Annexure A

THE GAZETTE OF INDIA
EXTRAORDINARY
PART III – SECTION 4
PUBLISHED BY AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
MUMBAI, DAY, MONTH XX , 202X

SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 202X

No. XX- In exercise of the powers conferred by sub-section (1) of Section 30 read with sub-section (1) of section 11, clause (b) of sub-section (2) of Section 11 and sub-section (1) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely: ─

CHAPTER I
PRELIMINARY

1. Short title and commencement.

(1) These regulations may be called the Securities and Exchange Board of India (Portfolio Managers) Regulations, 202X.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions.

(1) In these regulations, unless the context otherwise requires, ─

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "accreditation agency" shall have the same meaning as assigned to it in clause (aa) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

(c) "accredited investor" means any person who fulfils the eligibility criteria as specified by the Board and is granted a certificate of accreditation by an accreditation agency;

(d) "Alternative Investment Fund" shall have the same meaning as assigned to it in clause (b) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

(e) "Associate" in relation to a portfolio manager, means -

i. a body corporate in which a director or partner of the portfolio manager holds, either individually or collectively, more than twenty percent of its paid-up equity share capital or partnership interest, as the case may be; or

ii. a body corporate which holds, either individually or collectively, more than twenty percent of the paid-up equity share capital or partnership interest, as the case may be of the portfolio manager.

(f) “body corporate” shall have the meaning assigned to it under sub-section (11) of Section 2 of the Companies Act, 2013 (18 of 2013) as amended from time to time;

(g) “certificate” means a certificate of registration issued by the Board;

(h) “Change in control” in case of a body corporate –

i. if its shares are listed on any recognised stock exchange, shall be construed with reference to the definition of control in terms of regulations framed under clause (h) of sub-section (2) of section 11 of the Act;
ii. if its shares are not listed on any recognised stock exchange, shall be construed with reference to the definition of control as provided in sub-section (27) of Section 2 of the Companies Act, 2013 (18 of 2013);

(i) “chartered accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(j) “Co-investment Portfolio Manager” means a Portfolio Manager who is a Manager of a Category I or Category II Alternative Investment Fund(s); and:

i. provides services only to the investors of such Category I or Category II Alternative Investment Fund(s); and
ii. makes investment only in unlisted securities of investee companies where such Category I or Category II Alternative Investment Fund(s) make investments:

Provided that the Co-investment Portfolio Manager may provide services to investors from any other Category I or Category II Alternative Investment Fund(s) which are managed by them and are also sponsored by the same Sponsor(s);

(k) “discretionary portfolio manager” means a portfolio manager who under a contract relating to portfolio management, exercises or may exercise, any degree of discretion as to the investment of funds or management of the portfolio of securities of the client, as the case may be;

(l) “eligible fund manager” shall have the same meaning as assigned to it in Schedule I of sub section (12) of section 9 of the Income-tax Act, 2025;

(m) “eligible investment fund” shall have the same meaning as assigned to it in Schedule I of sub section (12) of section 9 of the Income-tax Act, 2025;

(n) “goods” means the goods notified by the Central Government under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956 and forming the underlying of any commodity derivative;

(o) "inspecting authority" means one or more persons appointed by the Board to exercise powers conferred under Chapter VII;

(p) “investee company” shall have the same meaning as assigned to it in clause (o) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

(q) “investment approach” means a broad outlay of the type of securities and permissible instruments to be invested in by the portfolio manager for the client, taking into account factors specific to clients and securities.

(r) “large value accredited investor” means an accredited investor who has entered into an agreement with the portfolio manager for a minimum investment amount of ten crore rupees

(s) “Manager” shall have the same meaning as assigned to it in clause (q) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

(t) “MF only PMS (MF-PMS)” means a portfolio manager granted registration under Chapter VI.

(u) “net worth" means the aggregate value of paid up equity capital, securities premium account and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, deferred expenditure not written off, miscellaneous expenses not written off and any loans and advances given by Portfolio Manager including to their related parties or associates;

(v) “NISM” means the National Institute of Securities Market established by the Board;

(w) “Non- Discretionary Portfolio manager” means a portfolio manager who under a contract relating to portfolio management, manages the funds or portfolio of securities in accordance with the discretion of the client;

(x) “portfolio” means the total holdings of securities and goods belonging to any person;

(y) “portfolio manager” means a body corporate, which pursuant to a contract with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or goods or funds of the client, as the case may be:

Provided that the Portfolio Manager may deal in goods received in delivery against physical settlement of commodity derivatives.

(z) "principal officer" means an employee of the portfolio manager who has been designated as such by the portfolio manager and is responsible for: -

(i) the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be; and
(ii) all other operations of the portfolio manager.

(aa) "related party" in relation to a portfolio manager, means—
(i) a director, partner or his relative;
(ii) a key managerial personnel or his relative;
(iii) a firm, in which a director, partner, manager or his relative is a partner;
(iv) a private company in which a director, partner or manager or his relative is a member or director;
(v) a public company in which a director, partner or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
(vi) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
(vii) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is—
i. a holding, subsidiary or an associate company of the portfolio manager; or
ii. a subsidiary of a holding company to which the portfolio manager is also a subsidiary; or
iii. an investing company or the venturer of the portfolio manager;

Explanation.—For the purpose of this clause, "investing company or the venturer of a portfolio manager" means a body corporate whose investment in the portfolio manager would result in the portfolio manager becoming an associate of the body corporate.

(ix) a related party as defined under the applicable accounting standards;

(x) such other person as may be specified by the Board:
Provided that,
i. any person or entity forming a part of the promoter or promoter group of the listed entity; or
ii. any person or any entity, holding equity shares:
a. of twenty per cent or more; or
b. of ten per cent or more, with effect from April 1, 2023;
in the listed entity either directly or on a beneficial interest basis as provided

under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

shall be deemed to be a related party;

(bb) "securities lending" means securities lending as per the Securities Lending Scheme, 1997 specified by the Board;

(cc) "Sponsor" shall have the same meaning as assigned to it in clause (w) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;

(dd) "to be listed securities" means equity securities available for purchase or application or investment under public issue in an initial public offer, or debt securities under primary market issuance, till its listing on a recognized stock exchange;

(2) Words and expressions used and not defined in these regulations but defined in the Act shall have the meanings respectively assigned to them in the Act.

