



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

GENERAL MANAGER  
INVESTMENT MANAGEMENT DEPARTMENT  
POLICY DIVISION-1

SEBI/HO/IMD/IMD-PoD-1/OW/P/2023/5099/1  
February 10, 2023

**Motilal Oswal Asset Management Company Ltd.**  
10th Floor, Motilal Oswal Tower,  
Rahimtullah Sayani Road,  
Prabhadevi,  
Mumbai, Maharashtra - 400025

**Kind Attn: Ms. Aparna Karmase, Head - Compliance, Legal & Secretarial**

Madam/ Dear Sir,

**Sub: Request for interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 by Motilal Oswal Asset Management Company Ltd.**

1. *Vide* letter dated December 22, 2022, Motilal Oswal Asset Management Company Ltd. ("MOAMC") has represented that MOAMC is registered with SEBI as a Portfolio Manager with registration number INP000000670, since August 21, 2017.
2. MOAMC has sought an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("IG Scheme") on the following query:

**2.1. Background:**

- a) In case of electronic writing, not all investors are well equipped with relevant software/ hardware to support electronic writing through stylus pen or using their fingers on the relevant portion of Annexure. To avoid such delays or any hassles and delays associated with documentations, MOAMC would like to propose following process for ensuring compliance with requirement of the circular:

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



अनुवर्ती :  
Continuation : - 2 -

भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

- i. During the verification process, the new clients shall capture his/her live photo and accept the declaration pre-typed for the terms and fee structure, and upload their specimen signature in this panel.
- ii. Upon acceptance of declaration, IP and GPS will be captured and stored. Same shall be captured during live photo. The time gap between live photo and acceptance of declaration would not be more than 3 minutes, else, entire transaction needs to be processed again.
- iii. Users shall declare and provide a reason if their signature is different than on the PAN card. The user must provide all consents and declaration required for this PMS application by clicking on the appropriate checkboxes in the panel.
- iv. Keeping client's convenience in mind as well as the complete compliance parameters, we would like to implement a systematic electronic on boarding, wherein clients have to mandatorily provide consent on the fees and charges structure and then can submit the account opening forms.

**2.2. Query:**

- a) MOAMC has requested SEBI to issue an imperative letter under SEBI Informal Guidance Scheme, 2003, with guidance on whether aforementioned proposal is meeting compliance requirement under SEBI circular no. Cir./IMD/DF/13/2010 dated October, 05, 2010.

3. The submissions made in the letter and email under reference have been considered. Without necessarily agreeing with the analysis of MOAMC, our response to the query raised is as under:

3.1. Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 ("PM Regulations, 2020") *inter alia* requires a portfolio manager to enter into an agreement in writing with the client that clearly sets out their mutual rights, liabilities and obligations. Schedule IV of the PM Regulations, 2020, which details the 'Contents of Agreement between the Portfolio Manager and his Clients', *inter alia* requires that the quantum and manner of payment of fees and charges for each activity for which services are rendered by the portfolio manager are to be mentioned in the Agreement. Regulation 42 of the PM Regulations, 2020, also mentions that after the repeal of the Securities and



अनुवर्ती :  
Continuation : - 3 -

भारतीय प्रतिभूति  
और विनिमय बोर्ड  
Securities and Exchange  
Board of India

Exchange Board of India (Portfolio Managers) Regulations, 1993 ("PM Regulations, 1993"), any reference thereto in any other regulations made, guidelines or circulars issued thereunder shall be deemed to be a reference to the corresponding provisions of the PM Regulations, 2020.

- 3.2. SEBI had noticed that clauses relating to fees and charges in the portfolio manager-client agreement did not always clearly reflect the fees and charges payable by the client and the manner of computation of the same. To bring about greater uniformity, clarity and transparency with regard to fees and charges, SEBI issued circular dated October 5, 2010 ("Circular") and clause 4 (j) of the said circular specifies that:

*"New clients shall be required to separately sign the annexure on fees and charges and add in their own handwriting that they have understood the fees/charge structure."*

- 3.3. The aforesaid requirement, as mentioned in clause 4 (j) of the Circular has been further clarified through an interpretative letter dated May 20, 2021, issued to Purnartha Investment Advisers Pvt. Ltd. under the IG Scheme, wherein it has *inter alia* been mentioned that:

*... as noted from the heading of the Clause 4(j) of the Circular, the intent of the provision is to disclose the fees and charges to the client and to ensure that the client has understood and acknowledged the fees and charges structure.*

*.... for compliance with clause 4(j) of the Circular, the clients may sign the annexure referred to in the Circular, using electronic signature as per the IT Act and write electronically that they have understood the fees/ charge structure, using their fingers or a stylus pen on the relevant portion of annexure on fees and charges, accessed by them on touch sensitive screen of their personal computing device.*

- 3.4. MOAMC has proposed that as a part of its electronic onboarding, for the purposes of declaration by clients regarding their understanding the fees/charge structure, instead of writing electronically using methods as mentioned above, clients would accept the pre-typed declarations by clicking on appropriate checkboxes.



अनुवर्ती :  
Continuation : - 4 -

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

- 3.5. Such electronic onboarding process, which completely avoids the requirement of clients writing the required text regarding their understanding of the fees/charge structure, would not be in compliance with clause 4 (j) of the Circular.
4. This above position is based on the information furnished in your letter and email 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.
5. 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 circulars issued under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 and do not affect the applicability of any other law and requirements of any other regulations, guidelines and circulars framed by the Securities and Exchange Board of India or of the laws administered by any other authority.

Yours faithfully,

  
Manaswini Mahapatra