

# Research Report

Research and benchmark of global best practices  
for Portfolio Management Services by APMI

March 2026





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# Introduction to India's investment management industry



India's investment management industry has evolved from a single mutual fund in 1963 to a dynamic ecosystem offering diverse products for retail and institutional investors. The journey began with the Unit Trust of India (UTI), followed by public sector AMC's in the late 1980s and private players in the early 1990s. Regulated by SEBI, the sector has witnessed rapid growth driven by rising financial literacy, digital adoption, and increasing participation from HNIs and family offices. India now stands as one of the fastest-growing investment markets globally, aligning with international trends in wealth management and alternative strategies. Today, AMC's provide a wide range of products such as



### Mutual Funds (MF) for retail investors with low entry barriers.

Majorly for retail investors with extremely low entry barrier.

Regulated by SEBI (Mutual Funds) Regulations, 1996.

\*Average (AAUM) of Indian Mutual Fund Industry as of September 2025 stood at INR 78,46,63,585 crore.



### Portfolio Management Services (PMS)

Majorly for high-net-worth individuals requiring ₹50 lakh.

Regulated by SEBI (Portfolio Managers) Regulations, 2020.

\*\*Average AUM of PMS industry as of September 2025 stood at INR 33,81,193 crore.



### Alternative Investment Funds (AIF)

Majorly for institutional and accredited investors with a ₹1 crore threshold.

Regulated by SEBI (Alternative Investment Funds) Regulations, 2012.

#Funds raised as at end of September 2025 stood at INR 6,36,418 crore.



### Specialized Investment Funds (SIF)

Introduced by SEBI for advanced strategies with a minimum investment of ₹10 lakh.

SEBI Circular (Introduced in April 2025 under MF framework).

Average AUM data has not yet been reported, as Specialized Investment Funds (SIF) are a recently launched product.



### Co-Investment Vehicles (CIV)

linked to AIFs for accredited investors.

SEBI (AIF) Regulations – Co-Investment Framework (Amendment September 2025).

Average AUM data has not yet been reported, as Co-Investment Vehicles (CIVs) are a recently launched product.

\*Source:- As disclosed by AMFI on their website (<https://www.amfiindia.com/aum-data/average-aum>)

\*\*Source:- As disclosed by SEBI on their website (SEBI | Assets Managed by Portfolio Managers - Archive)

#Source:- As disclosed by SEBI on their website (SEBI | Data relating to activities of Alternative Investment Funds (AIFs))

# PMS industry in India



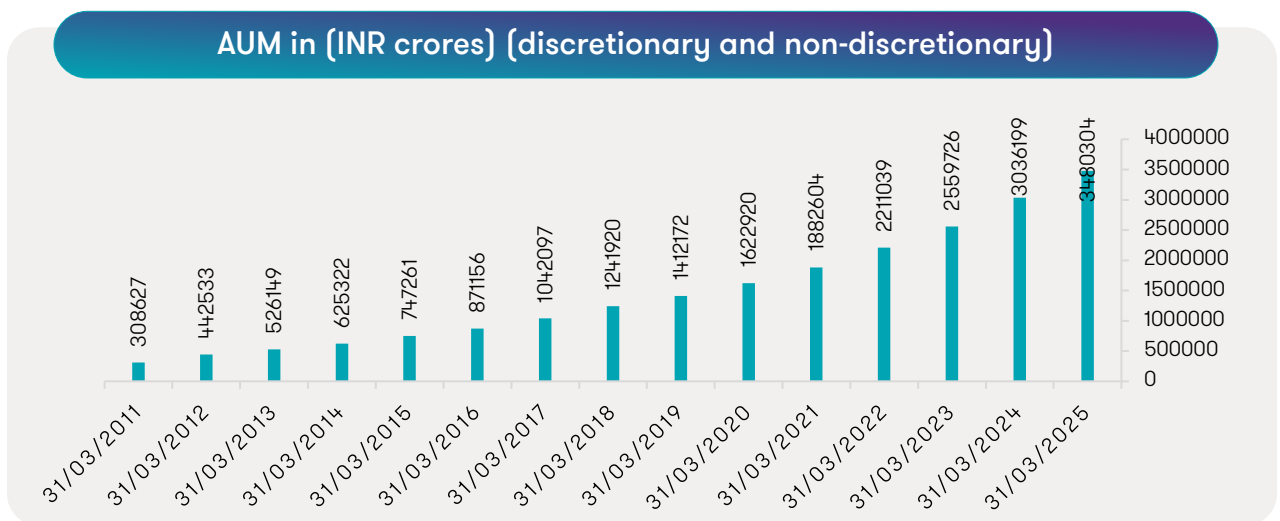
The Portfolio Management Services (PMS) journey in India began in 1993 with the introduction of the SEBI Portfolio Managers Regulation, 1993. Since then, the PMS industry has witnessed significant growth, reaching an estimated INR 33 lakh crore in AUM and serving approximately 2 lakh investors across diverse strategies. With SEBI's regulations, master circulars, and periodic guidelines, the PMS industry operates within a robust regulatory framework that ensures investor protection, promotes market integrity, and enables Asset Management Companies (AMCs) to innovate and launch PMS strategies.

Before 1993, the PMS market was largely unregulated. The formalization of the industry helped establish accountability and transparency through SEBI regulations.

SEBI introduced the SEBI (Portfolio Managers) Regulation, 1993 formally regulating the PMS as an investment vehicle. Following this, large broking and financial firms began taking investment mandates from high-net-worth individuals and other investors, operating within the new regulation.

Parag Parikh Financial Advisory Services Ltd (PPFAS) launched one of the earliest formal PMS offerings in October 1996. Other early entrants: Enam Asset Management, Kotak Securities, and ICICI Prudential in late 1990s. Post this, the PMS industry started to grow at unprecedented pace 2000 onwards.

PMS industry trends: Client growth and AUM analysis (2011-2025)



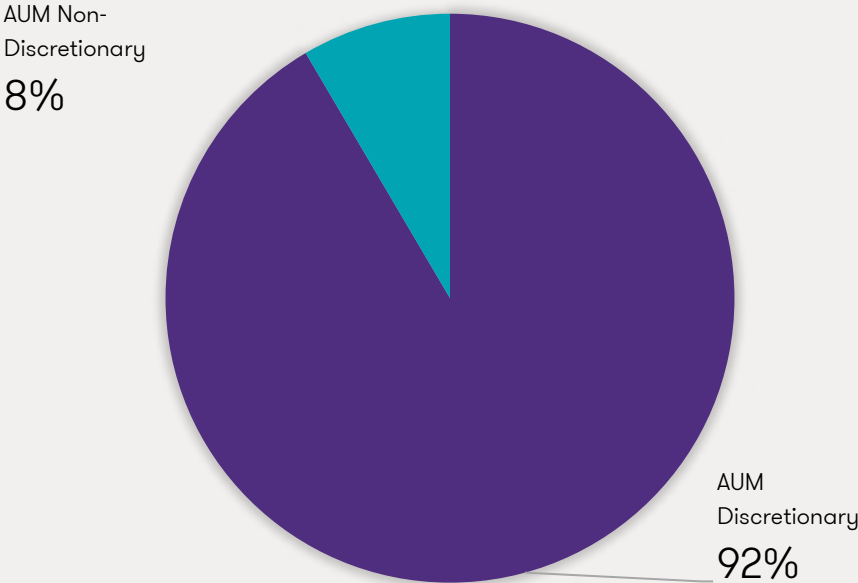
\*Source:- As disclosed by SEBI on their website (SEBI | Assets Managed by Portfolio Managers - Archive)

The Portfolio Management Services (PMS) industry in India provides customized investment solutions for high-net-worth individuals and institutional investors. PMS operates under SEBI regulations and offers two main models based on decision-making control:

- Discretionary PMS: Manager has full authority to make investment decisions.
- Non-Discretionary PMS: Manager advises, client decides.

