GENERAL MANAGER
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MRD/DMS/194611/2010
January 21, 2010

Mr. Pallav Sinha,
Managing Director and Chief Executive,
Fullerton Securities & Wealth Advisors Ltd.
2nd Floor, Orchid Centre
Golf Course Road, Sector-53
Gurgaon – 122 002
Haryana.

Dear Sir,

Re: Your request for No Action Letter under para 5(i) of SEBI (Informal Guidance) Scheme 2003

1.0 Please refer to your letter dated September 22, 2008 and subsequent clarifications dated March 03, 2009 and January 19, 2010 in the captioned matter seeking 'No Action letter' under SEBI (Informal Guidance) Scheme 2003 (herein after referred as Scheme.)

2.0 In your letter under reference you have *inter alia* stated that:

a) Fullerton Securities & Wealth Advisors Limited (FSWA) is a company incorporated under the Companies Act, 1956 and is registered with the SEBI as a Stock Broker. Further FSWA is a wholly owned subsidiary of Fullerton India Credit Company Limited which is also a subsidiary company of Fullerton Financial Holdings, Singapore.

b) FSWA proposes to engage in the business of :
   i) Referrals/distribution of loans provided by non-banking financial company (NBFC)/banks/HFIs/lending institution to its customers, acting in capacity as agent or broker, with no personal financial liability;
   ii) Distribution of Mutual Funds;
   iii) Setting up a corporate agency for distribution of insurance products; and
   iv) Providing services as a depository participant.

c) In furtherance to the above proposal, FSWA contemplates to locate its sales personnel at its own branches in order to source customers and provide the range of permitted products and services as listed above to customers. As part of its distribution expansion initiatives, FSWA may also locate its sales personnel additionally at select or all branches of the Lender/s with whom it has a relationship to be able to cross sell and target prospects for its own wealth management and financial planning services to the lending services to the lender's customers, including equity broking services.

d) As a stockbroker, apart from intermediating for securities (as an NSE/BSE member) FWSA also proposes to distribute third party financial products such as loans to its clients by referring its clients to the Lender/s.

e) FSWA will agree with the Lender/s to refer their products to its clients for a fixed fee per loan or referral, which will be in line with market benchmarks prevailing for other agents of the Lender/s undertaking loan sourcing activities.

f) FSWA proposes to actively market a suite of services including its distribution services (as an agent without any financial liability) and actively solicit such business. This would include marketing of loans on a referral basis, assisting the customer in completing the loan documentation, helping collect the necessary documentation as stipulated by the lender/s to assist the lender's final client appraisal and KYC process and evidencing them "as original seen" as per the requirements of the lender/s to enable them to do their KYC.

3.0 You had also referred to Regulation 8 (1) (f) and (4A) of the Securities Contacts (Regulation), Rules, 1957; BSE notice no. 200512 13-3 dated December 13, 2005 and NSE circular No. NSE/INSP/2005/42 dated December 9, 2005 in respect of financing arrangements by trading members.

4.0 You had also stated that loans intended to be marketed viz. auto loans, housing loans, credit cards, personal loans, would not be intended for usage in the stock market. However in the event the customer does choose to use any of the facilities in the stock market, FSWA will ensure compliance of the rules and regulations issued by respective bodies, as it would not have any arrangements with lender/s recognizing any specific rights of the Lender/s in relation to such loans and it would continue to act on the instruction of its clients. Also the decision to approve or decline all such loans referred by FSWA to the Lender/s, would be at the sole and complete discretion of the Lender/s and FSWA as an agent would have no role in any credit decisions.

5.0 The No Action Letter is sought by you under para 5 of the Scheme stating that the proposed agency activities of FSWA fall within the range of dealings envisaged under the exception to Rule 8(1)(f) of the SCRR and that the proposed activity will not result in any enforcement action or sanction from SEBI.

6.0 In terms of paragraph 7 of the Scheme, our views in relation to the issue raised in your letter under reference are as follows:

i) Rule 8(1) (f) is applicable if the applicant is engaged as principal or employee in any business other than that of securities or as broker or agent involving personal financial liability. You propose to act as an agent on behalf of the lenders for referring/distributing third party loans without taking on any personal financial liability. Such activity will not attract Rule 8(1) (f).

ii) SEBI Circulars: MFD/CIR/06/210/2002 dated June 26, 2002 and MFD/CIR/20/23230/2002 dated November 28, 2002; had prescribed the Code of Conduct for intermediaries of mutual funds along with mandatory registration of such intermediaries engaged in selling and marketing of mutual funds units (distributors, agents, brokers, sub-brokers or called by any other name, whether individuals or of any other organisation structure) with the Association of Mutual Funds in India ("**AMFI**").

Further, AMFI vide its Circular CIR/ARN-09/08-09 dated July 18, 2008 had also prescribed guidelines for registration of intermediaries in line with the above SEBI Circulars. In the said Circular, "**intermediary**" has been defined as follows:

"All persons or entities involved in selling and distribution of mutual fund products including inter alia brokers, sub-brokers, sole proprietor firms, consultants, financial advisors, channel partners, partnership firms, companies or called by any other name but shall not include collection centers…".

The above-mentioned SEBI circular has made registration of intermediaries with AMFI mandatory which would mean that no person or any entity would be entitled to sell units of mutual funds unless the person is registered with AMFI. AMFI has therefore made provision for issuing an AMFI Registration Number (ARN) and photo-identity card for Individual Intermediaries and Certification of Registration for Corporate/Non-Individual intermediaries. Accordingly, no mutual funds shall empanel Intermediaries who are not registered with AMFI. Therefore, you should obtain registration from AMFI for carrying on the business of distribution of mutual funds.

iii) Rule 8(1)(f) of Securities Contract Regulation Rules which states that a person shall not be eligible to be elected as member of stock exchange if he is engaged in any business other than that of securities and commodity derivatives. However, by exception, it is permitted for such person to act in the capacity of a broker or agent without involving any personal financial liability.

You propose to set up a corporate agency for distribution of insurance products. It is gathered that Insurance Regulatory and Development Authority (IRDA) has issued certain direction viz. IRDA (Licensing of Corporate Agents) Regulations, 2002 and the Guidelines on licensing of corporate agents, 2005.You are advised to ensure compliance with IRDA directives before acting as corporate agent for the distribution of insurance products.

iv) With regard to providing services as a depository participant, you are not prohibited from doing so provided you fulfill the requirements for registration as contained in SEBI (Depositories & Participants) Regulations, 1996.

7.0 However while providing above said services to the clients, you have to maintain high standard of services towards clients and maintain a Chinese wall policy.

8.0 As requested by you, this letter will not be made available to the public for a period of 90 days from the date of this letter.

9.0 This position is based on the representation made to the Division in your aforesaid letters under reference. Different facts or condition might require different results. This letter does not express a decision of the Board on the question referred.

10.0 You may note that the above views are expressed only with respect to the clarification sought on the circular referred by you in your aforesaid letter and do not affect the applicability of any other law or Regulations of SEBI.

Yours faithfully,

MANOJ KUMAR