

## FREQUENTLY ASKED QUESTIONS (FAQs) ON SEBI REGISTERED INVESTMENT ADVISERS

**DISCLAIMER:** These FAQs are prepared with a view to guide market participants on SEBI (Investment Advisers) Regulations, 2013 ("the IA Regulations"). For full particulars of law governing Investment Advisers ("IAs"), please refer to the Acts/ Regulations/ Guidelines/Master Circular/Circulars, etc. appearing in the Legal Framework section of SEBI website, i.e., [www.sebi.gov.in](http://www.sebi.gov.in).

### I. **FAQs for IAs and applicants seeking registration as an IA**

#### 1. **Are IAs regulated in India?**

SEBI has notified the IA Regulations on January 21, 2013. These Regulations came into effect from April 21, 2013 and specify the conditions for registration, certification, capital adequacy, risk profiling and suitability, disclosures to be made, code of conduct, records to be maintained, manner of conducting inspection, etc. pertaining to IAs. The IA Regulations are available on SEBI website at "Legal » Regulations" and can be accessed at the following link:

<https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-of-india-investment-advisers-regulations-2013-last-amended-on-february-07-2023-69215.html>

#### 2. **Who is an IA?**

The term "investment adviser" is defined in the IA Regulations and means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called. [Ref. Regulation 2(1)(m)]

#### 3. **What is an investment advice?**

Investment advice is advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or

through any other means of communication for the benefit of the client and includes financial planning.

However, investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public is not considered as investment advice for the purpose of the IA Regulations. *[Ref. Regulation 2(1)(l)]*

Further, an IA making public appearance or giving recommendations or offering opinion concerning securities or public offers through public media while giving recommendations through public media is required to also comply with the relevant provisions of SEBI (Research Analysts) Regulations, 2014.

**4. Who is required to apply for certificate of registration as an IA?**

On and from the date of commencement of the IA Regulations, a person can act as an IA or hold itself out as an IA only if he has obtained a certificate of registration from SEBI or has been specifically exempted from obtaining such certificate. *[Ref. Regulation 3(1)]*

A sole proprietor can also apply for certificate of registration as an IA. Such application will be processed in the same manner as an individual applicant.

The IA Regulations provide for exemption to certain persons such as insurance agents, pension advisers, mutual fund distributors, stock brokers, portfolio managers, fund managers, advocates, solicitors, law firms, etc. from obtaining certificate of registration as an IA subject to fulfilment of stipulated conditions. *[Ref. Regulation 4]*

**5. How should a bank or NBFC proposing to undertake investment advisory services apply for certificate of registration as an IA?**

A bank or NBFC proposing to undertake investment advisory services is required to first obtain permission from Reserve Bank of India and then make an application for certificate of registration under the IA Regulations through a subsidiary or separately identifiable department or division. *[Ref. Regulation 6(j)]*

**6. How should a non-individual person other than a bank or NBFC apply for certificate of registration as an IA?**

A non-individual person other than a bank or NBFC, which proposes to undertake investment advisory services in addition to its existing activities including but not limited to distribution services, is required to apply for certificate of registration as an IA through a separately identifiable department or division. *[Ref. Regulation 6(k)]*

A non-individual person other than a bank or NBFC which proposes to undertake only investment advisory services shall apply for certificate of registration as an IA directly and not through a separately identifiable department or division.

**7. What is the procedure for obtaining registration as an IA?**

One of the factors for considering an application for grant of certificate of registration as an IA under the IA Regulations is whether the applicant is a member of an Investment Adviser Administration and Supervisory Body (IAASB) recognised by SEBI for the purpose of administration and supervision of IAs. *[Ref. Regulation 6(n) and Regulation 14]*

SEBI has granted recognition to BSE Administration and Supervision Limited (BASL), a subsidiary of BSE Limited (BSE) as IAASB through a circular dated June 18, 2021. *[Ref. SEBI circular no. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/579 dated June 18, 2021]*

Accordingly, any person desirous of obtaining a certificate of registration as an IA is required to first obtain membership of BASL and then make an application for grant of certificate of registration in the format of Form A as specified in the First Schedule to the IA Regulations along with necessary supporting documents.

