भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER ON COMPREHENSIVE REVIEW OF SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020

A. Objective

The objective of this consultation paper is to seek comments and views from the public on the proposed amendments to the SEBI (Portfolio Managers) Regulations, 2020 ("PM Regulations") and circulars issued thereunder, carried out pursuant to a comprehensive review.

B. Background

1. The Portfolio Managers Regulations 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, Portfolio Manager Regulations were reviewed in the year 2020.
2. Since then, SEBI has continued to proactively undertake numerous initiatives which are helping in growth of the industry and building investor confidence. Presently, the Assets Under Management (AUM) of Portfolio Management Services (PMS)) industry has reached INR 42.61 lakh crore as on May 31, 2026 from INR 18.07 lakh crores as on April 2019. Total number of clients as on May 31, 2026 stood at 2.19 lakhs from 1.5 lakhs as on April 2019. Total number of portfolio managers have increased from 226 in the year 2020, when PM Regulations were revamped, to 515 as on May 31, 2026, an increase of more than two times from 2020.
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 and a proof of confidence and comfort displayed by investors in the PMS industry.
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. Hence, SEBI undertook the exercise of comprehensive review to ensure that Regulations remain aligned with changing industry dynamics.
5. As a first step, a survey was carried out among the industry stakeholders through Association of Portfolio Managers of India (APMI) to gather suggestions on the areas that require review. Interactions with industry stakeholders were also carried out to gather feedback.
6. The changes in the PM Regulations are being proposed to ensure:

   6.1. Enabling more investment avenues for development of the PMS industry;

   6.2. Ease of Compliance;

   6.3. Consolidation of regulatory provisions and Simplification of language;

6.4. Removal of redundant provisions.

7. This consultation paper seeks public comments on the draft Portfolio Managers Regulations, 2026. (Annexure A)

C. Issues for Public Consultation

1. Broad changes proposed in the draft Portfolio Managers Regulations along with their rationale are specified in the ensuing paragraphs for public consultation.

2. **Enabling more investment avenues for development of PMS industry**

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

2.1.1. Currently, Regulation 24(3) of the PM Regulations permits the investment of client funds in specific instruments, including securities that are listed and traded on recognized stock exchanges. It currently does not specifically permit investments in "to-be-listed" securities.

2.1.2. To further enrich the potential for portfolio diversification, it is proposed to expand the permissible investment universe to permit investments in "to be listed" securities. This would enable investors to gain exposure to broader market opportunities. Furthermore, for clarity, definition of the term "to be listed securities" has been added in the definitions section of the regulation.

Consultation 1: Do you agree with the proposal of specifically permitting portfolio managers to invest in "to be listed securities"?

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

2.2.1. 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.

2.2.2. Given the inherent discretion exercised by a portfolio manager offering discretionary portfolio management services (DPMS) over client funds, investments in unlisted securities were 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. Other existing conditions and restrictions in this regard to remain unchanged.

Consultation 2: Do you agree with the proposal of permitting a portfolio manager to invest upto 10% of its client's AUM in investment grade unlisted debt securities under DPMS?

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

2.3.1. 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 are 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:

2.3.1.1. Listed equity shares

2.3.1.2. Listed debt securities

2.3.1.3. Overseas Funds: Units/securities issued by overseas Mutual Funds or Unit Trusts registered with overseas regulators and investing in

(i) Listed equity shares and listed debt securities;

(ii) Real Estate Investment Trusts (REITs) listed on recognized stock exchange overseas securities.

2.3.2. This would enable investors to get access to foreign securities through a regulated investment professional landscape catering to sophisticated investors, HNIs, etc. The investment in foreign securities will be governed under FEMA, 1999.

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

2.3.4. 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.

Consultation 3: Do you agree with the proposal of permitting a portfolio manager to invest in foreign securities?

Consultation 4: If yes, do you agree with the list of permitted instruments mentioned at para 2.3.1?

2.4. **Introduction of MF only PMS (MF-PMS)**

2.4.1. Under the PM Regulations, portfolio managers are permitted to invest client's funds in units of Mutual Funds along with other permissible securities. Based on representation and requests received from industry stakeholders, there is a recognized demand for a simplified "Mutual Fund-only" PMS framework with lowered entry barriers. This proposed framework aims to effectively serve mass-affluent investors who seek professional portfolio management services for their mutual fund investments. In order to meet this demand and foster a more accessible, inclusive professional investment landscape, it is proposed to introduce a dedicated "MF only PMS" framework. This framework is introduced 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).

