The portfolio manager shall act in a fiduciary capacity with regard to the client's funds.

(4) The portfolio manager shall keep the funds of all clients in a separate account to be maintained by it in a Scheduled Commercial Bank.

*Explanation.—* For the purposes of this sub-regulation, the expression 'Scheduled Commercial Bank' means any bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).]

(5) The portfolio manager shall transact in securities within the limitation placed by the client himself with regard to dealing in securities under the provisions of the Reserve Bank of India Act, 1934 (2 of 1934).

(6) The portfolio manager shall not derive any direct or indirect benefit out of the client's funds or securities.

(7) The portfolio manager shall not borrow funds or securities on behalf of the client.

(8) The portfolio manager shall not lend securities held on behalf of clients to a third person except as provided under these regulations.

(9) The portfolio manager shall ensure proper and timely handling of complaints from his clients and take appropriate action immediately.

(10) The portfolio manager shall ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations and circulars issued thereunder from time to time.

**24. Investment of clients' moneys and management of clients' portfolio of securities—**

(1) (a) The money or securities accepted by the portfolio manager shall not be invested or managed by the portfolio manager except in terms of the agreement between the portfolio manager and the client.

(b) Any renewal of portfolio fund on maturity of the initial period shall be deemed as a fresh placement.

(2) Notwithstanding anything contained in the agreement referred to in regulation 22, the funds or securities can be withdrawn or taken back by the client before the maturity of the contract under the following circumstances, namely-

(a) voluntary or compulsory termination of portfolio management services by the portfolio manager or the client.

(b) suspension or cancellation of the certificate of registration of the portfolio manager by the Board.

(c) bankruptcy or liquidation of the portfolio manager.

(3) The portfolio manager shall invest funds of his clients in the securities listed on a recognized stock exchange, money market instruments and units of Mutual Funds, on behalf of their clients.

Provided that Portfolio Managers may invest in units of Mutual Funds through direct plan only.

Provided further that the portfolio manager while investing in units of Mutual Funds through direct plan shall not charge any distribution fees, distribution commission, referral fees etc. to the client.

*Explanation.* — For the purposes of this sub-regulation: "money market instruments" includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills.

- (4) The portfolio manager shall not leverage the portfolio of its clients shall in respect of investment in derivatives:
- (5) The portfolio manager shall not deploy the clients' funds in bill discounting, badla financing or for the purpose of lending or placement with corporate or non-corporate bodies.
- (6) The portfolio manager shall not invest the clients' funds in the portfolio managed or administered by another portfolio manager.
- (7) The portfolio manager shall not invest client's fund based on the advise of another portfolio manager, investment advisor or any other registered intermediary.
- (8) The portfolio manager shall not while dealing with clients' funds indulge in speculative transactions that is, he shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives.
- (9) The portfolio manager shall, ordinarily purchase or sell securities separately for each client. However, in the event of aggregation of purchases or sales for economy of scale, *inter se* allocation shall be done on a *pro rata* basis and at weighted average price of the day's transactions. The portfolio manager shall not keep any open position in respect of allocation of sales or purchases effected in a day.
- (10) Any transaction of purchase or sale including that between the portfolio

manager's own accounts and client's accounts or between two clients' accounts shall be at the prevailing market price.

(11) The portfolio manager shall segregate each clients' funds and portfolio of securities and keep them separately from his own funds and securities and be responsible for safekeeping of clients' funds and securities.

(12) The portfolio manager shall not hold the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise:

Provided further that the Board may in the interest of investors or for the development of securities market, on an application made in this behalf by a portfolio manager with respect to any specific investment existing on the date of commencement of these Regulations relax the strict enforcement of this regulation:

Provided further that the portfolio manager shall segregate each client's holding in securities in separate accounts in respect of investment by new clients and fresh investments by existing clients:

(13) The portfolio manager may, subject to authorization by the client in writing, participate in securities lending.

**25. Foreign Institutional Investor and sub-accounts availing portfolio management services.**— Foreign portfolio investors may avail of the services of a portfolio manager.

**26. Appointment of custodian.** —(1) Every portfolio manager shall appoint a custodian in respect of securities managed or administered by it.

- (2) Nothing contained in this regulation shall apply to a portfolio manager—
- (a) who has total assets under management of value less than five hundred crore rupees; or
  - (b) who performs purely advisory functions.

**27. Maintenance of books of accounts, records, etc.—**(1) Every portfolio manager shall keep and maintain the following books of accounts, records and documents namely:-

- a. a copy of balance sheet at the end of each accounting period;
- b. a copy of the profit and loss account for each accounting period;
- c. a copy of the auditors report on the accounts for each accounting period;
- d. a statement of financial position and;
- e. records in support of every investment transaction or recommendation which will indicate the data, facts and opinion leading to that investment decision.
- f. Provided that such a record shall be maintained under the signature of the Principal Officer of the portfolio manager.

(2) Every portfolio manager shall intimate to the Board the place where the books of accounts, records and documents are maintained.

(3) Without prejudice to sub-regulation (1), every portfolio manager shall, after the end of each accounting period, furnish to the Board copies of the balance sheet, profit and loss account and such other documents for any other preceding five accounting years as required by the Board.

**28. Submission of net worth certificate.—** Every portfolio manager shall furnish to the Board a net worth certificate issued by a chartered accountant when required by the Board with a view to monitor the capital adequacy of the

portfolio manager.