The process for seeking membership from BASL and registration from SEBI as an IA is specified in BASL circular no. 20220718-1 dated July 18, 2022 and is available on BASL website (<https://www.bseasl.com>) at “Circular » BASL Circulars”.

The Standard Operating Procedure (SOP) for membership and post-membership activities of BASL and Frequently Asked Questions (FAQs) on BASL membership are available on BASL website at “Membership » Investment Advisers (IA) » SOP & FAQ”. The telephone numbers and email id for contacting BASL for membership related matters is provided below:

| Contact Numbers | Email-id   |
|-----------------|--|
| 022-22728688    | <a href="mailto:bseasl.membership@bseasl.com">bseasl.membership@bseasl.com</a> |
| 022-22728910    |  |
| 022-22725818    |  |
| 022- 22728332   |  |

#### 8. What is the fee structure for registration as an IA?

The fee structure for registration as an IA is as under [*Ref. Regulation 3(2), Regulation 9 and Schedule II*]:

| Category of Applicant                                       | Amount (excluding GST)* |                  |                                |
|---|-------------------------|------------------|--------------------------------|
|   | Application Fee**       | Registration Fee | Fee to be paid every 5 years** |
| For individuals and firms                                   | ₹ 2,000/-               | ₹ 3,000/-        | ₹ 1,000/-                      |
| For Body Corporate including Limited Liability Partnerships | ₹ 10,000/-              | ₹ 15,000/-       | ₹ 5,000/-                      |

\* Pursuant to GST exemption on services provided by SEBI having been withdrawn from July 18, 2022, GST @ 18% is levied on the fee amount. Accordingly, applicants will be required to pay GST @ 18% on the above-mentioned fee amounts.

\*\* Application fees (Non-refundable) must be paid along with the application for grant of certificate of registration.

\*\*\* Fee to be paid by IA to keep its registration in force. Fee must be paid every 5 years, from the date of grant of certificate of registration, within 3 months before expiry of the period for which fee has been paid.

#### 9. What is the Networth requirement for grant of certificate of registration as an IA?

The Networth requirement for non-individual IAs and net tangible assets requirement for individual IAs for grant of certificate of registration as an IA is as under [Ref. Regulation 8]:

| Category of Applicant | Amount                     |
|-----------------------|----------------------------|
| Individual IA         | Not less than ₹5,00,000/-  |
| Non-Individual IA     | Not less than ₹50,00,000/- |

*"networth" means the aggregate value of paid up share capital plus free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, deferred expenditure not written off, including miscellaneous expenses not written off, and networth requirement for other services offered by the advisers in accordance with the applicable rules and regulations*

Networth certificate is to be submitted by the applicant along with the application for grant of certificate of registration. Networth must be certified by a chartered accountant. Membership number of the chartered accountant must be mentioned in the certificate. Networth certificate must not be more than 6 months old at the time of filing of the application.

#### 10. What are the qualification and certification requirements under the IA Regulations?

An individual IA, a principal officer of a non-individual IA and persons associated with investment advice are required to fulfil the minimum qualification and certification requirements as specified under regulation 7(1) and regulation 7(2) of the IA Regulations at all times.

Further, with regard to certification requirement, the said persons are required to obtain NISM-Series-X-A: Investment Adviser (Level 1) as well as NISM-Series-X-B: Investment Adviser (Level 2) certification.

In this regard, a time period of three years has been provided to IAs registered under the IA Regulations prior to September 30, 2020, for compliance with the provisions of regulation 7(1) of the IA Regulations.