2.4.2. Applicants intending to operate strictly within the permissible securities of the MF-PMS framework may obtain a separate registration as a MF-PMS. Given the specific nature of the services, the following guidelines will be applicable to MF-PMS:

- **Reduced Minimum Ticket Size:** The minimum client investment requirement is proposed to be reduced from INR 50 lakh to INR25 lakh.
- **Reduced Net Worth Requirement:** The minimum net worth required for applicants is proposed to be reduced from INR 5 crore to INR 2 crore.
- **Simplified Certification for Principal Officer:** Simplified certification would serve as the standard requirement.
- **Relaxation in Qualification and Experience for Principal Officer:** In addition to NISM certification, the Principal Officer would be required to possess a graduation degree in any discipline with two years of experience in securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager.
- **Additional employee optional:** The requirement of appointment of an additional employee would be optional.
- **Exemption from Dealing Room:** The requirement to maintain a dedicated dealing room would be optional.
- **Simplified Disclosure Document:** The format and requirements of the disclosure document would be simplified for better ease of use.
- **Waiver of Exit Load Provisions:** To protect clients from double-charging of exit loads, the extant provisions relating to the charging of exit loads in the PMS portfolios shall not apply to the MF-PMS framework.

- **Rationalized Fees:** Portfolio managers operating under this framework shall be permitted to charge a fixed management fee, capped at a maximum of 2.5% of the client's AUM. Other than fixed management fees, portfolio manager would be able to charge performance based fee or a combination of both fixed management fees and performance based fee, with the explicit consent of the client.
- **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.

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

Consultation 5: Do you agree with the proposal of allowing a MF only PMS (MF-PMS)?

Consultation 6: If yes, whether the relaxation proposed for minimum ticket size, reduced net worth, relaxation in qualification, experience and certification of the Principal Officer, additional employee, dealing room requirements, waiver from exit load appropriate?

Consultation 7: Whether charging of management fees with a cap of 2.5% of client's AUM, segregation of activities and client-level segregation appropriate?

Consultation 8: Should the MF-PMS be allowed to charge performance based fees considering that it is providing service of only scheme selection and individual stock picking will be done by the mutual fund-fund manager?

Consultation 9: Should there be any other safeguards or conditions specified for the MF-PMS framework? Mention the conditions or safeguards along with rationale.

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

2.5.1. 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.

2.5.2. 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.

2.5.3. Details regarding calculation of exposure, offsetting etc. are enclosed at Annexure C.

Consultation 10: Do you agree with quantum of total exposure to be permitted with the use of exchange traded derivatives? If no, provide rationale.

Consultation 11: Do you agree with the manner of calculation of exposure as detailed in Annexure C? If no, provide an alternative with rationale.

Consultation 12: Do you agree with the limit on unhedged short positions and limit on options? If no, provide rationale.

Consultation 13: Should there be any other limits or suggestion on the usage of exchange traded derivatives contracts by the portfolio managers?

3. **Ease of Compliance Measures**

Sr. No.	**Particulars**	**Proposed Measure**
3.1.	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.
3.2.	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

Sr. No.	Particulars	Proposed Measure
		professional qualification in finance such as CFA, Chartered Accountant etc.
3.3.	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 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.
3.4.	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.
3.5.	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.
3.6.	Regulation 22(9) provides a timeline of 7 working days for filing information on change in identity of	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

Sr. No.	Particulars	Proposed Measure
	principal officer to the Board and clients.	Portfolio managers to file the requisite information in a timely manner.
3.7.	Regulation 24(15) provides that a portfolio manager shall not hold the securities belonging to the portfolio account, in its own name on behalf of its clients either by virtue of contract with clients or otherwise.	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 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.
3.8.	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.
3.9.	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.
3.10	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 regulation.	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 smaller portfolio managers is provided at para 6.1.

Sr. No.	Particulars	Proposed Measure
3.11	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.
3.12	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 managers to comply with the condition.
3.13	Formats of Reporting to SEBI and Clients.	Formats of Reporting are proposed to be simplified and aligned to remove duplication in reporting.
3.14	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

Sr. No.	Particulars	Proposed Measure
		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.
3.15	Definition of non-discretionary portfolio manager.	Definition of non-discretionary portfolio manager has been specified in the regulation for clarity.
3.16	Surrender of certificate of registration.	To ensure parity with various other intermediaries, a provision for surrender of certificate of registration is added.

Consultation 14: Do you agree with the aforesaid ease of compliance measures? If no, provide rationale.