CHAPTER II

PROCEDURE FOR REGISTRATION OF PORTFOLIO MANAGERS

Registration as portfolio mangers

No person shall act as a portfolio manager unless it has obtained a certificate of registration from Board under these regulations.

3. Application for registration of portfolio managers and payment of fees

The application for registration of portfolio managers shall be made in the following manner:

(a) Any entity who intends to act as a portfolio manager shall be required to submit an application to the Board in the form specified by the Board, along with a non-refundable application fee as specified in the First Schedule.

(b) The Board may require the applicant to furnish further information or clarification regarding matters relevant to its activity of a portfolio manager for the purpose of disposal of the application.

(c) An application which is incomplete in any respect shall be liable to be rejected. Before rejecting any such application, the applicant shall be given an opportunity to remove objections indicated by the Board, within such time specified, not less than thirty calendar days.

(d) The Board, upon considering the application, is of the opinion that a certificate shall not be granted to the applicant, it may reject the application and same shall be informed to the applicant within thirty calendar days of the decision.

(e) The Board on being satisfied that the applicant fulfils all the requirements as specified under regulation 4 shall send an intimation to the applicant.

(f) The applicant shall pay registration fees as specified in First Schedule, within thirty calendar days of receiving intimation from the Board.

(g) Upon receipt of registration fees in accordance with sub-regulation (h) above, the Board may grant a certificate of registration in the format as specified by the Board.

(h) The certificate of registration granted under regulation 3(g) shall be valid unless it is suspended or cancelled by the Board.

4. Consideration of application.

For considering the grant of certificate of registration to the applicant, the Board shall take into account all matters which it deems relevant to the activities relating to portfolio management. The Board shall consider the following:

(a) Eligibility Criteria and Infrastructure Requirements:

S. no	Requirements	Description
(i)	Entity Type	Applicant shall be a body corporate.
(ii)	Infrastructure	The applicant has necessary infrastructure like adequate office space, equipment, dealing room and manpower to effectively discharge the activities of a portfolio manager.
(iii)	Key Appointments	The applicant has appointed a principle officer, compliance officer and one additional employee.
(iv)	Net worth	The applicant shall maintain minimum net worth requirement of at least five crore rupees. The net worth requirement under these regulations shall be fulfilled separately and independently, of the capital adequacy requirements, if any, for each activity undertaken by it under the relevant regulation and Act. The applicant shall ensure to deploy at least ten percent of its net worth in liquid assets which are unencumbered and shall include cash, bank deposits with Scheduled commercial Banks, money market instruments, Government securities, treasury bills, Repo on Government securities and any other instruments as specified by the Board. Existing portfolio manager would be required to comply within 12 months from the commencement of this regulation.

(v)	Fit and Proper requirement for applicant	The applicant is a fit and proper person in accordance with Schedule II of the SEBI (Intermediaries) Regulation, 2008.
(vi)	Investor Interest	Grant of certificate to the applicant is in the interest of investors.

(b) Personnel Qualification and Experience:

<table>
<tr><th>S. no.</th><th>Role</th><th>Education</th><th>Certification</th><th>Experience</th></tr>
<tr><td>(i)</td><td>Principal Officer</td><td>Graduation from a university or an institution recognized by the Central Government or any State Government or a foreign university; or a professional qualification in finance such as CFA, Chartered Accountant; and</td><td>The relevant NISM certification as specified by the Board from time to time and principal officer shall ensure that a fresh NISM certification is obtained before expiry of the validity of the existing certification to ensure continuity in compliance with the certification requirements; and</td><td>Experience of at least five years in related activities in the securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager;

Out of the above five years , at least 2 years of relevant experience is in portfolio management or investment advisory services or in the areas related to fund management.</td></tr>
<tr><td>(ii)</td><td>Additional Employee (at least one person)</td><td>Graduation from a university or an institution recognized by the Central Government or any State Government or a foreign university; and</td><td></td><td>An experience of at least two years in related activities in the securities market including in a portfolio manager, stock broker, investment advisor or as a fund manager.</td></tr>
<tr><td>(iii)</td><td>Any employee with decision making authority relating to fund management</td><td colspan="3">Any employee of the Portfolio Manager who has decision making authority related to fund management shall have the same minimum qualifications, experience and certification as specified for the Principal Officer.</td></tr>
</table>

5. Conditions for registration:

The certificate of registration granted under regulation 3(g) shall, *inter alia,* be subject to the following conditions, namely: -

(a) the portfolio manager shall abide by the provisions of the Act and these regulations;

(b) the portfolio manager shall promptly notify the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

(c) the portfolio manager shall pay the fees for registration as specified in First Schedule;

(d) the portfolio manager shall take adequate steps for redressal of grievances of the investors within twenty-one calendar days of the date of the receipt of the complaint and keep the Board informed about the number, nature and other particulars of the complaints received; and

(e) the portfolio manager shall maintain the net worth specified in clause (iv) of sub-regulation (a) of regulation 4 at all times during the period of the certificate.

(f) the portfolio manager shall obtain prior approval of the Board in case of change in control in such manner as may be specified by the Board.

(g) The portfolio manager shall be a fit and proper person as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulation, 2008.

(h) A portfolio manager shall establish its business activities within three years from the date of registration with the Board.

(i) For the purpose of clause (h) above, establishment of business activity mean a portfolio manager shall be required to fulfill such conditions, as may be specified by the Board, within the above mentioned period of three years to carry on its operation as a portfolio manager.

(j) Existing portfolio manager operating before the commencement of this regulation shall ensure to fulfill the requirement specified at clause (h) above within a period of thirty six months from the date of commencement of this regulation.

6. Continuance of registration

To keep the registration in force, a portfolio manager shall pay requisite fees specified in First Schedule, within three months before the expiry of the block period for which fees has been paid. In case where a portfolio manager fails to pay the such fees, the Board may suspend the certificate and the portfolio manager shall immediately cease to carry on the activity as a portfolio manager for the entire duration of suspension.

7. Surrender of Certificate of Registration.

A portfolio manager, desirous of giving up its activity as a portfolio manager, shall apply to the Board for surrender of the certificate granted under these regulations, in such manner and subject to such conditions as may be specified by the Board.

