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Securities and Exchange Board of India

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CONSULTATION PAPER

MARKET INTERMEDIARIES REGULATION AND SUPERVISION DEPARTMENT

**Proposals for Ease of Doing Business for Investment Advisers
and Research Analysts**



Proposals for Ease of Doing Business for Investment Advisers and Research Analysts

A. Objective

This paper seeks comments from public on proposals related to amendments to regulatory framework for Investment Advisers (“**IAs**”) and Research Analysts (“**RAs**”) with the objective of facilitating ease of doing business and addressing practical challenges in the current framework.

B. Background

With a view to bring in regulatory changes commensurate with the continually evolving nature of the IA and RA industry, certain amendments to the SEBI (Investment Advisers) Regulations, 2013 (“**IA Regulations**”) and SEBI (Research Analysts) Regulations, 2014 (“**RA Regulations**”) were notified in December 2024.

While the said regulatory changes have contributed in developing an enabling ecosystem for IAs and RAs, there have been representations from the Industry Associations of IAs and RAs to introduce certain additional measures to further facilitate ease of doing business. The proposed measures are as follows:

- i. Permitting IAs and RAs to provide past performance to clients;
- ii. Allowing IAs to provide second opinion to clients on pre-distributed assets;
- iii. Easing the compulsory corporatization process for IAs;
- iv. Relaxation in education criteria for IAs and RAs;
- v. Relaxing the requirement of furnishing of proof of address; and
- vi. Relaxing the requirement of furnishing of CIBIL report, Net worth/Asset Liability statement, infrastructure details.

The proposals in this paper are based on the representations by Industry Associations and deliberations. The proposals would require amendments to the provisions of IA Regulations and RA Regulations, and circulars thereunder.



PROPOSALS

1. Permitting IAs and RAs to provide past performance to clients

1.1. SEBI, vide circular dated April 4, 2025, specified the framework for creation and operationalization of Past Risk and Return Verification Agency ("PaRRVA"). It may be noted that PaRRVA will not provide risk-return metrics in respect of performance of IAs/RAs for the period prior to their association with PaRRVA.

1.2. The Industry Associations of IAs/RAs have represented that their inability to provide the past performance details to clients limits their ability to serve clients and deprives clients of material relevant information for their investment decisions. The association has also presented that implementation of PaRRVA on prospective basis shall be akin to disregarding the past hard work of legitimate professionals as they will not be able to display their historical track record.

1.3. While the demand of the industry is just from the perspective of the IA/ RA profession, allowing unrestrained claims of past performance may be prone to misuse by unscrupulous elements in luring and misleading investors. Hence, though it is not felt appropriate to permit IAs/RAs to advertise claims of past performance using unverified data/return until the operationalisation of PaRRVA, IAs/RAs may be allowed to provide past performance data, along with relevant disclaimers, to only clients specifically seeking such data.

1.4. Proposal

- i. IAs/RAs may provide past performance data certified by a member of ICAI/ICSI/ICMAI to a client (including prospective client) on specific request of such client.
- ii. The applicable period for such past performance data shall be prior to the date of operationalization of PaRRVA. Hence, once PaRRVA is operationalised, the performance for the period subsequent to the date of



operationalisation shall only be advertised or provided to client using risk and return metrics verified by PaRRVA.

- iii. Such past performance data shall be communicated to clients (including prospective clients) on a one-to-one basis and such past performance data shall not be made available to general public through public media/website of IA/RA or any other mode.
- iv. Any communication of such past performance data shall be accompanied with the following disclaimer:

“The performance data presented herein are not verified by Past Risk and Return Verification Agency (PaRRVA) or any other agency recognized by SEBI for this purpose. The performance data presented herein may not be comparable to performance data of any other IA/ RA. Computation of the performance may vary across the industry. Users are requested to apply their due diligence before making investment decisions on the basis of the given past performance data.”

