



DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT
DIVISION OF FUNDS-1

Email: naveens@sebi.gov.in

IMD/DoF-1/IA/34556/ 2016

December 22, 2016

MarketMagnify Investment Adviser and Research Private Ltd.

610, Vikas Lekha Complex,
Scheme No. 44,
Khatiwal Tank,
Indore- 452 001.

Sir/ Madam,

Sub:- Request for interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 by MarketMagnify Investment Adviser and Research Private Ltd. (MarketMagnify).

1. This has reference to your letter dated September 02, 2016, seeking an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 MarketMagnify in connection with the SEBI (Investment Advisers) Regulations, 2013 {IA Regulations}:-
2. In your letter under reference you have *inter alia* represented as follows:-
 - a. MarketMagnify is registered with SEBI as an investment adviser bearing registration no. INA000001456.
 - b. MarketMagnify is currently working on a subscription based model only where the client pays for a specified duration of services and gets tips on stock or commodity market for that specified duration. This can be stated as a fixed fee model, fee is same irrespective of the performance of tips provided by us.
 - c. MarketMagnify proposes to introduce a variable fee (profit sharing) model based on the performance of their services.
3. On the said basis, you have sought an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 from SEBI on the following points:
 - i. Whether MarketMagnify can charge variable fees (profit sharing) on post profit model. If yes, whether is it compulsory to enter into an agreement in writing or mentioning the terms in email shall be sufficient.

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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

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अनुवर्ती :
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*Securities and Exchange
Board of India*

- ii. Whether MarketMagnify can charge variable fees (profit sharing) on prepaid model without fixed tenure.
- iii. Whether MarketMagnify can charge variable fees (profit sharing) on prepaid model within fixed tenure. If yes, whether MarketMagnify can also provide for refund of a certain proportion of fees charged in case of failure to provide specified profit within limited time frame thereby limiting their responsibility.
- iv. Would an investment adviser be responsible to make good losses incurred by the client in case of fixed fee (subscription based model), assuming such losses is not caused due to negligence on the part of the adviser but due to inherent market risks?

4. Our Comments

The submissions made in your letter has been considered and without necessarily agreeing with your analysis, our views on the issues raised in your letter under reference are as under:-

- a. With regard to your query mentioned at Para. 3(i) and 3(ii) above, it is stated as under:
 - i. In terms of clause 6 of code of conduct provided under sub- regulation 9 of regulation 15 of IA Regulations, an investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board, if any. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.
 - ii. Further, as per sub- regulation 1 of regulation 18 of IA Regulations, the investment adviser should disclose all the material information including terms and conditions on which it offers advisory services. Further, entering into an agreement with the client is not mandatory. However, as per sub- regulation 1 of regulation 19 of IA regulations, investment advisers are required to maintain copies of agreements with the clients, if any.
- b. With regard to your query mentioned at Para. 3(iii) and 3(iv) above, it is stated that, linking of advisory fees being charged to the profit/loss generated by assuming that the clients have acted upon the advice, is not envisaged by the existing framework of IA Regulations.



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5. This position is based on the representation made to the Division in your letters under reference. Different facts or conditions might require a different result. 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 on SEBI (Investment Advisers) Regulations, 2013 and do not affect the applicability of any law and other SEBI Regulations, guidelines and circulars administered by SEBI or any other authority.

Yours faithfully,

Naveen Sharma