



WEALTH ADVISORS

May 21, 2021

To,
Investment Management Department,
Division of Funds 1,
Securities and Exchange Board of India ("SEBI"),
SEBI Bhavan, Plot No. C-4, 'G' Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051

Kind Attn: Ms. Manaswini Mahapatra, General Manager

Sub: Request for interpretive letter under SEBI (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme")

Dear Ma'am,

I. Background

1. ASK Wealth Advisors Private Limited ("ASK Wealth") is registered with SEBI as a portfolio manager under the SEBI (Portfolio Managers) Regulations, 2020 ("PM Regulations") bearing registration number INP000007003.
2. ASK Wealth provides discretionary portfolio management and non-discretionary portfolio management services to its clients under the regulatory framework of the PM Regulations.
3. ASK Wealth, being an intermediary registered with SEBI, requests for an interpretive letter under the Informal Guidance Scheme.

II. Query 1: Guidance sought on investment of clients' funds by ASK Wealth in securities outside India

1. As per the PM Regulations, a portfolio manager is permitted to undertake the following services for its clients :-
 - (i) Discretionary portfolio management: - Whereby, a portfolio manager individually and independently manages the funds and securities of each client in accordance with the investment goals of the client with the ability to execute transactions for and on behalf of its clients;

ASK Wealth Advisors Pvt. Ltd.

Regd. Office: Birla Aurora, Level 16, Office Floor 9, Dr. Annie Besant Road, Worli, Mumbai - 400 030

+91 22 6613 2800 +91 22 6613 2828 • www.askwealthadvisors.com • CIN No. U67190MH2006PTC162465



- (ii) Non-discretionary portfolio management:- Whereby, the portfolio manager manages funds in accordance with the directions of the client and executed transactions for and on behalf of its clients basis client directors;
- (iii) Advisory services: - Under this strategy non-binding investment advice is rendered to clients.

2. Regulation 24(3) of the PM Regulations states that:

"The discretionary portfolio manager shall invest funds of his clients in the securities listed or traded on a recognized stock exchange, money market instruments, units of Mutual Funds and other securities as specified by Board from time to time, on behalf of their clients/

Explanation. For the purposes of this sub- regulation: "money market instruments" includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills."

3. Regulation 24(4) of the PM Regulation states that:

"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."

- 4. From the above, it is clear that a portfolio manager offering discretionary services may invest funds of its clients only in securities listed or traded on a recognised stock exchange whereas a portfolio manager offering non-discretionary services or advisory services is permitted to invest up to 25% of the assets under management in unlisted securities on behalf of its clients.
- 5. Although PM Regulations do not define 'recognized stock exchange', as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), a 'stock exchange' means any recognised stock exchange having nationwide trading terminals chosen by the issuer on which securities of an issuer are listed or proposed to be listed for the purpose of a particular issue of specified securities under the ICDR Regulations, other than SME exchange.
- 6. We understand that the above definition of stock exchanges does not include any stock exchanges located outside India, and hence shares of offshore companies, or units of offshore mutual funds or venture capital funds which are not listed in Indian stock exchanges cannot be classified as 'securities listed or traded on recognised stock exchange'.



7. As per point A(6)(iii) of the Master Direction – Liberalised Remittance Scheme (LRS) (“LRS Circular”)¹ issued by the Reserve Bank of India, resident individuals may remit up to USD 2,50,000 in a single financial year for making investments abroad, which include, *inter alia*, acquisition of shares of both listed and unlisted overseas company or investment in units of mutual funds or venture capital funds.
8. Our understanding is that subject to the compliance with the restriction imposed under Regulation 24(4) of the PM Regulations and the LRS Circular, a portfolio manager may invest funds of resident individual clients, who are rendered non-discretionary and advisory services by the portfolio manager, in securities of companies outside India, and units of offshore mutual funds or offshore venture capital funds. Accordingly, portfolio managers may invest funds of their individual clients who avail non-discretionary portfolio manager services in offshore shares and securities (as per the terms of the LRS Circular) up to 25% of their assets under management since such offshore shares and securities are not listed or traded on an Indian stock exchange. This is on the basis that the shares of offshore companies, or units of offshore mutual funds or venture capital funds which are not listed in Indian stock exchanges cannot be classified as ‘securities listed or traded on recognised stock exchange’, and hence would be classified as ‘unlisted securities’.
9. We request SEBI to clarify the above understanding in point 8 above.

III. Query 2: Investment by a portfolio manager in securities ‘proposed to be listed’

1. As per Regulation 24(3) of the PM Regulations, a discretionary portfolio manager may invest the funds of the client in securities listed or traded on a recognised stock exchange, money market instruments, units of mutual funds and other securities as specified by SEBI from time to time.
2. Regulation 24(4) of the PM Regulations allows portfolio managers offering non-discretionary or advisory services to their clients to invest up to 25% of the assets under management of such clients in unlisted securities, in addition to securities enlisted under point 1 above.
3. In an IPO process, it is permissible for individual investors to participate in the book building process upon the issue opening for subscription by members of the public by way of a bidding process. Considering that upon completion of the above step of bidding, the shares of the company under-going an IPO process get listed on a stock exchange, we understand that it should be permissible for portfolio managers to facilitate investments of their discretionary as well as their non-discretionary portfolio management clients in shares of a company undergoing an IPO process upon the issue becoming open for subscription by the public. The same should be permitted especially considering that retail/individual investors are permitted to subscribe

¹ Issued on January 01, 2016 and updated as of June 20, 2018 available at <https://rbi.org.in/Scripts/NotificationUser.aspx?id=10192&Mode=0>



WEALTH ADVISORS

to shares in an IPO process upon the issue being open for public subscription, and that such shares may be sold by the participating investors on the floor of the stock exchange on the listing date or thereafter.

4. In light of the above, we request that a clarification to Regulation 22(4) of the PM Regulations be issued by SEBI stating that it should be permissible for both clients of portfolio managers to facilitate investments of their discretionary as well as their non-discretionary portfolio management services in shares of a company undergoing an IPO process upon the issue becoming open for subscription by the public.

IV. Payment of fees

The relevant fees as required under guidance number 6(ii) of the Informal Guidance Scheme has been paid via NEFT on 20th May 2021 to bank account number 012210210000007 (IFSC BKID0000122) of Bank of India, BKC Branch of SEBI bearing reference number N140211509347662.

Thanking You.

Yours faithfully,

For ASK Wealth Advisors Private Limited

Mr. Somnath Mukherjee

Principal Officer

ASK Wealth Advisors Pvt. Ltd.

Regd. Office: Birla Aurora, Level 16, Office Floor 9, Dr. Annie Besant Road, Worli, Mumbai - 400 030

+91 22 6613 2800 +91 22 6613 2828 • www.askwealthadvisors.com • CIN No. U67190MH2006PTC162465