



CIRCULAR

SEBI/HO/IMD/DF1/CIR/P/2020/169

September 09, 2020

All Portfolio Managers

Sir / Madam

Subject: Operating Guidelines for Portfolio Managers in International Financial Services Centre (IFSC)

1. SEBI has issued SEBI (International Financial Services Centres) Guidelines, 2015 (hereinafter referred to as 'IFSC Guidelines') on March 27, 2015 for facilitating and regulating financial services relating to securities market in an IFSC set up under section 18(1) of Special Economic Zones Act, 2005. The IFSC Guidelines and related Circulars issued by SEBI from time to time provide for a broad framework for operation of various intermediaries (including Portfolio Managers) therein, as defined in Clause 2(1)(g) of the IFSC Guidelines. Further, in terms of Clause 3(1) of the IFSC Guidelines, SEBI can issue guidelines for any entity desirous of undertaking any other financial services relating to securities market.
2. Based on the representations received from various stakeholders, it has been decided to put in place 'Operating Guidelines for Portfolio Managers in IFSC'. The same is annexed herewith.
3. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
4. The circular is available on SEBI website at www.sebi.gov.in under the categories "Info for – Portfolio Managers" and "Legal framework - Circulars".

Yours faithfully,

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Annexure

Operating Guidelines for Portfolio Managers in International Financial Services Centre (IFSC)

1. Applicability

a. SEBI (Portfolio Managers) Regulations, 2020 ('PMS Regulations')

All provisions of the PMS Regulations, the guidelines and circulars issued thereunder, shall apply *mutatis mutandis* to Portfolio Managers setting up/ operating in IFSC subject to these operating guidelines. Further, subsequent amendments, if any, in PMS Regulations, guidelines and circulars issued by SEBI for portfolio managers shall be applicable to Portfolio Managers in IFSC.

b. SEBI (International Financial Services Centres) Guidelines, 2015 ('IFSC Guidelines')

The provisions of IFSC Guidelines and relevant circulars shall also apply to Portfolio Managers (PM) setting up/ operating in IFSC subject to these operating guidelines.

2. Registration of Portfolio Managers

a. An application for grant of certificate of registration shall be made in accordance with the provisions of Chapter II of the PMS Regulations, accompanied by a non-refundable application fee as stated in Clause 5 of this Annexure.

b. An entity, being a company or a limited liability partnership (LLP), which has the minimum prescribed net worth as specified herein can act as a PM in IFSC, in the following forms-

i. Any SEBI-registered intermediary (except trading member or clearing member) or its international associates in collaboration with such SEBI-registered intermediary may provide portfolio management services in IFSC, by setting up a branch in IFSC, subject to the prior approval of the Board. Further, it shall ensure that:

- Exclusive manpower shall be allocated for providing portfolio management services from the branch in IFSC.
- The branch shall comply with all the provisions (except obtaining Registration) specified in the operating guidelines.
- The parent entity shall be required to ring fence its domestic operations, legally, financially, operationally and technologically, from its operations at IFSC.



- ii. Other entities (that is in the form of a corporate or LLP or any other similar structure recognised under the laws of its parent jurisdiction), based in India or in a foreign jurisdiction, desirous of operating in IFSC as a PM, may form a company or LLP to provide portfolio management services. However, the formation of a separate company or LLP shall not be applicable in case the applicant is already a company or LLP in IFSC.
- c. The obligation of ensuring that the branch complies with PMS Regulations, IFSC Guidelines, and Circulars issued thereunder, shall be on the parent entity.
- d. The Board may grant certificate/ approval if it is satisfied that the applicant fulfils the requirements as specified in the PMS Regulations read with these operating guidelines.
- e. Where the PM in IFSC proposes to change its status or constitution, it shall obtain prior approval of the Board for continuing to act as such after the change.

3. **Operational Compliances**

a. **Certification Requirement**

Principal officer and employee having decision making authority related to fund management and who are resident outside India may have certification from any other organization or institution or association or stock exchange which is recognized/ accredited by a Financial Market regulator in that foreign jurisdiction.

However, certification from NISM shall be mandatory in case the aforesaid persons deal in Indian securities markets.

b. **Net Worth Requirement**

- i. Applicants referred to in para 2 shall have a net worth of not less than USD 750,000.
- ii. In case the PM is set up as a branch, the net worth requirement is to be met by the parent entity.
- iii. In case the PM is set up as a subsidiary, the net worth requirement is to be met by the subsidiary itself. However, if the subsidiary does not meet the criteria, the net worth of the parent entity will be considered.
- iv. The PM/ parent entity shall fulfil the aforesaid net worth requirement, separately and



independently for each activity undertaken by it under the relevant regulations.

c. Eligibility of the client to avail portfolio management services

PM operating in IFSC shall provide portfolio management services only to those persons referred in Clause 9(3) of the IFSC Guidelines. Further, PMs shall ensure that, when dealing with persons resident outside India and non-resident Indians seeking portfolio management services from them, the PM complies with the applicable guidelines issued by the relevant overseas regulator/ authority.

d. Minimum investment amount

PM operating in IFSC shall not accept from the client, funds or securities worth less than USD 70,000.

e. Segregation of funds

PM operating in IFSC shall keep the funds of all clients in a separate account to be maintained by them in the IFSC Banking Unit (IBU) as permitted by RBI.

4. The applicability of these operating guidelines is subject to such conditions that may be prescribed by the Board, Reserve Bank of India and other appropriate authority from time to time.

5. Amount to be paid as fee

Application fee	USD 1,500
Registration fee for grant of certificate	USD 15,000
Registration fee every three years from date of grant of certificate	USD 7,500