**29. Maintenance of books of accounts, records and other documents.—** The portfolio manager shall preserve the books of account and other records and documents mentioned in any of the regulations mentioned under this chapter for a minimum period of five years.

**30. Accounts and audit.—**

- (1) (a) The portfolio manager shall maintain separate client-wise accounts.
  - (b) The funds received from the clients, investments or disinvestments and all the credits to the account of the client like interest, dividend, bonus, or any other beneficial interest received on the investment and debits, for expenses, if any, shall be properly accounted for and details thereof shall be properly reflected in the client's account.
  - (c) The tax deducted at source as required under the provisions of the Income-Tax Act, 1961, (43 of 1961) shall be recorded in the portfolio account.
- (2) The books of account will be audited yearly by qualified auditor to ensure that the portfolio manager has followed proper accounting methods and procedures and that the portfolio manager has performed his duties in accordance with the law. A certificate to this effect shall, if so specified, be submitted to the Board within six months of close of portfolio manager's accounting period.
- (3) The portfolio accounts of the portfolio manager shall be audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant shall be given to the client.

(4) The client may appoint a chartered accountant to audit the books and accounts of the portfolio manager relating to his transactions and the portfolio manager shall co-operate with such chartered accountant in course of the audit.

**31. Reports to be furnished to the client.**—(1) The portfolio manager shall furnish periodically a report to the client, as agreed in the contract, but not exceeding a period of six months and as and when required by the client] and such report shall contain the following details, namely:-

- a. the composition and the value of the portfolio, description of security, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio as on the date of report;
- b. transactions undertaken during the period of report including date of transaction and details of purchases and sales;
- c. beneficial interest received during that period in respect of interest, dividend, bonus shares, rights shares and debentures;
- d. expenses incurred in managing the portfolio of the client;
- e. details of risk foreseen by the portfolio manager and the risk relating to the securities recommended by the portfolio manager for investment or disinvestment.
- f. default in payment of coupons or any other default in payments in the underlying debt security and downgrading to default rating by the rating agencies, if any.



(2) The report referred to in sub-regulation (1) may be made available on the website of the portfolio manager with restricted access to each client.

(3) The portfolio manager shall in terms of the agreement with the client also furnish to the client documents and information relating only to the management of a portfolio.

(4) On termination of the contract, the portfolio manager shall give a detailed statement of accounts to the client and settle the account with the client as agreed in the contract.

(5) The client shall have the right to obtain details of his portfolio from the portfolio managers.

**32. Report on steps taken on Auditor's report.**— The portfolio manager shall take steps to rectify the deficiencies made out in the auditor's report within two months from the date of the auditors report as specified in sub-regulation 2 of Regulation 30.

**33. Disclosures to the Board.**— The Board may ask portfolio manager to disclose any information as and when required including the following :-

- (i) particulars regarding the management of a portfolio;
- (ii) any change in the information or particulars previously furnished, which have a bearing on the certificate granted to him;
- (iii) the names of the clients whose portfolio he has managed;
- (iv) particulars relating to the capital adequacy requirement as specified in regulation 9.

**34. Appointment of compliance officer.**— (1) Every portfolio manager shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines,

instructions etc., issued by the Board or the Central Government and for redressal of investors' grievances.

Provided that the role of compliance officer shall not be assigned to the principal officer and the two employees of the portfolio manager appointed in terms of clause © and (d ) of sub-regulation (2) of regulation 7.

(2) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.

## **CHAPTER IV**

### **INSPECTION AND DISCIPLINARY PROCEEDINGS**

**35. Right of inspection by the Board.**—(1) The Board may appoint one or more persons as inspecting authority to undertake the inspection of the books of account, records and documents of the portfolio manager for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) may be as follows, namely:-

- (a) to ensure that the books of account are being maintained in the manner required;
- (b) that the provisions of the Act, rules and regulations are being complied with;
- (c) to investigate into the complaints received from investors, other portfolio managers or any other person on any matter having a bearing on the activities of the portfolio manager; and

- (d) to investigate *suomotu* in the interest of securities business or investors' interest into the affairs of the portfolio manager.

**36. Notice before inspection.**—(1) Before undertaking an inspection under regulation 35, the Board shall give a reasonable notice to the portfolio manager, for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors no such notice should be given, it may by an order in writing direct that the inspection of the affairs of the portfolio manager be taken up without such notice.

(3) During the course of inspection the portfolio manager against whom an inspection is being carried out shall be bound to discharge his obligations as provided under regulation 37.

**37. Obligations of Portfolio Manager on inspection.**—(1) It shall be the duty of every director, proprietor, partner, officer and employee of the portfolio manager who is being inspected to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to his activities as a portfolio manager within such time as the inspecting authority may require.

(2) The portfolio manager shall allow the inspecting authority to have a reasonable access to the premises occupied by such portfolio manager or by any other person, on his behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the portfolio manager or any such other person and also provide copies of documents or other material which in the opinion of the inspecting authority are relevant for the purposes of the inspection.

(3) The inspecting authority shall in the course of inspection, be entitled

to examine or record statements of any principal officer, director, partner, proprietor and employee of the portfolio manager.

(4) It shall be the duty of every director, proprietor, partner, officer or employee of the portfolio manager to give to the inspecting authority all assistance in connection with the inspection which the portfolio manager may reasonably be expected to give.