CHAPTER III
ELIGIBLE FUND MANAGERS

8. Applicability

This chapter applies exclusively to eligible fund managers pertaining to their activities as portfolio managers to eligible investment funds. All other provisions of these regulations and the guidelines and circulars issued thereunder, unless the context otherwise requires or is repugnant to the provisions of this chapter, shall apply to eligible fund managers in relation to their activities as portfolio managers to eligible investment funds**.**

9. Procedures

S. no	Entity Status	Mandatory Requirements to act as an EFM
(1)	**New applicant**	An applicant who is a body corporate intends to act as an eligible fund manager may be granted registration under regulation 3(g) if: a) it fulfills all the conditions specified for eligible fund manager in Schedule I of sub section (12) of section 9 of the Income-tax Act, 2025; b) it complies with the requirements specified under Chapter II of these regulations, unless specified otherwise in this Chapter; c) it pays the fees as specified in First Schedule; and d) it provides a declaration to the Board in the format as specified by the Board.
(2)	**Existing Portfolio Manager**	An existing portfolio manager may act as a portfolio manager to an eligible investment fund if: a) it fulfills all the conditions specified for eligible fund manager in Schedule I of sub section (12) of section 9 of the Income-tax Act, 2025; and b) it intimates the Board prior to undertaking such activity and submit declarations in the format as specified by the Board.

10. Obligation and Responsibilities of Eligible Fund Managers.

An eligible fund manager shall be required to: -

(a) comply with the requirements specified under Schedule I of sub section (12) of section 9 of the Income-tax Act, 2025 or any amendment, notification, clarification, guideline issued thereunder;

(b) offer discretionary or non-discretionary or advisory services or a combination thereof to eligible investment funds;

(c) operate in accordance to its mutually agreed contract with the eligible investment funds;

(d) provide all material disclosures to eligible investment funds;

(e) segregate funds and securities of each eligible investment fund;

(f) segregate the funds and securities of eligible investment funds from those of its other clients;

(g) maintain and segregate its books and accounts pertaining to its activities as a portfolio manager to eligible investment funds and other clients;

(h) appoint a custodian;

(i) The requirement of compliance with sub-clause (h) above, would not arise in case an eligible investment fund has already appointed a custodian under the applicable act or regulations;

(j) keep the funds of eligible investment funds in scheduled commercial banks;

(k) The requirement of compliance with sub-clause (j) above, would not arise in case an eligible investment fund does not intend to invest in Indian securities;

(l) maintain any additional records as may be specified by the Board and disclose the same to the Board as and when required;

(m) provide quarterly reports to the Board;

(n) ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations made thereunder;

(o) abide by the provisions in these regulations and circulars / guidelines issued by the Board from time to time.

11. Certain provisions not to apply.

The eligible fund managers shall be exempted from the following provisions pertaining to their activities as portfolio managers to eligible investment funds notwithstanding anything contained in these regulations, Schedules thereto or circulars issued thereunder:

(a) Clause (a), (b) of sub-regulation (1) and sub-regulation (2) of Regulation 16;
(b) Sub-regulation (3), (4), (5), (6), (7), (8), (12), (13) of Regulation 17;
(c) Sub-clause (iv) of clause (a) of sub-regulation (2) and Sub-regulation (4) of Regulation 18;
(d) Regulation 20;
(e) Sub-Regulation (5) of Regulation 24;
(f) Sub-regulation (1), (2), and (3) of Regulation 25;
(g) Third Schedule.

CHAPTER IV
CO-INVESTMENT PORTFOLIO MANAGERS

12. Applicability

The provisions of this chapter shall apply to co-investment portfolio managers. All other provisions of these regulations and the guidelines and circulars issued thereunder, unless the context otherwise requires or is repugnant to the provisions of this chapter, shall apply to co-investment portfolio managers.

13. Specific provisions for co-investment portfolio managers

(1) For requirement of appointing a principal officer at clause (i) of sub-regulation (b) of Regulation 4,

a co-investment Portfolio Manager may designate a member of the Key Investment Team of the Manager as the principal officer who fulfils the criteria specified in clause (g) of regulation 4 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, and in that case the requirement under clause (i) of sub-regulation (b) of Regulation 4 shall not apply to the principal officer so appointed.

(2) In addition to provisions mentioned in Third Schedule, following conditions shall be applicable on co-investment portfolio managers:

(a) the terms of co-investment in an investee company by a co-investor, shall not be more favourable than the terms of investment of the Alternative Investment Fund;

(b) the terms of exit from the Co-investment in an investee company including the timing of exit shall be identical to the terms applicable to that of exit of the Alternative Investment Fund;

(c) the early withdrawal of funds by the co-investors with respect to Co-investment in investee companies shall be allowed to the extent that the Alternative Investment Fund has also made an exit from respective investment in such investee companies.

(3) For requirement of calculation of performance of the portfolio manager at clause (ix) of sub-regulation (2) of Regulation 16, a co-investment portfolio manager shall calculate the performance in the manner agreed between the co-investment portfolio manager and the client.

(4) The co-investment portfolio manager shall invest hundred percent of the assets under management in unlisted securities of investee companies where Category I and Category II Alternative Investment Funds managed by it as Manager, make investment.

(5) For requirement of appointment of compliance officer specified in sub regulation (1) of regulation 28, a co-investment portfolio manager may assign the role of compliance officer to the principal officer appointed in terms of clause (i) of sub-regulation (b) of regulation 4.

14. Certain provisions not to apply.

The co-investment portfolio managers shall be exempted from the following provisions notwithstanding anything contained in these regulations, Schedules thereto or circulars issued thereunder:

(a) Regulation 4(a)(iv), 4(b)(i) and (ii);
(b) Regulation 5(e);
(c) Regulation 16(2)(b)(ix) and 16(2)(d);
(d) Regulation 17(3) and (6);
(e) Regulation 18(4)(a);
(f) Regulation 20;
(g) Regulation 28(1) and (2);
(h) Sub- clause (i) and (ii) of clause 7 of Schedule III.

CHAPTER V
GENERAL OBLIGATIONS AND RESPONSIBILITIES OF PORTFOLIO MANAGER

15. Code of Conduct.

Every portfolio manager shall abide by the Code of Conduct as specified in Second Schedule.

