Date 25 SEP 2008

Fullerton Securities & Wealth Advisors Ltd.
Building No. 9, Ground Floor, Tower A
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22 September 2008

To
The Securities and Exchange Board of India
Market Intermediaries Regulation and Supervision Department
SEBI Bhawan, Plot No.C4-A
'G' Block, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051

Attention: Mr. Piyush Gupta, General Manager

Re: Request for a No Action Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.

1. This request is made by Fullerton Securities & Wealth Advisors Limited ("***FSWA***"), a stock broking company seeking guidance by way of a No Action Letter under para 5(i) of the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003, (the "Scheme"), in respect of its proposal to refer/ distribute loans provided by banks and non banking finance companies ("***NBFCs***") (the proposed referral activity has been described in para B below).

2. The Applicant states that the request does not fall within the points set out in para 6 of the said Scheme.

A. **BACKGROUND & MATERIAL FACTS**

3. FSWA is a company incorporated under the Companies Act, 1956 and is registered with the Securities and Exchange Board of India (the "***SEBI***" or the "***Board***") as a stock broker. It is a wholly owned subsidiary of Fullerton India Credit Company Limited ("***FICCL***").

4. In addition to its stock broking activities, FSWA proposes to engage in the business of

    (i) Distribution of Mutual Funds;

    (ii) Corporate agency for distribution of insurance products;

    (iii) Providing services as a depository participant;

    (iv) Referrals of third party loans (personal loans, credit cards, auto loans, housing loans and loans against shares) provided by banks/NBFCs/HFIs/any lending institution (hereinafter referred to as "the Lender/s"), including but not limited to FICCL, a wholly owned subsidiary of Fullerton Financial Holdings, Singapore, which is engaged in the business of providing loans and services to its customers, under registration with the Reserve Bank of India . In pursuance of the aforesaid referral activity FSWA, shall enter into an agreement as an agent of the Lender/s, without any financial liability,

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5. In furtherance of the proposed business, FSWA will 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 lender's customers, including equity broking services.

B. THE PROPOSED REFERRAL/AGENCY ACTIVITY

6 (i) The clients that FSWA proposes to target for its stock broking services also demand a full suite of financial products, including mutual funds, insurance products, depository services, credit cards, personal loans, auto loans, loans against shares, housing loans etc. Therefore, as a stockbroker, apart from intermediating for securities (as an NSE/BSE member) FSWA also proposes to distribute third party financial products such as loans to its clients by referring its clients to the Lender/s

(ii) 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.

(iii) 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, informing the customer of the Lender's decision, on the lender's behalf, regarding the approval of the loan after the lender assesses/appraises/confirms the approval/decline decision on the loan, providing customer statements for all financial products distributed through FSWA (where applicable for loans, the statements to be on the lenders statement and prepared by them, and such distribution of the same to be done by FSWA for customer convenience, only on behalf of lender/s). The collection and filling of all documentation and details for loans is to done as stipulated by the lending institution on the requirements of the Lender/s to ensure they have appropriate data available for them to assess and do a KYC as per the Reserve Bank of India requirements, applicable to them (if required, the lender/s, can/would directly approach the customer subsequently for KYC assessment and or to seek additional documentation if required). FSWA shall act solely as an agent for the distribution/referral of loans and shall only on the lender's behalf collect the documentation required and stipulated by them. FSWA shall not, at any point of time, be responsible for doing the KYC and will not take on any financial liability, or make credit decisions in respect of the loan products or any of its other ancillary lines of business. All KYC and lending decisions relating to the credit program and individual credit approvals would be the responsibility solely of the Lender/s with which FSWA has a referral arrangement.

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C. APPLICABLE LEGAL PROVISIONS

7. The Applicant believes that such referral activity is permitted in accordance with Rule 8 of the Securities Contracts (Regulation) Rules, 1957 (the "*SCRR*") in accordance with which a stock broker may be engaged in a business 'other than the business of securities' '*as a broker or agent not involving any personal financial liability*'.

8. The relevant extracts of Rule 8 of the SCRR are reproduced below for ease of reference

> *"8. The rules relating to admission of members of a stock exchange seeking recognition shall inter alia provide that*
> *(1) No person shall be eligible to be elected as a member if –*
> *(f) he is engaged as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability unless he undertakes to severe his connection with such business;"*
>
> *(4A) A company as defined in the Companies Act, 1956 (1 of 1956), shall also be eligible to be elected as a member of a stock exchange if -*
> *(i) ...*
> *(iv) the directors of the company are not disqualified from being members of a stock exchange under clause (1) except sub-clause (b) and sub-clause (f) thereof or clause (3) except sub-clause (a) and sub-clause (f) thereof and the Directors of the Company had not held the offices of the Directors in any company which had been a member of the stock and had been declared a defaulter or expelled by the stock exchange;"*

9. The Applicant is also aware of the restrictions imposed on a trading member vide BSE notice no. 20051213-3 dated December 13, 2005 and NSE circular No. NSE/INSP/2005/42 dated December 9, 2005 in respect of financing arrangements by trading members.

10. The proposed arrangement of the referral activity pertains to multiple categories of products that could be distributed for and on behalf of the Lender/s. The transaction would not be done with an intent to build any agreement or arrangement between the Lender/s and FSWA whereby the Lender/s would fund the transaction executed by FSWA on behalf of its clients. Neither would such transaction be done to recognize or act in accordance with any agreements entered into between the client and the Lender/s.

In fact, the 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 above as it would not have any arrangements with the Lender/s recognizing any specific rights of the Lender/s in relation to such loans and it would continue to act on the instructions of its clients. Also, as mentioned in point 6 (iii), 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.

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D. **REQUEST**

(i) Given the aforesaid proposal, FSWA shall act solely as an agent or broker for the distribution/referral of third party loans and shall not, at any point of time, take on any personal or corporate financial liability. We seek the Board's confirmation regarding the proposed referral/agency activity in the form of a No Action Letter under paragraph 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 and request for further advice on the interpretation/scope of Rule 8 of the said Rules as regards the permissibility of the proposed agency activity in the instant case.

(ii) We would also like to reiterate that the aforesaid proposal is crucial to the business plan which FSWA plans to undertake.

11. As this is a proprietary business model and would be easy to copy, if made public, we request SEBI to keep the same confidential.

12. The certified copies of the SEBI registration certificates are enclosed for your perusal.

13. The Company represented by the Chief Executive Officer/Managing Director either in person or through their authorised representatives would be pleased to present themselves for an interview or appearance to reply to any issues, queries or clarifications as the Securities and Exchange Board of India may deem necessary in this regard.

14. This request is accompanied by a demand draft of Rs. 25,000/- drawn on [•]* bearing number [•]* towards the fees payable for the Guidance.

Yours faithfully,

Pallav Sinha
Managing Director & Chief Executive
Fullerton Securities & Wealth Advisors Limited

Enclosure: a/a

* Demand Draft No 251499 dated 29.09.08 for a sum of Rs 25,000/- in favour of Securities & Exchange Board of India