



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

SEBI/HO/IMD/DF1/OW/P/2021/0000000694/1
January 08, 2021

Mr. Binkle R Oza
HDFC Securities Limited
Think Techno Campus, Building-B,
"Alpha" Office Floor 8
Kanjurmarg (East), Mumbai 400 042

Dear Sir,

Sub: Request for interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 by HDFC Securities Limited

1. This has reference to your letter dated November 2, 2020 seeking guidance by way of an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003 on the captioned subject.
2. In your communication under reference you have, *inter alia*, submitted that HDFC Securities Limited is registered with SEBI as an Investment Adviser and as a Stock Broker with Stock Broking being the primary business, and sought guidance on the following –

"Can a trading member receive broking income from Advisory clients for execution services?"

3. The submissions made in your letter has been considered, without necessarily agreeing with your analysis and our response on the queries raised in your letter are as under –

3.1. With regards to query at para 2, Regulation 22A of SEBI (Investment Advisers) Regulations, 2013 provides as under –

"22A. Implementation of advice or execution.



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- 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) *The client shall not be under any obligation to avail implementation services offered by the investment adviser."*

3.2. For the guidance sought the following is stated –

- 3.2.1. The client has signed up with the same entity for both broking services and investment advisory.
 - 3.2.2. As per the aforesaid provisions of Regulation 22A, an Investment adviser may provide implementation services to the advisory clients in securities market. However, the client shall not be under any obligation to avail implementation services and thus, only after the advisory client has given consent to receiving implementation services in securities market, Investment Adviser or group or family of Investment Adviser can provide implementation services. Further, the Investment adviser or group of the Investment Adviser shall not charge any implementation fees from the advisory client.
 - 3.2.3. Hence, a trading member or its group entity cannot receive any broking income from advisory clients while providing execution services whenever such execution is emanating from advice offered by the trading member as an Investment Adviser.
4. This above position is based on the information furnished in your letter 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 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,



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guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Manaswini Mahapatra