**38. Submission of report to the Board.**— The inspecting authority shall, as soon as may be possible, submit an inspection report to the Board.

**39. Action on inspection or investigation report.**—

The Board or the Chairman shall after consideration of inspection or investigation report take such action as the Board or Chairman may deem fit and appropriate including action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

**40. Appointment of Auditor.**— The Board may appoint a qualified auditor to investigate into the books of account or the affairs of the portfolio manager:

Provided that the auditor so appointed shall have the same powers of the inspecting authority as are mentioned in regulation 35 and the obligation of the portfolio manager and his employees in regulation 37 shall be applicable to the investigation under this regulation.

*Explanation.*— For the purposes of sub-regulation (2) of regulation 30 and under this regulation, the expression "qualified auditor" shall have the same meaning as given to it in section 141 of the Companies Act, 2013 (18 of 2013).

**CHAPTER V**  
**PROCEDURE FOR ACTION IN CASE OF DEFAULT**

**41. Liability for action in case of default.**— A portfolio manager who contravenes any of the provisions of the Act, Rules or Regulations framed thereunder shall be liable for one or more action specified therein including the action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

**42. Repeal and Savings.** — (1) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, stand repealed from the date on which these regulations come into force.

(2) Notwithstanding such repeal,—

(a) anything done or any action taken or purported to have been done or taken including registration or approval granted, fees collected, registration or approval, suspended or cancelled, any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations, prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(b) any application made to the Board under the repealed regulations, prior to such repeal, and pending before it shall be deemed to have been made under the corresponding provisions of these regulations;

(c) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, incurred in respect of any violation committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect

of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the repealed regulations has never been repealed;

(3) After the repeal of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

## **CHAPTER VI MISCELLANEOUS**

**43. Power of the Board to issue clarifications.**— In order to remove any difficulties in respect of the application or interpretation of these regulations, the Board may issue clarifications or guidelines in the form of circulars.

SCHEDULE I

FORMS

**FORM A**

*Securities and Exchange Board of India (Portfolio Managers) Regulations,  
2019*

**Application for grant of certificate of registration**

Name of Applicant: \_\_\_\_\_

Name of Person to Contact: \_\_\_\_\_

(Compliance Officer / Principal Officer only)

Designation: \_\_\_\_\_

Telephone No: \_\_\_\_\_

Email: \_\_\_\_\_

*Instruction:*

1. Applicants must submit a completed application form together with appropriate supporting documents to the Board.
2. It is important that this application form should be filled in accordance with the regulations.

3. Application for registration will be considered provided it is complete in all respects.
4. Answers must be typed/ printed.
5. Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.
6. All signatures must be original.

**PART: I GENERAL INFORMATION**

**1.0 PARTICULARS OF THE APPLICANT**

**1.1** Name of the Applicant:

**1.2** PAN No. (Certified True Copy of PAN Card)

**1.3** Address of Registered office:

Pin Code: \_\_\_\_\_

Mobile No: \_\_\_\_\_ Telephone No: \_\_\_\_\_

Fax No: \_\_\_\_\_ Email: \_\_\_\_\_

**1.4** Address for Correspondence:

Pin Code: \_\_\_\_\_



Mobile No: \_\_\_\_\_ Telephone No: \_\_\_\_\_

Fax No: \_\_\_\_\_ Email: \_\_\_\_\_

**1.5** Address - Principal place of business:  
(Where PMS activity shall be carried out)

Pin Code: \_\_\_\_\_

Mobile No: \_\_\_\_\_ Telephone No: \_\_\_\_\_

Fax No: \_\_\_\_\_ Email: \_\_\_\_\_

**1.6** If PMS activity is proposed to be carried out from any branch offices, details of such Branch Offices, including address:

## **2.0 ORGANISATION STRUCTURE**

[Organisation Chart separately showing functional responsibilities (names and designations) of portfolio management activities to be enclosed]

**2.1** Objectives: In brief.

(Memorandum and Articles of Association/ Partnership Deed to be enclosed).

(Copy of Special Resolution to be enclosed)

**2.2** Date and Place of Incorporation/Establishment:

Day      Month      Year      Place

ROC Registration No.

**2.3** Status of the Applicant: (e.g. limited company-Private/Public, LLP etc. If listed, names of the stock exchanges to be given.)

**2.4** Organization Chart: General Organization & specific Activity.

**2.5** Particulars of all Directors/ Partners :

[Name; Address; Qualification; Date of Appointment; DIN; PAN (Certified PAN Copy); Telephone No.; Mobile; Email ]

Experience; (General and specific Intermediaries activity):

Company Name	Designation	Area of Work	Nature of Work	Experience (In yrs)

(Separate sheet may be attached for information on work experience)

Other directorships; (Name & Date of Appointment);

Name of the Company	Date of Appointment	No. of Shares	Percentage of Share	As on Date

**2.6** Particulars of Key Management Personnel

[Name; Qualification; Designation; Date of Appointment; PAN no. (Certified PAN Copy); Address; Telephone No.; Mobile; Email]

Experience:

Company Name	Designation	Area of Work	Nature of Work	Experience (In yrs)

(Separate sheet may be attached for information on work experience)

Other directorship details:

Name of the Company	Date of Appointment	No. of Shares	Percentage of Share	As on Date

Following documents to be provided:

