



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
POLICY AND DEVELOPMENT-1

SEBI/HO/IMD/IMD-POD-1/P/OW/2023/0000012071/1
March 23, 2023

LGT Wealth India Private Limited
414, 16/1 to 24 & 17, B Wing, Comm Building,
Kanakia Wall Street, Near Chakala Signal, JB Nagar,
Andheri East, Mumbai - 400093

KIND ATTN: Lalatendu Acharya, Compliance Officer

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 (Portfolio Managers) Regulations, 2020 by LGT Wealth India Private Limited

1. This has reference to your letter dated January 12, 2022 seeking an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("IG Scheme").
2. In your letter under reference you have *inter alia* represented that LGT Wealth India Private Limited ("LGT"), a SEBI registered Portfolio Manager under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 ("PM Regulations") with registration number INP000007322.
3. In your letter, you have *inter alia* submitted the following:
 - 3.1. LGT provides discretionary and non-discretionary portfolio management services ("PMS") to its clients. One of the clients of LGT, who is ultra-high net worth individual ("client"), is availing PMS Services from LGT under multiple discretionary PMS Strategies. Currently, the gross Asset Under Management ("AUM") is around INR 6 crores. The said client wishes to register himself as an Accredited Investor ("AI") and also wishes to avail PMS Services for investments up to 100 percent of his AUM in unlisted securities pursuant to the exception granted to large value accredited investor ("LVAI").

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती :
Continuation : 1

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- 3.2. As per Regulation 24 (4) of PM Regulations, the Portfolio Manager offering non-discretionary or advisory services to clients may invest or provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to the securities permitted for discretionary portfolio management.
- 3.3. However, as per Regulation 24 (4A) of the PM Regulations, a large value accredited investors can avail discretionary or non-discretionary or advisory services from a Portfolio Manager for investment up to hundred percent of the AUM in unlisted securities, subject to appropriate disclosures in the disclosure document and the terms agreed between the client and the Portfolio Manager.
- 3.4. Pursuant to Regulation 2(la) of the PM Regulations, a "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.
- 3.5. LGT is of the view that since the Client is already having an agreement with a Portfolio Manager (i.e., LGT) for an amount of INR 6 Crores, he should be considered as LVAI by making further investment of INR 4 Crores (for meeting the agreement value prescribed for LVAI) after registering himself as an AI.
- 3.6. In view of the above, you have sought an interpretive letter under the IG Scheme on the following queries:
- 3.6.1. If an AI, who has already invested 6 Crore on one or more of the Discretionary PMS Strategies of LGT, decides to become a LVAI then, is he required to invest the balance 4 Crore in the DPMS/NDPMS strategy(ies) of LGT to become a LVAI or a fresh investment of 10 Crores under a separate agreement is required for availing the benefit of a "LVAI"?
- 3.6.2. What is the scenario if the Client is holding the existing PMS AUM of Rs.6 Crores with different Portfolio Manager? Does the threshold limit (Rs.10 Crores) apply basis his gross AUM irrespective of number of Portfolio Managers or it is to be calculated per Portfolio Manager basis?
- 3.6.3. What is the scenario, if the other Portfolio Manager (OPM), with whom the existing AUM is lying is not registered as a registered investment provider? Can we consider



अनुवर्ती :
Continuation : -2-

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

the OPM AUM lying with the said OPM for the purpose of calculating the prescribed threshold Rs.10 Crores?

- 3.6.4. If the client, under an existing PMS has a portfolio of 50 lacs or more in one or more of NDPMS strategies, decide to become an Accredited Investor (AI) (and not Large Accredited Investor), then can the listed securities from the exiting investments be sold from the client's existing NDPMS account and the proceeds be invested into one or more unlisted securities, subject to 25% threshold?
- 3.6.5. As per the PMS Regulations, the requirement of minimum investment amount per client shall not apply to an AI, can an AI start his PMS investment with a minimum amount of INR 1 Lac?
4. The submissions made in your letter has been considered, and without necessarily agreeing with your analysis, our views on the queries raised in your letter are as under:

4.1. With respect to the query raised at para 3.6.1 above, it is stated as under:

4.1.1. As per Regulation 2 (1) (aa) & (ab) of the PM Regulations, accredited investor and accreditation agency mean:

"(ab) "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;

(aa) "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;"

4.1.2. The criteria for accredited investor is specified under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). As per Regulation 2 (1) (ab) of the AIF Regulations, an accredited investor means:

"any person who is granted a certificate of accreditation by an accreditation agency who,

i. in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has:

2



- a) *annual income of at least two crore rupees; or*
- b) *net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or*
- c) *annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.*
- ii. *in case of a body corporate, has net worth of at least fifty crore rupees;*
- iii. *in case of a trust other than family trust, has net worth of at least fifty crore rupees;*
- iv. *in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:.....”*

4.1.3. In view of the same, a person can be considered as an AI if the above mentioned criteria is fulfilled and the person is granted a certificate of accreditation by an accreditation agency. The definition of AI under the AIF Regulations shows that for an individual, his or her entire financial assets are considered by the accreditation agency and hence, AUM of an individual across all Portfolio Managers may be considered in calculation of net worth for obtaining certificate of accreditation from an accreditation agency.

4.1.4. As per Regulation 2 (la) of the PM Regulations, a "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. Regulation 24(4A) of the PM Regulations provides that a LVAI can avail discretionary or non-discretionary or advisory services from a PM for investment up to 100% of the AUM in unlisted securities, subject to appropriate disclosures in the disclosure document and the terms agreed between the client and the PM.

4.1.5. In view of the same, for the client to be considered as LVAI for a Portfolio Manager, each Portfolio Manager is required to enter into an agreement for a minimum investment amount of ten crore rupees. Accordingly, the AUM under other Portfolio Managers cannot be considered in the calculation for the minimum investment amount for a LVAI.

4.1.6. As per Regulation 2(n) and 2(o) of the PM Regulations, the portfolio and Portfolio Manager is defined as under:

“portfolio” means the total holdings of securities and goods belonging to any person.



अनुवर्ती :
Continuation : 4

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

“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.....

- 4.1.7. In view of the same, for LVAI clients, the Portfolio Manager needs to have an agreement of minimum investment of ten crore rupees. The existing investments of the client may form part of the minimum investment amount of ten crore rupees. However, a fresh agreement would be required to be entered by the Portfolio Manager for the overall portfolio of minimum investment of ten crore rupees, after the client has received accreditation as AI and after making appropriate disclosures in compliance with the PM Regulations.
- 4.2. The queries raised at para 3.6.2, 3.6.3 and 3.6.4 are based on hypothetical situations and response is not provided in terms of Clause 8 (ii) of the IG Scheme.
- 4.3. With respect to query at para 3.6.5. above, it is stated as under:
- As per the second proviso to Regulation 23 (2) of the PM Regulations, *subject to appropriate disclosures in the disclosure document and the terms agreed between the client and the Portfolio Manager, the requirement of minimum investment amount per client shall not apply for an AI.*
 - In view of the above, an AI can make investment through PMS with any amount, subject to compliance with applicable provisions of the PM Regulations.
5. 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.
6. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 and do not affect the applicability of any other law and requirements of any other regulations, guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Manaswini Mahapatra