16. Contract with clients and disclosures.

(1) **Agreement between the Portfolio Manager and its clients**

(a) Before taking up an assignment of management of funds and portfolio on behalf of a client, the portfolio manager shall enter into a written agreement with such client defining their relationship and set out their mutual rights, liabilities and obligations relating to management of portfolio containing the details as specified in Third Schedule.

(b) The requirement for content of agreement as specified in Third Schedule shall not apply to the agreement between the portfolio managers and the large value accredited investors.

(c) The portfolio manager may make investments in the securities of its related parties or its associates only after obtaining the prior consent of the client in such manner as may be specified by the Board from time to time.

(d) The requirement for obtaining consent provided in clause (c) above shall not apply to such portfolio managers as may be specified by the Board.

(2) Disclosure Document

(a) Prior to entering into an agreement with client as referred in sub-regulation (1) above, the portfolio manager shall provide to the client in digital format a Disclosure Document along with a disclosure document certificate in the format as may be specified by the Board from time to time.

(b) The Disclosure Document shall inter alia include the following:

i. the quantum and manner of payment of fees payable by the client for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is out sourced);

ii. general and investment approach specific portfolio risks;

iii. disclosure of related-party transactions as per accounting standards specified by the Institute of Chartered Accountants of India;

iv. details of conflicts of interest related to services offered by group companies or associates of the portfolio manager;

v. details of investment in the securities of its related parties or associates;

vi. details of the diversification policy of the portfolio manager;

vii. The requirement specified in sub-clause (v) and (vi) above, shall not apply to such portfolio managers as may be specified by the Board. However, Board may specify other disclosure requirements.

viii. the audited financial statements of the portfolio manager for the immediately preceding three years;

ix. the performance of the portfolio manager.

a. The performance of a discretionary portfolio manager shall be calculated using 'Time Weighted Rate of Return' for the immediately preceding three years and in such cases performance indicators shall also be disclosed;

b. The portfolio manager may be allowed to disclose performance segregated on the basis of investment approach.

(c) The contents of the Disclosure Document shall be certified by an independent chartered account.

(d) The portfolio manager shall ensure that a copy of latest Disclosure Document is available on the website of the portfolio manager at all times and as soon as the registration is granted.

(e) The portfolio manager shall file with the Board a copy of the Disclosure Document accompanied by the certification in the formats specified by the Board, under following scenarios:

i. <u>Initial Filing</u>: After grant of certificate of registration, but before sharing the document with any client.

ii. <u>Material Changes</u>: Within ten calendar days of any material changes including change in investment approach.

(f) The portfolio manager shall disclose a change in the identity of the Principal Officer to the Board and the clients within ten calendar days of effecting the change.

(3) Charging of fees by the portfolio manager

(a) The portfolio manager shall charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return and the fee so charged may be a fixed fee or a return based fee or a combination of both.

(b) The portfolio manager shall not charge, directly or in-directly, any up-front fees from the clients.

(c) The portfolio manager shall disclose the range of fees charged under various heads in the disclosure document.

17. General responsibilities of a Portfolio Manager.

(1) The discretionary portfolio manager shall individually and independently manage the funds of each client according to the needs of the client, in a manner which does not partake character of a Mutual Fund, whereas the non-discretionary portfolio manager shall manage the funds in accordance with the directions of the client.

(2) The portfolio managers shall not carry out its investment management operations or execution of transactions relating to portfolio management services, outside the territory of India, except for execution of trades for investment in overseas securities.

(3) The portfolio manager shall not accept funds or securities worth less than fifty lakh rupees from its clients.

(4) The requirement of minimum investment amount per client specified in sub-regulation (3) above, shall not apply to an accredited investor.

(5) The portfolio manager shall ensure that all existing investments of clients made prior to the date of notification of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, shall comply with minimum investment amount as specified in the sub regulation (3) above within thirty-six months from commencement of this regulation.

(6) Any renewal of portfolio on maturity of the initial period of agreement shall be deemed as a fresh investment.

(7) The portfolio manager shall act in a fiduciary capacity with regard to the client's funds.

(8) The portfolio manager shall segregate each client's holding in securities in separate accounts.

(9) The portfolio manager shall keep the funds of all clients in a separate account to be maintained by it in a Scheduled Commercial Bank.

Explanation. ─ For the purposes of this sub-regulation, the expression 'Scheduled Commercial Bank' means any bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934).

(10) The portfolio manager shall transact in securities within the limitation placed by the client with regard to dealing in securities under the provisions of the Reserve Bank of India Act, 1934 (2 of 1934).

(11) The portfolio manager shall not derive any undue direct or indirect benefit out of the client's funds or securities.

(12) The portfolio manager shall not borrow funds or securities on behalf of the client.

(13) The portfolio manager shall not lend securities held on behalf of the clients to a third person except as provided under these regulations.

(14) The Portfolio Manager shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board from time to time.

(15) The portfolio manager shall ensure that any person or entity involved in the distribution of its services is carrying out the distribution activities in compliance with these regulations and circulars issued thereunder from time to time.

(16) The portfolio manager shall ensure compliance with the Investor Charter specified by the Board from time to time.

(17) The portfolio manager shall carry out valuation of investment in securities in client's portfolio in accordance with investment valuation norms as specified by the Board from time to time.

(18) The portfolio manager shall ensure conformity with the advertisement code as specified by the Board from time to time.

(19) The portfolio manager shall report its performance uniformly in the disclosures to the Board, marketing materials and reports to the clients and on its website.

(20) The portfolio manager shall comply with the performance benchmarking framework as specified by the Board from time to time.

(21) The portfolio manager shall put in place a written down policy for management of clients funds and securities in compliance with these regulations and circulars issued thereunder from time to time.

(22) The portfolio manager shall have a code of conduct as envisaged under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

18. Management or administration of clients' portfolio.

(1) Investment Rules and Limits:

(a) The money or securities accepted by the portfolio manager shall be invested or managed by the portfolio manager as per the agreement with the client.

(b) The portfolio manager shall invest and advise for investment of funds of its clients in the securities listed or traded on a recognized stock exchange, to be listed securities, money market instruments, units of Mutual Funds and other securities as specified by Board from time to time, on behalf of their clients.

(c) The discretionary and non-discretionary portfolio manager shall invest funds of its clients in such foreign securities and in such manner as maybe specified by the board from time to time.

