Comprehensive review of SEBI (Portfolio Managers) Regulations, 2020

1. Objective

This memorandum seeks approval of the Board to introduce SEBI (Portfolio Managers) Regulations, 2026 in lieu of SEBI (Portfolio Managers) Regulations, 2020, ("PM Regulations 2020") with an intent to inter alia (a) institute measures for development of the Portfolio Management Services (PMS) industry (b) ease of compliance (c) consolidation of regulatory provisions and simplification of language, and (d) removal of redundant provisions.

2. Background

2.1. The regulations for portfolio managers were first notified on January 07, 1993 providing rules for their registration, operation and governance. In view of the rise in high networth individuals (HNIs) and a maturing investment experience, the regulations were reviewed in the year 2020.

2.2. Since then, SEBI has continued to proactively undertake numerous initiatives to help in growth of the industry and building investor confidence. A comparison between April 2019 and July 2026 is as under:

Sr.	Particular	April 2019	July 2026
1	Assets Under Management	INR 18.07 lakh crores	INR 44.10 lakh crore
2	Total number of clients	1.5 lakhs	2.23 lakhs
3	Total number of PM	226 (2020)	527

2.3. As evident from above, PMS has witnessed significant growth in all aspects. The industry has also actively adopted technology for better investment management. The impressive growth of AUM of more than two times from the year 2019 is a testament to the growing interest of investors in professional investment management landscape.

2.4. Considering the increasing sophistication of investors, growing demand for more personalised solutions and diverse investment portfolio, a need was felt to review the PM Regulations 2020. Hence, SEBI undertook the exercise of comprehensive review to ensure that regulations remain aligned with changing industry dynamics.

3. Public Consultation

3.1. Interactions with industry stakeholders and a survey amongst them through Association of Portfolio Managers of India (APMI) were carried out to gather suggestions on areas requiring review. Thereafter, a consultation paper (**Annexure A1**) soliciting public comments on the changes to the PM Regulations along with the proposed draft SEBI (Portfolio Managers) Regulations 2026, was issued on July 23, 2026. In response, around 1904 comments were received from respondents consisting of various stakeholders. Summary of the public comments to the proposals along with SEBI's response thereon is placed at **Annexure A2**.

3.2. Based on the above, the regulations for portfolio managers have been comprehensively reviewed and redrafted, to inter alia ensure –

3.2.1. Development of the PMS industry;

3.2.2. Ease of Compliance;

3.2.3. Consolidation of regulatory provisions and Simplification of language;

3.2.4. Removal of redundant provisions.

3.3. The draft of proposed SEBI (Portfolio Managers) Regulations, 2026 and mapping to the PM Regulations, are placed at **Annexure A3** and **Annexure A4** respectively.

4. Regulatory changes pursuant to consultation paper

4.1. **Introducing measures for development of PMS industry:**

4.1.1. **Permitting investment in "to be listed" securities**

4.1.1.1. **Proposal in consultation paper:**

i. Regulation 24(3) of the PM Regulations does not specifically permit investments in " to be listed " securities.

ii. To allow potential for portfolio diversification, it is proposed to expand the permissible investment universe to permit investments in "to be listed" securities. Furthermore, for clarity, definition of the term “to be listed securities” has been added in the definitions section of the regulation.

4.1.1.2. **Summary of public comments:**

i. About 94% of respondents supported the proposal.

ii. Comments were received for clarification on whether the definition covers pre-IPO placements, Follow-on Public Offerings (FPOs), Rights Issues and privately placed debt securities intending to list.

4.1.1.3. **Examination of issues:**

i. With respect to feedback above, it may be noted that the proposal intends to allow participation in IPOs in equity and primary market issuance for debt market issuances. Participation in FPOs and rights issues are already allowed. Hence, for clarity, it is proposed to explicitly mention IPO for equity securities and primary market issuance for debt securities in the Regulations. Considering varying definitions of “to be listed securities, reference to “to be listed securities” is proposed to be deleted.

4.1.1.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to the modifications. Draft regulations have been modified accordingly.

4.1.2. **Enabling investment in Unlisted Securities under Discretionary Portfolio Management Services (DPMS)**

4.1.2.1. **Proposal in consultation paper:**

i. Regulation 24(4) of PM Regulations permits a portfolio manager offering non-discretionary portfolio management services (NDPMS) and advisory services to invest up to 25% of its client's AUM in unlisted securities.

ii. Given the inherent discretion exercised by a portfolio manager offering DPMS over client funds, investment in unlisted securities was previously prohibited. To align with evolving market dynamics and facilitate enhanced investment flexibility, it is proposed that a portfolio manager offering DPMS may be permitted to invest up to 10% of its client's AUM in investment grade unlisted debt securities.

4.1.2.2. **Summary of public comments:**

i. Around 90% of the respondents supported the proposal.

ii. Some of the suggestions/ clarifications sought include:

a. Increase the 10% cap to 25%; permit investment in unrated debt securities; allow investment in unlisted equity shares and unrated debt.

b. A PM should be required to obtain explicit, positive client consent for exposure to unlisted debt under DPMS, rather than mere disclosure.

c. Unlisted debt securities should be non-convertible in nature.

d. Clarify treatment if an investment is downgraded below investment grade after acquisition. Treat this as a "passive breach" with a defined cure period or allow the security to be held to maturity if an immediate sale is detrimental to the client.

e. Requirement of a standardized, independent valuation methodology given the illiquid nature of unlisted debt.

