



भारतीय प्रतिभूति  
और विनियम बोर्ड  
*Securities and Exchange  
Board of India*

DEPUTY GENERAL MANAGER  
INVESTMENT MANAGEMENT DEPARTMENT  
DIVISION OF COLLECTIVE INVESTMENT SCHEME

IMD-DoF1/PMS/SS/OW/30637/ 2014  
October 29, 2014

**Wealth Advisors(India) Private Limited**  
Lemuir House, Ground Floor  
10, G N Chetty Road  
T. Nagar, Chennai-600017

Dear Sir,

**Sub: Request for Informal Guidance by way of interpretative letter under the provisions of SEBI( Informal Guidance) Scheme 2003, in connection with appointment of Custodian under Regulation 16B of SEBI(Portfolio Manager) Regulations 1993.**

1. This has reference to your letter dated September 08, 2014 seeking an Interpretative Letter under SEBI (Informal Guidance) Scheme, 2003.
2. In your letter under reference you have, inter alia, represented the following:
  - a. Wealth Advisors(India) Private Limited ( WAPL) is a SEBI registered Portfolio Manager (Regn. No INP000002833) offering discretionary (DPMS), Non Discretionary (NDPMS) and Advisory Services to its clients.
  - b. As on August 31, 2014, Assets Under Management (AUM) excluding advisory services are Rs. 475 Crores and that AUM is likely to exceed Rs. 500 Crores in the near future.
  - c. Of the total AUM, around Rs. 110 Crores consists of direct equities and direct bonds investments of clients under DPMS and NDPMS which are already in custody with a SEBI registered custodian.

The balance AUM of around Rs. 365 Crores consists of mutual fund investments of DPMS and NDPMS and that Mutual Funds appoint Custodians for safe keeping of securities\*and settlement of Trade. The unit allotment, unit redemption and unit reconciliation processes are carried out by Registrars.



अनुवर्ती:  
Continuation :

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- d. It is your view that adequate safeguards are already in place for mutual fund Investments.
3. In view of the above, you have sought clarification as to whether Mutual fund assets are to be included while arriving at the threshold of Rs. 500 Cr under 16B of SEBI (Portfolio Managers) Regulations, 1993.

**Our Comments:**

4. The submission made in your letter have been considered and without necessarily agreeing with your analysis, our views on the issues raised in your letter are as follows:

Regulation 16B of SEBI (Portfolio Managers) Regulations, 1993 pertaining to Appointment of Custodian states that-

"

(1) Every portfolio manager shall appoint a custodian in respect of securities managed or administered by it.

(2) Nothing contained in this regulation shall apply to a portfolio manager-

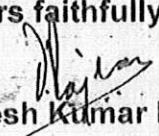
(a) who has total assets under management of value less than five hundred crore rupees; or

(b) who performs purely advisory functions"

It follows from Regulation 16B that a Portfolio Manager's obligation to appoint a custodian in respect of securities under its management does not provide for exemption with respect to mutual fund investments.

5. This position is based on the representation made to the Division in your letter under reference. Different facts or conditions might require a different result. This letter does not express decision of the Board on the questions referred.
6. Please note that the position is only with respect to applicability of SEBI (Portfolio Managers) Regulations, 1993 and does not affect applicability of any law and other SEBI Regulations, Guidelines and Circular administered by SEBI or any other authority.

Yours faithfully,

  
Rajesh Kumar Dangeti