This structure reflects diverse investor preferences—growth-focused strategies under discretionary mandates and diversification under non-discretionary models. The growth figures shown below represent Assets Under Management (AUM) in Indian Rupees as of September 2025.

### Portfolio management services (PMS) AUM breakdown



\*Source: - As disclosed by SEBI on their website (SEBI | Sep 2025 )

# Approach and Methodology



Grant Thornton Bharat LLP (GTBL) in collaboration with The Association of Portfolio Managers in India (APMI), conducted a global benchmarking study on Portfolio Management Services (PMS) across 7 mature markets. The objective of this exercise is to benchmark global regulatory practices, operational frameworks, fee structures, compliance standards, and growth enablers prevalent in leading international markets and suggest improvements and initiatives to AMPI for the benefit of PMS business in India.

This benchmarking exercise was conducted against the below 7 global markets

## Global markets



United Kingdom



Japan



France



Switzerland



Singapore



United States of America



Germany



As a part of the benchmarking exercise, we performed the following activities:

- Understood on-ground regulatory practices, operational realities, and market-specific nuances across markets.
- Connected with GT leaders and partners of these markets to gather primary insights.
- Revalidated initial findings through follow-up interactions with the GT leaders to ensure accuracy and alignment.

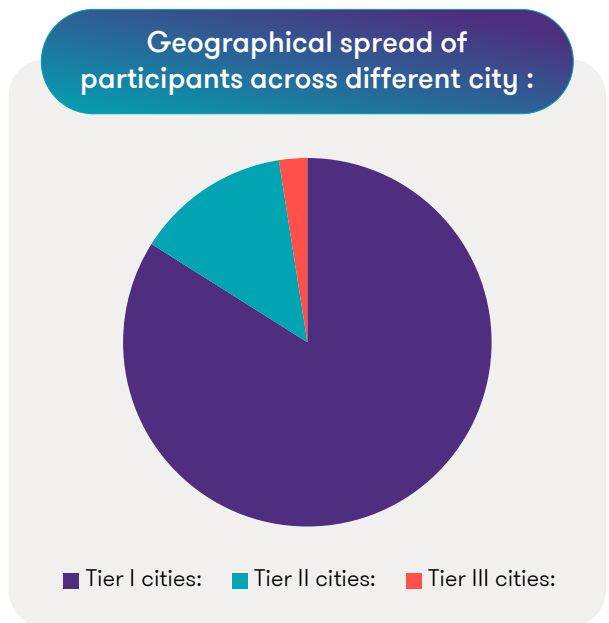
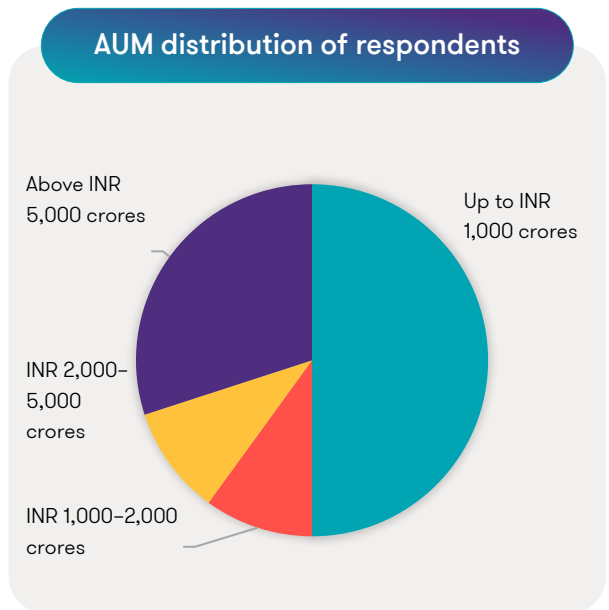
Our benchmarking across the 7 markets included assessment against following parameters:

- **Regulatory authority**
- **Licensing requirements**
- **Reporting requirements to regulators and Investors**
- **Requirement for capital adequacy**
- **Anti-Money laundering framework**
  - Evaluation of AML/KYC requirements, due-diligence procedures and enforcement mechanisms across markets.
  - Benchmarking of AML adoption maturity across jurisdictions.
- **Minimum / Maximum investment requirements**
  - Studied statutory / market-driven minimum investor investments.
  - Compared investor earnings against per capita income of selected markets.
- **Fee structure of product**
  - Conducted research on fee models including fixed fee, performance fee, hurdle rates and hybrid structures.
  - Compared fee competitiveness and regulatory restrictions across markets.
- **Taxation**
  - Mapped tax implications for PMS products in each market including capital gains, income tax and withholding tax.
  - Benchmarked tax efficiency structures and investor impact
- **Investor protection standards**
- **Cyber security governance**
  - Studied regulatory mandates for cybersecurity, technology risk management and data protection applicable to PMS business

In addition to benchmarking exercise, we also conducted a survey with the portfolio managers registered as members with APMI. The objective of the survey was to obtain feedback and inputs from portfolio managers on specific growth constraints, regulatory roadblocks, operational inefficiencies, and practical challenges faced by PMS players in the Indian market.

To address this requirement, a structured questionnaire had been developed to gather inputs directly from Indian PMS providers. The questionnaire consisted of 4 sections - (1) Basic Information; (2) Operational Challenges; (3) Regulatory and Compliance Challenges and (4) PMS Growth Challenges. The questionnaire consisted of 50+ questions, 75% of which was in a multi-choice format. It also allowed the respondents to provide their views and feedback, if any.

We received responses from 78 portfolio managers. The chart below provides details of these respondents



# Executive summary



This document provides a comparative analysis of best practices and processes followed by leading global markets vis-à-vis those adopted in India. The objective is to identify gaps, benchmark standards, and recommend actionable steps for strengthening PMS operations and fostering sustainable growth.

This research report is structured as follows:

- Section 1 provides an introduction of the asset management industry and the PMS industry in India.
- Section 2 provides an overview of the business of the PMS markets in India and the global markets identified for the benchmarking exercise.
- Section 3 provides approach and methodology followed by GTBL for the benchmarking exercise.
- Section 4 provides the executive summary along with the recommendations.
- Section 5 outlines the detailed benchmarking of critical practices across the selected markets. It also provides comparative insights that highlight PMS practices in India vis-à-vis global standards, along with the findings from the PM survey questionnaire.

- Section 6 provides a structured and insightful recommendations and suggestions to accelerate the growth and promotion of the Portfolio Management Services (PMS) industry in India.

Every parameter under section 5 summarizes the practices in the specific market followed by **‘Comparative Insights – Global Markets’** that provides a comparative analysis against the current Indian practice. Further, the outcomes of the survey are also mapped to the specific parameters as **‘Survey Insights – Domestic Market’**.

All recommendations and insights from Sections 5 and 6 are summarized below as strategic and actionable outcomes for APMI to evaluate and implement through industry advocacy or stakeholder consultations.

