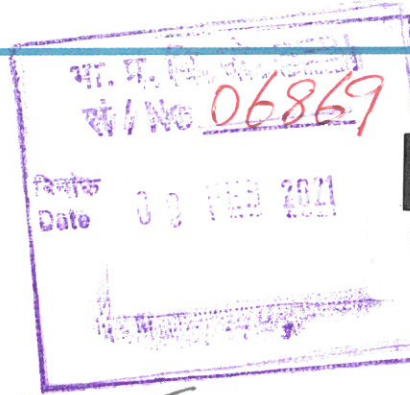


Securities and Exchange Board of India  
Investment Management Department  
Division of Fund-1  
SEBI Bhavan, Plot No. C-4A, G Block,  
Bandra Kurla Complex, Bandra (E),  
Mumbai - 400 051



February 5, 2021

D/13  
8/2

Kind Attention : Ms. Manaswini Mahapatra, General Manager

9/2  
AM (TKG)

Madam,

**Request for an interpretive letter under SEBI (Informal Guidance) scheme, 2003 regarding applicability of provisions of Securities and Exchange Board of India (SEBI) Circular Cir. /IMD/DF/13/2010 dated October 5, 2010.**

**Ref: Paragraph 4 (j) of SEBI Circular Cir. /IMD/DF/13/2010 dated October 5, 2010**

Paragraph 4(j) of the aforementioned SEBI Circular stipulates, inter alia, as under:

“4. In order to bring about greater uniformity, clarity and transparency with regard to fees and charges, portfolio managers are advised to take the following measures in respect of all client agreements:

j) New clients shall be required to separately sign the annexure on fees and charges and add in their own handwriting that they have understood the fees/charge structure.”

**Background:**

Purnartha Investment Advisers Private Limited (hereinafter referred to as ‘Purnartha’) is a SEBI registered Portfolio Manager with SEBI Registration number INP000007021.

The present process of account opening for portfolio management services undertaken by Purnartha includes the client physically writing in their own handwriting in the relevant portion of annexure on fees and charges that they have understood the fees/charge structure, in accordance with the SEBI Circular. We learn from our interactions with investors that they prefer to have an end to end electronic/digital account opening process to the extent possible to avoid the hassles and delays associated with physical documentations. At this juncture we also feel it is pertinent to highlight that SEBI has continuously taken innovative steps to usher in safe and secure digital processes in securities market for the convenience of investors. The recent SEBI Circular SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 titled Clarification on Know Your Client (KYC) Process and Use of Technology for KYC is shining example of SEBI’s intent to ward off the difficulties associated with physical processes during account opening.

We have been taking efforts to ensure that the entire onboarding experience for our clients is efficient, convenient and seamless. To this purpose, the account opening forms including the portfolio management agreement and annexure on fees and charges are being made available in our website for our Clients to download, read and fill in the required details. However, further to filling up the form electronically, the Client shall be required to print the relevant pages and write the declaration

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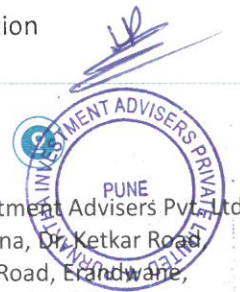


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referred above in their own handwriting physically and then scan the same back into their device. This defeats the purpose of a seamless electronic on boarding system. In this regard, further to our interactions with Clients, a need has been felt to extend the convenience of technology to Clients in writing the aforementioned declaration also, while ensuring compliance to the provisions of SEBI Circular dated October 5, 2010.

The advent of new technologies has enabled users to write in their own handwriting on touch sensitive screens of mobile phones, laptops, note books, tablets and such personal computing devices using their fingers or a stylus pen. Users are able to put down their words in their own handwriting on file formats such as PDF files. | ?