4.1.2.3. **Examination of issues:**

i. Since portfolio managers exercise absolute discretion over client funds under DPMS and risks associated with below investment grade securities, it is proposed to retain maximum allocation of 10% strictly in investment-grade unlisted debt securities only.

ii. Explicit consent from client may be accepted.

iii. Suggestion at 4.1.2.2(ii)(c)&(d), may be accepted.

iv. Presently valuation methodology for unlisted securities in NDPMS is prescribed by APMI. To establish uniformity, the existing norms may be extended to DPMS.

4.1.2.4. **Proposal:**

Considering the above, the proposal may be accepted. Draft regulations are modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.1.3. **Enabling investment in Foreign Securities under DPMS and NDPMS**

4.1.3.1. **Proposal in consultation paper:**

i. Currently, portfolio managers are not permitted to invest client funds in foreign securities. However, resident Indians are allowed to invest in foreign securities under the Liberalised Remittance Scheme (LRS), subject to an overall limit of USD $250,000 per financial year. The investment by portfolio managers is a one to one agreement with individual clients. To bring the same under professional management and to establish regulatory parity between portfolio managers and other asset managers—such as Mutual Funds, Alternative Investment Funds (AIFs), and IFSC-based portfolio managers who are permitted to undertake overseas investments—it is proposed to allow portfolio managers to invest client funds in following overseas securities:

- Listed equity shares
- Listed debt securities

- Overseas Funds: Units/securities issued by overseas Mutual Funds or Unit Trusts registered with overseas regulators and investing in
    - Listed equity shares and listed debt securities;
    - Real Estate Investment Trusts (REITs) listed on recognized stock exchange overseas securities.

ii. Portfolio managers will ensure that investment in foreign securities do not breach the applicable limits under FEMA, 1999 and comply with the reporting requirements as per applicable law.

iii. The portfolio manager will be required to obtain explicit positive consent of the client in the format specified for investing in foreign securities at the time of on boarding of client. For existing client, portfolio managers may execute an addendum with positive consent of the client.

4.1.3.2. **Summary of public comments:**

i. Around 99% of the respondents supported the proposal.

ii. Some of the suggestions/ clarifications sought include:

a. Inclusion of overseas ETFs, Index Funds, foreign government debt, and directly listed REITs.

b. Funds to be regulated by regulator who is a signatory to IOSCO MMoU.

c. Foreign custody and execution will incur higher costs, which may require an adjustment to current operating expense limits.

4.1.3.3. **Examination of issues:**

i. The suggestion at 4.1.3.2 (ii)(a) & (b) increases the available scope of investment and hence may be accepted.

ii. The suggestion at 4.1.3.2(ii)(c) may be accepted. The existing cap of 0.50% per annum already excludes brokerage, we may also exclude foreign custody charge from this cap.

4.1.3.4. **Proposal:**

Considering the above, the proposal may be accepted. Draft regulations are modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.1.4. **Introduction of MF only PMS (MF-PMS):**

4.1.4.1. **Proposal in consultation paper:**

i. In order to serve mass-affluent investors who seek professional portfolio management services for their mutual fund investments, it was proposed to introduce a dedicated "MF only PMS" framework to enable portfolio managers intending to exclusively manage client investments only in direct plans of Mutual Funds schemes including Exchange Traded Funds (ETFs) and Specialized Investment Funds (SIFs).

ii. Applicants intending to operate strictly within the permissible securities of the MF-PMS framework may obtain a separate registration as a MF-PMS with certain relaxation.

iii. Relaxations for MF-PMS**:** The following relaxations were broadly proposed for the MF-PMS framework

a. Reduced Minimum Ticket Size from INR 50 lakh to INR25 lakh.
b. Reduced Net Worth Requirement from INR 5 crore to INR 2 crore.
c. Simplified Certification for Principal Officer.
d. Relaxation in Qualification and Experience for Principal Officer: Graduation/CFA/CA with two years of experience in securities market.

e. Additional employee optional.
f. Exemption from Dealing Room.
g. Waiver of Exit Load Provisions.
h. Rationalized Fees: Charge fixed management fee, capped at a maximum of 2.5% of the client's AUM and performance based fee or a combination of both.
i. Segregation of activities and client level segregation: A mutual fund distributor (MFD) registered under the MF-PMS framework will be required to maintain arm's length relationship between its activities as an MFD and a MF-PMS through a separately identifiable department or division. The MF-PMS will be required to have client level segregation for its services as an MFD and MF-PMS. The same client will not be offered both services by the same entity under MFD and MF-PMS.

iv. Existing portfolio managers will be able to offer MF-PMS through a separate investment approach.

4.1.4.2. **Summary of public comments:**

i. Around 86% of the respondents supported the proposal.

ii. Some of the suggestions/ clarifications sought include:
a. Reduction of management fee cap from 2.5% to 0.75% or 1%.
b. Not to permit charging of performance fees.
c. Client level segregation for MFD not to be insisted upon if the client is an accredited investor.
d. Reconsideration of name to something more intuitive in nature and not confusing MF investors.
e. Limits for investing in schemes of affiliated/group/associate AMCs to address potential conflict of interest.
f. Investment in Indian mutual funds schemes, including index funds and ETFs.