- v. After two years from the date of operationalisation of PaRRVA, IAs/RAs will not be permitted to use such past performance data related to the period prior to the date of operationalisation of PaRRVA, in any communication to clients (including prospective clients) and will be able to show only PaRRVA verified risk and return metrics.

2. Allowing IAs to provide second opinion to clients on pre-distributed assets

2.1. Presently, IAs can charge fees under the following two modes,

- (a) Assets under Advice ('AUA') mode, which is subject to a limit of 2.5 per cent of AUA per annum per family of client across all services offered by IA; and
- (b) Fixed fee mode, which is subject to a specified fee limit per annum per family of client across all services offered by IA.

Fee limits are applicable only for individual/HUF clients.



2.2. Under the current regulatory framework, IAs are not permitted to include any portion of AUA held by the client under any pre-existing distribution arrangement with any other entity for determining the total AUA for charging AUA based fee. The provision serves to prevent the instance of dual charging wherein on certain assets, the investor may end up paying both distributor's commission to the other entity as well as advisory fees to the IA.

2.3. As represented by industry association of IAs, for IAs charging fees under AUA mode, the above provision restricts their ability to service their clients with such assets even if the clients wish to avail a second opinion. The association has sought that the IAs should be permitted to charge AUA based fee in such scenarios and provide second opinion to their clients.

2.4. Proposal

- i. Considering the submission of the industry association and for ensuring that the investors get access to second opinion if desired, it is proposed that IAs, for clients seeking second opinion on assets under pre-existing distribution arrangement with other entity, may be permitted to charge fee on the assets under pre-distribution arrangement under AUA mode, subject to a limit of 2.5% of such assets value per annum.
- ii. In such cases, IAs must disclose and seek consent from such clients that apart from the advisory fees payable to the IA, the clients will be incurring costs for distributor consideration for such assets. Such consent will need to be taken on an annual basis.

3. Easing the compulsory corporatization process for individual IAs

3.1. Currently, an individual IA is required to apply for in-principal registration as non-individual IA, which is valid for a period of up to three months within which time, the IA has to complete the transition process. On completion of transition within the time limit, the IA surrenders individual registration certificate and is granted final registration as non-individual IA subject to compliance with all the requisite requirements of registration. During the transition period, individual IA



continues to service existing clients subject to keeping the limit of clients to below 300 clients and limit of collected fees below three crore rupees.

3.2. As represented by industry association of IAs, the transitioning process involves multiple activities including registration as a body corporate/LLP, obtaining GST registration, opening bank accounts apart from the internal processes at the end of the IA. The association has stated that the existing timeline of three months leads to stressful situations. Further, the business of the IA is also adversely affected as they may not be able to undertake new business or even sometimes charge fees from any clients during the transitioning process.

3.3. Proposal

- i. An individual IA shall immediately intimate the Investment Advisers Administration and Supervisory Body (IAASB) once they reach the threshold of 300 clients or collect fees of three crore rupees in a financial year, whichever is earlier.
- ii. The IA shall initiate the process of transition from individual to non-individual IA, immediately upon reaching the threshold.
- iii. The IA shall apply for in-principle approval for registration as a non-individual IA within three months from the date on which the threshold is reached.
- iv. Within three months from the in-principle approval for registration as a non-individual IA, the IA shall complete the transitioning process.
- v. Upon completion of the transition, the IA shall surrender the registration certificate as an individual IA and shall receive registration certificate as non-individual IA.
- vi. During the transitioning period, IAs will be permitted to on board new clients and collect fees in excess of threshold limit.

4. Relaxing the requirement of proof of address

4.1. As provided under the IA Regulations and RA Regulations, an applicant needs to submit a valid address proof for the applicant/directors/partners/principal officers/beneficial owners/persons associated with investment advice as part of the registration processes for IAs and RAs, as the case may be.

