Foundation of Independent Financial Advisors

FIFA PERSPECTIVES

EVENTS:

- **FIFA Kolkata hosted a seminar on GST on 10 Oct 2017**

  The seminar was attended by:

  Mr Gaurav Sinha, Adn Commissioner GST

  Mr Partha Santra, Superintendent, GST outreach cell

  Mr Mukesh Bajaj, Partner Indirect Tax, DB Desai & Co

- The main objective of the event was to sensitise the GST department of the problems that the IFA community was facing and to find solutions to those problems.

- Another endeavor was to clarify the nuances of GST to FIFA members along with their compliance requirements.

- Mr Gaurav Sinha, Additional Commissioner GST, gave the opening remarks, explaining the implementation of GST and other details. He highlighted that it is an evolving law and no one has complete authority on the matter. They faced several challenges while implementing the law.

- Mr Mukesh Bajaj of DB Desai & Co gave a detailed presentation about the Advent of GST, its implication on our industry and important things that members should keep in mind while complying with GST requirements. Several new aspects and clarifications were provided by Mr Bajaj.

- Mr Partha Santra of the GST outreach cell was the next speaker. Mr Santra spoke in detail of the various expenses that were not permitted as input credit. Also, he highlighted what tax payers should take care of while trying to raise invoices and file returns.

- The event was hosted by Indiabulls Asset Management and Mr Suren Kochar, CBO was also one of the panelists.

- Mr Abhenav Khettry on behalf of FIFA, spoke to the panel members and the audience regarding the challenges that IFAs faced due to GST:

  1. Monthly invoicing after receiving the payments to several AMCs
  2. Unable to get pass through benefit of GST as the tax had become direct rather than indirect
  3. Mismatch in invoice amounts and credit amounts due to clawback along with unfair tax payments on clawback amounts
  4. Being unable to take input credit on several genuine business expenses

- Mr Khettry pleaded on behalf of the IFA community to consider being brought under composition scheme for those earning less than 1cr annually.

- The GST department representatives were sympathetic towards our problems and requested us to make a representation to the Principal Chief Commissioner in the following week and sent to the GST council for consideration.

- The department was also surprised that we didn't make a plea to reduce the tax rate from 18% to 12% as that has been a standard request in all representations.

- We said that we were more keen to be brought under composition scheme rather than just tax rate change.
-

Members of FIFA and FIAI had a meeting on 25th October, 2017 with SEBI Whole Time Member: Mr Mahalingam to discuss the RIA.

Those present :

From SEBI
Mr. Mahalingam, Mr. Naveen Sharma and, Mr Ankit
From FIFA
Sangeeta Jhaveri, Dhruv Mehta, Lalit Gianchandani, Yasir Varawala
And From FIAI
Gurpreet Singh

Key takeaways of meeting:

1. We briefed about UF and FIAI and FIFA
2. We outlined the following concerns which the WTM heard carefully :

A) From an Investors Perspective, an Investment Process comprises of Advice , Sales and Execution. All components are necessary for achieving the financial goals of the customer.

- For all new investors and many existing investors the process of giving advise includes the process of creating investor awareness on the need for savings , the various alternatives , the concepts of mutual funds , assets classes and financial instruments, understanding the investors' needs based on which a suitable solution can be offered.

- While Regulations can encourage models offering only advise or only sales or service it should not prohibit a comprehensive service .

- This choice must be left to the investor to decide.

- Today investor is free to invest on his own.

- Multiple models should be allowed.

- If investor chooses to use an advisor he can choose a fee based or commission based one. This choice should be left with the investor.

- Also we emphasized that there cannot be any sales without an element of advise .

- We urged SEBI to take cognizance of why advisory model has not taken off :
  1) Customer does not have a mindset to pay as it is a push product unlike other vocations : lawyers, doctors, astrologers etc. The client seeks out the service provider in such cases. whereas a financial advisor/distributor is seeking out new investors

  2) The regulations have created an “either or” Model, which means you can either be a commission based distributor or a fee based advisor.

- This does not allow the existing distributors to migrate as advisors .
  An existing distributor cannot onboard new clients on a fee based model nor can he do new business with an existing model. In 2012 the regulation created a partition effective from a particular day where an advisor had to choose to be either a fee based RIA or a commission based distributor.

- We urged SEBI to look at US Model which does not ban commissions rather than the UK Model. If India had adopted the US model we would have seen a greater number of distributors offering a Fee Based Service. In this case, growth would have evolved as markets evolved.

- WTM was quite sympathetic of the need for Advice & the fact that India may not be fully ready for the Advisory model.

- They also understood that pure retail works in a different way on the fees point.

- They however felt that Investor should be clear right at the beginning whether you are offering a fee based or commission based service.

- 3. SEBI's main worry is that mis selling should not be there given the conflict of commissions in the MFD model and sooner or later the market should move to Advisory model.

  WTM appreciated the problem for existing commission based distributors to migrate as they cannot onboard a new fee based investor.
  He requested us to give a time frame needed for migration whether 6 months - 1 year .