Existing individual IAs above the age of fifty years (as on September 30, 2020) are not required to comply with the qualification and experience requirements

specified under Regulation 7(1)(a) and 7(1)(b) of the IA Regulations. However, such IAs are required to hold NISM accredited certifications and comply with other conditions as specified under Regulation 7(2) of the IA Regulations at all times. *[Ref. Regulation 7 and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]*

**11. What is the period of validity of certificate of registration as an IA?**

A certificate of registration granted under the IA Regulations remains valid till it is suspended or cancelled by SEBI. *[Ref. Regulation 10]*

An IA, in order to keep its registration in force, is also required to pay fees every five years, from the date of grant of certificate of registration, within three months before expiry of the period for which fee has been paid. *[Ref. Schedule II]*

**12. Are insurance agents/ insurance brokers exempted from seeking certificate of registration under the IA Regulations?**

Any insurance agent or insurance broker who offers investment advice solely in insurance products and is registered with Insurance Regulatory and Development Authority (IRDA) for such activity is not required to seek certificate of registration under the IA Regulations. *[Ref. Regulation 4(b)]*

**13. Are pension advisors exempted from seeking certificate of registration under the IA Regulations?**

Any pension advisor who offers investment advice solely on pension products and is registered with Pension Fund Regulatory and Development Authority (PFRDA) for such activity is not required to seek certificate of registration under the IA Regulations. *[Ref. Regulation 4(c)]*

**14. Are mutual fund distributors exempted from seeking certificate of registration under the IA Regulations? What does 'incidental activity' mean with respect of distributor of mutual funds?**

Any mutual fund distributor registered with Association of Mutual Funds in India (AMFI), who provides investment advice to its clients incidental to its distribution

activity, is not required to seek certificate of registration under the IA Regulations.  
[Ref. Regulation 4(d)]

Incidental activity with respect to distribution of mutual funds means providing basic advice pertaining to investment in mutual fund schemes limited to such schemes/ products being distributed by a mutual fund distributor to his clients/ investors or any other mutual fund product.

However, if a distributor of mutual fund is engaged in providing investment advice to general investors other than or in addition to mutual fund clients, and in securities (such as shares, debentures, bonds, derivatives, securitised instruments, structured products, units of AIF, REIT, InvIT, etc.) other than or in addition to mutual fund schemes distributed by him, then such distributor is required to get registration as an IA.

No person, while dealing in distribution of securities, can use the nomenclature “Independent Financial Adviser or IFA or Wealth Adviser or any other similar name” unless registered with SEBI as an IA. [Ref. Regulation 3(3)]

**15. Are members of Institute of Company Secretaries of India (ICSI), Institute of Chartered Accountants of India (ICAI), Institute of Cost and Works Accountants of India (ICWAI) and Actuarial Society of India (ASI) exempted from seeking certificate of registration under the IA Regulations?**

Members of ICSI, ICAI, ICWAI and ASI who provide investment advice to their clients incidental to their professional services are exempted from seeking certificate of registration under the IA Regulations. [Ref. Regulation 4(f)]

An example of incidental activity is, an advice by a professional CA as a tax consultant to his tax client for investing in ELSS in the course of tax planning which will be treated as incidental to his profession as a tax consultant.

However, if members of ICSI, ICAI, ICWAI and ASI are engaged in providing investment advisory services in securities as an activity or business to clients or investors which is not incidental to their main activity then they are required to get registration as an IA.

**16. Are stock brokers exempted from seeking certificate of registration under the IA Regulations? What does 'incidental activity' mean with respect to stock broker?**

Any stock broker registered under SEBI (Stock Brokers) Regulations, 1992, who provides any investment advice to its clients incidental to its primary activity, is exempted from seeking certificate of registration under the IA Regulations. *[Ref. Regulation 4(g)]*

Incidental activity with respect to stock broking means providing basic advice pertaining to investment in securities to broking clients.

However, if a stock broker is engaged in providing investment advice to general investors other than or in addition to broking clients, then such stock broker is required to get registration as an IA.

Further, SEBI registered stock brokers who are exempted from seeking certificate of registration under the IA Regulations are required to comply with 'General Obligation & Responsibilities' as specified under Chapter III of the IA Regulations.

**17. Are portfolio managers exempted from seeking certificate of registration under the IA Regulations? What does 'incidental activity' mean with respect of portfolio manager?**

Portfolio Managers registered under SEBI (Portfolio Managers) Regulations, 2020 can only provide advisory services to its clients as per the terms of the portfolio management agreement entered between the client and the portfolio manager.