1. Bio-Data detailing the relevant experience as per Reg 7(2)(d) of SEBI (Portfolio Managers) Regulations, 2019 as applicable
2. Declaration that the personnel mentioned above is currently employed with the organization
3. Undertaking by the personnel concerned that the details provided regarding them are true to the best of their knowledge & belief

**2.7 Particulars of Promoters:**

[Type (Individual/ Corporate); Name; PAN (Certified PAN Copy); Address; Telephone No.; Mobile; Email]

**2.8 Particulars of Compliance Officer**

[Name; PAN (Certified PAN Copy); Qualification, Date of Appointment; Address;]

Experience:

Company Name	Designation	Area of Work	Nature of Work	Experience (In yrs)

(Separate sheet may be attached for information on work experience)

Certification Details:

Certification Program	Date of Test	Result	Percentage	Certificate No.	Validity From	Validity Till

## 2.9 Particulars of Principal Officer

[Name; PAN (Certified PAN Copy); Qualification, Date of Appointment; Address;]

Following documents to be provided:

1. Bio-Data detailing the relevant experience as per Reg 7(2)(c) of SEBI (Portfolio Managers) regulations, 2019
2. Copy of Certifications
3. Certificate stating that the Principal Officer has been appointed and he complies with the requirements and is not otherwise disqualified under the Regulations/

## 2.10 Other SEBI Registration Details

Registered:

Registration No.	Role	Company Name	Stock Exchange	Registration Start	Registration End	Registration Status

Applied:

Application No.	Role	Company Name	Stock Exchange	Application Date	Application Status

## 2.11 Number of employees

(General and for Specific Intermediaries activity)

## 2.12 Name and activities of associate companies/ concerns

Name of company /firm	Address/ phone numbers	Type of activity handled	Nature / Quantum of financial dealing	Nature of interest of promoter /director	Nature of interest of applicant company

### Ownership details:

Name of the Share Holder	No. of Shares	Percentage of Shares	As on Date

### Details of Registration with SEBI or any other Govt. Regulatory Body:

Name of Regulator	Registration No.	Registration Start Date	Registration End Date	Registration Status	Details of Action Taken in past (if any)

## 2.13 List of major shareholders/ partners of the Applicant (holding 5% or more voting rights):

[Name; Type; Address; Telephone No.; Mobile; Email; Share holding pattern/ partnership interest/ voting rights as on Date]

### **3.0 DETAILS OF INFRASTRUCTURAL FACILITIES**

#### **3.1 Principal Place of Business**

- (1) Office Space
  
- (2) Office Equipment
  
- (3) Furniture & Fixtures
  
- (4) Communication Facilities
  
- (5) Data Processing Capacity
  - (a) In-house:
  - (b) Others:
  
- (6) Computer facility:
  - (a) Hardware configuration
  - (b) Software Environment

#### **3.2 Branch Office**

- (1) Office Space
  
- (2) Office Equipment
  
- (3) Furniture & Fixtures
  
- (4) Communication Facilities
  
- (5) Data Processing Capacity
  - (a) In-house:
  - (b) Others:

(6) Computer facility:

(a) Hardware configuration

(b) Software Environment

#### 4.0 BUSINESS PLAN (FOR THREE YEARS)

(a) History, Major events and present activities

(b) Proposed business plan & means of achieving the same.

(c) Projected Profitability (Next three years)

(Physical targets, *modus operandi* to achieve targets, Resultant Income)

#### 5.0 FINANCIAL INFORMATION

##### 5.1 Capital Structure

(Rs. in Crore)

	Year prior to the preceding year of current year	Preceding year	Current year
(a) Paid-up capital			
(b) Free reserves (excluding evaluation reserves)			
(c) Total (a) + (b)			

**5.2 Net worth of Applicant** (Net worth certificate not older than 6 months to be enclosed)

**5.3 Deployment of Resources** (Rs. in Crore)

	Year prior to the preceding year of current year	Preceding year	Current year
(a) Fixed Assets			
(b) Plant & Machinery and office equipment			
(c) Investments (Details should be given separately)			
(d) Others			

Details of investments, Loans & Advances made to Associate Companies/Firms where Promoters/Directors have an interest

**5.4 Major Sources of Income:** (Rs. in Crore)

	Year prior to the preceding year of current year	Preceding year	current year

**5.5 Net Profit** (Rs. in Crore)

	Year prior to the preceding year of current year	Preceding year	current year



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**5.6 Particulars of Principal Banks:**

Name, Contact Person; Address; Telephone No.; Mobile; Email

**5.7 Particulars of Auditors:**

Name; Type (Internal/ External); Contact Person; Address; Telephone No.;  
Mobile; Email

**5.8 Declaration of submission of Banker's Report from two Banks**

**6.0 OTHER INFORMATION**

**6.1 Details of all settled and pending disputes:**

Nature of dispute	Name of the party	Status (Pending/ settled)	Dispute Details

**6.2** Indictment of involvement in any economic offences in the last three years.

**6.3** Any other information considered relevant to the nature of services rendered by the company.

**6.4 Details of Member of Registered Stock Exchange:**

If the applicant / any of the Directors / Employees of the applicant, its subsidiary / associate / group company under the same management, are members of recognized stock exchanges?