Sr No	Category	Recommendation	Reference
1	Pilot initiatives and opportunities	APMI may consider launching a nationwide investor education campaign focused enhancing knowledge and benefits of the Portfolio Management Services (PMS), address common misconceptions and enhance penetration of PMS in the Indian market. Also, few respondents recommended that an industry-level awareness campaign could increase investor base.	Section 6 (1)
		AMPI may require the Portfolio managers to establish a more formalized second line of defense to periodically assess and review the operational and investment risks of its strategies.	Section 6 (6)
		APMI may consider relaxing minimum investment amount to the employees of the portfolio manager and / or directors and key management persons. Further respondents also recommended that the INR 50 lakh minimum investment threshold restricts key employees and fund managers from investing in their own PMS strategies, limiting alignment of interests. Allowing investment at a reduced threshold for key employees would strengthen ownership, accountability, retention, and investor confidence.	Section 6 (2)

Sr No	Category	Recommendation	Reference
2	Recommendations to increase its addressable market	APMI may assess the feasibility of reducing the current minimum investment threshold to beyond INR 50,00,000. The current threshold remains high amongst all selected markets. Further respondents recommended revisiting the PMS minimum investment requirement, with suggestions ranging from reducing the threshold (to INR 25 lakh or even INR 10 lakh), permitting tranche-based investments.	Section 5 (5)
		India's PMS taxation framework imposes 18% GST on portfolio management fees. This, along with capital gains tax and taxes on dividend etc increase the cost of investment. Reduction of the cost of investment will encourage investor participation in the PMS investments. Also, respondents recommended that transaction-level taxation and lack of tax parity with pooled vehicles result in tax leakage in PMS, and suggested simplification and rationalization of tax treatment to improve investor attractiveness.	Section 5 (7)
		APMI may evaluate expanding use of derivative to PMS subject to enhanced risk management, safeguards, and disclosures. APMI may consider a calibrated approach, permitting expanded derivative usage only for specified strategies or investor categories.	Section 6 (9)
3	Recommendations to reduce the regulatory burden.	India's licensing is relatively straightforward but lacks the tiered flexibility seen in other global markets, which allows smaller/entry level firms to operate under lighter regimes while maintaining investor safeguards. Also, most respondents suggested that PMS licensing requirements could be simplified, particularly for smaller and newer firms, with key suggestions including reduction of duplicate documentation, end-to-end digitization, and adoption of graded, AUM-linked compliance requirements.	Section 5 (1)
		Currently, all portfolio managers having PMS business have to adhere to a fixed net worth requirement of INR 5,00,00,000. APMI may assess the feasibility to have a more flexible and tiered capital requirement that would provide level playing field for entry level PMS players. Further respondents suggested introducing AUM-linked or tiered capital requirements and providing relaxed entry norms during the initial years of operation to support new portfolio managers.	Section 5 (3)
		APMI may evaluate the introduction of a PMS-specific regulatory framework for PMS-tagged demat accounts held under custody. Recommendations from portfolio managers in this regard are elaborated under the relevant section.	Section 6 (7)

Sr No	Category	Recommendation	Reference
4	Recommendations to tap into international capital	<p>APMI may evaluate the feasibility to allow D-PMS to invest in unlisted securities within PMS portfolios.</p> <p>Further respondents recommended that regulatory restrictions, valuation and liquidity challenges, lack of QIB status, and operational complexities limit PMS participation in unlisted securities, and suggested evaluating controlled flexibility for discretionary PMS to expand investment opportunities.</p>	Section 6 (3)
		<p>APMI may evaluate the feasibility of enabling foreign investment exposure through PMS providers within the ambit of RBI and SEBI guidelines.</p> <p>Also, respondents highlighted the absence of a clear regulatory framework, and operational complexities have limited adoption, and suggested enabling regulated PMS providers to facilitate overseas exposure within SEBI and RBI guidelines.</p>	Section 6 (4)



Sr No	Category	Recommendation	Reference
5	Other strategic insights and recommendations for enhancing the PMS Industry in India	<p>APMI may evaluate the adoption of global best practices in PMS reporting. While India’s framework is strong in frequency and basic disclosures, it lacks advanced features such as risk alerts, event-based disclosures, ESG reporting. Incorporating these practices would align India with international standards and improve governance maturity.</p> <p>Further respondents suggested simplifying and consolidating PMS compliance reporting by reducing duplication across portals, aligning submissions on a single platform, and leveraging custodian auto-feeds to lower operational burden.</p>	Section 5 (2)
		<p>While India has a strong foundation for anti-money laundering and counter financing of terrorism under PMLA and SEBI guidelines, the APMI may assess a more water-tight approach and align to global best practices such as -</p> <p>Independent assessment and evaluation of Ultimate Beneficial Owner (UBO) and standardization of AML screening and reverse screening across industry</p>	Section 5 (4)
		<p>APMI may undertake initiatives that allow portfolio managers to digitally onboard all client categories including NRIs, corporates, non-individuals, and HUFs. This could include simplifying NRI documentation requirements to reduce onboarding complexity and timelines and an introduction of an industry-wide unified digital onboarding platform, accessible to PMS providers of all sizes. Further, APMI may also evaluate the creation of a centralized, consent-based KYC repository to eliminate duplication across portfolio managers.</p>	Section 6 (6)
		<p>APMI may evaluate permitting same-day buy transactions against confirmed sale positions without additional collateral, subject to: Clear settlement obligations, and Completion of Early Securities Pay-in (ESPI).</p>	Section 6 (8)
		<p>APMI may Consider the identified fee-billing challenges can be addressed through more flexible, rules-based billing systems, enabling multiple invoices per client, and improving integration between PMS and accounting platforms to reduce manual effort and operational risk.</p>	Section 5 (6)
		<p>APMI may consider standardized policy templates, shared cyber security utilities for smaller firms, and harmonizing SEBI and DPDP requirements to reduce duplication, lower costs, and enable a single, auditable compliance framework.</p>	Section 5 (9)
		<p>APMI may evaluate the adoption of technological solutions to automate regulatory reporting, AML/KYC processes, breach monitoring, and audit trail management, thereby reducing compliance overheads. APMI may also consider rationalizing and consolidating multiple regulatory reporting portals to minimize duplication. Further, APMI may explore the development of a unified, ERP-style PMS platform or shared industry utility, along with common data services for market data, benchmarking, and performance attribution, to improve operational efficiency and lower costs, particularly for smaller PMS firms.</p>	Section 6 (10)

# Detailed assessment results of global and Indian PMS markets

## Regulatory authority and licensing requirements

Portfolio Management Services (PMS) operate under diverse regulatory frameworks across global jurisdictions, each designed to ensure investor protection, market integrity, and operational resilience. While the core principle—authorization to manage client portfolios on a discretionary basis—remains consistent, licensing requirements vary significantly.

### United Kingdom

#### Regulatory Authority

The Financial Conduct Authority (FCA) regulates discretionary portfolio management under the Financial Services and Markets Act 2000 (FSMA). Section 237(2) of FSMA authorizes FCA-licensed firms to manage and offer discretionary portfolio management.

#### Regulatory Landscape

- Discretionary services involve managing portfolios on a client-by-client basis.
- Supplementary services include investment advice and safekeeping of collective investment units.
- The FCA applies PRIN Principles for Businesses, which outline ethical obligations such as integrity, customer interest, and consumer duty.
- Client classification (retail, professional, eligible counterparties) determines the level of regulatory protection.

#### Governance Standards

- Require disclosure of equity strategies and arrangements with SRD asset managers.
- Mandate independent compliance and internal audit functions, AML controls, and appointment of a Money Laundering Reporting Officer (MLRO).

### United States

#### Regulatory Authority

Portfolio managers are regulated by the U.S. Securities and Exchange Commission (SEC) or state securities authorities, depending on their Regulatory Assets Under Management (RAUM).

#### Regulatory Landscape

- < \$25M RAUM: State regulation
- \$25M–\$100M RAUM: Generally, state, with exceptions
- \$100M RAUM: SEC registration required

#### Licensing Requirements

Mandatory SEC registration under Section 203 of the Investment Advisers Act, unless exempt. Registration involves filing Form ADV, detailing business structure, personnel, financials, and advisory methods. SEC reviews applications within 45 days; denial proceedings must be concluded within 120 days.