A portfolio manager registered under SEBI (Portfolio Managers) Regulations, 2020, who provides any investment advice to its clients incidental to its primary activity, is exempted from seeking certificate of registration under the IA Regulations. *[Ref. Regulation 4(g)]*

Further, SEBI registered portfolio managers who are exempted from seeking certificate of registration under the IA Regulations are required to comply with 'General Obligation & Responsibilities' as specified under Chapter III of the IA Regulations.



**18. Are merchant bankers exempted from seeking certificate of registration under the IA Regulations? What does 'incidental activity' mean with respect to merchant banker?**

A merchant banker registered under SEBI (Merchant Bankers) Regulations, 1992, who provides any investment advice to its clients incidental to its primary activity, is exempted from seeking certificate of registration under the IA Regulations. [Ref. Regulation 4(g)]

Incidental activities with respect to merchant banking means providing advice pertaining to merchant banking services including corporate advisory services as permitted under SEBI (Merchant Bankers) Regulations, 1996.

If a merchant banker is engaged in the business of providing investment advice to clients other than merchant banking and corporate advisory services, then such merchant banker is required to get registration as an IA.

Further, SEBI registered merchant bankers who are exempted from seeking certificate of registration under the IA Regulations are required to comply with 'General Obligation & Responsibilities' as specified under Chapter III of the IA Regulations.

**19. Are fund managers exempted from seeking certificate of registration under the IA Regulations?**

Any fund manager, by whatever name called of a mutual fund, alternative investment fund or any other intermediary or entity registered with the Board is exempted from seeking certificate of registration under the IA Regulations. [Ref. Regulation 4(h)]

**20. Is a person acting in multiple capacities such as insurance agent, pension advisor, mutual fund distributor, etc. exempted from obtaining registration under the IA Regulations?**

FAQ Nos.12, 13 and 14 provide the conditions under which an insurance agent, pension advisor and mutual fund distributor respectively are exempted from obtaining registration under the IA Regulations. A person who is acting in multiple

capacities such as insurance agent, pension advisor, mutual fund distributor, etc. and is complying with the aforementioned conditions as may be applicable to him, is exempted from obtaining registration under IA Regulations.

**21. Do corporate advisory services fall under the purview of the IA Regulations?**

Corporate advisory services on IPOs, mergers and acquisitions, buyback, takeover, delisting, merchant banking, loan syndication, etc. to an issuer, acquirer, etc. do not fall under the purview of the IA Regulations.

**22. Are persons providing investment advice exclusively to clients based out of India exempted from obtaining registration under the IA Regulations?**

Any person who provides investment advice exclusively to clients based outside India is exempted from seeking certificate of registration under the IA Regulations. However, if a person provides investment advice to Non-Resident Indian or Person of Indian Origin, then he shall fall within the purview of the IA Regulations and is required to be registered under the IA Regulations. *[Ref. Regulation 4(i)]*

**23. Can an individual registered as IA offer distribution services to his clients?**

An individual IA cannot provide any distribution services pursuant to grant of certificate of registration under the IA Regulations. Further, the family of an individual IA cannot provide distribution services to the client advised by the individual IA and no individual IA can provide advice to a client who is receiving distribution services from other family members.

In this regard, “family of an individual IA” includes individual IA, spouse, children and parents. *[Ref. Regulation 2(1)(gc), 22(1) and 22(2)]*

**24. Can an individual registered as IA receive trailing commission for the distribution services provided prior to grant of registration?**

Individuals registered as IA can continue to receive trailing commission for the distribution services provided by them prior to grant of registration as an IA.

**25. Is an IA required to segregate distribution services?**

A non-individual IA providing distribution services is required to have client level segregation at group level for investment advisory and distribution services and is required to keep such activities segregated from investment advisory activities.

Further, non-individual IA is required to maintain an arm's length relationship between its activities as IA and distributor by providing advisory services through a separately identifiable department or division.

The same client cannot be offered both advisory and distribution services within the group of the non-individual entity.

A client can either be an advisory client where no distributor consideration is received at the group level or distribution services client where no advisory fee is collected from the client at the group level.