4.1.4.3. **Examination of issues:**

i. Since investment would be limited to direct mutual fund schemes and in line with consultation feedback at 4.1.4.2(ii)(a), the suggestion of capping management fee at 1% of the client's AUM maybe accepted.

ii. To incentivise the portfolio managers delivering superior returns option of charging performance based fee may be retained. The safeguards for charging performance fee i.e. hurdle rate and high water mark principle will continue to apply for MF-PMS. Accordingly, the feedback at 4.1.4.2(ii)(b) may not be accepted.

iii. In view of protection of investor interest and robust governance, client segregation may be retained. However, considering the higher risk appetite and better knowledge of Accredited Investor, the feedback at 4.1.4.2(ii)(c) with regard to accredited investor may be accepted.

iv. The proposed MF only PMS framework may be re-named to PRIM - **P**MS **R**oute for **I**nvestment in **M**utual Fund units.

v. To address potential conflict of interest, the suggestion at 4.1.4.2(ii)(e) may be accepted. Accordingly, the portfolio manager may not be permitted to allocate more than 25% of a client's AUM to the mutual fund schemes of a group/associate AMC.

vi. The suggestion at 4.1.4.2(ii)(f) may be accepted to broaden the investment horizon.

vii. To bring clarity, certain provisions such as valuation norms, performance benchmarking, norms for credit rating etc. will not be applicable to portfolio managers offering only PRIM.

4.1.4.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. A new chapter has been inserted in the draft regulations. Detailed modalities shall be specified by way of Circular/APMI guidelines/ FAQs.

4.1.5. **Global fund management through Portfolio Manager registration**

4.1.5.1. **Proposal in consultation paper:**

i. SEBI has received representations from Market participants to allow overseas fund managers to register as portfolio managers to handle investments in foreign securities for international funds. Under this proposed setup, these managers would register under the SEBI Portfolio Managers Regulations to oversee and invest money belonging to overseas funds and their foreign clients.

ii. In the year 2015, the Government with the objective of developing and promoting fund management industry in India, inserted Section 9A in the Income Tax Act, 1961 to provide a 'safe harbour' to overseas funds availing fund management services from Indian based managers, provided the fund and the manager comply with the requirements specified in the Income Tax Act. Such overseas funds and fund managers were designated as 'Eligible Investment Funds' and 'Eligible Fund Managers' respectively. One of the requirements for a fund manager to become 'Eligible Fund Manager' was to be registered with SEBI under specified regulations.

iii. In pursuance to this, in the year 2017, SEBI amended the Portfolio Managers Regulations to recognize 'Eligible Fund Managers' and permit existing portfolio managers as well as new applicants, compliant with requirements specified under Section 9A of Income Tax Act, 1961, to act as 'Eligible Fund Managers'.

iv. However, since the portfolio managers under the PM Regulations 2020 were not permitted to manage or provide advisory services in foreign securities, Eligible Fund Managers registered as portfolio managers were also deemed as not allowed to offer such services to overseas funds.

4.1.5.2. **Summary of public comments:**

i. Around 87% respondents have agreed with the proposal.

ii. Some of the suggestions/ clarifications sought include:
   a. The execution platform/dealing room must be physically located in India for funds investing in Indian Securities.
   b. Exempt EFMs from making disclosure of performance, Investor Charter.
   c. Introduce a formal mechanism for withdrawal/surrender of Eligible Fund Manager status, since the existing framework does not expressly provide for it.

4.1.5.3. **Examination of issues:**

i. We may allow Eligible Fund Managers to manage and advice their clients in foreign securities and provide appropriate regulatory clarity.

ii. With regard to permitted instruments and investment limits while investing in India, the Eligible Fund Manager shall adhere to SEBI (Foreign Portfolio Investors) Regulations, 2019.

iii. Eligible Fund Managers may charge fees on mutually agreed terms.

iv. Eligible Fund Managers will provide monthly report to SEBI in the format as specified.

v. We may agree with the feedback mentioned at 4.1.5.2(ii)(a). For transactions involving only foreign securities, an India based dealing

room may not be necessary. The requirement for a dealing room for investment in Indian securities would be linked to the prescribed AUM based criteria, ensuring a proportionate regulatory approach.

vi. We may also agree with the suggestion mentioned at 4.1.5.2(ii)(b) related to exemption to Eligible Fund Managers from making disclosure of performance and Investor Charter since Eligible Fund Managers will cater to foreign clients. Having written down policies related to fund management, compliance, risk etc. will be governed as per SEBI (Foreign Portfolio Investors) Regulations, 2019 for investment in Indian securities or local jurisdiction requirements when investing in foreign securities.

vii. In the draft regulations, a new clause on surrender of registration is proposed to be inserted for portfolio managers, the same shall also be applicable to the Eligible Fund Manager. Therefore, we may agree with the suggestion mentioned at 4.1.5.2(ii)(c) and provide the clarity through master circular.

viii. Further, new clauses related to commencement of business within 03 years of registration and geographical scope defined for conducting portfolio management activities from territory of India will be applicable to Eligible Fund Manager.

4.1.5.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification as mentioned above. Draft regulations are modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.1.6. **Independent fund managers (IFM) under a SEBI-Registered Portfolio Manager**

4.1.6.1. **Proposal in consultation paper:**

i. SEBI has received representation from market participants to permit IFM to bring their own clients and manage client funds while operating under the umbrella of a SEBI registered portfolio manager.

ii. The registered portfolio manager would provide these IFM with infrastructure and other compliance requirements and will retain regulatory accountability for legal, fiduciary, managing all KYC/AML checks.

iii. Order Execution: While the fund manager will generate investment signals/orders, the final execution will go through the portfolio manager’s centralized dealing desk or authorized execution systems to ensure pre-trade compliance checks.

iv. The relationship between the IFM and the portfolio manager will be governed under an agreement. Under the agreement the portfolio manager will be entitled to share fees/revenues with the fund manager as mutually agreed.

