



APMI / 2024-25 / 11

To: All SEBI Registered Portfolio Managers

Subject: Submissions by APMI- Vide SEBI Circular dated 2nd May 2024.

Date: 31st July 2024

This has reference to SEBI Circular number SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/35 dated 2nd May 2024 (CIRCULAR)

SEBI constituted various working groups to recommend measures to simplify and ease compliances under various SEBI Regulations. Accordingly, a working group was constituted to review the present regulatory framework under SEBI (Portfolio Managers) Regulations, 2020 and recommend measures to promote ease of doing business for Portfolio Managers.

Based on the recommendations of the working group, the following was decided:

- 2.1 Ease in digital on-boarding process for clients of Portfolio Managers.
- 2.2 Fee Calculation Tool.
- 2.3 Additional fees disclosures.
- 2.4 Most Important Terms and Conditions (MITC) document.



2.1 Ease in digital on-boarding process for clients of Portfolio Managers:

As per para 2.1.4 of the Circular, the standard procedure for on-boarding of client through digital mode shall be specified by APMI, in consultation with SEBI.

In fulfilment of the same the standard procedure for on-boarding of clients through the digital mode has been specified herewith and the same gets applicable from 1st October 2024.

- Kindly refer to [Annexure 1](#) for the same.

2.3 Additional Fee Disclosures:

As per para 2.3.1.c of the Circular, the standard formats for the fee illustrations shall be specified by APMI, in consultation with SEBI.

In fulfilment of the same the standard formats for the above fee illustrations have been specified herewith and the same gets applicable from 1st October 2024.

- Kindly refer to [Annexure 2](#) for the same.

2.3.2 Periodic reports:

As per para 2.3.2.c of the Circular, the standard format for the annexure detailing the fee calculation shall be specified by APMI, in consultation with SEBI.

In fulfilment of the same the standard format for the annexure detailing the fee calculation has been specified by APMI and the same gets applicable from 1st October 2024.

- Kindly refer to [Annexure 3](#) for the same.



2.4 Most Important Terms and Conditions (MITC) document:

As per para 2.4.4 of the Circular, the standard format for MITC shall be specified by the APMI, in consultation with SEBI.

Accordingly, the standard format for MITC has been specified by the APMI, in consultation with SEBI and the same gets applicable:

- For new clients on-boarded on or after October 01, 2024.
- For existing clients, the MITC shall be informed to the clients via email or any other suitable mode of communication (which can be preserved) by 1st Jan'25.
- Kindly refer to **Annexure 4** for the same.

The above is submitted for your required compliances.

Principal Officer

Association of Portfolio Managers in India

B-121, 10th Floor, WeWork- Enam Sambhav

G-Block, Bandra Kurla Complex, Mumbai- 400051

Contact us: <https://apmiindia.org/apmi/contactus.htm>

Web: <https://apmiindia.org/apmi/welcome.htm>

Annexures:

1. Annexure 1 for **2.1.4** Page 4
2. Annexure 2 for **2.3.1. c** Page 11
3. Annexure 3 for **2.3.2. c** Page 11
4. Annexure 4 for **2.4.4** Page 12

Annexure 1

APMI Standard Procedure for onboarding of clients through digital mode



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1. BACKGROUND

This document is prepared as required by the SEBI vide their circular No. SEBI/HO/IMS/IMDPoD/ OP/CIR/2024/35 dated May 02, 2024 regarding Portfolio Managers - Facilitating ease in digital on-boarding process for clients and enhancing transparency through disclosures to facilitate ease in digital on-boarding for clients of Portfolio Managers.

2. PURPOSE

The purpose of the document is to:

- 2.1 Streamline the Onboarding process: To have a smooth and efficient process reducing the time and effort required for account opening as compared to the physical paperwork.
- 2.2 Ensure Compliance with Regulatory Requirements: To adhere to all legal and regulatory standards, such as those set by SEBI (Securities and Exchange Board of India), ensuring that all necessary documentation and verification processes are correctly followed.
- 2.3 Enhance Client Experience and Satisfaction: To provide a seamless digital experience that meets modern client expectations, improving overall client satisfaction and retention.

3. SCOPE

Type of accounts that can be catered:

- 3.1 Individual (Single/Joint) : Individual can open single/joint account (maximum 2 joint holder). Individual can opt for maximum of three nominees.