4. **Consolidation of regulatory provisions and simplification of language**

Sr. No.	Particulars	Proposed Measure
4.1.	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.
4.2.	Eligibility criteria for registration of an applicant as portfolio manager (Regulation 7, 8 and 9)	The requirements have been tabulated for easy reference.
4.3.	Procedure to be followed to act as Eligible Fund Mangers (Regulation 17 and 18)	

Sr. No.	Particulars	Proposed Measure
4.4.	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.
4.5.	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, 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.
4.6.	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.
4.7.	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.
4.8.	Declaration for Eligible Fund Managers (Schedule VI).	

Consultation 15: Are there any other suggestions for consolidation and simplification of portfolio managers Regulations. If yes, please mention along with rationale.

5. **Deletion of redundant, replicative and transitory clauses**

Sr. No.	**Particulars**	**Proposed Measure**
5.1.	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.
5.2.	Proviso to Regulation 9 prescribes timeline for compliance with maintaining net worth requirement.	
5.3.	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.
5.4.	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. 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.
5.5.	Regulation 22(2) prescribes content of agreement between	Specifics of content of agreement are already detailed in the Schedule IV PM

Sr. No.	Particulars	Proposed Measure
	portfolio manager and the client	Regulations. In view of duplication, the details provided in regulation is deleted.
5.6.	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 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.
5.7.	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.

Consultation 16: Whether there are any existing provisions that should have been retained but appear to have been omitted in the proposed draft Portfolio Managers Regulation?

Consultation 17: Whether there are any provisions that may require further clarification, consolidation or cross-referencing?

Consultation 18: Whether there are any other suggestions on the proposed draft Portfolio Managers Regulations?

Consultation 19: Do you agree with proposal of modification of grandfathering clauses mentioned at para 5.6 and para 5.7 above?

6. **Other Proposals for consultation**

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

6.1.1. 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 under the PM Regulations, which provide adequate safeguards against misuse and ensure accountability.

6.1.2. 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.

Consultation 20: Do you agree with the proposal to relax the requirement of dealing room for portfolio managers having less than 10 clients or AUM below INR 100 crores? If yes, what safeguards should be implemented?

Consultation 21: Should the requirement of dealing room be also relaxed for portfolio managers placing and generating orders through automated execution logic (Algos)?

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

6.2.1. SEBI has received representation from market participants to permit fund management to overseas funds having overseas investors to manage investment in overseas securities by taking registration under SEBI Portfolio Managers Regulations.

6.2.2. 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.

6.2.3. 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'.

6.2.4. However, since the portfolio managers under the Regulations 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.

Consultation 22: If portfolio managers are now allowed to invest in foreign securities on behalf of their clients who are resident in India, should Eligible Fund Managers under the Regulations be also permitted to manage and advice their overseas clients in overseas securities?

Consultation 23: If yes, should there be a requirement of having the execution platform (dealing room) located within India? What other conditions should be put in place on Eligible Fund Managers, provide with rationale.

6.3. **Independent fund managers under a SEBI-Registered Portfolio Manager**

6.3.1. SEBI has received representation from market participants to permit independent fund managers to bring their own clients and manage client funds while operating under the umbrella of a single SEBI registered Portfolio Manager.

6.3.2. The registered Portfolio Manager would provide these fund managers with infrastructure and other compliance requirements and will retain regulatory accountability for legal, fiduciary, managing all KYC/AML checks

6.3.3. 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.

6.3.4. The relationship between the fund manager 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.

Consultation 24: Do you agree with the model of independent fund managers operating under a registered Portfolio Manager? If yes, what safeguards should be implemented?

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

6.4.1 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.

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

6.4.3 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.

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

Consultation 25: Whether demat account portability for clients of portfolio managers as envisaged be permitted? If yes, what procedures should be implemented to facilitate the same?

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

6.5.1. 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.

6.5.2. 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.

6.5.3. 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, if applicable.

Consultation 26: Do you agree with the operational relaxation from obtaining POA? If yes, provide rationale and adequate safeguards which should be implemented to ensure investor protection.

7. Draft of the new Portfolio Managers Regulation is placed at **Annexure A**. A comparative table highlighting the changes vis-s-vis the existing Portfolio Managers Regulations is placed at **Annexure B**. Details regarding calculation of total exposure, offsetting etc. is attached at **Annexure C.**

D. Public Comments

1. Considering the implications of the aforementioned matter on the market participants, public comments are invited on the above-detailed proposals.

2. The comments/ suggestions should be submitted latest by **August 13, 2026**, through the online web-based form which can be accessed using **the link- Click Here**

3. Kindly go through the instructions mentioned on the above link before submitting comments on the consultation paper.

4. In case of any technical issue in submitting your comment through web based public comments form, you may send an email to priyankam@sebi.gov.in and kritika@sebi.gov.in with the subject "Comprehensive review of SEBI (Portfolio Managers) Regulations, 2020".

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