

CIRCULAR

SEBI/HO/MIRSD/ MIRSD-PoD/P/CIR/2025/48

April 02, 2025

To,

All Registered Investment Advisers

All Registered Research Analysts

BSE Limited (Administration and Supervisory Body for Investment Advisers and Research Analyst – IAASB and RAASB)

Sir / Madam,

Sub: Relaxation of provision of advance fee restrictions in case of Investment Advisers and Research Analysts

1. Pursuant to the changes in SEBI (Research Analysts) Regulations, 2014 in December 2024, Securities and Exchange Board of India (SEBI), received representations regarding the restriction on advance fee for three months only which was allowed to be charged by Research Analysts (RAs). It had been represented that three months provision inter alia disincentivized RAs from offering long term recommendations. Similar representations were received by SEBI from Investment Advisers (IAs) regarding the restriction on advance fee for two quarters only which was allowed to be charged by IAs.
2. SEBI considered this feedback and floated a consultation paper to increase the period of advance fee for one year by both IAs and RAs.
3. It has now been decided to relax this particular provision. IAs and RAs shall now ensure compliance with the following fee related provisions:

- i. If agreed by the client, IAs and RAs may charge fees in advance, however, such advance shall not exceed fees for a period of one year.
 - ii. The fee related provisions such as fee limit, modes of payment of fees, refund of fees, advance fee, breakage fees shall only be applicable in case of their individual and Hindu Undivided Family (HUF) clients (provided these clients are not accredited investors). These provisions shall not be applicable in case of non-individual clients, accredited investors, and in case of institutional investors seeking recommendation of proxy adviser.
 - iii. In case of non-individual clients, accredited investors, and in case of institutional investors seeking recommendation of proxy adviser, fee related terms and conditions shall be governed through bilaterally negotiated contractual terms.
4. The provisions of this circular shall come into effect from the date of issuance of this circular.
 5. IAASB/RAASB (BSE Limited) is hereby directed to bring the provisions of this circular to the notice of the IAs and RAs.
 6. This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992 read with regulation 15A of SEBI (Investment Advisers) Regulations, 2013 and regulation 15A of SEBI (Research Analysts) Regulations, 2014, to protect the interests of investors in securities market and to promote the development of, and to regulate the securities market.
 7. This circular is available on the SEBI website at www.sebi.gov.in under the category "Legal →Circulars".

Yours faithfully,
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