



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

SEBI/HO/IMD/DF1/OW/P/2021/32412/1
November 12, 2021

Shri. Amit Khandelwal
Sicomoro Advisors Pvt. Ltd.
102, Pharma Search House, 72/73 Worli Hill Estate,
Dr. B. G. Kher Road, Worli,
Mumbai - 400018

Dear Sir,

Sub: Request for informal guidance by way of "no action letter" under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ("IA Regulations") by Sicomoro Advisors Pvt. Ltd. (SAPL).

1. This has reference to your letter dated May 14, 2021 and subsequent communications seeking informal guidance by way of "no action letter" under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (the "Scheme").
2. In your letter under reference you have, *inter alia*, represented as follows:
 - 2.1. Sicomoro Advisors Pvt. Ltd. (SAPL), a SEBI registered Investment Adviser (the "IA") with registration number INA000009834.
3. In your communications, you have, *inter alia*, submitted the following:
 - 3.1. "SAPL proposes to provide implementation services to its advisory clients in accordance with Regulation 22A of the IA Regulations through the following products, collectively referred to as "Proposed Investment Products":
 - Investment in the units of Alternative Investment Funds ("AIFs");
 - Investment in Government related securities;
 - Investment in private equity funds and venture capital funds that invest in securities;
 - Investment in mutual funds investing in offshore jurisdictions; and

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 विनिमय बोर्ड
**Securities and Exchange
Board of India**

- *Investment in Corporate Deposits offered by corporate bodies including Non-Banking Financial Companies ("NBFCs").*

3.2. *Under the provisions of IA Regulations, an investment adviser is permitted to provide advice in relation to, inter alia:*

- a. investing in, purchasing, selling or otherwise dealing in securities and investment products;*
- b. investment portfolio containing securities or investment products.*

As stated in the application letter, Sicomoro can provide implementation services in all the products listed under the definition of the term 'securities' under the SCRA

3.3. *As there are no direct schemes, plans or investment options available in India with respect to the 'Proposed Investment Products', any consideration including commission or referral fees received by SAPL from any third party for providing the implementation services in relation to the 'Proposed Investment Products' would immediately be transferred to the clients, without any deductions, in any manner whatsoever ("Prospective Business").*

3.4. *Under the Prospective Business, Sicomoro proposes to provide implementation services in relation to the Proposed Investment Products, by accepting the commission / fee from the issuer of such Proposed Investment Products and immediately providing credit for or remitting to the relevant clients the entire monetary benefit, and Sicomoro shall in no manner derive any benefit from such commission or fees for itself, or for its group companies, directly or indirectly."*

3.5. In view of the above you have sought a no-action letter under the scheme from SEBI confirming the following:

- 3.5.1. "The Proposed Investment Products (as defined in the Application) where direct plans/ schemes are not available, Sicomoro can provide advice and implementation services, in relation to the Proposed Investment Products.*
- 3.5.2. Whether the implementation services through Proposed Investment Products are permitted under Regulation 22A of the IA Regulations; and*
- 3.5.3. Whether the Prospective Business is in accordance with Regulation 22A of the IA Regulations."*



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

4. The submissions made in your communications have been considered. Without necessarily agreeing with your analysis, our views on the issues raised are as under:

4.1. With respect to the query at para 3.5, reference is drawn to para 2 (i) (h) of the SEBI Circular dated September 23, 2020 which, *inter alia*, states the following:

“To ensure client level segregation at Investment Adviser’s group/family level, as per Regulation 22 (5) of IA Regulations, following compliance and monitoring process shall be adopted:

....

h. IA shall, wherever available, advice direct plans (non-commission based) of products only.”

4.2. In view of the above, an investment adviser shall, *inter alia*, advice on direct plans, wherever available while ensuring that the same is non-commission based.

4.3. Reference is further drawn to Regulation 22A of IA Regulations, which provides for the following:

“(1) Investment adviser may provide implementation services to the advisory clients in securities market:

Provided that investment advisers shall ensure that no consideration including any commission or referral fees, whether embedded or indirect or otherwise, by whatever name called is received; directly or indirectly, at investment adviser’s group or family level for the said service, as the case maybe.

(2) Investment adviser shall provide implementation services to its advisory clients only through direct schemes/products in the securities market.

(3) Investment adviser or group or family of investment adviser shall not charge any implementation fees from the client.

.....”

4.4. As per Regulation 22A (2) of the IA Regulations, an IA can only provide implementation services in direct schemes/ products in the securities market. Further, in terms of the proviso to Regulation 22A (1) of the IA Regulations, an IA shall ensure that no consideration including any commission or referral fees, whether embedded or indirect or otherwise, by whatever name called is received, directly or indirectly, at investment adviser’s group or family level for the said service, as the case maybe.



अनुवर्ती :
Continuation :

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

- 4.5. In view of the submissions made by you, an IA providing implementation services with respect to the products, where direct schemes/ products are not available, irrespective of whether any consideration in any manner (commission, referral fees, etc.) is received by IA, may amount to violation of the provisions of the IA Regulations.
5. The above position is based on the information furnished in your letters under reference. Different facts or conditions might lead to different interpretation. Further this letter does not express decision of the Board on the questions referred.
6. You may note that the above views are expressed only with respect to the clarification sought in your letters under reference with respect to Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 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,


Manaswini Mahapatra