



# Foundation of Independent Financial Advisors

May-June 2018

# What's New?

## Monthly SIP Inflows

Markets are undergoing a phase of consolidation presently. May-18 saw the highest ever monthly inflows through SIPs as it is gaining popularity as a preferred investment option for long-term wealth creation. During the month of May 2018, an amount of Rs. 7,304 crores has been invested through SIPs which is 59% higher than the amount of Rs. 4,584 crores collected in May-17. This was also 9% higher than the SIP inflows in April-18. Further, reflecting the confidence of the retail investors into investing in the markets in volatile times, around 19.16 lakh SIP accounts have been added in the first two months of FY 2018-19 with average SIP amount being Rs. 3,275.

## Equity Market Performance during June 2018

June 2018 was a volatile month for the equity markets, but the markets managed to close down at almost similar levels as they were a month ago. S&P BSE Sensex gave returns of 0.29% to its investors during the month. Major reasons transmitting jitters into the markets were increasing risks of trade wars at global front, rising crude oil prices and rupee depreciation.

Most of the sectoral indices also ended lower in June 2018 and IT & Healthcare index were the two indices giving positive returns in the falling markets on the back of weakness in rupee. There was a slight relief rally after RBI decided to hike rates by 25 bps unanimously by all the 6 members of the Monetary Policy Committee (MPC), as the markets sensed a sort of renewed commitment of the Central Bank to restrict inflation to reasonable levels.

Further, normal monsoon forecast coupled with a positive economic outlook is injecting optimism into the equity markets. As such, investors can certainly expect a good investment experience by investing now at lower valuations. Investors may be advised to continue investing through Systematic Investment Plans (SIPs) to make the most of the volatile markets.

## Equity Market Performance during May 2018

The encouraging trends for the mutual fund industry continued in the month of June 2018 as the AUM increased sequentially from Rs. 22.60 lakh crores as at 31st May 2018 to Rs. 22.86 lakh crores as at 30th June 2018. While the markets are going through a phase of consolidation, equity schemes (including arbitrage funds, balanced funds, and ELSS) saw net inflows of Rs. 9,719 crores during the month of June 2018. However, total AUM under such schemes as at June-18 end decreased marginally to Rs. 9.61 lakh crores, which can be attributed to fall in the equity markets, thereby resulting in lower portfolio values for equity schemes.



# FIFA Welcomes New Members

M TYPE	MEM. NO.	TYPE	NAME OF ORGANISATION / IFA	NAME OF MEMBER	LOCATION
Founder	F137	N.Indv	Crescat Advisors LLP	Vikram Akhauri & Anup Chandak	Mumbai
General	01499	Indv	Rajesh Manohar Gandhi	Rajesh Manohar Gandhi	Chiplun
General	01498	Indv	Bihagkumar Sushilchandra Bhavsar	Bihagkumar Sushilchandra Bhavsar	Valsad
General	01491	Indv	Nisha Mahesh Sanghavi	Nisha Mahesh Sanghavi	Navi Mumbai
General	01492	Indv	Ashish Khandelwal	Ashish Khandelwal	Kolkatta
General	01493	Indv	Pankaj Kumar Mittal	Pankaj Kumar Mittal	Howrah
General	01494	Indv	Arvind Sharma	Arvind Sharma	Mohali
General	01495	N.Indv	Wealth Cocktail	Ranvit Singh	Panchkula
General	01496	Indv	Pramod Bajaj	Pramod Bajaj	Delhi
General	01497	N.Indv	Trust Capital	Vikash Kumar Baid	Kolkatta

As part of our Knowledge Sharing Session, FIFA will be organising seminars across the country to share the findings and enable members to use the insights of the study to develop their practice.

The session in Mumbai was held on 14th June. This was conducted by Mr. Benis Kumar, Partner, Final Mile at The Indian Merchant Chamber, Churchgate, Mumbai, and was very well attended by IFAs.



# Special

**Business Standard**  
MUMBAI |  
TUESDAY, 3 JULY 2018  
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

## The Smart Investor

### Sebi may revisit proposals on investment advisors

ASHLEY COUTINHO & JASH KRIPLANI  
Mumbai, 2 July

**T**he Securities and Exchange Board of India (Sebi) is likely to do a rethink on most of its recent proposals to amend investment advisor regulations, after flak from the distributor community, including banks.

The regulator had come up with a consultation paper in January, proposing a blanket ban on individuals and their immediate relatives acting as distributors from offering any sort of advice. Similarly, individuals registered as investment advisors would not be allowed to provide any distribution services in financial products.

Banks, non-banking financial companies, body corporates, limited liability partnerships and firms registered as investment advisors would not be able to distribute products, directly or through a holding company, associate company or subsidiary.