4.1.6.2. **Summary of public comments:**

i. Around 86% of respondents agree with the proposal and rationale.

ii. Some of the suggestions/ clarifications sought include:
   a. IFMs should meet minimum eligibility equivalent to those applicable to the Principal Officer.
   b. Registered portfolio manager should retain ultimate responsibility for regulatory, client and compliance obligations, with fees paid directly by clients to the PMS, ensuring a single accountable regulated entity.
   c. Orders generated by IFMs should flow through the registered portfolio manager's centralised dealing desk or integrated execution system.

d. The registered portfolio manager should retain effective governance and oversight like approval of the IFM investment strategy by the Principal Officer, approval of investment decisions/ approach, Pre-trade compliance checks, Monitoring of risk limits.
e. Cap the number of IFMs per PMS to ensure effective supervision and limit each IFM to one PMS at a time.
f. Provide for client notification, transition periods, service continuity and exit rights when an IFM leaves or is terminated, to protect investors.
g. APMI should maintain a register of IFMs associated with PMS entities.

4.1.6.3. **Examination of issues:**

i. IFM will involve in active investment and fund management decisions, handle strategy design, ensuring baseline professional standards equal to a Principal Officer and it will ensure protection of investors from unregistered or under-qualified decision-makers, therefore we may agree with the suggestion at 4.1.6.2(ii)(a) that IFM will be required to meet the same eligibility criteria as the Principal Officer.

ii. In order to have clear regulatory oversight the registered portfolio manager should be responsible and accountable to the clients. Hence, we may agree with the suggestions mentioned at 4.1.6.2(ii)(b), (c) and (d).

iii. Since a PMS may have any number of fund managers and in order to promote the spread of IFM across the county so as to bring more entities under the regulatory purview, we may not agree with the suggestions mentioned at 4.1.6.2(ii)(e). However, suggestion with regard to one IFM being associated with only one Portfolio manager at a time may be accepted.

iv. We may agree with the suggestion mentioned at 4.1.6.2(f)and (g),

4.1.6.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification as mentioned above. Draft regulations are modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.1.7. **Permitting greater flexibility for investment in Exchange Traded Derivative**

4.1.7.1. **Proposal in consultation paper:**

i. The PM Regulations permit portfolio managers to invest client's fund in derivatives, including for the purpose of hedging and portfolio rebalancing, through recognized stock exchanges.

ii. Considering the maturing investment experience and growing demand for more diversified and personalised solutions, it is proposed to permit portfolio manager to invest client's fund in exchange traded derivatives in the manner as specified:

- Total Exposure: The portfolio manager shall be permitted to undertake a total exposure not exceeding 1.25 times of the client's AUM.
- Limit on unhedged short exposure**:** Within the total exposure limit, the portfolio manager may undertake unhedged short exposure, only through equity exchange traded derivatives, up to 50% of the client's AUM, in addition to the derivative exposure undertaken for hedging and portfolio rebalancing.
- Limit on options: The total exposure related to option premium paid and received will not exceed 10% of the client's AUM.
- Explicit Positive Client Consent: Such participation will be subject to explicit positive consent from existing and new client.

4.1.7.2. **Summary of public comments:**

i. Around 87% of the respondents supported the proposal

ii. Some of the suggestions/ clarifications sought include:
   a. Increasing the limit to 2x or 2.5x to align with Alternative Investment Funds.
   b. Broaden permissible instruments to include interest rate, commodity, currency, and foreign exchange-traded derivatives.
   c. Eligible Fund Managers (EFMs) managing Eligible Investment Funds (EIFs) be completely exempt from the proposed derivatives exposure limits.

4.1.7.3. **Examination of issues:**

i. Unlike AIFs, which are structured for highly sophisticated investors with substantial risk-taking capacity, the PMS framework caters to investors with a lower minimum ticket size of ₹50 Lakhs who have a fundamentally different risk profile. Hence in order to maintain difference in product class and the differing investor profile, the suggestion at 4.1.7.2(ii)(a) may not be acceded to.

ii. The introduction of derivative exposure in the PMS framework is intended as a calibrated, phased measure, and expanding the scope to multi-asset derivatives simultaneously would introduce excessive systemic risk. To ensure that portfolio managers and custodians can first establish robust operational readiness, infrastructure, and compliance monitoring for standard derivatives, the scope of permissible instruments is proposed to be restricted at this stage. Thus, the suggestion at 4.1.7.2(ii)(b) may not be accepted.

iii. Suggestion at 4.1.7.2(ii)(c) may be accepted.

4.1.7.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. Draft regulations have been modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.2. **Changes to PM Regulations for Ease of compliance:**

4.2.1. **General provisions relating to ease of Compliance.**

4.2.1.1. **Proposal in consultation paper:**

The changes proposed to the PM Regulations to enhance ease of compliance are in line with the evolving industry practices and the need of the current regulatory environment. The proposed changes are aimed at easing compliance and shifting the approach from a prescriptive regulatory framework to a more principle-based, facilitative regulatory regime, while continuing to safeguard investor interests. Some of the broad changes to enhance ease of compliance are provided in **Annexure A5**.

4.2.1.2. **Summary of public comments:**

i. Around 96% of the respondents supported the proposals.

ii. Some of the suggestions/ clarifications sought include:

a. With respect to 10% liquid asset of Net Worth requirement under Regulation 9, it was suggested that, 10% Liquid net worth should be calculated on the prescribed minimum net worth of ₹5 crore, effectively capping the requirement at 10% of ₹5 crore i.e. ₹50 lakhs.

b. Expand the permitted liquid assets to include liquid funds, overnight funds, other suitable mutual fund schemes and arbitrage funds.

c. Option of providing physical copies of Disclosure Document should be retained for clients, particularly senior citizens, if required by them.

d. For Principal Officer education requirement, permit other professional qualifications like CS, CWA, etc.

e. NISM certification requirement waived for Principal Officer and Compliance Officer who are experienced professionals or those holding CA/CS/CMA/LLB qualifications.

