



## FAQ-Portfolio Managers

### SECURITIES AND EXCHANGE BOARD OF INDIA

### SEBI INVESTOR EDUCATION PROGRAMME

### (PORTFOLIO MANAGERS)

#### 1. Who is a Portfolio Manager?

A portfolio manager is a body corporate who, pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise), the management or administration of a portfolio of securities or the funds of the client.

#### 2. What is the difference between a discretionary portfolio manager and a non-discretionary portfolio manager?

The **discretionary portfolio manager** individually and *independently manages* the funds of each client in accordance with the needs of the client.

The **non-discretionary portfolio manager** manages the funds *in accordance with the directions of the client*.

#### 3. What is the procedure of obtaining registration as a portfolio manager from SEBI?

For registration as a portfolio manager, an applicant is required to pay a non-refundable application fee of Rs.1,00,000/- by way of demand draft drawn in favour of 'Securities and Exchange Board of India', payable at Mumbai.

The application in Form A along with additional information (Form A and additional information available on SEBI Website : [www.sebi.gov.in](http://www.sebi.gov.in).) submitted to the at the below mentioned address

Investment Management Department - Division of Funds- 1  
Securities and Exchange Board of India  
SEBI Bhavan, 3<sup>rd</sup> Floor A Wing,  
Plot No. C4-A, 'G' Block,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai - 400 051.

#### 4. What is the capital adequacy requirement of a portfolio manager?

The portfolio manager is required to have a minimum networth of Rs. 2 crore.

#### 5. Is there any registration fee to be paid by the portfolio managers?

Yes. Every portfolio manager is required to pay Rs. 10 lakhs as registration fees at the time of grant of certificate of registration by SEBI.

#### 6. How long does the certificate of registration remain valid?

The certificate of registration remains valid for three years. The portfolio manager has to apply for

renewal of its registration certificate to SEBI, 3 months before the expiry of the validity of the certificate, if it wishes to continue as a registered portfolio manager.

**7. How much is the renewal fee to be paid by the portfolio manager?**

The portfolio manager is required to pay Rs. 5 lakh as renewal fees to SEBI.

**8. Is there any contract between the portfolio manager and its client?**

Yes. The portfolio manager, before taking up an assignment of management of funds or portfolio of securities on behalf of the client, enters into an agreement in writing with the client, clearly defining the inter se relationship and setting out their mutual rights, liabilities and obligations relating to the management of funds or portfolio of securities, containing the details as specified in Schedule IV of the SEBI (Portfolio Managers) Regulations, 1993.

**9. What fees can a portfolio manager charge from its clients for the services rendered by him?**

SEBI Portfolio Manager Regulations have not prescribed any scale of fee to be charged by the portfolio manager to its clients.

However, the regulations provide that the portfolio manager shall charge a fee as per the agreement with the client for rendering portfolio management services. The fee so charged may be a fixed amount or a return based fee or a combination of both. The portfolio manager shall take specific prior permission from the client for charging such fees for each activity for which service is rendered by the portfolio manager directly or indirectly (where such service is outsourced).

**10. Is there any specified value of funds or securities below which a portfolio manager can't accept from the client while opening the account for the purpose of rendering portfolio management service to the client?**

The portfolio manager is required to accept minimum Rs. 5 lakhs or securities having a minimum worth of Rs. 5 lakhs from the client while opening the account for the purpose of rendering portfolio management service to the client.

Portfolio manager can only invest and not borrow on behalf of his clients.

**11. Are investors required to open demat accounts for PMS services?**

Yes. For investment in listed securities, an investor is required to open a demat account in his/her own name.

**12. What kind of reports can the client expect from the portfolio manager?**

The portfolio manager shall furnish periodically a report to the client, as agreed in the contract, but not exceeding a period of six months and as and when required by the client and such report shall contain the following details, namely:-

(a) the composition and the value of the portfolio, description of security, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio as on the date of report;

(b) transactions undertaken during the period of report including date of transaction and details of purchases and sales;

(c) beneficial interest received during that period in respect of interest, dividend, bonus shares, rights shares and debentures;

(d) expenses incurred in managing the portfolio of the client;

(e) details of risk foreseen by the portfolio manager and the risk relating to the securities recommended by the portfolio manager for investment or disinvestment.

This report may also be available on the website with restricted access to each client. The portfolio manager shall, in terms of the agreement with the client, also furnish to the client documents and information relating only to the management of a portfolio. The client has right to obtain details of his portfolio from the portfolio managers.

### **13. What is the disclosure mechanism of the portfolio managers to their clients?**

The portfolio manager provides to the client the Disclosure Document at least two days prior to entering into an agreement with the client.

The Disclosure Document contains the quantum and manner of payment of fees payable by the client for each activity, portfolio risks, complete disclosures in respect of transactions with related parties, the performance of the portfolio manager and the audited financial statements of the portfolio manager for the immediately preceding three years.

Please note that the disclosure document is neither approved nor disapproved by SEBI nor does SEBI certify the accuracy or adequacy of the contents of the Documents.

### **14. Does SEBI approve any of the services offered by portfolio managers?**

No. SEBI does not approve any of the services offered by the Portfolio Manager. An investor has to invest in the services based on the terms and conditions laid out in the disclosure document and the agreement between the portfolio manager and the investor.

### **15. Does SEBI approve the disclosure document of the portfolio manager?**

The Disclosure Document is neither approved nor disapproved by SEBI. SEBI does not certify the accuracy or adequacy of the contents of the Disclosure Document.

### **16. What are the rules governing services of a Portfolio Manager?**

The services of a Portfolio Manager are governed by the agreement between the portfolio manager and the investor. The agreement should cover the minimum details as specified in the SEBI Portfolio Manager Regulations. However, additional requirements can be specified by the Portfolio Manager in the agreement with the client. Hence, an investor is advised to read the agreement carefully before signing it.

### **17. Is premature withdrawal of Funds/securities by an investor allowed?**

The funds or securities can be withdrawn or taken back by the client before the maturity of the contract. However, the terms of the premature withdrawal would be as per the agreement between the client and the portfolio manager.

### **18. Can a Portfolio Manager impose a lock-in on the investor?**

Portfolio managers **cannot** impose a lock-in on the investment of their clients. However, a portfolio manager can charge exit fees from the client for early exit, as laid down in the agreement.

### **19. Can a Portfolio Manager offer indicative or guaranteed returns?**

Portfolio manager **cannot** offer/ promise indicative or guaranteed returns to clients.

### **20. On what basis is the performance of the portfolio manager calculated?**

The performance of a discretionary portfolio manager is calculated using weighted average method taking each individual category of investments for the immediately preceding three years and in such cases performance indicator is also disclosed.

### **21. Where can an investor look out for information on portfolio managers?**

Investors can log on to the website of SEBI [www.sebi.gov.in](http://www.sebi.gov.in) for information on [SEBI regulations](#) and circulars pertaining to portfolio managers. [Addresses of the registered portfolio managers](#) are also available on the website.

### **22. How can the investors redress their complaints?**

Investors would find in the Disclosure Document the name, address and telephone number of the investor relation officer of the portfolio manager who attends to the investor queries and complaints. The grievance redressal and dispute mechanism is also mentioned in the Disclosure Document. Investors can approach SEBI for redressal of their complaints. On receipt of complaints, SEBI takes up the matter with the concerned portfolio manager and follows up with them.

#### **Investors may send their complaints to:**

Office of Investor Assistance and Education,  
Securities and Exchange Board of India,  
SEBI Bhavan  
Plot No. C4-A, 'G' Block,

Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051

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