Broker Registration Number

Details regarding payment of fees to SEBI

Whether the member is facing any charges/ disciplinary action or if in past any such action was taken by the stock exchange

## PART II SPECIFIC INFORMATION

### **7.0 BUSINESS INFORMATION**

- 7.1** Indicate type of activity carried on/ proposed to be carried on.
- 7.2** Indicate the facilities for making decision on portfolio investment.
- 7.3** Details of risk profiling procedure to be followed by the Portfolio Manager
- 7.4** Details of grievance redressal and dispute resolution mechanism to be followed by the Portfolio Manager
- 7.5** Provide list of approved share brokers through whom orders shall be placed, involved for Portfolio Management activities and state whether any of them were suspended/had defaulted with any Stock Exchange authority.
- 7.6** Describe Accounting system followed/to be followed for Portfolio Management Services.
- 7.7** Indicate various research & database facilities provided.
- 7.8** Details of activities proposed to be outsourced

## **8.0 EXPERIENCE**

### **8.1 Experience in financial services rendered:**

Period	Area	Date of Commencement	Details of Activity

## **9.0 Additional Information**

### **9.1. Copy of Draft Agreement with Client to be provided**

### **9.2. Details of Custodian, if appointed:**

(Name, Address, SEBI Registration No., Date of Appointment)

### **9.3. In case Custodian is not appointed, details of facility for Safe Custody:**

(Details regarding safe custody facilities i.e. ownership details, office space, details of furniture and fixtures especially to perform custodian functions)

### **9.4. Details of Registration with RBI**

## **10.0 DECLARATIONS**

10.1. Declaration of compliance with Regulation 7 (2) signed by at least Two Directors

10.2. Declaration for Fit and Proper Person as specified in SEBI (Intermediaries) Regulations, 2008

10.3. Declaration of Compliance with clause 12 (b) Schedule III of the Regulations.

10.4. Declaration of Compliance with SEBI circular on fees and charges

10.5. Type and frequency of reports sent/ proposed to be sent to clients

10.6. Time taken for transfer of securities into client accounts

10.7. Declaration of submission of Half yearly report, Monthly report, and Disclosure Document to SEBI

10.8. Compliance with Regulation 27(e) of Regulations - regarding maintenance of records for Investment rationale decision

10.9. Availability of Disclosure document on website

### **DECLARATION**

*This declaration must be signed by two directors*

---

I/We hereby, apply for Registration. I/We warrant that I/We have truthfully and fully answered the questions above and provided all the information which might reasonably be considered relevant for the purposes of my/our registration.

For and on behalf of

---

(Name of Applicant)

Director

Director

\_\_\_\_\_

\_\_\_\_\_

Name in Block Letters

Name in Block Letters

Place:

Place:

Date:

Date:

## **FORM B**

*Securities and Exchange Board of India (Portfolio Managers) Regulations,  
2019*

[Regulation 8]

### **Certificate of Registration**

- I. In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the regulations made thereunder for the portfolio managers the Board hereby grants a certificate of registration to \_\_\_\_\_ as a portfolio manager subject to the conditions in the rules and in accordance with the regulations.
- II. Registration Code for the portfolio manager is PM / /
- III. This certificate of registration shall be valid till it is suspended or cancelled by the Board.

Place:

Date:

By Order

For and on behalf of  
Securities and Exchange Board of India  
Authorised signatory

**FORM C**

Securities and Exchange Board of India (Portfolio Managers) Regulations,  
2019

[Regulation 14]

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(Name of the Portfolio Manager)

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(Address of the Portfolio Manager (including phone numbers, fax, email  
etc.))

We confirm that:

- i) the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2019 and the guidelines and directives issued by the Board from time to time;
- ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management
- iii) the Disclosure Document has been duly certified by an independent

chartered accountant (Indicate name, address, phone number and registration number of the chartered accountant)on \_\_\_\_\_ (date).

(Enclose a copy of the chartered accountants' certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision)

Date: \_\_\_\_\_ Signature of the Principal Officer  
Place: \_\_\_\_\_ Name and address of the Principal Officer]

### SCHEDULE II

*Securities and Exchange Board of India (Portfolio Managers) Regulations,  
2019*

[Regulation 12]

### **FEES**

1. Every portfolio manager shall pay a non-refundable fee of one lakh rupees along with the application for grant of certificate of registration.
2. Every portfolio manager shall pay a sum of ten lakh rupees as registration fees at the time of the grant of certificate by the Board.]
3. A portfolio manager who has been granted a certificate of registration, to keep its registration in force, shall pay fee of five lakh rupees every three years , from the date of grant of certificate of registration or from the date of grant of certificate of registration granted prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016, as the case may be, within three

months before expiry of the block period for which fee has been paid.

3. (a) The fee referred to in paragraph (1A) shall be paid by the portfolio manager within fifteen days from the date of receipt of intimation from the Board under regulation 8 by way of demand draft in favour of 'Securities and Exchange Board of India' payable at Mumbai or at respective regional or local office or by way of by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI.]
4. The fees specified in paragraphs (1) and (2) above, shall be payable by the portfolio manager by a demand draft in favour of "Securities and Exchange Board of India" payable at Mumbai or at the respective regional office by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI

### SCHEDULE III

*Securities and Exchange Board of India (Portfolio Managers) Regulations,  
2019*

[Regulation 13]

### **CODE OF CONDUCT- PORTFOLIO MANAGER**

1. A portfolio manager shall, in the conduct of his business, observe high standards of integrity and fairness in all his dealings with his clients and other portfolio managers.
2. The money received by a portfolio manager from a client for an investment purpose should be deployed by the portfolio manager as soon as possible for that purpose and money due and payable to a client



should be paid forthwith.