'Group' for this purpose means an entity which is a holding, subsidiary, associate, subsidiary of a holding company to which it is also a subsidiary or an investing company or the venturer of the company as per the provisions of Companies Act, 2013 for non-individual IA which is a company under the said Act and in any other case, an entity which has a controlling interest or is subject to the controlling interest of a non-individual IA. *[Ref. Regulation 22]*

## **26. Can an IA provide implementation services?**

An IA may provide implementation services to advisory clients in securities market. However, the IA is required to ensure that no consideration including any commission or referral fees, whether embedded or indirect or otherwise, by whatever name called is received, directly or indirectly, at IA's group or family level for the said service, as the case maybe. Further, IA is required to provide implementation services to its advisory clients only through direct schemes/ products in the securities market. The client shall not be under any obligation to avail implementation services offered by the IA. *[Ref. Regulation 22A]*

## **27. Are IAs allowed to provide advice to Foreign Portfolio Investors (FPIs)?**

SEBI registered IAs can provide investment advisory services to FPIs.

**28. Are IAs required to comply with Know Your Client (KYC) norms specified by SEBI?**

All IAs are required to comply with the KYC requirements specified by SEBI from time to time [Ref. Regulation 15(8)]. However, IAs can rely upon on the KYC of the client, if any, as per the terms specified in SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and circulars issued thereunder.

**29. Is risk profiling and suitability mandatory for institutional clients/ corporate clients?**

Risk profiling of client is essential to provide advice on suitable product based on various criteria such as income, age, securities market experience, etc. An IA shall provide investment advice only after completing the risk profile of client based on information provided by the client and after obtaining consent of the client on the completed risk profile either through registered email or physical document.

The IA Regulations mandate risk profiling and ensuring suitability of the product for all categories of clients. In case of non-individual clients, IAs are required to use the investment policy as approved by board/management team of such non-individual clients for risk profiling and suitability analysis. The discretion to share the investment policy/ relevant excerpts of the policy lies with the non-individual client. However, IAs have discretion not to on board non-individual clients if they are unable to do risk profiling of the non-individual client in the absence of investment policy. [Ref. Regulation 16 and 17 and SEBI circular nos. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 17, 2019 and SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]

**30. Is an IA required to appoint compliance officer?**

An IA which is a body corporate or a partnership firm is required to appoint a compliance officer who shall be responsible for monitoring the compliance by the IA in respect of the requirements of the Act, regulations, notifications, guidelines, instructions issued by SEBI. [Ref. Regulation 20] In case of an individual IA, he himself is responsible for such compliance.

**31. What fees can an IA charge from its clients for providing investment advice?**

IAs can charge fees from clients in either of the following two modes [Ref. Regulation 15A and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]:

- i. Assets under Advice (AUA) mode: The maximum fees that may be charged under this mode cannot exceed 2.5 per cent of AUA per annum per client across all services offered by the IA. An IA is required to demonstrate AUA with supporting documents like demat statements, unit statements etc. of the client. Any portion of AUA held by the client under any pre-existing distribution arrangement with any entity is required to be deducted from AUA for the purpose of charging fee by the IA.
- ii. Fixed fee mode: The maximum fees that may be charged under this mode cannot exceed ₹1,25,000/- per annum per client across all services offered by the IA.

General conditions under both the modes are as under:

- i. In case “family of client” is reckoned as a single client, the fee as referred above is to be charged per “family of client”. The term “family of client” includes individual client, dependent spouse, dependent children and dependent parents. [Ref. Regulation 2(1)(gb)]
- ii. IA can charge fees from a client under any one of the above mentioned modes on an annual basis. Change of mode can be effected only after 12 months of on-boarding/ last change of mode.
- iii. IA can charge fees in advance if agreed by the client. However, such advance cannot exceed fees for 2 quarters.
- iv. In the event of pre-mature termination of IA services in terms of agreement, the client is to be refunded fees for the unexpired period. However, IA may retain a maximum breakage fee of not greater than one quarter fee.