4.2.1.3. **Examination of issues:**

i. The suggestion at 4.2.1.2(ii) (a) and (b) may be accepted as it will provide portfolio managers with greater flexibility while maintaining the liquidity objective.

ii. The suggestion at 4.2.1.2(ii) (c) related to physical mode of delivery of Disclosure Document and at 4.2.1.2(ii) (d) related to educational qualification of Principal Officer may be accepted.

iii. NISM certification ensures knowledge/ expertise of specialised requirements applicable to portfolio management and securities markets. A common NISM certification requirement ensures consistency, accountability and a level playing field across the industry and therefore we may not agree with the suggestion at 4.2.1.2(ii) (e). However, for existing Compliance officers, a period of one year may be provided for obtaining the certification.

4.2.1.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. Draft regulations have been modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.2.2. **Dealing Room Relaxation for Portfolio Managers**

4.2.2.1. **Proposal in consultation paper:**

i. Portfolio managers with AUM below INR 100 crores generally have a limited client base, lower trading volumes and simpler operating structures. This results in significantly lower operational and market integrity risks. These entities are subject to robust governance, compliance, audit, and record-keeping requirements, which provide adequate safeguards against misuse and ensure accountability.

ii. In view of the same, it is proposed that mandate of dedicated dealing room for portfolio managers with less than 10 clients or AUM below INR 100 crores be relaxed for ease of compliance, subject to maintaining appropriate audit trail of communication of order placement with adequate internal controls.

4.2.2.2. **Summary of public comments:**

i. Around 84% of the respondents supported the proposal

ii. Some of the suggestions/ clarifications sought include:
   a. Increase the threshold to ₹200 crore, ₹500 crore or ₹1,000 crore.
   b. Client counts should not be the sole test because family offices often hold large AUM with few clients.
   c. While relaxing the requirement of having a physical dealing room, robust technical standards should continue to be mandated such as time-stamped, tamper-evident logs, recorded lines, chat backups, restricted website access, designated pre-trade compliance personnel etc.
   d. Clarity regarding the transition period (e.g., 60-90 days) for establishing a dealing room once a portfolio manager crosses the prescribed AUM or client thresholds since time and resources would be required to build physical infrastructure.

4.2.2.3. **Examination of issues:**

i. Considering that at least 48% of portfolio managers (as per data on March 31, 2026) would be covered under the dealing room relaxation at this level, it is appropriate to set the AUM threshold at ₹100 crore. This accommodates small portfolio managers while maintaining the dealing room requirement for larger portfolio managers.

ii. We may agree with the feedback at 4.2.2.2(ii)(b) that client number criterion does not accurately reflect market footprint. Accordingly, the number of clients' criterion is proposed to be dropped.

iii. We may agree with the suggestion at 4.2.2.2(ii)(c) that while the physical infrastructure requirement is being relaxed for smaller entities, all other checks, balances, and systemic controls shall continue to remain in force.

iv. We may agree with the operational concerns regarding organic growth mentioned at 4.2.2.2(ii)(d) above. A transition period of 90 days (up to 3 months) may be provided to entities to set up a dedicated dealing room once the AUM threshold is crossed.

4.2.2.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. Draft regulations have been modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.2.3. **Operational procedure relating to Power of Attorney**

4.2.3.1. **Proposal in consultation paper:**

i. PM Regulations provide the framework for portfolio managers to provide DPMS, execute trades through pooled PMS accounts, settle trades etc. through custodian and maintain client level demat

account with governance under client agreement. The entities involved in the process includes depositories, custodians, stock brokers and portfolio manager falling in the regulatory ambit of SEBI and their powers to operate is derived through the PM Regulations and the respective regulations applicable to the entity.

ii. Presently, as an operational model adopted by the PMS industry, portfolio managers are required to obtain Power of Attorney (POA), in addition to client agreement, from clients to undertake transaction on their behalf. A representation has been received from industry to rationalize the operational requirements by relaxing POA requirement to reduce administrative barrier and facilitate hassle-free asset transfers between portfolio managers.

iii. Portfolio managers would continue to comply with banking norms and documentation requirements prescribed by banks under the RBI's regulatory framework for operating client bank accounts, wherever applicable.

4.2.3.2. **Summary of public comments:**

i. Around 86% of respondents supported the proposal.
ii. Some of the respondents highlighted that bank account operations are governed by RBI/banking requirements and therefore removal of POA under PMS Regulations may not by itself eliminate the need for bank-side authorisation.

4.2.3.3. **Examination of issues:**

i. All the necessary authorization may be incorporated directly in the portfolio managers agreement for ease of doing business and since this would maintain all powers with portfolio manager and also simplify the documentation and reduce cost for the clients.

ii. We may agree with the suggestion mentioned at 4.2.3.2 (ii) and the PoA requirement as mandated by RBI or any other regulator would continue.

iii. Since PoA is a legal document, opinion of LAD was sought on the same and they have concurred with it.

4.2.3.4. **Proposal:**

Considering the above, the proposal may be accepted subject to modification as mentioned above. Draft regulations have been modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.2.4. **Demat Account Portability for clients of Portfolio Managers**

4.2.4.1. **Proposal in consultation paper:**

i. As per industry practice prevalent today, an investor is required to open a new demat account each time while migrating from one portfolio manager to another. A new demat account is also required when there is change in custodian within the same portfolio manager.

ii. SEBI has received representation from the industry that opening a new demat account involves repeated KYC processes, delays and added costs.

iii. It has been suggested by the industry to enable seamless portability of client accounts—covering KYC data, custodial arrangements and demat assets with proper consent and safeguards. A PMS investor should undergo the on boarding and KYC process only once with reliance on KYC registered with KRA to avoid duplication within the custodian ecosystem, regardless of the number of portfolio managers engaged by an investor, interoperability between custodians should allow seamless transfers.

iv. Such facilitation would require amendment to existing depository guidelines and operational circulars.