## Singapore

### Regulatory Authority

The Monetary Authority of Singapore (MAS) regulates PMS under the Securities and Futures Act (SFA) and Financial Advisers Act (FAA)

### Regulatory Landscape

Under the regulatory framework of the Monetary Authority of Singapore (MAS), Fund Management Entities (FMEs) are authorized to manage client portfolios across asset classes—including equities, bonds, private equity, venture capital, hedge funds, and collective investment schemes (CIS)—on a discretionary, client-by-client basis. Additionally, FMEs may launch and manage CIS products such as unit trusts, REITs, ETFs, and private funds recognized under the Securities and Futures Act (SFA)

### Licensing Requirements

- Firms must obtain a Capital Markets Services (CMS) License, unless they are exempt as a Registered Fund Management Company (RFMC).
- Singapore offers a tiered framework — firms can either obtain a Capital Markets Services (CMS) license or register as RFMCs (Registered Fund Management Companies) with lighter requirements. Supplementary services include investment advisory, safekeeping, and family office services. Licensing requires a regulatory business plan, fit and proper personnel, independent custody and valuation, and conflict-of-interest controls.

## Japan

### Regulatory Authority

The Financial Services Agency (FSA) oversees licensing and supervision under the Financial Instruments and Exchange Act (FIEA). The Securities and Exchange Surveillance Commission (SESC) handles enforcement.

### Regulatory Landscape

- Discretionary Investment Managers: Authorized to manage portfolios with full decision-making authority.
- Non-Discretionary Advisers: Provide recommendations without executing trades

### Licensing Requirements

- Registration is mandatory for firms operating from a business base in Japan.
- Foreign firms may be exempt depending on client type and operational structure.
- The FSA's Guidebook for Registration outlines scenarios and procedures, including submission of a summary and draft application

## France

### Regulatory Authority

Autorité des Marchés Financiers (AMF): Supervises portfolio management companies. Autorité de Contrôle Prudentiel et de Résolution (ACPR): Issues licences.

### Regulatory Landscape

- Portfolio Management Services (PMS) in France are supervised by two key regulatory bodies:
- Autorité des Marchés Financiers (AMF): Responsible for overseeing investment services, portfolio management companies, and financial advisers.
- Autorité de Contrôle Prudentiel et de Résolution (ACPR): Issues authorisations for investment firms and credit institutions, working in coordination with the AMF.

### Licensing Requirements

- Discretionary Services: Entities must be authorized as Portfolio Management Companies. Submit a program of operations to AMF. ACPR issues the license upon AMF approval
- Non-Discretionary Services: Classified as Investment Firms
- Must comply with MiFID II standards
- Licensing involves AMF approval and ACPR authorization

## Germany

### Regulatory Authority

The Federal Financial Supervisory Authority (BaFin) regulates PMS under the Investment Firm Act (WpIG), in coordination with the Deutsche Bundesbank

### Regulatory Landscape

BaFin enforces compliance with EU regulations

### Licensing Requirements

Governed by Section 32 of the German Banking Act (KWG). Licensing is required for all firms targeting German clients, including foreign entities

## Switzerland

### Regulatory Authority

The Swiss Financial Market Supervisory Authority (FINMA) licenses portfolio managers under the Financial Institutions Act (FinIA). Ongoing supervision is conducted by FINMA-approved Supervisory Organizations (SOs)

### Regulatory Landscape

- Portfolio managers must operate as sole proprietorships, commercial enterprises, or cooperatives.
- Permitted services include investment advice, portfolio analysis, and offering financial instruments

### Licensing Requirements

- Applicants must register on FINMA's platform (EHP), prepare documentation, and affiliate with an SO.
- SO verifies compliance and issues confirmation, which is submitted to FINMA for final approval.
- Firms must maintain independent risk management and internal control systems.



## Comparative Insights - Global market

Portfolio Management Services (PMS) operate under diverse regulatory frameworks across global jurisdictions, each designed to ensure investor protection, market integrity, and operational resilience. While the core principle—authorization to manage client portfolios on a discretionary basis—remains consistent, licensing requirements vary significantly.

### Regulatory authority and Structure

- SEBI is the sole regulator for PMS, overseeing licensing, compliance, and investor protection in India.
- UK, France, Germany: Dual or coordinated regulatory structures (e.g., FCA & PRA in UK; AMF & ACPR in France; BaFin & Bundesbank in Germany).
- Japan & Switzerland: Enforcement and supervision are split between agencies (FSA & SESC in Japan; FINMA & SOs in Switzerland).
- India's single-regulator model ensures streamlined oversight across all market participants with uniform regulatory structure and requirement.

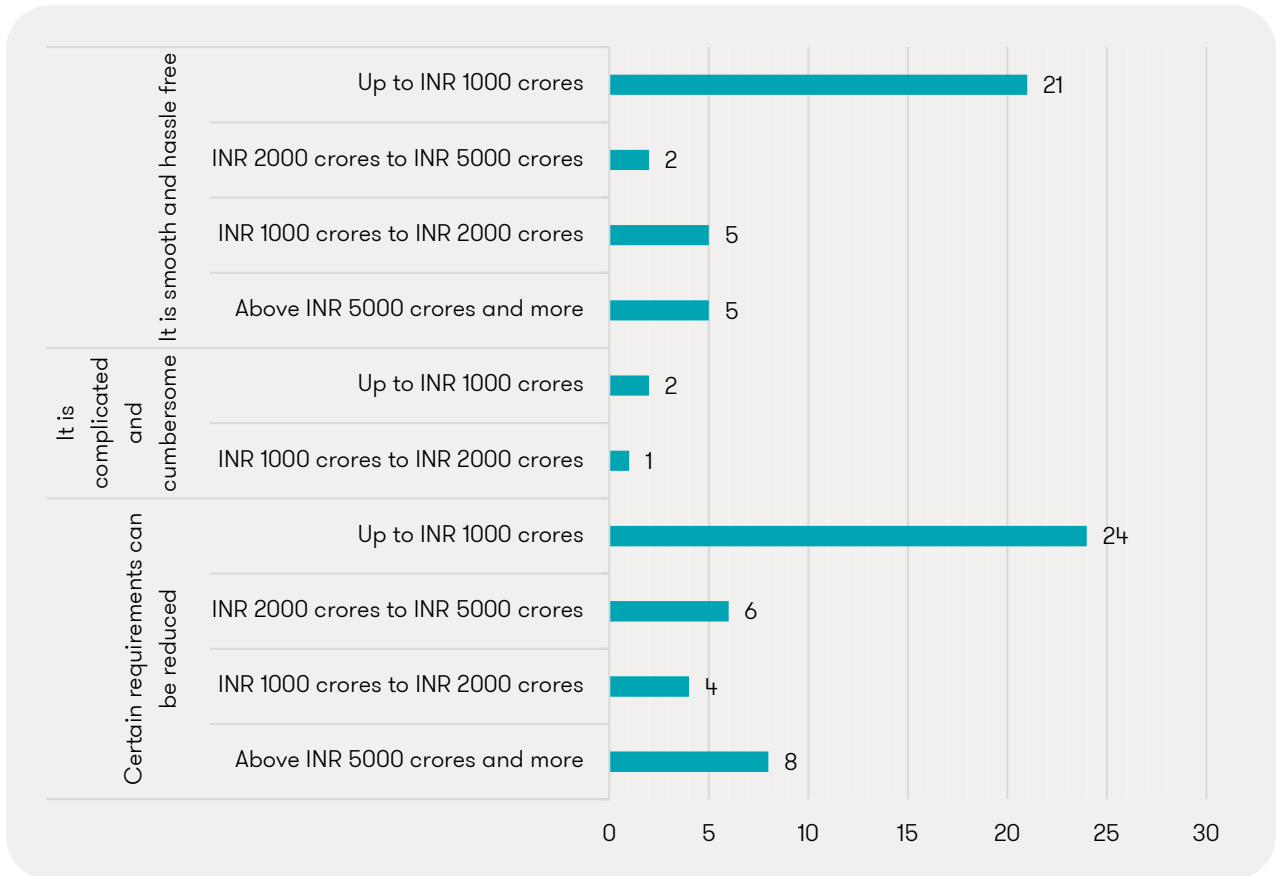
### Licensing Requirements

- PMS providers must register with SEBI, meet minimum net worth requirements (₹5 crore), and adhere to compliance norms including client segregation, reporting, and risk management in India.
- USA has a tiered registration based on RAUM; SEC or state-level oversight.
- Singapore require CMS license from MAS; Registered Fund Management Companies (RFMC) exemption for smaller firms.
- In case of Germany & France, licensing involves detailed business plans, capital verification, and dual approvals.
- India's licensing is relatively straightforward but lacks the tiered flexibility seen in the USA and Singapore, which allows smaller firms to operate under lighter regimes while maintaining investor safeguards.

