



7<sup>th</sup> July, 2020

Mr. Ajay Tyagi  
Chairman  
Securities and Exchange Board Of India  
Mumbai – 400 051

Dear Respected Sir,

**Sub: Appeal to consider shift of the burden of GST on Distributor Commission.**

The Foundation of Independent Financial Advisors (FIFA) is an association of independent financial intermediaries (IFI's). We have been incorporated as a not for profit organization u/s 25 of The Companies Act, 1956.

We represent over 2500 IFI's from 294 cities across the country. The aggregate AUM of all our members is approximately Rs. 1,75,000 crores.

At the outset we at the FIFA would like to place on record our profound appreciation and gratitude for all the steps and initiatives taken in keeping the Mutual Fund industry open for transactions thereby enabling investors to carry out their financial transactions of purchases, redemptions, switches, sip registrations and pauses. SEBI together with Association of Mutual Funds in India and the Asset Management Companies have been very proactive in meeting the challenges and have worked very hard in these unprecedented circumstances to ensure that all the transactions go through smoothly thereby allowing investors to access and/or manage their savings, investments and cash flow requirements in spite of the restrictions in a locked down environment. There has also been no delay in making any payouts which is a remarkable and commendable achievement.

The pandemic has touched the lives of people across the economic and social spectrum of India. It has caused upheaval in the lives of people not only economically but on all fronts including the physical and mental health of people. Livelihood of millions of people is affected. Our members who are largely Individual, partnerships and small and Medium enterprises who are from across the length and breadth of the country, have also been adversely affected.

In such times one can only look up to the Government and all its agencies to take a sympathetic view and take all the steps it can to ease the burden of the impact of the pandemic. Over the last 3 months the Government has been very proactive and its agencies has taken steps towards this direction and have announced relief measures for the MSME segment.

In these unprecedented times we are reaching out to you to consider a small regulatory relief for the mutual fund distributors who are mostly small and medium enterprises. Our humble



request is that SEBI allows the GST impact on distributor commission be allowed to be passed on to the investors by allowing the maximum permissible TER of the scheme to be increased by the same amount as is allowed for the fees charged Asset Management Companies. This change will have an impact only on TER of equity oriented funds.

We have made several representations on this subject in the past too explaining why the distributors should not be bearing the burden of GST. Our submission was not considered then probably with a view to keep cost to investor low. However, since then there has been large reduction in the total expense ratio's which has brought down the cost to the investor tremendously; as well as rationalization of expenses by prohibiting upfront payments of commission. The reduction in expense (TER) by SEBI on the grounds of scale benefits have actually been passed on fully to the distribution community by the AMCs and has hit the small distributors very hard.

The GST impact on investors overall return would be less than 10 bps but would have an impact of 10% on the income of a distributor and help him survive in these difficult times.

We once again make this humble request to allow the GST on commission paid to distributors to be passed on to the investors and urge that the same may be considered favorably especially given the unprecedented situation. This will be of immense help to one of the important sections of the mutual fund industry.

Seeking your favorable response,

Thanking you,

Dhruv Mehta  
Chairman



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 **Saarthi Zaroori Hai™**