In case of accredited investors, the abovementioned limits and modes of fees shall not be applicable and the limits and modes of fees payable to IAs shall be governed through bilaterally negotiated contractual terms. [Ref. SEBI circular no. SEBI/HO/IMD/IMD-I/DOF1/P/CIR/2021/694 dated December 21, 2021]

**32. What are the general obligations required to be fulfilled by an IA?**

An IA shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise. He shall act honestly, fairly and in the best interests of its clients and in the integrity of the market. He shall maintain an arms-length relationship between his activities as an IA and other activities. He shall also act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives based on risk profiling and suitability of the client.

An IA shall comply with the provisions of general obligations and responsibilities contained in Chapter III of the IA Regulations with respect to general responsibility, charging of fees, risk profiling and suitability, client level segregation of advisory and distribution activities, implementation of advice or execution, disclosures to clients, maintenance of records, etc. He shall abide by the Code of Conduct as specified in Third Schedule to the IA Regulations.

**33. What are the disclosures to be made by an IA to clients?**

An IA is required to disclose to a prospective client, all material information about itself including its business, disciplinary history, the terms and conditions on which it offers advisory services, affiliations with other intermediaries and such other information as is necessary to take an informed decision on whether or not to avail its services.

An IA is also required to disclose to the client its holding or position, if any, in the financial products or securities which are subject matter of advice.

An IA is also required to disclose to the client any actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of investment advisory services.

An IA, while making an investment advice, is required to make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly, performance track record.

An IA is required to draw the client's attention to the warnings, disclaimers in documents, advertising materials relating to an investment product, which it is recommending to the client. *[Ref. Regulation 18]*

**34. Is there any advertisement code for IAs?**

The advertisement code for IAs has been specified in SEBI circular no. SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2023/51 dated April 05, 2023. The circular can be accessed on SEBI website at "Home » Legal » Circulars".

All IAs are required to obtain prior approval from the SEBI recognized supervisory body, i.e., BASL for issuance of advertisement/ material. FAQs issued by BASL on advertisement code are available on BASL website at "Membership » Investment Advisers (IA) » IA Advertisement".

**35. What are the SEBI directives on usage of brand name/trade name by IAs?**

The provisions pertaining to usage of brand name/trade name by IAs are specified in SEBI circular no. SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2023/52 dated April 06, 2023. The circular can be accessed on SEBI website at "Home » Legal » Circulars".

**36. What are the SEBI guidelines on display of IA details on the website of IA and in other communication channels?**

An individual registered as IA is required to use the term 'investment adviser' in all its correspondences with its clients. A non-individual registered as IA is required to include the words 'investment adviser' in its name. However, if investment advisory service is being provided by a separately identifiable department or division or a subsidiary of the non-individual IA, then such separately identifiable department or division or subsidiary is required to include the words 'investment adviser' in its name. *[Ref. Regulation 13(c) and (d)]*

Further, an IA is required to display the following information prominently on its website, mobile app, printed or electronic materials, know your client forms, client agreements and other correspondences with the *clients* *[Ref. SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]*:



- i. Complete name of Investment Adviser as registered with SEBI,
- ii. Type of Registration-Individual, Non-Individual,
- iii. Registration number, validity of registration,
- iv. Complete address with telephone numbers,
- v. Contact details of the Principal Officer – contact no, email id etc.,
- vi. SEBI head office address.

In order to facilitate investor awareness about various activities which an investor deals with while availing the services provided by IAs, SEBI has developed an Investor Charter for IAs. This Charter is a brief document containing details of service provided to investors, their rights, do's and don'ts, responsibilities, investor grievance handling mechanism and timelines thereof, etc., at one single place, in a lucid language, for ease of reference. All IAs are advised to bring to the notice of their clients the Investor Charter by prominently displaying it on their websites and mobile applications. The Investor Charter is specified in Annexure A of SEBI circular no. SEBI/HO/IMD/IMD-IICIS/P/CIR/2021/0686 dated December 13, 2021.