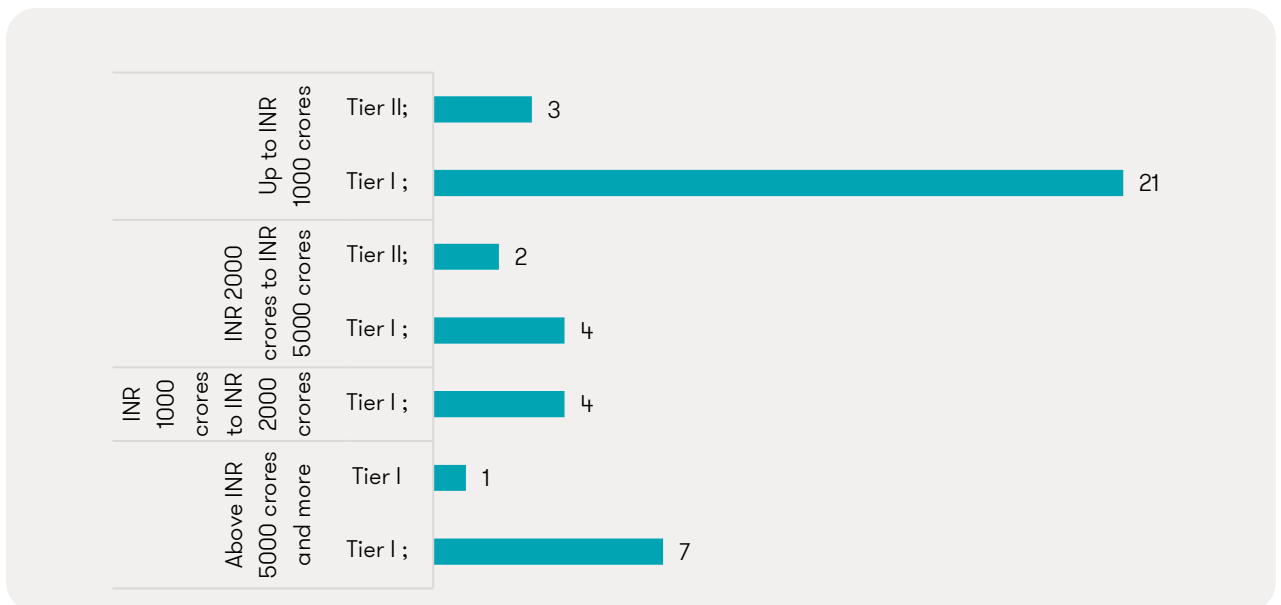
## Survey insights – Domestic Market

We gathered inputs from the Indian Portfolio managers on their views on the current licensing requirements.

The chart below presents the views of portfolio managers, segmented by their assets under management (AUM), along with the corresponding number of respondents out of the total 78 responses.



Out of the 78 respondents, approximately 54% (42 respondents) were of the view that the current licensing requirements could be reduced. The following section presents the views of portfolio managers, segmented by geographical presence and their AUM range



4% (3 respondents) were of the view that the licensing requirements are complicated and cumbersome



Out of 78 respondents, 11 respondents have acquired licenses in the last 3 years out of which 4 respondents (36%) found the licensing process to be smooth and hassle free whereas 7 respondents (64%) were of the opinion needed to reduce the requirements at the time of licensing.

Few recommendations from the respondents regarding the licensing were as under –

- Reduction in duplicate documentation
- Digitize the entire application/update process
- Adoption of graded requirements for smaller/new PMS firms.
- Compliance should be proportional to AUM.
- New & smaller firms should be exempted from expensive compliances like dealing room.
- Extend 'graded compliance' already used for Order Management System to other areas.

## Reporting requirements

Reporting requirements for Portfolio Management Services (PMS) are designed to ensure transparency, investor protection, and regulatory compliance. These obligations vary across jurisdictions, covering both client-facing disclosures and regulatory filings.

### United Kingdom

- In the UK, reporting obligations for portfolio managers stem from the FCA Handbook, specifically COBS 16A. The Financial Conduct Authority (FCA) is the primary supervisory authority.
- Portfolio managers must provide quarterly reports to clients, detailing portfolio valuation, performance, fees, dividends, and corporate actions. Monthly reports are required for leveraged portfolios. Additionally, depreciation alerts must be sent to clients if the portfolio value drops by 10% or more. Transaction confirmations and client asset statements are also part of the investor-facing disclosures.
- To the FCA, firms must maintain and provide access to compliance records and internal controls documentation as per SYSC 3.2 and 9. These ensure the firm's adherence to conduct and operational standards.

### United States

- In the US, portfolio managers are regulated under the Investment Advisers Act of 1940, with reporting obligations formalized through Form ADV and Form CRS. The Securities and Exchange Commission (SEC) oversees compliance.
- Portfolio managers must deliver Form CRS to clients at account opening and upon material changes, outlining services, fees, conflicts of interest, and disciplinary history. Clients also receive detailed disclosures on investment strategies, risks, and compensation structures.
- To the SEC, firms must file Form ADV (Parts 1 and 2) during registration and update it annually or upon material changes. They must also maintain comprehensive records for at least five years and cooperate with SEC examinations.

### Singapore

- In Singapore, reporting requirements are governed by the Securities and Futures Act and MAS Guidelines, with the Monetary Authority of Singapore (MAS) as the regulator.
- Portfolio managers must provide clients with disclosures on investment strategies, associated risks (especially for digital assets), custody arrangements, and intermediary risks. These disclosures are tailored to ensure transparency and investor protection.
- To MAS, firms must submit quarterly financial returns (Form 1 and 2) and annual audited financial statements via the MASNET portal. They must also report short positions, interest disclosures, and annual AUM declarations (Form 25)

### Japan

- Japan's Financial Services Agency (FSA) regulates portfolio managers under the Financial Instruments and Exchange Act.
- Clients receive periodic investment reports detailing asset performance, strategy rationale, fees, and risk disclosures. Firms must also provide best execution policies and ensure suitability of investments. Delegation arrangements must be disclosed to clients when applicable.
- To the FSA, firms must submit a registration application and notify the regulator after issuing investment reports. Firms are subject to regular audits by certified public accountants (CPAs), who assess compliance with asset segregation, custody, and reporting standards. Delegated entities are also subject to regulatory audits under Article 42-3.

## France

- In France, portfolio managers are regulated by the Autorité des Marchés Financiers (AMF) under MiFID II, AIFMD, and the AMF Policy Book.
- Clients receive written agreements outlining investment objectives, permitted instruments, benchmarks, and risk tolerance. Disclosures include synthetic risk indicators, cost breakdowns, and fund-specific documents such as KIDs, prospectuses, and ESG-related information.
- To the AMF, firms must submit financial statements, investor reports, and regulatory filings for AIFs and UCITS. ESG disclosures are mandatory where applicable.

## Germany

- Germany follows the EU's IFD/IFR framework—Directive (EU) 2019/2034 and Regulation (EU) 2019/2033—with oversight by BaFin and the European Banking Authority (EBA).
- Clients receive ESG risk disclosures, remuneration policies, and investment strategy details, including voting behavior and proxy advisor use.
- To BaFin and EBA, firms must submit annual prudential disclosures, quarterly reports on own funds, liquidity, and concentration risk, and country-by-country financial data. Firms must also implement whistleblower mechanisms and report breaches under Article 22.

