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SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 2nd January, 2017

SECURITIES AND EXCHANGE BOARD OF INDIA

(PORTFOLIO MANAGERS) (AMENDMENT) REGULATIONS, 2016

No. SEBI/LAD/NRO/GN/2016-17/019.— In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, namely:-

1. These regulations may be called the SEBI (Portfolio Managers) (Amendment) Regulations, 2016.
2. They shall come into force on the date of their publication in the Official Gazette.
3. In the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993,-

I. in regulation 6, in sub-regulation (2), in clause (c),-

(a) in sub-clause (ii), the symbol "." shall be substituted for the symbol and words

“; or”;

(b) after sub-clause (ii) the following sub-clause shall be inserted, namely:-

"(iii) a CFA charter from the CFA Institute."

II. after Chapter II and before Chapter III, the following Chapter shall be inserted,
namely,-

**"CHAPTER II -A
ELIGIBLE FUND MANAGERS**

Definitions

12A. For the purposes of this Chapter, unless the context otherwise requires-

- (i) The term "eligible fund manager" shall have the same meaning as assigned to it in sub section (4) of Section 9A of the Income-tax Act, 1961.
- (ii) The term "eligible investment fund" shall have the same meaning as assigned to it in sub section (3) of Section 9A of the Income-tax Act, 1961.

Applicability

12B. (1) The provisions of this Chapter shall apply to eligible fund managers exclusively, pertaining to their activities as portfolio managers to eligible investment funds.

(2) All other provisions of these regulations and the guidelines and circulars issued thereunder, unless the context otherwise requires or repugnant to the provisions of this chapter, shall apply to eligible fund managers in relation to their activities as portfolio managers to eligible investment funds.

Procedure to be followed by an existing Portfolio Manager

12 C. An existing portfolio manager may act as a portfolio manager to an eligible fund manager if:

- a) it fulfills all the conditions specified in sub section (4) of Section 9A of the Income-tax Act, 1961; and
- b) it intimates the Board prior to undertaking such activity and submit declarations as specified in clause (1) of Schedule VI.

Procedure to be followed by an applicant for fresh registration

12D. An applicant who is a company or a limited liability partnership or a body corporate who intends to act as an eligible fund manager may be granted registration under regulation 8 if:

- a) it fulfills all the conditions specified in sub section (4) of Section 9A of the Income-tax Act, 1961;
- b) it complies with the requirements specified under Chapter II of these regulations, unless specified otherwise in this Chapter;
- c) it pays the fees as specified in Schedule II; and
- d) it provides a declaration to the Board as specified in clause (2) of Schedule VI.

Obligation and Responsibilities of Eligible Fund Managers

12E. An eligible fund manager shall be required to:

- (1) comply with the requirements specified under Section 9A of the Income-tax Act, 1961 or any amendment, notification, clarification, guideline issued thereon;

- (2) offer discretionary or non-discretionary or advisory services or a combination thereof to eligible investment funds;
- (3) operate in accordance to its mutually agreed contract with the eligible investment funds;
- (4) provide all material disclosures to eligible investment funds;
- (5) segregate funds and securities of each eligible investment fund;
- (6) segregate the funds and securities of eligible investment funds from that of its other clients;
- (7) maintain and segregate its books and accounts pertaining to its activities as a portfolio manager to eligible investment funds and other clients;
- (8) appoint a custodian:

Provided that requirement of compliance to this sub-regulation does not arise in case an eligible investment fund has already appointed a custodian under the applicable act or regulations;

- (9) keep the funds of eligible investment funds in scheduled commercial banks:

Provided that requirement of compliance to this sub-regulation does not arise in case an eligible investment fund does not intend to invest in Indian securities;

- (10) maintain any additional records as may be specified by the Board and disclose the same to the Board as and when required;
- (11) provide quarterly reports to the Board;
- (12) ensure compliance with the Prevention of Money Laundering Act, 2002 and rules and regulations prescribed thereunder;
- (13) abide by the provisions in these regulations and circulars / guidelines issued from time to time by the Board.

Certain provisions not to apply

12F. The eligible fund managers shall be exempted from the following provisions pertaining to their activities as portfolio managers to eligible investment funds notwithstanding anything contained in these regulations, schedules thereto or circulars made thereunder:

- (i) clauses (a) and (b) of sub-regulation (1) of Regulation 14;
- (ii) clauses (a) and (b) of sub-regulation (2) of Regulation 14;
- (iii) sub-regulations (1A), (2), (2A), (4A) and (5) of Regulation 15;
- (iv) first proviso to sub-regulation (3) of Regulation 16;
- (v) clause (b) of sub-regulation (1) of Regulation 16;
- (vi) clause (a) of sub-regulation (2) of Regulation 16;
- (vii) sub-regulation (4) of Regulation 16;
- (viii) sub-regulation (1) of Regulation 16B;
- (ix) Regulation 18;
- (x) sub-regulation (3) of Regulation 20;
- (xi) sub-regulations (1), (1A), (2) and (3) of Regulation 21;
- (xii) Form C in Schedule I; and
- (xiii) Schedules IV and V."