(d) The portfolio manager offering discretionary or non-discretionary or advisory services to the clients may invest or advise for investment in unlisted securities, subject to limits and conditions as may be specified by the Board from time to time.

(e) The portfolio manager offering discretionary or non-discretionary or advisory services to the clients may invest or advise for investment in derivative instruments, subject to limits and conditions as may be specified by the Board from time to time.

(f) The portfolio manager may offer discretionary or non-discretionary or advisory services for investment up to hundred percent of the assets under management of the large value accredited investors in unlisted securities, subject to appropriate disclosures in the disclosure document and the terms agreed between the client and the portfolio manager.

(g) The portfolio manager may invest in mutual funds only through direct plans. However, while investing, a portfolio manager shall not charge any kind of distribution related fees to the client

(h) The portfolio manager shall ensure compliance with prudential limits as may be specified by the Board at the client level.

(i) The portfolio manager shall not be allowed to invest clients' funds in unrated securities of their related parties or their associates.

(j) The portfolio manager shall put in place an alert based system to monitor compliance with the prudential limits on investments.

(k) The portfolio manager shall ensure investment of its clients' funds on the basis of the credit rating of securities as may be specified by the Board.

(l) Portfolio manager shall ensure that all investments made prior to commencement of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, shall comply with the requirements provided in clause (g), (h) and (j) above within twelve months of commencement of this regulation.

(m) The requirements provided in clause (g), (h), (i) and (j) shall not apply to such portfolio manager as maybe specified by the Board.

(2) Restriction on certain activities of portfolio managers

(a) The portfolio manager shall not:

i. deploy the clients' funds in bill discounting, badla financing or for the purpose of lending or placement with corporate or non-corporate bodies;

ii. invest the clients' funds in the portfolio managed or administered by another portfolio manager;

iii. invest client's fund based on the advice of any other entity;

iv. indulge in speculative transactions, while dealing with clients' funds, i.e, it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives.

v. hold the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise.

(3) Trading and Transfer

(a) The portfolio manager shall, ordinarily purchase or sell securities separately for each client. However, in the event of aggregation of purchases or sales for economy of scale, *inter se* allocation shall be done on a *pro rata* basis and at weighted average price of the day's transactions. The portfolio manager shall not keep any open position in respect of allocation of sales or purchases effected in a day.

(b) The portfolio manager shall not execute off market transfers in client's account except:

i. for settlement of the clients' own trades;
ii. for providing margin/ collateral for clients' own positions;
iii. for dealing in unlisted securities in accordance with the regulations;
iv. with specific consent of the client for each transaction;
v. for any other reason specified by the Board from time to time.

(c) The portfolio manager shall segregate each clients' funds and portfolio of securities and keep them separately from its own funds and securities and be responsible for safekeeping of clients' funds and securities, subject to such conditions and in the manner as specified by the board.

(d) The requirement specified in clause (c) above shall not apply to short term deployment of client's funds by the portfolio manager in liquid mutual funds for the purpose of cash management, subject to the restrictions as may be specified by the Board.

(e) The portfolio manager may, subject to authorization by the client in writing, participate in securities lending.

(4) Early Withdrawal:

(a) The client has the right to withdraw funds and securities before the maturity of the contract, irrespective of the terms of the agreement, under following circumstances:

i. voluntary or compulsory termination of portfolio management services by the portfolio manager or the client;
ii. suspension or cancellation of the certificate of registration of the portfolio manager by the Board;
iii. bankruptcy or liquidation of the portfolio manager.

19. Foreign Portfolio Investor availing portfolio management services.
Foreign portfolio investors may avail the services of a portfolio manager.

20. Appointment of custodian.

(1) Every portfolio manager shall appoint a custodian in respect of securities managed or administered by it.

(2) The requirement specified in sub-regulation (1) above, shall not apply to a portfolio manager who provides only advisory services.

21. Maintenance of books of accounts, records, etc.

(1) Every portfolio manager shall keep and maintain the following books of accounts, records and documents namely:

(a) a copy of balance sheet at the end of each accounting period;
(b) a copy of the profit and loss account for each accounting period;
(c) a copy of the auditor's report on the accounts for each accounting period;
(d) a statement of financial position and;
(e) records in support of every investment transaction or recommendation which will indicate the data, facts and opinion leading to that investment decision.

(2) The requirement specified in sub regulation (1) above, shall be maintained by the portfolio manager under the hands of the Principal Officer of the portfolio manager.

(3) Every portfolio manager shall intimate to the Board the place where the books of accounts, records and documents are maintained.

(4) In addition to sub-regulation (1), every portfolio manager shall, after the end of each accounting period, furnish to the Board copies of the balance sheet, profit and loss account and such other documents for the preceding five accounting years as and when required by the Board.

22. Submission of net worth certificate.

Every portfolio manager shall furnish to the Board a net worth certificate issued by a chartered accountant as and when specified by the Board.

23. Maintenance of books of accounts, records and other documents.

The portfolio manager shall preserve the books of account and other records and documents mentioned under this chapter for a minimum period of five years.

24. Accounts and audit.

(1) The portfolio manager shall maintain separate client-wise accounts.

(2) The funds received from the clients, investments or disinvestments, all the credits to the account of the client like interest, dividend, bonus, or any other beneficial interest received on the investment and debits for expenses, if any, shall be properly accounted for and details thereof shall be properly reflected in the client's account.

(3) The tax deducted at source as required under the provisions of the Income-Tax Act, 2025 shall be recorded in the portfolio account.

(4) The books of account will be audited yearly by qualified auditor to ensure that the portfolio manager has followed proper accounting methods and procedures and that the portfolio manager has performed his duties in accordance with the law. A certificate to this effect shall, if so specified, be submitted to the Board within six months of close of portfolio manager's accounting period.

Explanation: For the purpose of above sub-regulation and under this regulation, the expression "qualified auditor" shall have the same meaning as given to it under section 141 of the Companies Act, 2013 (18 of 2013).

(5) The portfolio accounts of the portfolio manager shall be audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant shall be given to the client.

(6) The client may appoint a chartered accountant to audit the books and accounts of the portfolio manager relating to his transactions and the portfolio manager shall co-operate with such chartered accountant in course of the audit.