## Switzerland

- In Switzerland, portfolio managers are regulated under the Financial Institutions Act (FinIA) and FINMASA, with oversight by FINMA and Supervisory Organisations (SOs).
- Clients may receive portfolio updates and delegation disclosures, depending on the service model.
- To FINMA and SOs, firms must submit annual compliance reports (in non-audit years), securities trading reports, and audit findings from FAOA-licensed firms. Delegated entities are subject to reporting and audit under Article 29 FINMASA. Firms newly subject to regulation must report to FINMA within six months of the law's enactment.

## Comparative Insights - Global market

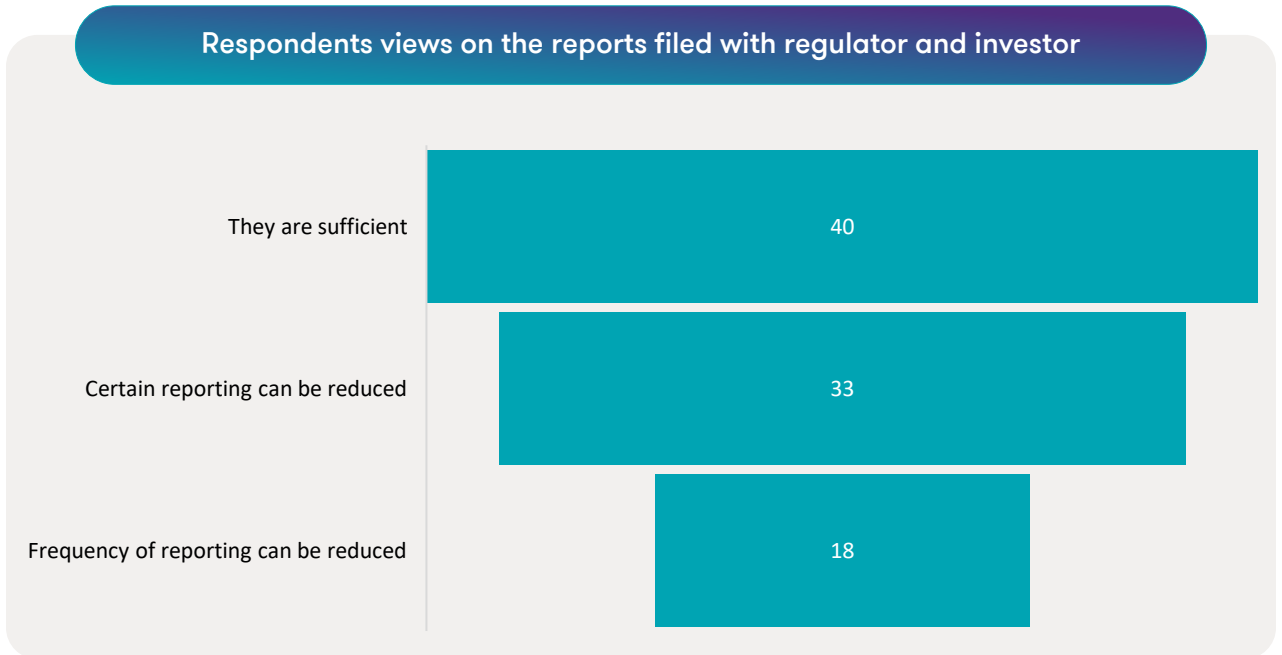
India's PMS reporting framework, governed by SEBI, stands out for its monthly client reporting, which is more frequent than most global jurisdictions such as the UK, Singapore, and Germany, where quarterly or annual reporting is standard. India aligns well with global norms in areas like performance and fee disclosures, client agreements, and annual audits.

However, it lacks certain advanced features commonly seen in international markets. For instance, client-facing reports such as depreciation alerts (UK), event-based disclosures (US, EU), and structured ESG reporting (Germany, France, Singapore) are yet to be formalized in India. Investor-facing tools like Key Information Documents (KIDs) and synthetic risk indicators, used in France and the EU, could enhance transparency in India. Overall, while India's framework is strong in frequency and basic disclosures, adopting global best practices in risk alerts, ESG integration, and governance transparency would elevate its regulatory maturity and investor confidence.



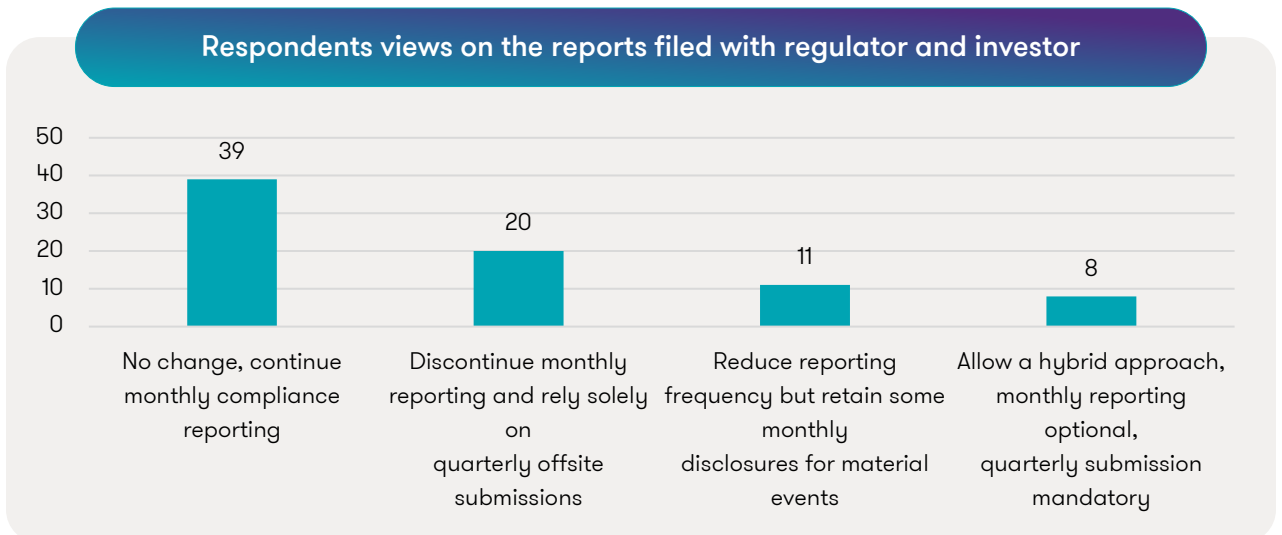
## Survey insights – Domestic Market

We gathered insights into the current reporting processes from the portfolio managers. Below is a quick snapshot of the responses -



Further, we received specific inputs on the reporting requirements as below -

- Streamlining of monthly compliance reporting with the quarterly offsite submissions



- 74% respondents preferred all submissions to be aligned on PARAS (CMM) while 26% preferred status quo (PARAS + SI Portal).
- 7 portfolio managers strongly flagged duplication of report submission across SEBI SI / APMI / PARAS
- Few respondents suggested that annual confirmation via corporate governance report, CMM report, and annual compliance certificate should be avoided.
- Portfolio managers further suggested custodian should provide auto-feeds files for offsite submission.

# Capital adequacy

Capital adequacy requirements for Portfolio Management Services (PMS) are designed to ensure financial stability, operational resilience. These norms typically mandate firms maintain a minimum level of paid-up capital or net worth, along with additional buffers to cover operational risks. In many jurisdictions, capital requirements are complemented by provisions for liquidity management and professional liability insurance.