4.2.4.2. **Summary of public comments:**

i. Around 95% of respondent's support the proposal.

ii. Other requests and clarifications were regarding covering portability in case of change of portfolio manager as well as custodian, including transfers across NSDL and CDSL and portability/ consolidation of multiple PMS Demat accounts being possible.

4.2.4.3. **Examination of issues:**

We may agree with suggestion mentioned at 4.2.4.2 (ii). Further, based on discussions with depositories i.e. CDSL and NSDL, it may be mentioned that partial portability is already enabled.

4.2.4.4. **Proposal:**

Considering the above, the proposal may be accepted. A pathway for Demat account portability will be built and examined separately in consultation with respective stakeholders like depositories, custodians etc. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.3. **Changes to the Portfolio Manager Regulations for simplification and clarity:**

4.3.1. **Suggestion in consultation paper**

As part of the comprehensive review of the PM Regulations 2020, all its provisions were examined in detail to identify areas requiring simplification for improved understanding. The provisions in the portfolio manager Regulations were accordingly redrafted to enhance clarity and remove ambiguities. Additionally, provisions with overlapping requirements were consolidated and provisions that addressed multiple distinct subjects were

appropriately segregated under relevant heads. Further, the placement and sequencing of provisions were reorganized to improve the overall structure and readability of the Portfolio Manager Regulations. Some of the broad areas of simplification have been carried out are outlined in **Annexure A6.**

4.3.2. **Summary of public comments:**

i. Around 95% of the respondents support the proposals.

ii. Some of the suggestions/ clarifications sough include:

a. Extend the timeline for filing disclosure documents and changes in principal officers from 7 working days to 10 working days or 15 calendar days.

b. Allow addendums for non-material changes (i.e. Financial, performance, taxation and related-party information etc), similar to the Mutual Fund framework, instead of requiring changes to the entire Disclosure Document. Annual updation within six months from the end of the financial year.

c. The requirement for Certificate from Independent CA for factual or non-material change may be dispensed off.

d. Increase the timeline for monthly compliance reporting from the existing 7 working days to 15 calendar days.

4.3.3. **Examination of issues:**

The suggestions at 4.3.2(ii) (a) (b) (c) and (d) further enhance clarity and remove ambiguities and hence may be accepted.

4.3.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. Draft regulations have been modified accordingly. Detailed

modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

4.4. **Deletion of redundant, replicative and transitory clauses:**

4.4.1. **Suggestion in consultation paper**

i. As part of the overarching effort to streamline the regulatory framework, it was proposed that certain redundant, duplicative and transitory provisions be removed so as to improve readability and reduce interpretational complexities, while furthering ease of compliance without altering the underlying regulatory intent.

ii. Some of the broad areas where such deletions have been carried out are outlined in **Annexure A7.**

4.4.2. **Summary of public comments:**

i. Around 84% of the respondents support the proposal.

ii. Other requests and clarifications are summarised below;

a. Investment rationale records may be maintained digitally or physically, to avoid regulatory uncertainty and ensure consistent inspection outcomes.

b. SEBI Consultation Paper on review of Accredited Investor framework proposed that portfolio managers amongst others can determine and record accredited status directly to the accredited investors.

c. Clarification/ grandfathering for clients who originally invested ₹25 lakh but whose current NAV/AUM has increased substantially, e.g. above ₹50 lakh. Such clients have already been PMS investors for several years and may have crossed the ₹50 lakh threshold through market appreciation rather than fresh investment.

d. Few respondents recommended that for the provisions relating to grandfathering from prudential limit, investment limit in credit rating etc. an orderly-exit period of 12 months or longer where liquidity or market conditions warrant, rather than a fixed hard deadline.

4.4.3. **Examination of issues:**

i. We may agree with the suggestion at 4.4.2(ii) (a) provided the digital records are mandatorily authenticated via digital signatures by the Principal Officer.

ii. In view of the SEBI Consultation Paper on review of Accredited Investor framework, the definition of accreditation agency is deleted and definition of accredited investor mentioned at Regulation (2) (1) (c) is proposed to be modified.

iii. With respect to suggestion mentioned at 4.4.2(ii) (c), AUM as on the effective date of the new Portfolio Manager Regulations may be considered. Clients with AUM below ₹50 lakh may be given twelve months to achieve the required ₹50 lakh AUM.

iv. With respect to suggestion mentioned at 4.4.2(ii) (d) we may extend the compliance timeline from twelve to thirty-six months, to avoid distress selling and investor losses in illiquid or unlisted instruments.

4.4.4. **Proposal:**

Considering the above, the proposal may be accepted, subject to modification. Draft regulations have been modified accordingly. Detailed modalities including above shall be specified by way of Circular/APMI guidelines/ FAQs.

5. <u>Proposal for consideration and approval of the Board</u>

5.1. The Board may consider and approve the proposals at para 4.1.1.4, 4.1.2.4, 4.1.3.4, 4.1.4.4, 4.1.5.4, 4.1.6.4, 4.1.7.4, 4.2.1.4, 4.2.2.4, 4.2.3.4, 4.2.4.4,

4.3.4, and 4.4.4 above. The draft SEBI (Portfolio Managers) Regulations, 2026, are placed at **Annexure A3**.

5.2. It is proposed that the SEBI (Portfolio Managers) Regulations, 2026 may be made effective after providing reasonable time for implementation.