Keeping client's convenience in mind, we would like to implement a system of electronic onboarding, wherein the Clients can access our account opening form for portfolio management services in their own personal computing devices equipped with touch sensitive screen, fill in the required details therein and electronically authenticate or sign the document in a manner compliant to provisions of Section 3-A of The Information Technology Act, 2000 (21 of 2000). However, the Power of Attorney executed and delivered by the Client authorising and enabling Purnartha to perform it's functions and obligations under the Portfolio Management agreement shall be signed physically in compliance to Section 1 (4) of The Information Technology Act, 2000.

Section 3-A of The Information Technology Act, 2000 stipulates as under:

[3-A. Electronic signature. - (1) Notwithstanding anything contained in section 3, but subject to the provisions of sub-section (2), a subscriber may authenticate any electronic record by such electronic signature or electr]onic authentication technique which -

(a) is considered reliable; and

(b) may be specified in the Second Schedule.\*

(2) For the purposes of this section any electronic signature or electronic authentication technique shall be considered reliable if -

(a) the signature creation data or the authentication data are, within the context in which they are used, linked to the signatory or, as the case may be, the authenticator and to no other person;

(b) the signature creation data or the authentication data were, at the time of signing, under the control of the signatory or, as the case may be, the authenticator and of no other person;

(c) any alteration to the electronic signature made after affixing such signature is detectable;

(d) any alteration to the information made after its authentication by electronic signature is detectable; and

(e) it fulfills such other conditions which may be prescribed.

(3) The Central Government may prescribe the procedure for the purpose of ascertaining whether electronic signature is that of the person by whom it is purported to have been affixed or authenticated.

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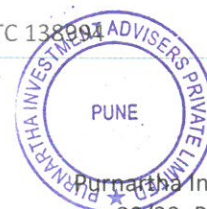


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(4) The Central Government may, by notification in the Official Gazette, add to or omit any electronic signature or electronic authentication technique and the procedure for affixing such signature from the Second Schedule:

Provided that no electronic signature or authentication technique shall be specified in the Second Schedule unless such signature or technique is reliable.

(5) Every notification issued under sub-section (4) shall be laid before each House of Parliament.]

\*The extract of Second Schedule as notified under sub-section (1) of section 3-A of the Information Technology Act, 2000 is attached here as Annexure 1.

**Our Understanding of Paragraph 4 (j) of SEBI Circular Cir. /IMD/DF/13/2010 dated October 5, 2010 (hereinafter referred to as 'SEBI Circular'):**

Clients can write electronically that they have understood the fees/charge structure, using their fingers or a stylus pen on the relevant portion of annexure on fees and charges of portfolio management account opening form accessed by them on touch sensitive screen of their personal computing device. Thereafter, account opening form including the portfolio management agreement and annexure on fees and charges, shall be authenticated by the Client using such electronic signature or electronic authentication technique stipulated under Section 3-A of The Information Technology Act, 2000 (21 of 2000). This shall satisfy the requirement mandated under Paragraph 4(j) of the SEBI Circular.

**Our Request for Guidance:**

We request you to kindly issue an interpretive letter with your guidance on our aforementioned understanding of Paragraph 4 (j) of the SEBI Circular, in accordance with SEBI Informal Guidance Scheme, 2003. In the event you require any further clarifications or information in this regard, we request you to kindly advise us accordingly.

**Fees:**

Demand Draft of Rs.25,000 in favour of Securities and Exchange Board of India, payable at Mumbai is enclosed herewith towards fees for informal guidance and request for your opinion.

Thanking you,

Yours Faithfully,

For Purnartha Investment Advisers Pvt.Ltd.

  
Hemant Vispute  
Managing Director



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## Annexure 1

Second Schedule to The Information technology Act, 2000

The Second Schedule

[See sub-section (1) of section 3-A]