3. A portfolio manager shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment. The portfolio manager shall either avoid any conflict of interest in his investment or disinvestment decision, or where any conflict of interest arises, ensure fair treatment to all his customers. He shall disclose to the clients, possible source of conflict of duties and interests, while providing unbiased services. A portfolio manager shall not place his interest above those of his clients.
4. A portfolio manager shall not execute any trade against the interest of the clients in its proprietary account

A portfolio manager shall not make any statement or become privy to any act, practice or unfair competition, which is likely to be harmful to the interests of other portfolio managers or is likely to place such other portfolio managers in a disadvantageous position in relation to the portfolio manager himself, while competing for or executing any assignment.

5. A portfolio manager shall not make any exaggerated statement, whether oral or written, to the client either about the qualification or the capability to render certain services or his achievements in regard to services rendered to other clients.
6. At the time of entering into a contract, the portfolio manager shall obtain in writing from the client, his interest in various corporate bodies which enables him to obtain unpublished price-sensitive information of the body corporate.
7. A portfolio manager shall not disclose to any clients, or press any

confidential information about his client, which has come to his knowledge.

8. The portfolio manager shall where necessary and in the interest of the client take adequate steps for registration of the transfer of the clients' securities and for claiming and receiving dividends, interest payments and other rights accruing to the client. He shall also take necessary action for conversion of securities and subscription/renunciation of/or rights in accordance with the clients' instruction.

9. A portfolio manager shall endeavor to -

- (a) ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them;
- (b) render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills;
- (c) ensure that all professional dealings are effected in a prompt, efficient and cost effective manner.

10. (1) A portfolio manager shall not be a party to -

- (a) creation of false market in securities;
- (b) price rigging or manipulation of securities;
- (c) passing of price sensitive information to brokers, members of the stock exchanges and any other intermediaries in the capital market or take any other action which is prejudicial to the interest of the investors.

(2) No portfolio manager or any of its directors, partners or manager shall

either on their respective accounts or through their associates or family members, relatives enter into any transaction in securities of companies on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment.

11.(a) A portfolio manager or any his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his long or short position in the said security has been made, while rendering such advice.

(b) In case an employee of the portfolio manager is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

12. (a)The portfolio manager shall abide by the Act, and the Rules, Regulations made thereunder and the Guidelines / Schemes issued by the Board.

(b) The portfolio manager shall comply with the model code of conduct specified in the SEBI (Prohibition of Insider Trading) Regulations, 1992.

(c) The portfolio manager shall not use his status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.

SCHEDULE IV

**CONTENTS OF AGREEMENT BETWEEN THE PORTFOLIO MANAGER  
AND HIS CLIENTS**

[Regulation 14]

The following shall be mentioned in the agreement -

1. Appointment of portfolio manager.
  
2. Scope of services to be provided by the portfolio manager subject to the activities permitted under SEBI (Portfolio Managers) Regulations, 2019, viz, advisory, investment management, custody of securities, keeping track of corporate benefits associated with the securities. The Portfolio Manager shall act in a fiduciary capacity and as a trustee and agent of the clients' account.
  
3. Functions, obligations, duties and responsibilities (as discretionary and non-discretionary to be given separately) with specific provisions regarding instructions for non-discretionary portfolio manager, *inter alia* -
  - (i) terms incompliance with the Act, SEBI (Portfolio Managers) Regulations,2019, rules, regulations, guidelines made under the Act and any other laws/rules/regulations / guidelines etc.;
  - (ii) providing reports to clients;
  - (iii) maintenance of client wise transaction and related books of

accounts;

- (iv) provisions regarding audit of accounts as required under the SEBI (Portfolio Managers) Regulations, 2019;
- (v) settlement of accounts and procedure therefore including the provisions for payment on maturity or early termination of the contract.

4. Investment objectives and guidelines -

- (i) Types of securities in which investment would be made specifying restrictions, if any.
- (ii) Particulars regarding amount, period of management, repayment or withdrawal.
- (iii) Taxation aspects such as Tax Deducted at Source etc., if any.
- (iv) Condition that the portfolio manager shall not lend the securities of the client unless authorized by him in writing.

5. Risk factors

- (i) A detailed statement of risks associated with each type of investment including the standard risks associated with each type of investment.

6. Period of agreement- the agreement shall provide the minimum period and provision for renewal in case of a renewable agreement.

7. Conditions, under which agreement may be altered, terminated and implications thereof, such as settlement of amounts invested, repayment obligations etc.

