



Submission from APMI

Response to SEBI's Consultation Paper on New Asset Class/Product Category Introduction

The stated objective of this New Asset Class is to provide investors with a regulated investment product featuring higher risk-taking capabilities and a higher ticket size, aimed at curbing the proliferation of unregistered and unauthorized investment products.

As the Portfolio Management Industry has not been included in the eligibility criteria as mentioned in this consultation paper, we take this opportunity to present you the case on how the Portfolio Management Industry can deliver this stated objective with the support of the regulator.

A: The PMS Industry- 2020 Regulations & Beyond:

The evolution of the PMS industry in India reflects the broader economic and technological advancements in the country. From its nascent stages to a mature and specialized sector, the industry has made significant strides in adopting global best practices, integrating advanced technologies, and aligning with sustainable development goals.

- The future of the PMS industry in India looks promising, with continuous innovation and a growing focus on professional development.
- The SEBI (Portfolio Managers) Regulations, 2020 brought significant changes to the portfolio management industry in India, aiming to enhance investor protection, improve transparency, and promote the growth of the industry & these changes made a significant mark in developing the industry.

B: Developments & Impacts from the 2020 PMS Regulations:

Key Developments:

- Increased Minimum Investment.
- Enhanced Disclosure Requirements.
- Fee Structure Rationalization.
- Regulatory Compliance and Reporting.
- Separation of Advisory and Execution Services.

Key Impacts:

- Increased Professionalism and Standardization.
- Enhanced Investor Confidence.
- Technological Integration.
- Rise in Customized and Value-Added Services.
- Rise in the number of Portfolio Managers.



C: The Changed Landscape:

The Portfolio Management Industry's landscape in India has indeed undergone profound changes, characterized by the development of a diverse range of investment products and a robust regulatory framework designed to protect investors and the SEBI (Portfolio Managers) Regulations, 2020, have set a strong foundation for the future growth of the portfolio management industry in India.

D: Is the PMS Industry ready for the next leap?

As the PMS Industry continues to evolve, the focus will likely be on leveraging technology, enhancing client experiences, and adhering to global best practices.

1. The evolution of the PMS landscape in India, underpinned by SEBI's proactive regulatory framework, has led to a more mature and diversified financial market.
2. By balancing the introduction of innovative investment products with stringent investor protection measures, SEBI has created an environment conducive to the growth of both retail and institutional investments.
3. The future of PMS Industry in India looks promising, with continuous efforts to enhance market efficiency, transparency, and investor education.

E: Why does the PMS Industry need to be a part of the New Asset Class?

1. The PMS (Portfolio Management Services) industry, with its 431 entities, offers investors an access to the top-tier products and services.
2. The entrepreneurial capabilities within the PMS industry can guide investors toward desirable investment options.
3. Since the 2020 regulatory changes, the industry has become poised for future growth, ready to seize the next significant opportunity.
4. The industry's adherence to compliance and processes, along with the Rs. 10 lakh threshold of this asset class will help and protect investors from unregistered portfolio management schemes.
5. Systematic Investment Plans (SIPs) have been instrumental in attracting retail investors to the equity asset class. Extending this unique proposition to the PMS industry will facilitate its expansion into the newly created MNI (Massive New Investor) segment.

F: We hereby submit that:

- ✓ Mutual Funds are synonymous with Retail Investors whilst PMS is known for customized and bespoke solutions- And hence, such products are more suited towards mass affluent and will be on the glide path of financial penetration and inclusion which SEBI has embarked upon.



- ✓ Creating an “in-between” new asset class (for which there is no global precedent) risks creating potential confusions in investors’ minds at an inflexion point in the development of the Indian asset management industry.

Warm Regards

Association of Portfolio Managers in India

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