Electronic Signature or Electronic Authentication Technique and Procedure

S.No.	Description	Procedure
(1)	(2)	(3)
[1.]	e-authentication Technique using Aadhaar 1[or other] e-KYC services	<p>Authentication of an electronic record by e-authentication Technique which shall be done by-</p> <p>(a) the applicable use of e-authentication, hash, and asymmetric crypto system techniques, leading to issuance of Digital Signature Certificate by Certifying Authority</p> <p>(b) a trusted third party service by subscriber's key pair generation, storing of key pairs [* * *]and creation of digital signature provided that the trusted third party shall be offered by the certifying authority. The trusted third party shall send application form and certificate signing request to the Certifying Authority for issuing a Digital Signature Certificate to the subscriber.</p> <p>(c) Issuance of Digital Signature Certificate by Certifying Authority shall be based on e-authentication, particulars specified in Form C of Schedule IV of the Information Technology (Certifying Authorities) Rules, 2000, digitally signed verified information from Aadhaar 1[or other] eKYC services and electronic consent of Digital Signature Certificate applicant.</p> <p>(d) The manner and requirements for e-authentication shall be as issued by the Controller from time to time.</p> <p>(e) The security procedure for creating the subscriber's key pair 1[and other e-KYC services] shall be in accordance with the e-authentication guidelines issued by the Controller.</p> <p>(f) The standards referred to in rule 6 of the Information Technology (Certifying Authorities) Rules, 2000 shall be complied with, in so far as they relate to the certification function of public key of Digital Signature Certificate applicant.</p>

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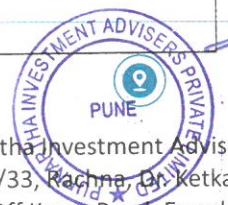
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		<p>(g) The manner in which the information is authenticated by means of digital signature shall comply with the manner and standards specified in rules 3 to 12 of the Digital Signature (End entity) Rules, 2015 in so far as they relate to the creation, storage, and verification of Digital Signature.</p>
[2.]	<p>e-authentication technique and procedure for creating and accessing subscriber's signature key facilitated by trusted third party</p>	<p>Authentication of an electronic record by e-authentication technique which shall be done by-</p> <p>(a) the applicable use of e-authentication, hash and asymmetric crypto system techniques leading to issuance of Digital Signature Certificate by Certifying Authority, provided that Certifying Authority shall ensure the subscriber identity verification, secure storage of the keys by trusted third party and subscriber's sole authentication control to the signature key.</p> <p>(b) Identity verification of Digital Signature Certificate applicant shall be in accordance with the Identity Verification Guidelines issued by Controller from time-to time.</p> <p>(c) The requirement to operate as trusted third party shall be specified under e-authentication guidelines issued by the Controller.</p> <p>(d) a trusted third party shall</p> <p>i) facilitate Identity verification of Digital Signature Certificate applicant;</p> <p>ii) establish secure storage for subscriber to have sole control for creation and subsequent usage of subscriber's signature key by sole authentication of subscriber;</p> <p>iii) facilitate key pair-generation, secure storage of subscriber's signature key and facilitate signature creation functions;</p> <p>iv) facilitate the submission of DSC application form and certificate signing request to the Certifying Authority for issuing a Digital Signature Certificate to the DSC applicant, and</p> <p>v) facilitate revocation of Digital Signature Certificate and destruction of subscriber's signature key.</p> <p>(e) Issuance of Digital Signature Certificate shall be based on verification of credentials of Digital Signature Certificate applicant by Certifying Authority as per the provisions of the Information Technology Act and Rules made thereunder.</p> <p>(f) The manner and requirements for authentication and storage of keys shall be as issued by the Controller from time to time under e-authentication guidelines</p>

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		<p>(g) The security procedure for creating the subscriber's key pair shall be in accordance with the e-authentication guidelines issued by the Controller.</p> <p>(h) The standards referred to in rule 6 of the Information Technology (Certifying Authorities) Rules, 2000 shall be complied with, in so far as they relate to the certification function of public key of Digital Signature Certificate applicant.</p> <p>(i) The manner in which information is authenticated by means of digital signature shall comply with the manner and standards specified in rule 3 to 12 of Digital Signature (End entity) Rules, 2015 in so far as they relate to the creation, storage and verification of Digital Signature.]</p>
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1. Inserted vide Notification No. SO1119(E) dated 01.03.2019.
2. Inserted vide Notification No. SO3472(E), dated 29.09.2020.