## United Kingdom

Under the FCA's MIFIDPRU framework, UK firms must maintain capital composed of:

- Common Equity Tier 1 (CET1) – at least 56% of total capital requirement
- CET1 + AT1 – at least 75%
- Total own funds – 100% of the capital requirement
- Initial capital requirements range from £75,000 to £750,000, depending on the firm's activities. Firms must also maintain core liquid assets based on fixed overheads and client guarantees.

## United States

The Investment Advisers Act of 1940 in US does not prescribe fixed capital thresholds. Instead, the SEC emphasizes financial responsibility, requiring:

- Certified financial statements
- Sufficient resources to meet obligations
- Compliance with custody and client protection rules
- This flexible model prioritizes disclosure and fiduciary standards over rigid capital benchmarks.

## Singapore

The Monetary Authority of Singapore (MAS) mandates base capital requirements based on the type of fund management activity:

- S\$1 million for managing CIS for retail investors
- S\$500,000 for non-CIS portfolios
- S\$250,000 for other fund management activities
- Additionally, firms must maintain financial resources of at least 120% of their total risk requirement, ensuring a dynamic buffer aligned with operational scale.

## Japan

Capital requirements for Investment Management Firms in Japan as per the "Guidebook for Registration of Investment Management Business and Other Financial Instruments Businesses" is as follows:

- Investment Management Business – 50 million yen (or 10 million yen, in the case of not accepting deposits of money or securities from customers and not having customers deposit their money or securities to a person having a close relationship with the applicant themselves)
- Investment Management Business for Qualified Investors - 50 million yen

## France

In France, capital adequacy is linked to assets under management (AUM). Portfolio managers must pay a contribution to the AMF based on:

- 0.0085 per thousand AUM
- Minimum payment of €1,500
- AUM must be reported annually by 30 April
- This model ties capital obligations directly to business scale and investor exposure.

## Germany

Germany implements the EU's Directive 2019/2034 and Regulation 2019/2033, which introduce a risk-sensitive prudential framework:

- Initial capital ranges from EUR 75,000 to EUR 750,000
- Ongoing capital requirements are based on the highest of:
  - Fixed overheads
  - Permanent minimum capital
  - K-factor requirement (risk-based metrics)
- Additional buffers may be imposed by regulators, with at least 75% in Tier 1 capital, and 75% of that in CET1. Small and non-interconnected firms may qualify for simplified treatment.

## Switzerland

Swiss Financial Institutions Act (FinIA), portfolio managers and trustees are subject to strict financial safeguards to ensure operational stability and client protection such as –

- maintain a minimum paid-up capital of CHF 100,000, which must be held in cash and complied with at all times.
- Additionally, they are required to either hold adequate collateral or obtain professional liability insurance, with coverage amounts determined by the Federal Council.
- To further reinforce financial resilience, firms must maintain sufficient own funds, calculated as at least 25% of their fixed annual costs, capped at CHF 10 million. These measures are designed to uphold trust and integrity in Switzerland’s asset management industry.

## Survey insights – Domestic Market

We gathered insights on the minimum net worth requirement of INR 5 crores for portfolio managers to commence PMS operations. About 82% of respondents (64 participants) believed the net worth requirement is appropriate, while the remaining 18% (14 participants) believed that the requirement is too high.

The table below provides a summary of responses from 14 respondents who were of the view that the net worth requirement is high. The responses are presented along with the respondent’s AUM range and their number of years of presence in the industry.

Sr no	AUM Range of respondent	Number of years since obtaining the PMS license			Total
		0 – 3 years	3 – 10 years	More than 10 years	
1	Up to INR 1000 crores	2	5	2	9
2	INR 1000 crores to INR 2000 crores	-	2	-	2
3	INR 2000 crores to INR 5000 crores	-	1	-	1
4	Above INR 5000 crores and more	-	1	1	2
<b>Total</b>		<b>2</b>	<b>9</b>	<b>3</b>	<b>14</b>

The survey also provided specific insights into the views of the portfolio managers on the capital requirements -

- Tired capital requirement (AUM Based) for smaller/new portfolio managers
- Relaxed entry for first 3–5 years in operation as portfolio managers.

## Comparative Insights - Global market

India’s capital adequacy requirement for Portfolio Management Services (PMS) is governed by SEBI (Portfolio Managers) Regulations, 2020. Portfolio managers must maintain a minimum net worth of ₹5 crore, ensuring basic financial stability. India’s fixed net worth requirement is simple and effective but lacks the risk-adjusted flexibility seen in the UK, EU, and Singapore.

Global jurisdictions increasingly adopt tiered capital structures, liquidity thresholds, and dynamic buffers based on operational risk. India could enhance its framework by introducing CET1/AT1 classifications, risk-based capital models, and liquidity stress metrics, especially for firms managing complex or high-risk portfolios.

## Anti-Money laundering (AML) requirements

AML frameworks for Portfolio Management Services (PMS) are designed to prevent financial crime, ensure transparency, and uphold market integrity. Globally, regulators mandate a risk-based approach aligned with FATF standards, requiring firms to implement robust internal controls, customer due diligence (CDD), and enhanced due diligence (EDD) for high-risk clients.

### United Kingdom

Regulatory Reference: FCA – SYSC 6.3

#### Key Requirements:

- **Financial Crime Controls:** Firms must implement systems to prevent money laundering.
- **Training & Awareness:** Mandatory AML training for employees.
- **Governance Reporting:** MLRO must report annually to senior management.
- **Risk Documentation:** Firms must maintain AML risk policies and profiles.
- **Operational Integration:** AML risks considered in new product development, client onboarding, and business changes.
- **MLRO Requirements:** Appointment of an independent MLRO with authority and resources; must be UK-based.

### United States

Regulatory Reference: FinCEN & SEC

#### Key Requirements:

- **Regulatory Basis:** Bank Secrecy Act (BSA), USA PATRIOT Act, FinCEN Final Rule.
- **Core AML Program Requirements:**
- **Customer Identification Program (CIP):** Verification of identity using documentary and non-documentary methods.
- **Customer Due Diligence (CDD):** Assess risk profiles; apply EDD for PEPs.
- **Suspicious Activity Reporting (SAR):** File for transactions  $\geq$  \$5,000 linked to unlawful activity.
- **Recordkeeping:** Retain documents for 5 years.
- **Currency Transaction Reporting (CTR):** For cash transactions  $>$  \$10,000.
- **Independent Testing & Training:** Annual AML program audits and staff training.

### Singapore

Regulatory Reference: MAS – Notice SFA04-N02

#### Key Requirements:

- **CDD Enhancements:** Verification of clients and beneficial owners; EDD for high-risk clients.
- **Suspicious Transaction Reporting (STR):** Prompt reporting to STRO.
- **Recordkeeping:** Minimum 5 years.
- **Reliance on Third Parties:** PMS providers remain responsible for compliance.
- **Technology:** Mandatory sanctions screening and transaction monitoring systems.
- **Governance:** Board accountability; independent audits; regular staff training.

### Japan

Regulatory Reference: FSA Guidelines

#### Key Requirements:

- **Governing Laws:** Act on Prevention of Transfer of Criminal Proceeds (APTCP), Foreign Exchange and Foreign Trade Act (FEFTA), Financial Instruments and Exchange Act (FIEA.)
- **Risk-Based Approach:** Aligned with FATF standards; dynamic risk assessment.
- **CDD:** Identity verification, beneficial ownership checks, ongoing monitoring.
- **STR Filing:** To JAFIC (Financial Intelligence Unit).
- **Record Retention:** 7 years.
- **Internal Controls:** AML officer, IT-based monitoring, board-level oversight

## France

Regulatory Reference: AMF & ACPR

### Key Requirements:

- Core AML/KYC Requirements:
- Customer Due Diligence (CDD) and EDD for PEPs.
- Beneficial ownership verification for corporate clients.
- Risk-based AML policy tailored to client profiles and geography.
- Transaction Monitoring & Reporting: Continuous monitoring; STRs to TRACFIN.
- Internal Controls: Compliance officer, annual policy review, staff training.