5.3. The Board may authorize the Chairman to take steps to implement the proposals, with consequential and appropriate changes, as may be required, and to notify the necessary regulations and/or issue circular(s) in this regard.

Enclosures:

1) **Annexure A1- Consultation paper dated July 23, 2026 (17 pages)**
2) **Annexure A2- Summary of public comments and SEBI' view (26 pages)**
3) **Annexure A3- Draft of proposed SEBI (Portfolio Managers) Regulations, 2026 (33 pages)**
4) **Annexure A4- Mapping** to **proposed SEBI (Portfolio Managers) Regulations, 2026 (03 pages)**
5) **Annexure A5 - Proposed changes for ease of compliance (05 pages)**
6) **Annexure A6- Proposed changes for simplification and regulatory clarity (02 pages)**
7) **Annexure A7- Modification in grand fathering provision/ deletion of redundant provisions/ clauses (03 pages)**

Annexure A1

Available on SEBI website

(SEBI Consultation Paper on comprehensive review Of SEBI (Portfolio Managers) Regulations, 2020)

Annexure A2

"(This has been excised for reasons of confidentiality)"

Annexure A3

"(This has been excised for reasons of confidentiality. The amended regulations shall be notified after following the due process)"

Annexure A4

"(This has been excised for reasons of confidentiality. The amended regulations shall be notified after following the due process)"

Annexure A5

'Proposed Changes for Ease of Compliance'

Sr. No.	Particulars in the existing PM Regulations	Proposed changes in the consultation paper
1.	Definition of "Related Party" in Regulation 2(pa).	To remove inconsistency, the definition of related party in Regulation 2(pa)(v) is being aligned with the definition specified under with Companies Act, 2013.
2.	Regulation 7(2)(d)(i) on educational qualification for Principal Officer.	To promote ease of doing business, it is proposed to rationalise the minimum educational qualification prescribed for principal officer to graduation degree in any discipline from a recognised university in India or foreign university or a professional qualification in finance such as CFA, Chartered Accountant etc.
3.	Regulation 9 on Net worth requirement.	To bring clarity, net worth is redefined to include securities premium reserve and exclude any loans and advances given by Portfolio Manager including to their related parties or associates. Further, with a view to promote clarity on deployment of net worth, it is proposed that at least ten percent of the net worth must be deployed in liquid assets which are unencumbered and shall include cash, bank deposits with Scheduled commercial Banks, money market instruments, Government securities, treasury bills, Repo on Government

Sr. No.	Particulars in the existing PM Regulations	Proposed changes in the consultation paper
		securities and any other instruments as specified by the Board. Existing portfolio manager would be required to comply within 12 months from the commencement of the regulation.
4.	Regulation 22(3) requires portfolio manager to provide disclosure document to client in the format specified.	Towards a paperless initiative, the regulation is proposed to be revised to enable portfolio managers to share disclosure document with clients in digital format.
5.	Regulation 22(7) provides timeline of 7 working days for filing the disclosure document with material change.	With a view to ensure ease of compliance for portfolio managers, the existing timeline of 7 working days is proposed to be revised to 10 calendar days. This would enable portfolio managers to file the disclosure document in a timely manner.
6.	Regulation 22(9) provides a timeline of 7 working days for filing information on change in identity of principal officer to the Board and clients.	With a view to ensure ease of compliance for portfolio managers, the existing timeline of 7 working days has been revised to 10 calendar days. This would enable Portfolio managers to file the requisite information in a timely manner.
7.	Regulation 24(15) provides that a portfolio manager shall not hold the securities belonging to the portfolio	The PM Regulations restricts portfolio managers from holding client securities in their own name. However, to promote efficient cash management, para 2.2.3 of

Sr. No.	Particulars in the existing PM Regulations	Proposed changes in the consultation paper
	account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise.	the Master Circular simultaneously allows for the short-term deployment of funds into liquid mutual funds and is held in its name. In order to facilitate the same, an anchor clause has been added to regulation for clarity.
8.	Para 6.1.3.3 of Master circular for Portfolio Manager provides for a upper cap on operating expenses that can be charged by the portfolio manager for each client on an annual basis	With a view to facilitate greater clarity and transparency, it is clarified that 0.50% per annum cap limit on operating expenses relative to the client's average daily AUM shall be calculated exclusive of all statutory levies.
9.	Para 5.2.2.4 of Master Circular for Portfolio Manager provides a timeline of 30 calendar days for submission of Corporate Governance Report to SEBI.	With the objective of easing compliance for market participants, it is proposed to align the timeline for submitting the corporate governance report to SEBI with the timeline for firm-level reporting and compliance certificate submissions to 60 calendar days.
10.	Paragraph 2.7.2 of Master Circular for portfolio managers provides various requirements for investments including constitution of dealing team for order placement and execution of orders in accordance with	In order to ensure investor protection, it is proposed to clarify that a portfolio manager must ensure maintaining a dedicated and segregated dealing room for its portfolio management activity, ensuring that dealing personnel operate independently from the entity's other activities. A proposal for carve-out for

Sr. No.	Particulars in the existing PM Regulations	Proposed changes in the consultation paper
	regulation.	smaller portfolio managers is provided at para 6.1.
11.	Clarification on the geographical scope of operations of portfolio manager.	To provide clarity and further strengthen the regulatory oversight and supervision, it is proposed to explicitly define the geographical operational boundaries for portfolio managers. Accordingly, it is proposed that portfolio managers shall not carry out their investment management operations or execution of transactions relating to portfolio management services, outside the territory of India, except for execution of trades for investment in overseas securities.
12.	Minimum requirement for commencement of business activity.	In order to safeguard investor interest, it is proposed to clarify that registered portfolio manager shall establish its business activities within three years from the date of registration. For this purpose, establishment of activity means a portfolio manager shall be required to have a minimum of 10 clients or total AUM of INR 5 crores within the period of three years to carry on its operation as a portfolio manager. A transitionary clause will be added for existing portfolio