- (i) Voluntary/mandatory termination by the portfolio manager;

- (ii) Voluntary/mandatory termination by the client;
  - (iii) Suspension by the Board or other regulatory authority.
8. Maintenance of Accounts- Maintenance of accounts separately in the name of the client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided under SEBI (Portfolio Managers) Regulations, 2019.
9. Change in the quantum of funds to be managed- The conditions under which the client may withdraw cash or securities from the portfolio account or bring in additional cash to be managed as per the terms and conditions that apply. The portfolio manager shall not change any terms of the agreement without prior consent of the client.
10. Access to information- (Subject to the provisions of SEBI (Portfolio Managers)Regulations,2019) - Provisions enabling client to get the books of accounts of the portfolio manager relating to his transactions audited by a chartered accountant appointed by him and permitting the client an access to relevant and material documents of portfolio manager, provisions listing the documents for inspection along with timings for such inspection, furnishing of reports to the client subject to furnishing at least once in six months and the reports to be made available on the web site of the portfolio manager with restricted access to each client and other rights of clients etc. The provision that the statements / documents / report furnished by the portfolio manager to the client present a true and fair picture of the actual transactions.
11. Terms of Fees- The quantum and manner of payment of fees and charges for each activity for which services are rendered by the portfolio manager directly or indirectly (where such service is outsourced) such as investment management, advisory, transfer,

registration and transaction costs with specific references to brokerage costs, custody charges, cost related to furnishing regular communication, account statement, miscellaneous expenses (individual expenses in excess of 5% to be indicated separately)etc. The provision that the portfolio manager shall take prior permission from the client in this respect.

12. Billing- Periodicity of billing, whether payment to be made in advance, manner of payment of fees, whether setting off against the account etc., type of documents evidencing receipt of payment of fees.
13. Liability of portfolio manager- Liability of portfolio manager in connection with recommendations made, to cover errors of judgment, negligence, willful misfeasance in connection with discharge of duties, acts of other intermediaries, brokers, custodians etc.
14. Liability of client- restricting the liability of the client to the extent of his investment.
15. Death or Disability- providing for continuation/termination of the agreement in event of client's death/disability, succession, nomination, representation etc. to be incorporated.
16. Assignment- Conditions for assignment of the agreement by client.
17. Governing Law- The law/jurisdiction of country/state which governs the agreement to be stated.
18. Settlement of grievances/disputes and provision for arbitration- (Provisions to cover protection of act done in good faith, Risks and losses, redressal of grievances, dispute resolution mechanism, reference for arbitration and the situations under which such rights may arise, may be made).





## SCHEDULE V

### **DISCLOSURE DOCUMENT**

[Regulation 14]

#### **General instructions**

1. This Disclosure Document is to be given to the prospective client along with the account opening form (as per Format I) prior to signing of the agreement.
2. This Disclosure Document is to be filed with the Board before it is circulated or issued to any person and every six month thereafter or whenever any material changes are effected therein.
3. This model Disclosure Document enumerates the minimum disclosure requirements to be contained in the disclosure document. The portfolio manager may make any other disclosures, which in its opinion are material for the investor, provided that such information is a statement of fact and is not presented in an incomplete, inaccurate or misleading manner. It should also be ensured that inclusion of such information does not, by virtue of its nature or manner of presentation, hamper understanding of any information that is required to be included under the model disclosure document

The model Disclosure Document specifies only the nature of the disclosures that should be contained under various heads in the disclosure document, and is not intended to describe the layout or language to be contained therein.

## MODEL DISCLOSURE DOCUMENT FOR PORTFOLIO MANAGEMENT

The minimum disclosures to be given in the Disclosure Document shall be as under and due care shall be taken to present the information in simple language and in a clear, concise and easily understandable manner –

### *I. Front page*

- (i) The Document has been filed with the Board along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 2019.
- (ii) The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decision for engaging a portfolio manager.
- (iii) The necessary information about the portfolio manager required by an investor before investing, and the investor may also be advised to retain the document for future reference.
- (iv) The name, phone number, e-mail address of the principal officer so designated by the portfolio manager is..... (Give details).

### *II. Index page giving item number, contents and page number*

### *III. Contents of the Document*

#### **1) Disclaimer clause**

A statement to the effect that the particulars have been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2019 and filed with SEBI. This Document has neither been approved nor

disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

## **2) Definitions**

All terms used in the Disclosure Document be defined. The language and terminology used in the Disclosure Document shall be as provided in the Regulations. Any new term if used shall be clearly defined. All terms shall be used uniformly throughout the text of the Disclosure Document.

## **3) Description**

- (i) History, Present Business and Background of the portfolio manager
- (ii) Promoters of the portfolio manager, directors and their background
- (iii) Top 10 Group companies/firms of the portfolio manager on turnover basis (latest audited financial statements may be used for this purpose)
- (iv) Details of the services being offered: Discretionary/ Non discretionary / Advisory.

## **4) Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority.**

- (i) All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder.
- (ii) The nature of the penalty/direction.
- (iii) Penalties imposed for any economic offence and/ or for violation of any securities laws.

- (iv) Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any.
- (v) Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.
- (vi) Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder..

## **5) Services Offered**

- (i) The present investment objectives and policies including the types of securities in which it generally invests shall be clearly and concisely stated in the document for easy understanding of the potential investor.
- (ii) The policies for investments in associates/group companies of the portfolio manager and the maximum percentage of such investments therein subject to the applicable laws/regulations/ guidelines.

## **6) Risk factors**

- (i) Statement to the effect that securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.
- (ii) Statement to the effect that past performance of the portfolio manager does not indicate its future performance.
- (iii) Risk arising from the investment approach, investment objective, investment strategy and asset allocation.
- (iv) Risk arising out of non-diversification, if any.

- (v) If the portfolio manager has no previous experience/ track record a disclosure to that effect shall be made.
- (vi) All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the client's portfolio.
- (vii) If the portfolio manager has group companies, a disclosure of conflict of interest related to services offered by group companies of the portfolio manager if any.