4.2. In this regard, it may be noted that the services of IAs/RAs may not warrant any significant physical infrastructure as these intermediaries provide investment advisory/research services broadly owing to their understanding and knowledge and their skills to arrive at a suitable advice/recommendation under a particular circumstance. These services have significantly moved from physical to online space providing convenience and efficiency to both the investors as well as intermediaries.

4.3. The recent amendments to the IA and RA Regulations mandate all IAs/RAs to maintain a functional website. IAs/RAs are also required to provide details of their website, apps and social media handles in the half-yearly periodic reporting which is required to be submitted to the Administration and Supervisory Body (ASB).

4.4. Proposal

- i. In view of the above, and in order to simplify the registration process for the applicants, it is proposed to do away with the requirement of providing of proofs of addresses of multiple persons, as specified in the current regulations. It is envisaged that this simplification shall lead to a lower turn-around time in processing of registration applications by ASB and result in reduced documentation and saving of time and cost for applicants. However, the applicants shall continue to provide the address details on declaration basis to the ASB during application for registration and shall update ASB for any post-registration change in address.
- ii. Further, the applicants shall continue to provide proof of identity to ASB for registration application. In addition to other relevant due-diligence, ASB

shall continue to do the OTP based validation of registered email address and mobile number submitted by the applicant.

5. Easing the requirement to submit details of infrastructure

5.1. The application form for grant of certificate of registration (Form-A), as provided under the IA Regulations and RA Regulations, mandates the applicants to provide detailed information regarding their infrastructure such as details of office space, office equipment, furniture and fixtures, communication facilities, research capacity, and research software utilized for undertaking investment advisory or research services etc.

5.2. As discussed earlier in this paper, the services of IAs/RAs may not warrant any significant infrastructure as these intermediaries provide investment advisory/research services broadly owing to their understanding and knowledge and their skills to arrive at a suitable advice/recommendation under a particular circumstance. Further, these services have significantly moved from physical to online space through technology-driven solutions rather than traditional office setups providing convenience and efficiency to both the investors as well as intermediaries.

5.3. Proposal

To align regulatory requirements with the evolving landscape of investment advisory and research services, it is proposed to revise the infrastructure-related obligations for IAs and RAs wherein applicants shall no longer be required to submit specific details regarding office space, office equipment, furniture and fixtures, communication facilities, research capacity, research software etc. at the time of registration. However, they shall continue to provide a declaration affirming that the applicant possesses the necessary infrastructure to discharge their obligations as an IA or RA effectively.



6. Removal of the requirement to provide credit report/ score from CIBIL

6.1. The application form for grant of certificate of registration (Form-A), as provided under the IA Regulations mandates the applicants to provide a credit report/ score from CIBIL.

6.2. It has been noted that during the processing of registration applications, apart from ATR (Action Taken Report) available with SEBI, a host of other databases (including of CIBIL) are checked by IAASB/SEBI to ascertain the fit and proper status of the applicants in terms of criteria as specified in Schedule II of the SEBI (Intermediaries) Regulations, 2008. Further, the applicant is also required to submit a declaration to the effect that the applicant is a fit and proper person and meets the criteria specified in the aforesaid regulations. The requirement to submit the credit report/ score from CIBIL is hence redundant for determining the eligibility of the applicant for registration and removal of this requirement shall reduce the compliance burden for applicants.

6.3. Proposal

In view of the above, considering the existing due-diligence process and submission of suitable declaration by the applicant, it is proposed to remove the requirement of submission of credit report/ CIBIL score for the applicant for registration as an IA.

7. Removal of requirement to provide details of assets and liabilities/Net worth certificate as well as income tax returns

7.1. Considering that the IAs/RAs do not handle funds/assets of the investors, their services are based on their understanding/knowledge/skills without need for any significant infrastructure requirement, vide the recent amendments to the IA and RA Regulations as notified in December 2024, the net-worth requirement for an applicant for registration as IA/RA has been done away with. Instead, a provision for maintenance of deposit lien marked to Administration and Supervisory Body has been introduced. Such deposit may be used towards dues emanating out of arbitration and conciliation



proceedings, if any, under the Online Dispute Resolution (ODR) Mechanism or any other mechanism as may be specified, if the IA/RA fails to pay such dues.

