



APMI/2022-23/03

Date: 21st April,2023

To,

All Portfolio Managers registered with SEBI

Dear Sir / Madam,

Subject: Clarifications on SEBI Circular-SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/133
Dated 30th Sept'22

1. SEBI, vide circular SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/133 (circular) dated 30th Sept'22 <https://tinyurl.com/4t54s2f7> specified activities related to the dealing team and the roles and responsibilities of various teams engaged in fund management, dealing, compliance, risk management, back-office, etc.
2. Post the release of this circular APMI reached out to the industry and invited updates and feedback on the implementation of this, as stated in the Annexure A of the DT Circular.
3. Basis the above and the various discussions held in our committees, APMI submitted a set of questions related to the circular with SEBI on 30th December'2022, which needed more clarity.
4. APMI has received a confirmation from SEBI on 18th April'23 which states that the FAQ's mentioned in Annexure 1 of this circular can be shared with the Portfolio Management Industry.

We hope these FAQ's will be helpful towards execution of the circular.

Encl: Annexure 1



Annexure 1

- I. **Can the fund manager also undertake the role of a Dealer?**
 - ✓ Yes, as per clause 4.1 (a) of the SEBI Circular, Dealing Team may include the Principal Officer or the person appointed in terms of Regulation 7(2) (e) of PMS Regulations.

- II. **Can the fund manager place orders directly with the back office without going through the Dealing Team in respect of mutual funds (other than ETFs) or primary issuance of securities?**
 - ✓ No

- III. **Can members of the Dealing Team move into other roles without the restrictions specified in para 4.1b) when not playing a dealer role (e.g., during non-market hours)?**
 - ✓ Yes, if the PO or FM itself is playing the part of the dealer, he can perform other activities related to fund management based on the internal policy provided its clearly justifiable and can be demonstrated to the internal and external stakeholders.

- IV. **Where the fund manager is also the dealer (if permitted), the fund manager will also undertake research and for which he/she will access more sites on the internet and engage with more parties than a pure dealer. Is such access and communication also considered as related to trade execution?**
 - Para 4.1 b(iii) states that “Access to internet facilities on computers and other devices inside the dealing room shall be restricted and shall only be used for activities related to trade execution.”
 - Para 4.1 b(v) states that “There shall be no sharing of information through any mode, except for trade execution under the approved policies of the Portfolio Manager”.
 - ✓ Yes, it can be considered as related to trade execution only for the PO/FM performing the role of dealer. Such activity may be allowed based on the internal policy provided its clearly justifiable and can be demonstrated to the internal and external stakeholders. Further, the Portfolio Manager shall ensure compliance with Clause 4.1. (b) of the Circular dated 30th Sept’22.



V. Where the fund manager is also the dealer (if permitted), the fund manager will discuss with the client the rationale for a trade and seek confirmation to proceed with the trade (using registered e-mail ID or call using a recorded line) in a non-discretionary portfolio. Is such communication considered as related to trade execution?

- Para 4.1 b(v) states “There shall be no sharing of information through any mode, except for trade execution under the approved policies of the Portfolio Manager”.
- ✓ Yes, it can be considered as related to trade execution. Such activity may be allowed based on the internal policy provided its clearly justifiable and can be demonstrated to the internal and external stakeholder. Further, the Portfolio Manager shall ensure compliance with Clause 4.1. (b) of the Circular dated 30th Sept’22.

VI. **Extract of the Circular:**

- 4.1 (a) PM shall constitute a dealing team which shall be responsible for order placement and execution of all orders in accordance with the aforesaid policies of the PM
 - Does the creation of dealing room apply to listed and unlisted securities? As in case of unlisted securities (e.g., AIFs, REITs, INVITs, unlisted debt instruments) there is no price sensitivity which can be taken advantage of.
 - Should we restrict dealing room activities only to securities which are routed through the stock exchange trading mechanism for execution?
- ✓ The creation of dealing room is applicable for all securities irrespective of whether it is listed or unlisted.

VII. **Extract of the Circular:**

- 4.1 b- i) All conversations of DT shall be only through the dedicated recorded telephone lines or through emails from authorized email ids.
 - Whether a dedicated Mobile Number for the dealing team shall be allowed to place the orders in place of a telephone line?
- ✓ No, mobile phones are not allowed in the dealing room.

VIII. **Extract of the Circular:**

- 4.1 b-iii) Access to internet facilities on computers and other devices inside the dealing room shall be restricted and shall only be used for activities related to trade execution.
 - In smaller PMS the roles & computers are shared at times.
- ✓ The computer systems used within the dealing room should have restricted access to internet facility and shall only be used for trade execution.



IX. Extract of the Circular:

- 4.1 b- ii) Mobile phones or any other communication devices other than the recorded telephone lines shall not be allowed inside the dealing room.
- 4.1 b- iv) Entry/Access to the dealing room shall be restricted to authorized employees as defined in the aforementioned policies of the Portfolio Manager.
 - Adding a separate dealing room and employees will lead to enhanced overheads for smaller PM's.
- ✓ Taking into account the measure prescribed in the circular, a dealing room is required to keep the trade related information confidential.

Yours Sincerely

Rashim Bagga

Principal Officer- Association of Portfolio Managers of India

APMI

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