**37. What are the SEBI guidelines on audit of IA?**

IAs are required to conduct annual audit in respect of compliance of the IA Regulations and circulars issued thereunder. The audit is required to be completed within six months from the end of each financial year. The adverse findings of the audit, if any, along with action taken thereof duly approved by the individual IA/ management of non-individual IA, is required to be reported to SEBI within a period of one month from the date of the audit report but not later than October 31<sup>st</sup> of each year for the previous financial year. *[Ref. Regulation 19(3) and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]*

**38. Is an IA required to enter into an agreement with its clients before offering services?**

An IA is required to enter into an investment advisory agreement with its clients. The said agreement shall mandatorily cover the terms and conditions provided in Annexure-A of SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated



September 23, 2020. An IA can include additional terms and conditions in the agreement without diluting the provisions of the IA and the circulars issued thereunder. An IA shall ensure that neither any investment advice is rendered nor any fee is charged until the client has signed the aforementioned agreement and provided a copy of the signed agreement to the client. [Ref. Regulation 19(1)(d)]

## **II. FAQs for Investors**

### **39. Where can an investor get registration status and contact details of IAs?**

The list of IAs is available on SEBI website at “Home » Intermediaries / Market Infrastructure Institutions » Recognised Intermediaries”. The list of IAs can be accessed here:

<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intrlId=13>

Further, circulars ,master circular, press releases and other relevant information issued from time to time in respect of IAs are available on SEBI website at "Home » Info For » Investment Advisers” and can be accessed here:

<https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListingAll=yes&cid=26>

### **40. Is it safe to act on the advice provided by IA and can IA provide assured returns?**

An IA can provide investment advice only after completing the risk profile of the client based on the information provided by the client and only after the client has signed the investment advisory agreement. The advice provided by IA has a certain level of risk based on the risk profiling and suitability assessment of the client. Whenever a recommendation is given to a client to purchase a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of the financial product is consistent with the client’s experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

An IA shall not, in the course of performing its services to the client, hold out any investment advice implying any assured returns or minimum returns or target return or percentage accuracy or service provision till achievement of target returns or any other nomenclature that gives the impression to the client that the investment advice is risk-free and/or not susceptible to market risks and or that it can generate returns with any level of assurance. *[Ref. Regulation 17, SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]*

Kindly note that investments are subject to market risks. IAs are required to comply with SEBI regulations and directives as applicable from time to time. The registration provided to IA should not in any way be construed as an assurance around the quality or outcome of the advice provided by the IA.

**41. Do clients receive any reports from IA?**

It is the function of the IA to provide reports to clients on potential and current investments. The IA shall act in a fiduciary capacity towards its clients at all times. *[Ref. SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/182 dated September 23, 2020]*

**42. Where can investors lodge their complaints against IAs and what are the guidelines for IAs regarding displaying/ lodging of complaints?**

SEBI has launched a web based centralized grievance redress system called SEBI Complaint Redress System (SCORES). Investors can lodge their complaints on SCORES at <http://scores.gov.in>. Investors can also refer to the FAQs on SCORES website for guidance on lodging of complaints. On receipt of complaints, SEBI will take up the matter with IA and follow up with them for redressal.

Further, IAs are required to display link/ option to lodge complaint with them directly on their websites and mobile applications. Additionally, link to SCORES website/ link to download mobile application (SEBI SCORES) may also be provided by the IAs. *[Ref. SEBI circular no. SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 dated December 13, 2021]*

IAs are also required to display the status of investor complaints on the homepage (without scrolling) of their website and mobile applications in the format specified in Annexure B of SEBI circular no. SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0686 dated December 13, 2021. The information should be displayed properly using font size of 12 or above and made available on monthly basis (within 7 days of end of the previous month). *[Ref. SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019]*

**43. What are the Do's and Don'ts to be followed while dealing IAs?**

The Do's and Don't's to be followed while dealing with IAs are available on SEBI website at "FAQs » Investment Advisers" and can be accessed at the following link:

[https://www.sebi.gov.in/sebi\\_data/faqfiles/nov-2018/1543472570955.pdf](https://www.sebi.gov.in/sebi_data/faqfiles/nov-2018/1543472570955.pdf)

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