



FOUNDATION OF INDEPENDENT FINANCIAL ADVISORS

To,

Shri. S.V. Murlidhar Rao

Executive Director

Securities and Exchange Board of India

SEBI Bhavan, Plot No. C4-A, 'G' Block,

Bandra Kurla Complex, Bandra (East),

Mumbai - 400 051

Date: September 26, 2020

Subject: Request for an extension of timeline for mutual fund distributors to comply with the requirement to modify their registered names

Ref: SEBI (Investment Advisers) (Amendment) Regulations, 2020 dated July 03, 2020 ("IA Amendment Regulations")

Dear Sir,

1. SEBI has introduced various amendments to the SEBI (Investment Advisers) Regulations, 2013 ("**IA Regulations**") by way of the SEBI (Investment Advisers) (Amendment) Regulations, 2020, dated July 03, 2020 ("**IA Amendment Regulations**"). These amendments, which come into force on October 01, 2020, will bring about immense changes to the functioning of Investments Advisers ("**IAs**"), especially pertaining to their investment advisory activities and distribution activities.
2. By way of the IA Amendment Regulations, SEBI has also sought to regulate the nomenclature of entities involved in distribution activities. SEBI has introduced Regulation 3(3) to the IA Regulations, which provides as follows:

“(3) On and from the date of commencement of these regulations, no person, while dealing in distribution of securities, shall use the nomenclature “Independent Financial Adviser or IFA or Wealth Adviser or any other similar name” unless registered with the Board as Investment Adviser.”



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3. Therefore, as per this sub-regulation, from October 01, 2020, no person may use the nomenclature '*Independent Financial Adviser*' or '*IFA*' or '*Wealth Adviser*' or such other similar names (hereinafter referred to as "**Restricted Names**"), while dealing in the distribution of securities. This amendment directly affects the Association of Mutual Funds in India ("**AMFI**") registered Mutual Fund Distributors ("**MFDs**").
4. As you are aware, there are more than 1,00,000 MFDs, including both corporate and non-corporate MFDs, registered with AMFI. While quite a few of these corporate MFDs have the Restricted Names, or derivatives of the Restricted Names, as part of their registered name, a number of non-corporate MFDs also use such nomenclature as a suffix. Since MFDs are allowed to provide incidental advice along with distribution services, many MFDs employ the nomenclature of the Restricted Names for the benefit of investors.
5. In light of the IA Amendment Regulations, as mentioned hereinabove, the MFDs are now required to modify their registered names and remove any reference to the Restricted Names. While SEBI's rationale for mandating this is understandable, the limited time provided to the MFDs to make the transition and other reasons as hereinbelow discussed, is causing grave hardship to MFDs already beleaguered by the Covid-19 pandemic.
6. The IA Amendment Regulations were published on July 03, 2020, and they made substantial changes to the IA Regulations. For a considerable time, the IA industry was grappling to understand the implications of the IA Amendment Regulations. SEBI has only recently, on September 23, 2020, published the '*Guidelines for Investment Advisers*' ("**Guidelines**"), which clarified certain queries of the IA industry. The MFDs were also unsure about the implications of the various amended provisions, including the requirement to change their registered names. The IA Amendment Regulations prohibit MFDs to use a name that is even '*similar*' to the Restricted Names. This gave rise to confusion among the MFDs on the scope of such '*similarity*'. In light of this confusion, not many MFDs endeavored to proceed with changing their registered names.
7. It should be noted that India has undergone one of the most severe lockdowns in the first quarter of this financial year. Even today, various parts of the country are under different stages of reopening, which severely affects the smooth functioning of any business, including that of MFDs. In light of this, there was an understandable delay in taking note of



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the IA Amendment Regulations. It is only recently, on September 23, 2020, that AMFI has issued a guidance to MFDs on the scope of Restricted Names, and steps that are needed to be taken to ensure compliance with the IA Regulations. It is specified in the AMFI communication that SEBI has allowed a partial extension of the timeline to comply with this requirement. It is mentioned that MFDs structured as companies and LLPs which are required to change their name, i.e. corporate MFDs, are permitted up to October 15, 2020 to submit their application for change of registered name to the Registrar of Companies (“ROC”). Such MFDs must ensure that the change of name is completed by December 31, 2020. For MFDs constituted as partnership firms, HUF or sole proprietorships which are required to change their name, i.e. non-corporate MFDs, AMFI stated that their registered name in the AMFI database has to be changed by September 30, 2020 itself.

8. While the extension till October 15, 2020 is appreciated, we would like to submit that in light of the prevailing circumstances, this is not sufficient time for corporate MFDs to make an application with the ROC for a change of name. As hereinabove stated, on account of the Covid-19 pandemic and the resultant lockdown, the movement of persons was curtailed and the business of MFDs suffered. It is only recently, due to the easing of restrictions, that businesses have resumed at a reasonable capacity. However, in quite a few places the lockdown restrictions are still in force and quite a few MFDs haven't reopened their physical offices. In such a situation, it is extremely hard for these corporate MFDs to engage the services of a professional, and prepare and file an application for a change of name with the ROC before October 15, 2020.
9. Further, as hereinabove specified, in light of the prevailing confusion, the non-corporate MFDs haven't begun the process of changing their name. While they are sincere about complying with the IA Regulations, September 30th is too short a deadline for them to comply with the change of name requirement.
10. Furthermore, the AMFI communication clarifies that the name change should reflect in all communications with the clients, and on the website, mobile application, printed and electronic materials, business cards, signboards etc. This is applicable to both the corporate and non-corporate MFDs. In light of the prevailing Covid-19 situation, the MFDs will face considerable hardship in complying with these requirements within the given deadline.



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11. In addition to the above, it remains the duty of the MFDs to ensure the clients are not inconvenienced due to these changes. As permitted by the IA Regulations and as hereinabove noted, MFDs provide incidental advice to the clients. On account of an abrupt change in the names of the MFDs and removal of any reference to 'advice' in the name, as mandated by the IA Regulations, the clients may be confused whether the MFDs will continue to provide the incidental advice. Therefore, prior to changing the name, the MFDs are duty-bound to sensitize the clients of the reasons for such a change in name and assure the clients that the services they receive from the MFDs will not be affected in any manner. This is essential to assuage any concerns that the clients may raise and to not inconvenience them. It is not possible for the MFDs to contact all their clients and communicate these changes before the abovementioned deadline.
12. In light of these reasons, SEBI is requested to extend the timeline for implementation of Regulation 3(3) of the IA Regulations till March 31, 2021, to afford the MFDs sufficient time to change their names and comply with all the incidental requirements. In the recent Guidelines issued by SEBI, SEBI has taken into consideration the concerns raised by the IAs and extended the timelines for implementation of certain provisions by the IAs. We sincerely hope that SEBI considers the sincere hardships faced by MFDs, and in a similar manner, extend the timeline of implementation of the requirement on distributors to not use any of the Restricted Names in their registered names.

Yours sincerely,

Dhruv Mehta
Chairman



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