## 7) Client Representation

(i)

<i>Category of clients</i>	<i>No. of clients</i>	<i>Funds managed (Rs. Cr.)</i>	<i>Discretionary/ Non Discretionary(if available)</i>
Associates /group companies  Last 3 years			
Others ( <i>last 3 years</i> )			
Total			

- (ii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.
- 8)** The Financial Performance of the portfolio manager based on audited financial statements and in terms of procedure prescribed by the Board for assessing the performance.
- 9)** Portfolio Management performance of the portfolio manager for the last three years, and in case of discretionary portfolio manager disclosure of performance indicators calculated using weighted average method in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 2019.

#### **10) Nature of expenses**

- (i) Investment management and advisory fees
- (ii) Custodian fee
- (iii) Registrar and transfer agent fee
- (iv) Brokerage and transaction cost

A brief explanation shall be given to assist the investor in understanding the various costs and expenses that an investor may have to bear directly or indirectly. Additionally, appropriate cross-references may be given to the relevant sections of the offer document for more complete description in this regard.

#### **11) Taxation**

Disclose the implications of investments in securities and the tax provisions

on Income/ Loss or Tax Deduction at Source on various investors.

## **12) Accounting policies**

Disclose the accounting policy followed by the portfolio manager while accounting for the portfolio investments of the clients.

## **13) Investors services**

- (i) Name, address and telephone number of the investor relation officer who shall attend to the investor queries and complaints.
- (ii) Grievance redressal and dispute settlement mechanism.

Date:

Name and signature of at least  
two Directors of Portfolio Manger

Place:

## FORMAT I (Account Opening Form)

### Information about the Client

#### 1) General information about the client

- (a) Name, primary mailing address, secondary (back up) mailing address, identity information such as photograph, Permanent Account Number (PAN), driving license etc.
- (b) Occupation \_\_\_\_\_
- (c) Introduced by \_\_\_\_\_ (name and full address)
- (d) Annual incomes for the last 3 financial years and the networth as on the last date of the respective years. (optional)

#### 2) Investment profile of the client

- (a) Investment experience regarding securities.
- (b) Indicative percentage of total investment portfolio proposed to be invested with the portfolio manager (optional).
- (c) Overall investment goals such as capital appreciation, capital appreciation & regular income or regular income.
- (d) Risk tolerance i.e. low, medium or high.
- (e) Time period for which investments are proposed to be made with the portfolio manager.
- (f) Provisions for systematic withdrawal on a monthly, quarterly, annual basis etc.

#### 3) Detailed investment objectives of the client



- (a) Equity: Nature of equities in which investments are desired, may be indicated.
- (b) Balanced: Percentage of debt/equity.
- (c) Debt: Government Bonds, corporate debt etc.
- (d) Mutual funds, venture funds etc.
- (e) Others.

Date:

Place:

Signature of the client]

**SCHEDULE VI**

**Declarations for Eligible Fund Managers**

**[Chapter II-A]**

**1. Declaration by an existing portfolio manager which intends to act as an eligible fund manager** (must be signed by two directors or designated partners, as the case may be)

We hereby declare that we are a SEBI registered portfolio manager with Registration Number ..... We intend to provide our services to eligible investment funds. In this regards, we declare that:

- a) We comply with subsection 4(a) of section 9A of Income-tax Act, 1961 (We are not an employee of the eligible investment fund or a connected person of the fund);
- b) We comply with subsection 4(c) of section 9A of Income-tax Act, 1961 (We are acting in the ordinary course of our business as a portfolio manager);
- c) We comply with subsection 4(d) of section 9A of Income-tax Act, 1961 (We along with our connected persons shall not be entitled, directly or indirectly, to more than twenty per cent of the profits accruing or arising to the eligible investment fund from the transactions carried out by the fund through us); and
- d) We shall comply with any other requirements as may be specified by the Government and/or any regulatory body from time to time.

For and on behalf of

(Name of Applicant)

\_\_\_\_\_

\_\_\_\_\_

Director 1/ Designated Partner 1

Director 2/ Designated Partner 2

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Name in Block Letters

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Name in Block Letters

Place:

Place:

Date:

Date:

**2. Declaration by an applicant who intends to act as a portfolio manager to eligible investment funds (must be signed by two directors or designated partners, as the case may be) We hereby declare that we are applying to SEBI to be registered as a portfolio manager. We intend to provide our services to eligible investment funds. In this regards, we declare that:**

a) We comply with subsection 4(a) of section 9A of Income-tax Act, 1961 (We are not an employee of the eligible investment fund or a connected person of the fund);

b) We comply with subsection 4(c) of section 9A of Income-tax Act, 1961 (We are acting in the ordinary course of our business as a portfolio manager);

c) We comply with subsection 4(d) of section 9A of Income-tax Act, 1961 (We along with our connected persons shall not be entitled, directly or indirectly, to more than twenty per cent of the profits accruing or arising to the eligible investment fund from the transactions carried out by the fund through us);

d) We may engage in the activity of fund management for eligible investment funds, subject to registration provided by SEBI under SEBI (Portfolio Managers) Regulations, 2019; and

e) We shall comply with any other requirements as may be specified by the Government and/or any regulatory body from time to time.

For and on behalf of

\_\_\_\_\_  
(Name of Applicant)

\_\_\_\_\_  
Director 1/ Designated Partner 1    Director 2/ Designated Partner 2

_____	_____
Name in Block Letters	Name in Block Letters
Place:	Place:
Date:	Date: