



**iFAST Financial India Private Limited**  
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12<sup>th</sup> March 2021

To,  
Supriya Kabra  
Assistant General Manager  
Investment Management Department-Division of Funds 1, SEBI  
Securities and Exchange Board of India  
SEBI Bhavan, C4-A, G Block,  
Bandra Kurla Complex, Mumbai - 400 051

Subject: Informal Guidance in respect of the SEBI (Investment Advisers) (Amendment) Regulations, 2020

*This is a revised letter with reference to our request for informal guidance letter dated 1<sup>st</sup> February, 2021.*

Dear Sir/ Madam,

Pursuant to the SEBI (Informal Guidance) Scheme 2003, we wish to avail your informal guidance in the nature of "Interpretive letter" in respect of the SEBI (Investment Advisers) (Amendment) Regulations, 2020 (hereinafter referred as 'IA regulations').

**Brief Background of our Company:** We, iFAST Financial India Private Limited (IFI) are a leading online platform with more than 10 years of presence in India. We provide Do It Yourself (DIY) investors, Mutual Fund Distributors (MFDs) and SEBI registered Investment Advisers, an integrated investment platform offering a wide selection of funds, stocks and ETFs, fixed income products and a range of wealth management, compliance and related services and solutions.

Other than BSE membership (as stock brokers), we also have Depository Participant License of CDSL, Investment Adviser License from SEBI, ARN holders of AMFI.

iFAST as a group has presence in Singapore, Hong Kong, Malaysia, India and China. ([www.ifastcorp.com](http://www.ifastcorp.com))

The purpose of seeking this informal guidance is to seek clarity on certain clauses appearing in SEBI (Investment Advisers) (Amendment) Regulations, 2020.

We would now hereby like to seek your guidance in respect of following matters:

- A. Regulation 15 (2) An Investment Advisor shall not receive any consideration by way of remuneration or compensation or in any other form from any person other than the client being advised, in respect of the underlying products or securities for which advise is provided.

*Along with*

Regulation 22A (1) Investment adviser may provide implementation services to the advisory clients in securities market:



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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.

It is clear from Regulation 15 (2) of the IA regulations that an IA cannot receive any consideration from any person other than the client, in respect of underlying products or services for which advise is provided.

And as per Regulation 22A (1) of the IA regulations, Investment Adviser who provides investment advice to his client can provide implementation services provided the investment adviser does not earn any commission or referral fees, whether embedded or indirect or otherwise, directly or indirectly at group or family level for the said service.

It is clear from regulation 22A (1) of the IA regulations that Investment Adviser who provides investment advice to his client can provide implementation services provided he does not earn anything directly or indirectly from such implementation.

Query:

- a) If an advisory client of Investment Adviser approaches the Investment Adviser to recommend any service which the Investment Adviser is not qualified to provide such as tax planning or overseas investments, can the Investment Adviser recommend such a service to the Client to the best of his knowledge and earn referral fee (fully disclosed to client) from the entity whom he has referred to the client for such service?

For Example: A is a SEBI registered Investment Advisor, B is his client and C is a Tax consultant or an overseas investment adviser. If B requests A for Tax planning services or overseas investment services which A is not in a capacity to provide to B. And in such case, A refers B to C for the same and earns a referral fees from C for introducing B as a client to him. Can A earn this referral fees from C?

- b) Since an Investment Adviser who is also a Stock Broker is disallowed to charge any implementation fee, he is thereby disallowed to charge brokerage in direct equities. However, to comply with the requirements of Indian Contract Act, 1882, any contract without consideration is void and therefore a broker is required to charge brokerage on equities traded through him. Can the brokerage be zero or nominal 1 paisa?

For Example: Can a stock broker who is also an Investment Advisor, charge zero brokerage or 1 paisa brokerage to his advisory client on direct equities traded through him, to honour the stock broking contract with the said advisory client?

- B. Regulation 6 - Consideration of application and eligibility criteria:

(m) In case a foreign citizen proposes to undertake investment advisory services, whether the applicant has set up an office in India and proposes to undertake investment advisory services through such office.



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Query:

- a) Is an NRI (Non Resident Indian) or Person of Indian Origin (PIO) required to apply for the individual RIA license if he is providing advice to investors outside of India who are keen to invest in India?

*With respect to the above query and under regulation 6 (m), does the term "foreign citizen", include NRIs (Non Resident Indians) and PIOs (Person of Indian Origins)? If yes, is an NRI or PIO required to apply for an individual RIA license if he wishes to provide investment advisory services to foreign nationals and/or NRIs/PIOs, who are keen to invest in India?*

- b) Can an NRI/PIO (meeting the educational, certification and experience criteria) join a Corporate RIA as a person associated with Investment Advice without having setting up an office in India to service his/her clients in India?

*With respect to the above query and to elaborate: In case a foreign citizen i.e. an NRI or a PIO, proposes to undertake investment advisory services and service his/her clients in India, can he join a Corporate RIA as a Person Associated with Investment Advice, instead of setting up an office in India and undertaking investment advisory services through such office.*

### C. Regulation 7 - Qualification and certification requirement.

As per Regulation 7 (1) and 7 (2), An individual investment adviser or a Principal Officer and Person associated with Investment Advice (PAA) of a Non Individual Investment Adviser shall have the following minimum qualification, at all times -

- (a) A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a CFA Charter from the CFA Institute;

And

- (b) An experience of at least five years (Two years in case of PAA) in activities relating to advice in financial products or securities or fund or asset or portfolio management;

And

A Certification on financial planning or fund or asset or portfolio management or investment advisory services -

- (a) From NISM; or





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(b) From any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM

Further, as per clause 2 (iv) of the 'Guidelines for Investment Advisers' issued by SEBI in September 2020, existing individual IAs above fifty years of age (as on September 30,2020) shall not be required to comply with the qualification and experience requirements specified under Regulation 7(1)(a) and 7(1)(b) of the amended IA Regulations.

Query:

- a) Is an overseas degree related to finance sufficient to meet the educational criteria without having to obtain the post-graduate diploma? For example, can B.Sc. degree in Banking & Finance from the University of London be considered sufficient for meeting the educational and qualification requirements under Regulation 7(1)?
- b) Is existing PAA above the age of 50 years be eligible to avail the exemption under clause 2 (iv) of the 'Guidelines for Investment Advisers' issued by SEBI in September 2020?
- c) Can following courses be considered as valid Educational Qualification under Regulation 7 (1):
  - course from The Institute of Cost Accountants of India (ICAI) formerly known as ICWAI (Institute of Cost & Works Accountants of India)
  - LLB or LLM (Bachelor's in Law and Masters in Law)

We have already sent a demand draft favouring 'SEBI' amounting to Rs.25000/-

Kindly help us with guidance to above queries by the means of an 'Interpretive letter' at the earliest.

For iFAST Financial India Pvt. Ltd.

Sheeba Satish

Executive Director

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