7.2. Though the deposit requirement has been implemented, the details of net worth, assets and liabilities and income tax (returns or form 16) are still required to be submitted by the applicants. With the introduction of the deposit requirement, these details may not be a requisite information for registration. Removal of the requirement of submission of these details shall further simplify and bring in the efficiency in the registration process.

7.3. Proposal

In view of the above, it is proposed to remove the requirement of submission of details of net worth / assets and liabilities / income tax returns/form 16 for registration as IA/RA.

8. Changes to the educational qualification for registration as IA/RA

8.1. Currently, a graduate in specified fields such as finance, business management, accountancy, commerce, economics, capital market etc. is considered eligible for registration as IA/RA under the respective Regulations. However, there may be certain applicants with inclination and skill to undertake the profession of IA/RA but they may not be having graduate or postgraduate qualification in specified fields. Representations have also been received to consider graduates in other disciplines such as engineering, law etc. to undertake registration as IA/RA.

8.2. In order to facilitate such applicants and to enable ease of entry for persons intending to provide investment advice/ research services within the regulatory ambit of SEBI, it is proposed to relax the condition of graduation in specified fields to graduation in any discipline. Such candidates shall be in any way required to pass National Institute of Securities Market (NISM) certification examinations, which will provide them relevant exposure about the financial sector as well as the IA/RA profession.



8.3. Apart from the prescribed educational qualifications, the applicants/IAs/RAs are required to obtain/maintain NISM certification by passing applicable certification examinations for registration as IAs (i.e. NISM X-A, X-B and X-C exams) and RAs (i.e. NISM XV and XV-B exams). In this regard, it is proposed that NISM may accredit any educational program of an external organization as alternative to applicable NISM certification exams for IAs/RAs if NISM finds the curriculum and standard of such program to be equivalent to NISM certification exams. It is proposed to make suitable amendments in IA and RA Regulations in this regard.

8.4. Further, it has been noted that the curriculum of Post Graduate Program in the Securities Market (Investment Advisory) and Post Graduate Program in Financial Planning (PGFPF) cover the syllabus for NISM X-A and X-B examinations and also test participants on the same. Hence, in order to ensure ease of entry for such qualified applicants, it is proposed to exempt the requirement to obtain specified NISM certification (i.e. NISM X-A and X-B for IA). Similarly, for the applicants who have completed Post Graduate Program in the Securities Market (Research Analysis) from NISM, they can be exempted from the requirement to obtain specified NISM certification i.e. NISM XV.

8.5. Proposal

- i. In view of the above, the proposed revised minimum educational qualification and certification requirement for registration as an IA shall be as follows:
 - a. A graduate degree or any equivalent educational qualification from a university or institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or CFA Charter from the CFA Institute; and

relevant certification from NISM or from any other organization or institution accredited by NISM

Or

- b. A Post Graduate Program in the Securities Market (Investment Advisory) or Post Graduate Program in Financial Planning (PGPFP) or any other program from NISM as may be specified by the Board
- ii. Similarly, the proposed revised minimum educational and certification requirement for registration as an RA shall be as follows:
 - a. A graduate degree or any equivalent educational qualification from a university or institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or CFA Charter from the CFA Institute; and

relevant certification from NISM or from any other organization or institution accredited by NISM
 - Or**
 - b. A Post Graduate Program in the Securities Market (Research Analysis) from NISM or any other program from NISM as may be specified by the Board

9. Public Comments

9.1. Comments are invited on the proposals mentioned at paragraphs 1 to 8, in the consultation paper. The comments/ suggestions should be submitted latest by **August 28, 2025**, through the following link: <https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

9.2. In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationMIRSD@sebi.gov.in with the subject:

“Comments on Proposals for Ease of Doing Business for Investment Advisers and Research Analysts”.

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