25. Reports to be furnished to the client.

(1) The portfolio manager shall furnish periodically a report to the client, as agreed in the contract, but not exceeding a period of three months and as and when required by the client and such report shall contain the following details, namely: -

(a) the composition and the value of the portfolio, description of securities and goods, number of securities, value of each security held in the portfolio, units of goods, value of goods, cash balance and aggregate value of the portfolio as on the date of report;
(b) transactions undertaken during the period of report including date of transaction and details of purchases and sales;
(c) beneficial interest received during that period in the form of interest, dividend, bonus shares, rights shares, etc;
(d) expenses incurred in managing the portfolio of the client;
(e) details of risk foreseen by the portfolio manager and the risk relating to the securities recommended by the portfolio manager for investment or disinvestment;
(f) default in payment of coupons or any other default in payments in the underlying debt security and downgrading to default rating by the rating agencies, if any;
(g) details of commission paid to distributor(s) for the particular client.

(2) The report referred to in sub-regulation (1) above may be made available on the website of the portfolio manager with restricted access to each client.

(3) On termination of the contract, the portfolio manager shall give a detailed statement of accounts to the client and settle the account with the client as agreed in the contract.

(4) The client shall have the right to obtain details of his portfolio from the portfolio managers.

26. Report on steps taken on Auditor's report.

The portfolio manager shall take steps to rectify the deficiencies made out in the auditor's report within two months from the date of the auditor's report as specified in sub-regulation (4) of Regulation 24.

27. Disclosures to the Board.

The Board may ask portfolio manager to disclose any information as and when required including the following**:** -

(a) particulars regarding the management of a portfolio;

(b) any change in the information or particulars previously furnished, which have a bearing on the certificate granted;

(c) the names of the clients whose portfolio it managed;

(d) particulars relating to the net worth requirement as specified in clause (iv) of sub regulation (a) of regulation 4.

28. Appointment of compliance officer.

(1) Every portfolio manager shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions etc., issued by the Board or the Central Government and for redressal of investors' grievances.

(2) The compliance officer shall satisfy the eligibility criteria as may be specified by the Board from time to time.

(3) The role of compliance officer, specified in sub-regulation (1) above, shall not be assigned to the principal officer appointed in terms of clause (i) of sub-regulation (b) of regulation 4 or the employee of the portfolio manager appointed in terms of clause (ii) of sub-regulation (b) of regulation 4.

(4) The compliance officer shall immediately and independently report to the Board any non-compliance observed by him.

29. Dispute resolution mechanism

(1) All claims, differences or disputes between investors and the portfolio manager arising out of or in relation to the activities of the portfolio manager in the securities market shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration, in accordance with the procedure specified by the Board.

(2) The Board may also recognize a body corporate for handling and monitoring the process of grievance redressal within such time and in such manner as may be specified.

CHAPTER VI
MF only PMS (MF- PMS)

30. Applicability

(1) The provision of this chapter shall be applicable to MF only PMS.

(2) All other provisions of these regulations except the following provision and the guidelines and circulars issued thereunder, unless the context otherwise requires or is repugnant to the provisions of this chapter, shall apply to MF only PMS:

(a) Clause (ii) of sub-regulation (a) of regulation 4;
(b) Clause (iv) of sub-regulation (a) of regulation 4;
(c) Clause (i) of sub-regulation (b) of regulation 4;
(d) Sub regulation (3) of regulation 17;
(e) Clause (b) of sub-regulation (1) of regulation 18;

31. Management of investments of clients in MF only PMS

(1) An applicant would be permitted to obtain a separate registration as a MF only PMS under this chapter subject to conditions specified by the Board.

(2) An existing portfolio manager intending to offer MF only PMS services may be permitted to do so under a distinct, separately managed and segregated strategy, subject to such conditions as may be specified by the board.

32. Eligibility Criteria

For the purpose of granting a certificate of registration as a MF only PMS, the applicant shall fulfill the following:

(1) Eligibility Criteria and Infrastructure Requirements:

S. no	Requirements	Description
(1)	Net worth	The applicant shall maintain minimum net worth requirement of at least two crore rupees. However, this net worth must be maintained separately and independently from any capital requirements tied to the applicant's other business activities under relevant regulation and acts. The applicant shall ensure to deploy at least ten percent of its net worth in liquid assets which are unencumbered and shall include cash, bank deposits with Scheduled commercial Banks, money market instruments, Government securities, treasury bills, Repo on Government securities and any other instruments as specified by the Board.
(2)	Infrastructure	The applicant has necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities of a portfolio manager.

(2) Principal Officer Qualification and Experience:

S. no.	Role	Education and Certification	Experience
(1)	Principal Officer	Graduation from a university or an institution recognized by the Central Government or any State Government or a foreign university; and • The relevant NISM certification as specified by the Board from time to time; and	An experience of at least two years in securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager.

33. Permissible investment instruments

The portfolio managers shall invest funds of client's only in direct plans of mutual funds including exchange traded funds and specialized investment funds.

34. Minimum Investment by clients

(1) The portfolio manager shall not accept funds or securities worth less than twenty-five lakh rupees from a client. Any renewal of portfolio on maturity of the initial period of agreement shall be deemed as a fresh investment.

(2) Any other conditions as may be specified by Board from time to time.

35. Detailed procedure, guidelines and any other conditions shall be specified by the board from time to time.

CHAPTER VII
INSPECTION AND DISCIPLINARY PROCEEDINGS

36. Right of inspection by the Board.

The Board may appoint one or more persons as inspecting authority to inspect the books of account, records and documents of the portfolio manager for any of the following purposes:

(f) to ensure that the books of account are being maintained in the manner required;
(g) to ensure that the provisions of the Act, rules and regulations are being complied with;
(h) to investigate into the complaints received from investors, other portfolio managers or any other person on any matter having a bearing on the activities of the portfolio manager; and
(i) to investigate *suo motu* in the interest of securities market or investors' interest into the affairs of the portfolio manager.

37. Notice before inspection.

(1) Before undertaking an inspection under regulation 36, the Board shall give a reasonable notice to the portfolio manager.

(2) If the Board is satisfied that issuing notice specified in sub-regulation (1) above, may not be in the interest of unitholders, it may, by an order in writing, direct that the inspection of the affairs of the portfolio manager be taken up without such notice.

(3) During the inspection, the portfolio manager against whom an inspection is being carried out shall be bound to discharge its obligations as provided under regulation 38.

38. General obligations of Portfolio Manager on inspection.

(1) Duty to produce documents and furnish information:

It shall be the duty of every director, partner, officer and employee of the portfolio manager who is being inspected to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with the statements and information relating to its activities as a portfolio manager within such time as the inspecting authority may require.

(2) Access to premises ad records:

The portfolio manager shall allow the inspecting authority to have a reasonable access to the premises occupied by such portfolio manager or by any other person, on its behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the portfolio manager or any such other person and also provide copies of documents or other material which in the opinion of the inspecting authority are relevant for the purposes of the inspection.

(3) Examination and recording of statement:

The inspecting authority shall in the course of inspection, be entitled to examine or record statements of any principal officer, director, partner and employee of the portfolio manager.

(4) Duty to provide assistance:

It shall be the duty of every director, partner, officer or employee of the portfolio manager to give to the inspecting authority all assistance in connection with the inspection which the portfolio manager may reasonably be expected to give.

39. Submission of report to the Board.

Upon completion of the inspection, the inspecting authority shall submit an inspection report to the Board.

40. Action on inspection or investigation report.

After consideration of the inspection or investigation report, the Board or the Chairman may take such action as deemed appropriate including but not limited to actions specified under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

41. Appointment of Auditor.

(1) The Board may appoint a qualified auditor to investigate into the books of account or the affairs of the portfolio manager.

(2) An auditor appointed under sub-regulation (1) shall have the same powers as an inspecting authority appointed under regulation 36.

(3) Where an auditor is appointed under sub-regulation (1), the obligation of the portfolio manager and its employees specified under regulation 38 shall be applicable to the investigation conducted under this regulation.

CHAPTER VIII
PROCEDURE FOR ACTION IN CASE OF DEFAULT

42. Liability for action in case of default.

A portfolio manager who contravenes any of the provisions of the Act, rules or regulations framed thereunder shall be liable for one or more action specified therein including the action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

CHAPTER IX
POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS

43. Exemption from enforcement of the regulations in special cases.

(1) The Board may, in the interest of unitholders or for the development of the securities market, relax the strict enforcement of any requirement of these regulations, if the Board is satisfied that:

(a) relaxation is procedural or technical in nature; or
(b) the non-compliance was caused due to factor beyond the control of the asset management company or mutual fund; or
(c) the requirement may cause undue hardship to unitholders.

(2) For seeking relaxation under sub regulation (1) above, an application, giving details and the grounds on which such relaxation has been sought, shall be filed with the Board and such application shall be accompanied by a non-refundable fee of rupees one lakh payable by way of direct credit into the bank account through NEFT/ RTGS/ IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time.

44. Relaxation from regulations for furthering innovation:

(1) The Board may exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc. in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. —For the purposes of these regulations, "regulatory sandbox" means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board**.**

CHAPTER X

MISCELLANEOUS

45. Power of the Board to issue clarifications.

In order to remove any difficulties in respect of the application or interpretation of these regulations, the Board may issue clarifications or guidelines in the form of notes or circulars which shall be binding on the portfolio manager.

46. Repeal and Savings.

(1) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, shall stand repealed from the date on which these regulations come into force.

(2) Notwithstanding such repeal, —

(a) anything done or any action taken or purported to have been done or taken including registration or approval granted, fees collected, registration or approval, suspended or cancelled, any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations, prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(b) any application made to the Board under the repealed regulations, prior to such repeal, and pending before it shall be deemed to have been made under the corresponding provisions of these regulations;

(c) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, incurred in respect of any violation committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the repealed regulations has never been repealed;

(d) After the repeal of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

<u>FIRST SCHEDULE</u>

Securities and Exchange Board of India (Portfolio Managers) Regulations, 202X
[Regulation 3(a), 3(g), 5(c), 6]

FEES

1. The fees payable by portfolio manager, as provided in the below given table, shall be paid by way of direct credit into the bank account through NEFT/RTGS/IMPS or online payment using the SEBI Payment Gateway or any other mode as may be specified by the Board from time to time.

S. no	Particulars	Fees/Charges
1.	Application fees payable by portfolio managers	Rupees one lakh
2.	Registration fees payable by portfolio managers	Rupees ten lakh
3.	Renewal fees (every three year)	Rupees Five lakh

SECOND SCHEDULE

Securities and Exchange Board of India (Portfolio Managers) Regulations, 20XX
[Regulation 15]

CODE OF CONDUCT- PORTFOLIO MANAGER

(1) A portfolio manager shall, in the conduct of its business, act honestly, fairly and with due skill, care and diligence and in the interest of investors in all its dealings with its clients and other portfolio managers.

(2) The money received by a portfolio manager from a client for an investment purpose should be deployed by the portfolio manager as soon as possible for that purpose and money due and payable to a client should be paid forthwith.

(3) A portfolio manager shall render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment. The portfolio manager shall either avoid any conflict of interest in his investment or disinvestment decision, or where any conflict of interest arises, ensure fair treatment to all his customers. It shall disclose to the clients, possible source of conflict of interest, while providing unbiased services. A portfolio manager shall not place his interest above those of his clients.

(4) A portfolio manager shall not execute any trade against the interest of the clients in its proprietary account.

(5) A portfolio manager shall not make any statement or indulge in any act, practice or unfair competition, which is likely to be harmful to the interests of other portfolio managers or is likely to place such other portfolio managers in a disadvantageous position in relation to the portfolio manager himself, while competing for or executing any assignment.

(6) A portfolio manager shall not make any exaggerated statement, whether oral or written, to the client either about the qualification or the capability to render certain services or his achievements in regard to services rendered to other clients.

(7) At the time of entering into a contract, the portfolio manager shall obtain in writing from the client, his interest in various corporate bodies which enables him to obtain unpublished price-sensitive information of the body corporate.

(8) A portfolio manager shall not disclose to any clients, or press any confidential information about his client, which has come to his knowledge.

(9) The portfolio manager shall where necessary and in the interest of the client take adequate steps for the transfer of the clients' securities and for claiming and receiving dividends, interest

payments and other rights accruing to the client. It shall also take necessary action for conversion of securities and subscription for/renunciation of rights in accordance with the clients' instruction.