The proposals faced a pushback from banks, national distributors and independent financial advisors (IFAs) alike. Most banks and corporates have segregated their distribution and advisory business. The proposals, if implemented, would have compelled these entities to choose between the two. Seven of the top 10 distributors by way of commission paid for 2017-18 happen to be banks, shows data from the Association of Mutual Funds in India.

The new norms would have driven most of the business to the distribution side, said experts. Distribution is a straightforward business model, wherein the distributor receives a certain commission, either trail or upfront. Charging fees for advice, on the other hand, is not so popular in India.

"Not allowing companies to segregate advisory and distribution services, even through a subsidiary or an associated company, might not stand legal ground. Similarly, disallowing immediate relatives from offering advice or distribution services is not practical and can be legally contested," said a person on condition of anonymity.

Unlike the blanket ban on advice mentioned in the proposals, Sebi is now likely to allow distributors to offer advice, provided it is targeted only at wealthy individuals.

"We have seen in the UK the consequence of banning distributors from giving advice. Today, small investors there don't have any access to advice. You can't stop incidental advice, as it is but natural for a client to get some inputs from the distributor on suitability of a product for him, given his investment goals," said A K Narayan, former president of IFA Galaxy, a Chennai-based IFA association. According to him, it's the IFAs and not the registered investment advisors (RIAs) who were responsible for building the robust SIP (systematic investment

plan) book. Mutual funds (MFs) now get ₹50-60 billion every month through SIPs. "Incidental advice should suffice to serve the majority of clients. In the final analysis, it should be left to an investor, whether high net worth individual (HNI) or retail; whether he wants to opt for an RIA or a distributor," said Mukesh Dedhia, director, Ghalla & Bhansali Securities.

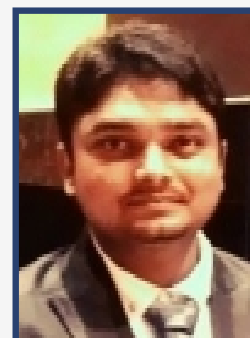
The proposed changes would have also hampered MF penetration in smaller cities, as these investors need hand-holding. One of every six rupees invested by individual investors in MF schemes now comes from beyond the top 30 cities (B30). As of April, the assets under management from B-30 locations stood at ₹4.02 trillion; those from the top 30 (T-30) centres accounted for ₹19.2 trillion. This translates into a share of 17 per cent for the B-30 locations.

**IMPACT OF NEW PROPOSALS**

- Inflows through banks to get impacted
- Seven of top 10 distributors in FY18 are banks
- Business likely to shift to a pure distribution model
- Penetration of mutual funds (MFs) in smaller cities may be hit
- MF distributors may gravitate to selling insurance products

ILLUSTRATION BY ARY MOHANTY

**GST relief to distributors earning less than Rs.20 lakh until September 2018**



**Nishant Patnaik**  
Jul 16, 2018

## CBIC has deferred implementation of reverse charge mechanism (RCM) until September 30, 2018.

In a major relief to mutual fund distributors earning less than Rs.20 lakh, the government has deferred implementation of reverse charge mechanism (RCM) for three more months i.e. until September 2018.

The Central Board of Indirect Tax and Custom (CBIC) has notified that the provisions relating to RCM have been deferred for 3 months until September 30, 2018.

This deferment will benefit distributors earning less than Rs.20 lakh who do not have GST registration.

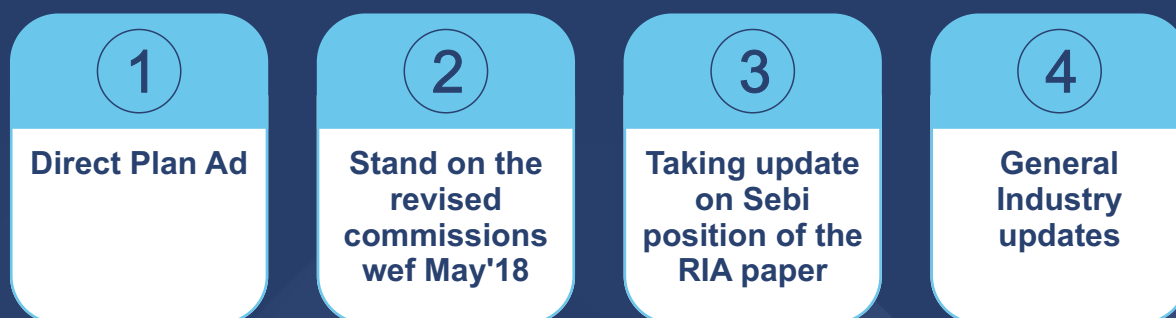
In case you are earning less than Rs.20 lakh, but have GST registration, you can cancel your GST registration. You can cancel your GST registration by visiting this link <https://services.gst.gov.in/services/login>.

For distributors with GST registration, AMCs continue to follow forward charge mechanism, i.e., AMCs will pay the gross commission to them. These distributors can avail of the benefits of input credit.