Sr. No.	Particulars in the existing PM Regulations	Proposed changes in the consultation paper
		managers to comply with the condition.
13.	Formats of Reporting to SEBI and Clients.	Formats of Reporting are proposed to be simplified and aligned to remove duplication in reporting.
14.	Clarification on eligibility criteria for Compliance officer.	Considering that compliance officer is responsible for monitoring compliance with the provision of the SEBI Act, PM Regulations and circulars issued thereunder, it is desirable that a clarity on certain qualification to be obtained by compliance officer may be specified. Accordingly, a person shall obtain certification from National Institute of Securities Market (NISM) by passing the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination to qualified to be appointed as compliance officer of a portfolio manager.
15.	Definition of non-discretionary portfolio manager.	Definition of non-discretionary portfolio manager has been specified in the regulation for clarity.
16.	Surrender of certificate of registration.	To ensure parity with various other intermediaries, a provision for surrender of certificate of registration is added.

Annexure A6

'Proposed Changes to bring about Simplification and Regulatory clarity'

Sr. No.	Particulars in the existing PMS Regulations	Proposed changes in Consultation Paper
1.	Application for grant of registration (Regulation 3,4,5,6,10,12,13,15)	Provisions relating to application for registration, inter-alia including furnishing of information, rejection, refusal of application etc., is consolidated under one head.
2.	Eligibility criteria for registration of an applicant as portfolio manager (Regulation 7, 8 and 9)	The requirements have been tabulated for easy reference.
3.	Procedure to be followed to act as Eligible Fund Mangers (Regulation 17 and 18)	
4.	Requirements for Co-investment portfolio managers.	Various provisions and exemptions relating to Co-investment portfolio managers, mentioned across different sub-regulations, have been brought under one separate chapter for greater clarity and ease of reference.
5.	General obligations and responsibilities of portfolio managers (Chapter IV).	General obligations and responsibilities of portfolio managers have been reorganised under common thematic heading with sub-heads for greater clarity. Further,

Sr. No.	Particulars in the existing PMS Regulations	Proposed changes in Consultation Paper
		anchor clauses for valuation, advertisement code, performance benchmarking and requirement of written down policy for management of clients funds and securities have been added for clarity.
6.	Regulation 22(6) provides for availability of copy of disclosure document on website of portfolio manager at all times.	Considering that disclosure document is dynamic and subject to change, it has been explicitly clarified that latest disclosure document shall be available on website.
7.	Format for application for grant of certificate of registration (Form A), certificate of Registration (Form B), declaration for disclosure document (Form C) **[**Schedule I**].**	As a part of ease of doing business, format for disclosure document was shifted to Master Circular. In view of ease of reference, Form A, B and Form C of Schedule I and Schedule VI will be placed in the Master Circular for Portfolio Managers.
8.	Declaration for Eligible Fund Managers (Schedule VI).	

Annexure A7

'Modification in Grand Fathering Provision/ Deletion of Redundant Provisions/ Clauses'

Sr. No.	Particulars in the existing PMS Regulations	Proposed changes in Consultation Paper
1.	Proviso to Regulation 7(2) pertaining to specific timeline for compliance with requirements of education and experience of Principal Officers and appointment and qualification of additional employee.	The proviso to regulation was transitory in nature and hence deleted.
2.	Proviso to Regulation 9 prescribes timeline for compliance with maintaining net worth requirement.	
3.	Regulation 7(2)(f) &(h) specifies consideration for registration of applicant relating to litigation and disciplinary action.	The 'fit and proper' standards set out in the SEBI (Intermediaries) Regulations, 2008, provide a comprehensive and definitive framework governing all market intermediaries. Consequently, the additional clause has been deleted to ensure regulatory clarity.
4.	Regulation 14 pertains to refusal of application of certification	Regulation 12 prescribes that certificate of registration shall be valid unless it is suspended or cancelled by the Board.

Sr. No.	Particulars in the existing PMS Regulations	Proposed changes in Consultation Paper
		In order to keep the registration in force, portfolio manager would be required to pay requisite renewal fees (Schedule II). Considering the above, it is observed that renewal of certificate would be done upon payment of fees and no fresh registration is required for the same. Thus, the extant Regulation 14 is redundant and hence deleted.
5.	Regulation 22(2) prescribes content of agreement between portfolio manager and the client	Specifics of content of agreement are already detailed in the Schedule IV PM Regulations. In view of duplication, the details provided in regulation is deleted.
6.	Proviso to regulation 23(2) relating to grandfathering minimum investment amount INR 25 lakhs from clients.	Following the increased limit to minimum investment threshold to INR 50 lakhs in PM Regulations, existing portfolios of clients with minimum investment of INR 25 lakhs were initially grandfathered to support a transition. Given the subsequent growth and maturity of sophisticated investors within the PMS ecosystem, this grandfathering provision is being modified. To ensure that all investments operate on an equitable and level playing field, it is proposed that all clients of portfolio managers

Sr. No.	Particulars in the existing PMS Regulations	Proposed changes in Consultation Paper
		shall comply with minimum investment limit of INR 50 lakhs (with the exception of clients of MF-PMS) within thirty six months from the commencement of new Regulations.
7.	Proviso to regulation 24(3E) relating to grandfathering from prudential limit, investment limit in credit rating etc.	In view of investor interest, the existing grandfathering clause is being modified. Accordingly, all portfolio managers shall ensure compliance with the regulation within twelve months from commencement of regulation.