Residential Status that can be catered:

- 3.2 Resident Indian (RI): Currently as per existing regulations digital onboarding is available for Resident Individual client singly and/or jointly with or without opting for nomination.

Digital onboarding should encompass:

- Online DEMAT account opening
- Online filling and signing of Risk Survey
- Online generation and signing of Client Agreement
- Online generation and signing of POA.
- Online generation and signing of MITC.

The idea of this Digital Onboarding SOP is that a client and/or his/her representative should be able to fill, generate and sign the above forms online in one go.



4. WHO CAN OPT FOR DIGITAL ONBOARDING

Taking into account various factors and variables, digital onboarding would be selectively applicable for the clients, who fulfil certain requirements.

The checklist of the pre-requisites which need to be performed before taking on any client for the Digital onboarding are as under:

- Client's Aadhar and PAN should be linked.
- Client's KRA status should be either validated or registered in their respective KRAs.
- Client should pass the AML (Anti Money Laundering) and SEBI restricted database and there shouldn't be any match.
- Client should have the access to the phone number which is linked to his/her Aadhar to receive the OTP while e-signing with Aadhar.

The client or the Portfolio Manager (PM) should implement a verification mechanism to ensure compliance with the aforementioned points. If any of the above conditions are not satisfied, the client should not proceed with the Digital Journey. Instead, these clients should complete the demat account opening process using physical paperwork with wet signatures or go ahead with the KRA modification process and proceed further.

5. DIGITAL ONBOARDING PROCESS FLOW

Once the above requirements are fulfilled, the process for the Digital Onboarding is mentioned below.

- 5.1 Fetch the data from KRA by entering PAN of all the client(s) of the PMS. There are two types of details which gets auto populated:
 - 5.1.1 Basic details: Name, DOB, Email, Phone number, Address, Gender, Marital status, Occupation, PEP, Tax status, Residential Status, Fathers/Spouse's name, Mother's name, Nationality.
 - 5.1.2 FATCA details: such as Place of birth, Country of birth, Tax residency, Gross annual income, or Net Worth.
 - 5.1.3 If the client doesn't change any of the above, the process hence forth is digital. If the client intends to change any of the above, the physical-digital process is not in the preview of this SOP document.
- 5.2 Include any details of restricted holdings provided by the client, if applicable.
- 5.3 Enter Bank account details: Clients must provide bank details where the account is in their name. For joint holding accounts, the bank details should be in the name of either account holder. Funds from unregistered bank accounts will not be accepted.



5.3.1 The bank account must be validated by performing a penny drop which validates the bank account by depositing a small amount of money into the account to check if the account is in the name of the client and is active.

5.3.1.1 No other proof to be asked from client if the penny drop is successful.

5.4 Enter Nominee details: It is recommended to add a nominee to the demat account in a PMS. If no nominee is designated, the "No Nomination" form must be e-signed by all holders. When designating a nominee, provide details as per the table below. Up to three nominees can be appointed. If a nominee is a minor, include guardian details, and account holders cannot act as guardians. Holders can decide the shareholding percentage for each nominee, ensuring the total adds up to 100%. Nominee Details: Nominees cannot be the applicant or joint applicant (nominees can be more than one, share details separately for all nominees), the portal must capture all the below details pertaining to the nominee.

- Name:
- DOB: (Proof to be attached, in case of a minor)
- Phone Number:
- Email:
- Address:
- ID Number (PAN/Passport/Aadhar):
- Share of each Nominee: (In case of more than one nominee)
- Relation with Applicant:

If Nominee is a minor, please share same details for guardian: (cannot be the applicant or joint applicant)

- Name:
- DOB:
- Relation with Nominee:
- Phone Number:
- Email:
- Address:
- ID Number (PAN/Passport/Aadhar):

5.5 Documents upload: There would be certain documents which would be required to be uploaded. Proof of Identity (POI) and Proof of Address (POA) details must be relied upon KRA details.