- 4. After Mr. Mahalingam left, we had discussions with Mr. Navin Sharma DGM and given our view on why commissions are not a big worry & also there are caps & TERs defined.

- We explained to him that while different commissions may be paid to different distributors the total cost for that scheme remains the same for the investor.

- We also highlighted to him that the overall cost in fee based countries is higher and asked the question if it is prudent to increase the cost incurred by all investors across the country just because of an apprehension of MIS selling.

FIFA WELCOMES ITS NEW MEMBERS: Oct 2017

M Type	Member	Type	Name of Organisation/ IFA	Representative(s)	NAME CITY
General	01381	Indv	Vijay Laxman Shinde	Vijay Laxman Shinde	Sangli
General	01382	Indv	Kamal Dharampal Kalra	Kamal Dharampal Kalra	Navi Mumbai
General	01383	Indv	Tarak Sharad Doshi	Tarak Sharad Doshi	Mumbai
General	01388	Indv	Naresh Kumar Chopra	Naresh Kumar Chopra	Navi Mumbai
General	01389	Indv	AB Wealth Advisory HUB	Biranchi Narayan Sarangi	Navi Mumbai
General	01390	N.Indv	Zorba Money	Harsha Damle	Pune
General	01391	Indv	Hemant Namdev Koli	Hemant Namdev Koli	Navi Mumbai
General	01392	N.Indv	Investor Lab	Bhavyatta Jain	Navi Mumbai
General	01393	N.Indv	K.V.Consultancy Services	Thanipet Sreenivasan -	
				Murali	Kerela
General	01394	N.Indv	Star MF Financial Services	Nilesh Rambau Kinge	Aurangabad
General	01395	Indv	Avinash Anil Mujumdar	Avinash Anil Mujumdar	Bhusawal
General	01396	Indv	Pradip Prakash Vandole	Pradip Prakash Vandole	Jalgaon
General	01397	N.Indv	Tejaswini Investments	Balraj Bhairavnath Kale	Kolhapur
General	01398	N.Indv	Shedbale Investment House	Sachin Kumar Shedbale	Jaisingpur
General	01399	Indv	Shrinivas Mukund Khuperkar	Shrinivas Mukund -	
				Khuperkar	Karad
General	01400	Indv	Pravin Bhalchandra Khatavkar	Pravin Bhalchandra -	
				Khatavkar	Kolhapur
General	01401	Indv	Dhananjay Babasaheb Patil	Dhananjay Babasaheb	
				Patil	Warananagr
General	01402	N.Indv	Arvind Investments	Arvind Shrikrishna -	
				Latkar	Kolhapur

General News:

Categorization and Rationalization of Mutual Fund Schemes

It is desirable that different schemes launched by a Mutual Fund are clearly distinct in terms of asset allocation, investment strategy etc. Accordingly, SEBI, in its latest circular dated 6 October 2017, has proposed to categorize and rationalize the mutual fund schemes considering the need to bring in uniformity in the characteristics of the similar type of schemes launched by different Mutual Funds.

This would ensure that an investor of Mutual Funds is able to evaluate the different options available, before taking an informed decision to invest in a scheme. Accordingly, the MF schemes will henceforth be classified into five distinct categories:

- Equity schemes
- Debt schemes
- Hybrid schemes
- Solution oriented schemes
- Other schemes

Further, in order to ensure uniformity in respect of the investment universe for equity schemes, the terms - large cap, mid cap and small cap have been defined as follows:
a. Large Cap: 1st -100th company in terms of full market capitalization
b. Mid Cap: 101st -250th company in terms of full market capitalization
c. Small Cap: 251st company onwards in terms of full market capitalization

A new category of debt funds has been introduced through this circular – overnight fund. Such schemes will serve as an open-ended debt scheme investing in overnight securities having the maturity of 1 day. As such, these funds will only play on the accrual strategy.
SEBI has also directed all the fund houses that only one scheme per category within the five broad categories will be permitted except index funds/ ETFs/ fund of funds/ sectoral and thematic funds. As such, the existing schemes need to be reviewed by the respective fund houses and submit the proposed action to SEBI within 2 months from the date of circular.

Govt.'s Move to Recapitalise the Public Sector Banks
In a recent move, Govt. has decided to take a massive step to recapitalise the Public Sector Banks in order to give a boost to their credit health in order to support credit growth and job creation. This entails mobilization of capital, with maximum allocation in the current year, to the tune of about Rs. 2,11,000 crore over the next two years, through budgetary provisions of Rs. 18,139 crore, recapitalisation bonds to the tune of Rs. 1,35,000 crore, and the balance through raising of capital by banks from the market while diluting government equity (estimated potential Rs. 58,000 crore).

Other Highlights

http://www.internationalinvestment.net/products/comment-global-regulatory-backlash-affecting-indias-advisory-industry/

Article by Mr. Dhruv Mehta, Chairman, FIFA, published in The European Federation of Financial Advisers and Financial Intermediaries (FECIF) Website.

FECIF editorial was also circulated, via there monthly e-newsletter, quite widely – including to the media.

The article has been carried and , almost in its entirety, by an international wire " International Investment "