III. after Schedule V the following Schedule shall be inserted, namely,-

"SCHEDULE VI

Declarations for Eligible Fund Managers

[Chapter II-A]

1. **Declaration by an existing portfolio manager which intends to act as an eligible fund manager** (must be signed by two directors or designated partners, as the case may be)

We hereby declare that we are a SEBI registered portfolio manager with Registration Number We intend to provide our services to eligible investment funds. In this regards, we declare that:

- a) We comply with subsection 4(a) of section 9A of Income-tax Act, 1961 (We are not an employee of the eligible investment fund or a connected person of the fund);
- b) We comply with subsection 4(c) of section 9A of Income-tax Act, 1961 (We are acting in the ordinary course of our business as a portfolio manager);
- c) We comply with subsection 4(d) of section 9A of Income-tax Act, 1961 (We along with our connected persons shall not be entitled, directly or indirectly, to more than twenty per cent of the profits accruing or arising to the eligible investment fund from the transactions carried out by the fund through us); and
- d) We shall comply with any other requirements as may be specified by the Government and/or any regulatory body from time to time.

For and on behalf of

(Name of Applicant)

Director 1/ Designated Partner 1
Partner 2

Director 2/ Designated

Name in Block Letters

Name in Block Letters

Place:

Place:

Date:

Date:

2. **Declaration by an applicant who intends to act as a portfolio manager to eligible investment funds** (must be signed by two directors or designated partners, as the case may be)

We hereby declare that we are applying to SEBI to be registered as a portfolio manager. We intend to provide our services to eligible investment funds. In this regards, we declare that:

- a) We comply with subsection 4(a) of section 9A of Income-tax Act, 1961 (We are not an employee of the eligible investment fund or a connected person of the fund);
- b) We comply with subsection 4(c) of section 9A of Income-tax Act, 1961 (We are acting in the ordinary course of our business as a portfolio manager);
- c) We comply with subsection 4(d) of section 9A of Income-tax Act, 1961 (We along with our connected persons shall not be entitled, directly or indirectly, to more than twenty per cent of the profits accruing or arising to the eligible investment fund from the transactions carried out by the fund through us);
- d) We may engage in the activity of fund management for eligible investment funds, subject to registration provided by SEBI under SEBI (Portfolio Managers) Regulations, 1993; and

- e) We shall comply with any other requirements as may be specified by the Government and/or any regulatory body from time to time.

For and on behalf of

(Name of Applicant)

Director 1/ Designated Partner 1

Partner 2

Director 2/ Designated

Name in Block Letters

Place:

Date:

Name in Block Letters

Place:

Date:"

Sd/-

U. K. SINHA

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Footnotes:

1. The principal regulations, SEBI (Portfolio Managers) Regulations, 1993 were issued under S.O. No. SEBI/LE/93/III dated January 7, 1993 published in the Gazette of India, Part II, Section 3(ii) dated January 7, 1993.

2. The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, were subsequently amended on: –

- a. November 28, 1993 by, SEBI (Portfolio Managers) (Amendment) Regulations, 1993 published in the Official Gazette vide S.O. No. 939(E).
- b. November 28, 1995 by SEBI (Payment of Fees) (Amendment) Regulations, 1995 vide S.O No.939 (E).
- c. January 05, 1998 by SEBI (Portfolio Managers) (Amendment) Regulations, 1998 published in the Official Gazette vide S.O.No. 20 (E).
- d. September 30, 1999 by SEBI (Portfolio Managers) (Amendment) Regulations, 1999 published in the Official Gazette vide S.O. No. 793 (E).
- e. February 22, 2000 by SEBI (Portfolio Managers) (Amendment) Regulations, 2000 published in the Official Gazette vide S.O. No. 146 (E).
- f. March 28, 2000 by SEBI (Appeal to Securities Appellate Tribunal) (Amendment) Regulations, 2000 published in the Official Gazette vide S.O no. 278(E).
- g. May 29, 2001 by SEBI (Investment Advice by Intermediaries) (Amendment) Regulations, 2001 vide S.O no. 476 (E).
- h. September 27, 2002 by SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No. 1045 (E).
- i. October 11, 2002 by SEBI (Portfolio Managers) (Amendment) Regulations, 2002 vide S.O no. 1087 (E).
- j. March 10, 2004 by the Securities and Exchange Board of India (Criteria for Fit and Proper Person) Regulations, 2004 vide S.O. No. 398(E).
- k. May 27, 2004 by SEBI (Portfolio Managers) (Amendment) Regulations, 2004 vide S.O no. 654 (E).

- l. July 5, 2006 by SEBI (Portfolio Managers) (Amendment) Regulations, 2006 vide S.O no. 997 (E).
- m. September 7, 2006 by SEBI (Portfolio Managers) (Second Amendment) Regulations, 2006 vide S.O no. 1450 (E).
- n. November 30, 2006 by SEBI (Portfolio Managers) (Third Amendment) Regulations, 2006 vide S.O No. 2053 (E).
- o. May 26, 2008 by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 vide Notification No. LAD/NRO/GN/2008/11/126538.
- p. August 11, 2008 by SEBI (Portfolio Managers) (Amendment) Regulations, 2008 vide Notification No. LAD-NRO/GN/2008/19/134764.
- q. February 10, 2012 by SEBI (Portfolio Managers) (Amendment) Regulations, 2012 vide Notification No. LAD-NRO/GN/2011-12/37/3689.