(10) A portfolio manager shall endeavor to -

(a) ensure that the investors are provided with true and adequate information without making any misguiding or exaggerated claims and are made aware of attendant risks before any investment decision is taken by them;

(b) render the best possible advice to the client having regard to the client's needs and the environment, and his own professional skills;

(c) ensure that all professional dealings are effected in a prompt, efficient and cost effective manner.

(11) A portfolio manager shall not be a party to -

(a) creation of false market in securities;

(b) price rigging or manipulation of securities;

(c) passing of price sensitive information to brokers, members of the recognized stock exchanges and any other intermediaries in the capital market or take any other action which is prejudicial to the interest of the investors.

(12) No portfolio manager or any of its directors, partners or manager shall either on their own or through their associates or family members or relatives enter into any transaction in securities of companies on the basis of unpublished price sensitive information obtained by them during the course of any professional assignment.

(13) A portfolio manager or any of its employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media, whether real-time or non-real-time, unless a disclosure of his long or short position in the said security has been made, while rendering such advice.

(14) In case an employee of the portfolio manager is rendering such advice, he shall also disclose the interest of his dependent family members and the employer including their long or short position in the said security, while rendering such advice.

(15) The portfolio manager shall abide by the Act, Rules, and regulations made thereunder and the Guidelines / Schemes issued by the Board.

(16) The portfolio manager shall comply with the code of conduct specified in the SEBI (Prohibition of Insider Trading) Regulations, 2015.

(17) The portfolio manager shall not use his status as any other registered intermediary to unduly influence the investment decision of the clients while rendering portfolio management services.

THIRD SCHEDULE

CONTENTS OF AGREEMENT BETWEEN THE PORTFOLIO MANAGER AND HIS CLIENTS

[Regulation 16]

The following shall be mentioned in the agreement –

1. Appointment of portfolio manager.

2. Scope of services to be provided by the portfolio manager subject to the activities permitted under SEBI (Portfolio Managers) Regulations, 202X, viz, advisory, investment management, custody of securities, keeping track of corporate benefits associated with the securities. The Portfolio Manager shall act in a fiduciary capacity and as a trustee and agent of the clients' account.

3. Functions, obligations, duties and responsibilities (as discretionary and non-discretionary to be given separately) with specific provisions regarding instructions for non-discretionary portfolio manager which, *inter alia, includes* -

   (i) terms in compliance with the Act, SEBI (Portfolio Managers) Regulations,202X, rules, regulations, guidelines made under the Act and any other laws/rules/regulations / guidelines etc.;
   (ii) providing reports to clients;
   (iii) maintenance of records of client wise transaction and related books of accounts;
   (iv) provisions regarding audit of accounts as required under the SEBI (Portfolio Managers) Regulations, 202X;
   (v) settlement of accounts and procedure therefor including the provisions for payment on maturity or early termination of the contract.

4. Investment objectives and guidelines -

   (i) Investment approach, areas of investment, securities to be invested and restrictions, if any, imposed by the client with regard to the investment in a particular company or industry.
   (ii) Particulars regarding investment amount, restrictions on investment, period of management, repayment or withdrawal.
   (iii) Taxation aspects such as Tax Deducted at Source etc.
   (iv) Condition that the portfolio manager shall not lend the securities of the client unless authorized by him in writing.

5. Risk factors: A detailed statement of risks associated with each type of investment including

the standard risks associated with each type of investment.

6. Period of agreement- the agreement shall provide the period of the agreement in years, terms of termination, provision for early termination and/or provision for renewal in case of a renewable agreement.

7. Conditions under which agreement may be altered, terminated and implications thereof, such as settlement of amounts invested, repayment obligations etc.

   (i) Voluntary/mandatory termination by the portfolio manager;
   (ii) Voluntary/mandatory termination by the client;
   (iii) Suspension by the Board or other regulatory authority.

8. Custody of securities.

9. Maintenance of Accounts- Maintenance of accounts separately in the name of the client as are necessary to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided under SEBI (Portfolio Managers) Regulations, 202X.

10. Change in the quantum of funds to be managed- The conditions under which the client may withdraw cash or securities from the portfolio account or bring in additional cash to be managed as per the terms and conditions that apply. The portfolio manager shall not change any terms of the agreement without prior consent of the client.

11. Access to information- (Subject to the provisions of SEBI (Portfolio Managers) Regulations, 202X) - Provisions enabling client to get the books of accounts of the portfolio manager relating to his transactions audited by a chartered accountant appointed by him and permitting the client an access to relevant and material documents of portfolio manager, provisions listing the documents for inspection along with timings for such inspection, furnishing of reports to the client subject to furnishing at least once in three months and the reports to be made available on the web site of the portfolio manager with restricted access to each client and other rights of clients etc. The provision that the statements / documents / report furnished by the portfolio manager to the client present a true and fair picture of the transactions.

12. Terms of Fees- The quantum and manner of payment of fees and charges for each activity for which services are rendered by the portfolio manager directly or indirectly (where such service is outsourced) such as investment management, advisory and transfer, and transaction costs with specific references to brokerage costs, custody charges, cost related to furnishing regular communication, account statement, miscellaneous expenses (individual expenses in excess of 5% to be indicated separately) etc. The provision that the portfolio manager shall take prior permission from the client in this respect.

13. Billing- Periodicity of billing, whether payment to be made in advance, manner of payment of fees, whether setting off against the account etc., type of documents evidencing receipt of

payment of fees.

14. Liability of portfolio manager- Liability of portfolio manager in connection with recommendations made, to cover errors of judgment, negligence or willful misfeasance and in connection with discharge of duties or acts of other intermediaries, brokers, custodians etc.

15. Liability of client- restricting the liability of the client to the extent of his investment.

16. Death or Disability- providing for continuation/termination of the agreement in event of client's death/disability, succession, nomination, representation etc. to be incorporated.

17. Assignment- Conditions for assignment of the agreement by client.

18. Governing Law- The law/jurisdiction of country/state which governs the agreement to be stated.

19. Settlement of grievances/disputes and provision for arbitration- Provisions to cover protection of act done in good faith or Risks and losses, provisions for redressal of grievances, dispute resolution mechanism, reference for arbitration and the situations under which such rights may arise, may be made.

[*****]