5.5.1 Photograph: Client's photo must be uploaded which will be visible on the PMS and Demat application form.

5.5.2 Aadhar in cases where the KRA doesn't have Aadhar as OVD.



- 5.6 In person verification: This will be a video IPV which will serve as liveness check and details to be stored in Audit trail.
- 5.7 Generate the DEMAT account opening form with the above data and ask for client to e-sign now or e-sign post the PMS's review.
- 5.8 Generate the POA, Agreement and Risk survey from the above details provided by the client and ask for client to e-sign now or e-sign post the PMS's review.
- 5.9 For e-signing the POA, online integration with an e-stamp paper provider is required. Typically, the e-sign providers are also e-stamp paper providers.
- 5.10 If any of the documents uploaded (POA, POI, photo and AADHAR) are found to be incorrect or of poor quality, clients must be given an option to edit the same and re-submit.
- 5.11 If forms are to be reviewed by the PMS, post review the forms should be approved for E-sign *as per IT Act* by the client.
- 5.12 In case a PMS is using a third-party vendor whose e-stamp papers are not tech integrated for digital onboarding, the PMS can send the POA separately for e-sign. Such PMS's may complete the tech integration with their e-stamp vendors to further easing the digital onboarding process.
- 5.13 The link shall be used to E-sign *as per IT Act* the PMS and Demat application form via Aadhar OTP.

The same link can also capture the Declaration stating, "I/We understand the fees/charge structure" this is typed using keyboard or written electronically using fingers/a stylus pen in case the client is on-boarded through digital mode by the first holder. Other holder/s should click on "Yes/No" to indicate that they have understood the fee structure. If the other holder(s) clicks "Yes", then each of the holder should be given an option to e-sign the said text. If the other holder clicks "No", then the digital onboarding process shall be halted until the Portfolio Manager explains the fee terms to the client. Post which the digital onboarding for that holder can be allowed to continue. But this time the holder should hand type (using a keyboard) "I/We now understand the fees/charge structure". The fees illustrations and tables should be part of the agreement which is e-signed by the client.



5.14 An audit trail is supposed to be maintained which will authenticate the documents used for electronic signatures. The audit trail should have the below details.

- Date and time stamp of the e sign.
- IP address and Geo location of the e sign
- Details of client as well as Portfolio Manager
- Authentication type such as OTP
- Photograph of the client as captured while doing a liveness check.

6. CML GENERATION

Once the forms are signed, the Demat account opening form should reach the Depository Participant (DP) with a copy to the client and the Portfolio Manager. The DP processes the form and creates a Demat account with either of the depositories (NSDL/CDSL).

There should be API's available to upload the e signed data into the depository terminal from the DP side to generate the CML. This would further reduce the timeline and will enhance client experience.

7. RESPONSIBILITY

The Portfolio Manager holds the sole responsibility to maintain the records of the Demat account opening in the digital form and update the KRA details of the client on a periodic basis or whenever there is a change in the client's profile.

Also, the end client should receive the e-signed form along with audit trail.



Annexure 2

- <https://tinyurl.com/pxabywtc>

Annexure 3

- <https://tinyurl.com/y3ytmf25>



Annexure 4

Most Important Terms and Conditions (MITC) for the clients of the Portfolio Managers

| | |
|---|--|
| Name of the Portfolio Manager & SEBI Registration Number | |
| Contact details of Portfolio Manager | |
| Name of the Client (Details of all the holders) | |
| Distributor Name | |
| Service Opted by the Client | Discretionary/Non-Discretionary/Advisory/ Co-Investment Services |
| Amount Invested | |
| Date of PMS Agreement | |
| Risk Tolerance of the Client | Low/Medium/High |
| Strategy | Equity/Debt/Hybrid/Multi Asset |
| Investment Approach | |
| Benchmark for the Investment Approach | |
| Investment tenure/horizon | |
| Related party investments | Allowed/Not allowed |
| Fees & Charges including exit load, if any levied by the Portfolio Manager | |
| Details of bank and demat accounts where client's funds and securities are kept | |
| Tenure of the PMS agreement | |
| Disclosure of interest in various corporate bodies by Client | Yes/No |
| Nominee along with share of each nominee in PMS, Demat and Bank accounts | |
| Name of Guardian, in case the Nominee is a minor | |
| Name and contact details of Investor Relations Officer | |
| Other important T&Cs | |

The MITC and all information provided here above are applicable to you. The MITC is in addition to and are to be read in conjunction with the PMS-Client Agreement executed between you and the Portfolio Manager.

Date:

Place:

Signature

1st/Sole Holder /Authorized Signatory

Signature

2nd Holder/Authorized Signatory

Signature

3rd Holder/Authorized Signatory