# FIAI & FIFA representatives met AMFI on 20th June, 2018.

## Agenda : Strategy discussion on



### AMFI representatives

Mr. Venkatesh, Mr. Kini, Mr. Bala, Mr. Kailash, Mr. Nanavati

### FIAI representatives

Mr. Bajaj, Jigneshbhai, Mr. Satheesh, Mr. Gurpreet

### FIFA representatives

Mr. Dhruv Mehta, Ms. Roopa Venkatkrishnan, Mr. Satish Menon

**About United Forum** – SEBI was briefed about United forum and key activities being done under United Forum.

**RIA Consultative paper** – An update was taken from SEBI on the RIA Consultative paper. The United Forum representatives requested that they can give further inputs required besides the discussions and the response papers that was submitted earlier.

**Direct Plan Ads** – Detailed discussions were held about the impact the Direct plan advertisements can have on the retail investors. SEBI was also told the adverse impact Direct plans can have on retail investors through Misbuying, sales being done by unqualified sales people & biased selling. SEBI gave their viewpoint on the ads.

**Market Expansion through increased manpower** – Detailed discussions were held on how United Forum can help in market expansion across the country by adding a huge distribution footprint. The aim is to have atleast 25 lacs Distributors across the country in coming years. This can lead to massive growth of the Mutual Fund Industry.

**Expense Ratio study** – Discussions were held on how India is amongst the least expensive country in terms of overall cost to the investor.

**Investor Awareness Final Mile Study** – SEBI was given the key takeaways of the Final Mile Investor awareness study

# Events

On 28th June, 2018 Final mile event was held by FIFA representatives in Jalandhar, led by Rajesh Gupta, which was well attended. The event was covered in the local newspaper "Dainik Bhaskar".



## FIFA Update

A snippet published in Dainik Savera on FIFA's recently conducted workshop in Jalandhar

### फीफा ने न्यूचुअल फंड डिस्ट्रीब्यूटर्स एसो. के सहयोग से करवाई कार्यशाला



कार्यशाला को संबोधित करते हुए मैट स्टीवर बीबीस कुमार मोरीस तथा (दाएं) कार्यशाला में उपस्थिति। (मुस्लीम)

जलंधर, 28 जून (सर्विस सर्विस): फीफा की ओर से न्यूचुअल फंड डिस्ट्रीब्यूटर्स एसोसिएशन पंजाब के सहयोग से जलंधर में नैशनल लेवल कार्यशाला का आयोजन किया गया। इसमें फीफा इंडिया की तर्फ से बीबीस कुमार मोरीस मुख्य मेगवान के रूप में उपस्थित हुए। उन्होंने न्यूचुअल फंड अधिकारियों के कार्यक्षेत्र में आ रही परिवर्तनों तथा विभिन्न (रिजुलेंट) को ओर से लगातार की जा रही

**बीबीस कुमार मोरीस ने बतौर मुख्य मेगवान शामिल होकर साइड की महत्वपूर्ण जानकारी**

अक्सर में विचार-विमर्श किया। बैठक में पंजाब, हरियाणा, जम्मू-कश्मीर तथा पंजाब से आए सदस्यों ने ध्यान दिया। कार्यशाला के आयोजन में धर्म धर्म के प्रधान जुलूस मरवाहा, संविधान मंत्रिपरिषद्, संस्थापक एक्सेल रावेस बुवा, विधान अवरणी के अलख मनीष कलहा, नवीन लुधरा, संजीव सिंह, गुलशन सिंह, अमित मरवाहा व बृज मरवाहा आदि का भरपूर सहयोग रहा।

DAINIK SAVERA 29-06-2018

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# Quiz

- Q.1 - Equity oriented mutual funds can have 50% or more exposure in equity and equity related securities  
A ) True B ) False
- Q.2 -A SIP can be registered for a maximum period of 3 years  
A ) True B ) False
- Q.3 -If you are having Income from Capital Gains during FY 2017-18, you cannot file ITR-1  
A ) True B ) False
- Q.4 - AUM stands for:  
A ) Securities & Exchange Board of India (SEBI) C ) Reserve Bank of India (RBI)  
B ) Association of Mutual Funds in India (AMFI) D ) Bombay Stock Exchange (BSE)
- Q.5 - Due date for filing Income Tax Returns for salaried tax payers is 31st July  
A ) True B ) False

Ans. Q.1 - B), Q.2 - B), Q.3 - A), Q.4 - A), Q.5 - A).

All Members are requested to update their email IDs and cell numbers on telegram and database. Also, please provide the GST Number.

All those Members who have not paid the Annual Fee are requested to do so at the earliest for both 2017-18 & 2018-19.

Your contribution towards this newsletter is solicited. Please share your views on events that you at your end.

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