



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Consultation Paper
on
Mechanism for Fee Collection by SEBI Registered
Investment Advisers and Research Analysts

1. Objective

1.1. This consultation paper seeks comments from the public on a proposal to create a closed ecosystem for fee collection by SEBI registered Investment Advisers ('IAs') and Research Analysts ('RAs') from their clients. This ecosystem will help investors ensure that their payments are reaching only registered IAs and RAs. As a corollary, this would also help investors identify, isolate and avoid unregistered entities, who would be unable to access this closed ecosystem.

2. Background

2.1. Regulation 15A of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ('the IA Regulations') provides that an IA shall be entitled to charge fees for providing investment advice from a client in the manner as specified by SEBI. SEBI circular number SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020, inter alia, states that payment of fees shall be through a mode that shows traceability of funds. It also prohibits payment of fees in cash.

2.2. Similarly, RAs charge fees to their fee-paying clients for the services offered by them.

2.3. Over the years, many unregistered entities have mislead investors in breach of the IA and RA Regulations. There is a need to proactively restrict their proliferation.

3. Proposed mechanism for fee collection by registered IAs and RAs

3.1. In order to ensure that IAs and RAs get recognition as registered intermediaries and to differentiate them from unregistered entities, it is proposed to bring in a separate mechanism for fee collection by IAs and RAs. Payment of fees to IAs and RAs through the proposed mechanism shall also provide clarity to investors regarding the registration status of the entity. It will also instil confidence among investors that fees are being paid to a SEBI registered IA/ RA and will motivate them to approach only registered IAs/RAs for all their investment advisory/research service needs.

3.2. The proposed mechanism for fee collection is based on the recommendations of working group comprising of representatives from BSE, BSE Administration &

Supervision Limited (BASL) and ARIA (Association of Registered Investment Advisers). In the proposed mechanism, fees shall be paid by clients on designated platform/s to be specified/ administered by a SEBI recognised supervisory body. IAs/ RAs shall provide the details of the designated bank account/s in which fees shall be received through the proposed mechanism. These designated bank account/s shall be used solely for collection of fee from investment advisory/research activity.

- 3.3. The details of the mechanism for fee collection shall be disclosed by IAs and RAs to their clients and shall form part of the client agreement, if any. Further, in order to educate and inform clients of the proposed mechanism for fee collection and caution them about the risk of making payments outside the proposed mechanism, the following disclosure shall be made by IAs and RAs to their clients:

“All fee payments made by the client for investment advisory/ research services provided by the investment adviser/research analyst shall necessarily be through SEBI specified mechanism for fee collection. Any payment made outside the specified mechanism shall not be considered as payment towards investment advisory/research services under SEBI (Investment Advisers) Regulations, 2013/ SEBI (Research Analysts) Regulations, 2014 and no grievances in this regard shall be entertained by SEBI recognised regulatory body or SEBI.”

- 3.4. Salient features and the process flow chart depicting the proposed mechanism for fee collection by IAs and RAs is given at Annexure A.

- 3.5. Comments may be provided on the following:

- (i) Whether the proposed mechanism for fee collection should be optional or mandatory for IAs and RAs.
- (ii) Whether creation and awareness of the proposed mechanism of fee collection will make investors more cautious in approaching unregistered entities for availing investment advisory/research services.
- (iii) Whether any additional information is required to be captured in the proposed mechanism for fee collection to make it more efficient and user friendly.

4. Public Comments

4.1. Public comments are invited on the aforesaid proposal at para 3 in the following format:

Name of entity/person/organisation:			
Contact Details:			
Category: whether market intermediary/participant (mention type or category) or public (investor, academician, etc.)			
Sr. No.	Proposal	Comments/Suggestions	Rationale
	Para No.		

4.2. Comments may be forwarded in excel file by email to consultationMIRSD@sebi.gov.in latest by September 15, 2023. While sending the email, kindly mention the subject as “Comments on Consultation Paper on mechanism for fee collection by SEBI registered Investment Advisers and Research Analysts”.

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Salient features of the proposed mechanism for fee collection
by SEBI Registered IAs/RAs

- The supervisory body of IAs/RAs to provide facility for centralized fee collection through its portal.
 - I. A fee payment link shall be provided to the client for paying the fee through following modes:
 - a) Net Banking
 - b) Debit Card
 - c) UPI
 - II. The supervisory body shall provide the Virtual Account number to the client for fee payment through following modes:
 - a) NEFT
 - b) RTGS
 - c) IMPS
 - d) Cheque
 - III. Auto debit/ Mandate request shall continue to be processed through eNACH / UPI AutoPay.
- The fee received from the above-mentioned modes shall be transferred to the designated account of the IA/RA by Payment Aggregator (PA)/Bank.
- The process flow chart depicting proposed mechanism for fee collection by SEBI Registered IAs/RAs is given below.

Process Flow chart depicting proposed mechanism for fee collection by SEBI Registered IAs/RAs