## Germany

Regulatory Reference: BaFin – GwG

### Key Requirements:

- BaFin's Role: Supervises AML/CFT compliance for portfolio managers.

### Key Obligations:

- Risk-Based Approach: Comprehensive risk analysis of clients and transactions.
- CDD/EDD: Simplified for low risk; enhanced for high-risk clients.
- Ongoing Monitoring: Continuous review of client relationships.
- Internal Safeguards: AML officer, documentation, staff training.
- Suspicious Transaction Reporting: Immediate filing to FIU and local authorities.
- Record keeping: Retain records for 5 years.
- Emerging Risks: Cryptoassets, virtual IBANs, loan fronting.
- Video Identification: Permitted under strict conditions.

## Singapore

Regulatory Reference: Federal Act on Combating Money Laundering and Terrorist Financing (AMLA).

### Key Requirements:

- Identity verification for individuals and legal entities.
- Due diligence on nature and purpose of business relationships.
- Recordkeeping for 10 years post-termination.
- Organizational measures: Staff training, internal controls, prevention of misuse of insider information.



## Comparative Insights - Global market

India's AML framework under PMLA and SEBI guidelines establishes a strong foundation through mandatory Customer Due Diligence (CDD), Suspicious Transaction Reporting (STR), and record retention for five years. It also requires the appointment of a compliance officer and regular staff training.

### Beneficial Ownership Transparency:

Jurisdictions such as France, Switzerland, and Singapore mandate strict verification of ultimate beneficial owners (UBOs) and require ongoing monitoring to ensure compliance. These frameworks typically involve independent verification and periodic updates to maintain transparency.

In comparison, India's requirements under SEBI-governed practices require portfolio management service (PMS) providers to obtain details of UBOs. The process primarily relies on the initial collection of information. For non-individual entities, PMS providers obtain a formal declaration regarding the UBO and place reliance on that declaration.

### Screening Practices

Countries like Singapore enforce automated screening against MAS and UN sanctions lists and implement transaction monitoring systems for real-time compliance and detection. In contrast, India does not mandate such technology-driven controls.

However, screening is mandatory in India for SEBI-registered entities. These entities perform screening at the time of client onboarding and at subsequent intervals determined by the entity itself, as the frequency of screening is not explicitly defined under SEBI regulations.

### Record Retention

India requires 5 years, while Switzerland mandates 10 years and Japan 7 years, ensuring longer audit trails.

## Minimum / Maximum investment requirements vis-à-vis average investor earnings

Minimum and maximum investment thresholds for Portfolio Management Services (PMS) are generally not prescribed by regulators but are determined by individual firms based on their service models and target clientele. These thresholds often reflect the premium nature of discretionary portfolio management, making it accessible primarily to high-net-worth individuals and institutional investors.

### United Kingdom

There is no formal regulatory requirement set by the FCA regarding minimum investment thresholds for Discretionary Portfolio Management Services (DPMS).

However, as an industry practice the firms impose a minimum investment criterion for its strategies. Typically, the minimum investments range from £100,000 to £300,000, depending on the firm's target clientele and service model.

### United States

There is no regulatory minimum investment requirement imposed by U.S. financial authorities for portfolio management services. Investment advisers are free to set their own minimum investment thresholds based on their business model, target clientele, and service offerings.

Entry-level access through digital platforms can start as low as \$1, but traditional portfolio management services generally require \$100,000–\$250,000. For comprehensive wealth planning and advanced strategies, thresholds typically begin at \$500,000 or more, with premium programs often exceeding \$2 million. Portfolio management services typically require a minimum equity investment of \$1, though meaningful engagement generally begins at higher thresholds (e.g., \$500,000 or more for advanced planning benefits).



## Singapore

There is no formal regulatory requirement set by the MAS regarding minimum investment. But there are net worth requirements for investors:

1. Retail Investor - No statutory Minimum Investment amount - PMS Provider must have a retail fund management license (Less Common)
2. Accredited Investor - No ticket size but investor must meet at least one of the following:
  - a) Net personal assets > SGD 2 million (with property capped at SGD 1 million)
  - b) Income > SGD 300,000 in the last 12 months
  - c) Financial Assets > SGD 1 million in cash/Securities

PMS providers often set their own minimum investment, often SGD 250,000 - SGD 1 million as a business decision, not by law.

## Japan

There are no specific minimum or maximum investment amounts mandated for clients. However, the regulatory framework ensures that only financially sound and operationally capable entities can offer these services, typically favoring high-net-worth individuals and institutional investors.

As per industry practice, minimum investment amounts in Japan are significantly higher compared to many other markets, typically ranging from ¥100,000,000 to ¥500,000,000.

## France

Portfolio management services in France are regulated by the Autorité des marchés financiers (AMF) and the Autorité de contrôle prudentiel et de résolution (ACPR). While there is no universal statutory minimum investment set by regulators for PMS, market practice and provider-specific thresholds vary significantly depending on the type of service and target clientele.

- Banque Richelieu France offers discretionary mandates starting at:
- €500,000 for standard ESG-aligned portfolios
- €1 million for personalized, high-touch mandates

## Germany

BaFin does not impose a statutory minimum investment amount for clients investing in portfolio management services. Minimum investment thresholds are set by individual firms.

- As per industry practice, minimum investment amounts typically range from €20 to €500,000. The structure is generally segmented into three tiers:
- Entry-level: Around €20, representing a very low barrier for digital investment platforms.
- Mid-range: Between €25,000 and €100,000, suitable for affluent investors seeking managed solutions.
- High-net-worth tier: €250,000 to €500,000, targeting private wealth and bespoke portfolio management.

## Switzerland

There is no formal regulatory requirement set by the FINMA regarding minimum investment. But there are net-worth requirements for investors:

Under Swiss financial regulations, financial service providers must classify clients into retail, professional, or institutional segments. Retail clients are those who do not meet professional criteria. Professional clients include financial intermediaries, supervised insurers, central banks, large companies, and entities with professional treasury operations. A large company qualifies by exceeding two of the following thresholds: a balance sheet total of CHF 20 million, turnover of CHF 40 million, or equity of CHF 2 million. Institutional clients are a subset of professional clients, including national and supranational public entities. High-net-worth individuals may opt to be treated as professional clients if they have assets of at least CHF 2 million, or CHF 500,000 along with sufficient financial expertise.

## Comparative Insights - Global market

Country	Minimum investment (Local Currency)	Minimum investment (USD)	Per capita Income (USD) *	Ratio to per capita income
United Kingdom	£100,000–£300,000	USD 130,000–400,000	USD 80,000	~ 5 Times
United States of America	USD 1 (digital) / USD 100,000–250,000 (traditional)	USD 1–250,000	USD 89,105	~ 1 to 3 Times
Singapore	SGD 250,000–1 million	USD 185,000–740,000	USD 92,932	~ 5 Times
France	€500,000–€1 million	USD 560,000–1,120,000	USD 46,792	~ 18 Times
Germany	€250,000+	USD 280,000+	USD 55,911	~ 4 to 5 Times
Switzerland	CHF 500,000+	USD 600,000+	USD 1,04,895	~ 6 Times
Japan	Retail Investors - ¥100,000 – ¥1 million	USD 673.58 – USD 6,735.82	USD 33,956	~ 0.02 – 0.20 times
	High-Net-Worth Individuals - ¥10 million – ¥50 million	USD 67,358.21 – USD 336,791.05		~ 1.98 – 9.92 times
	Ultra-HNWIs / Private Banking - ¥100 million – ¥500 million	USD 673,582.11 – USD 3,367,910.55		~19.84 – 99.18 times
India	₹50 lakh	USD 60,000	USD 2,878	~ 21 Times

\*Per Capita Income (USD) is based on IMF World Economic Outlook data for the year 2025.

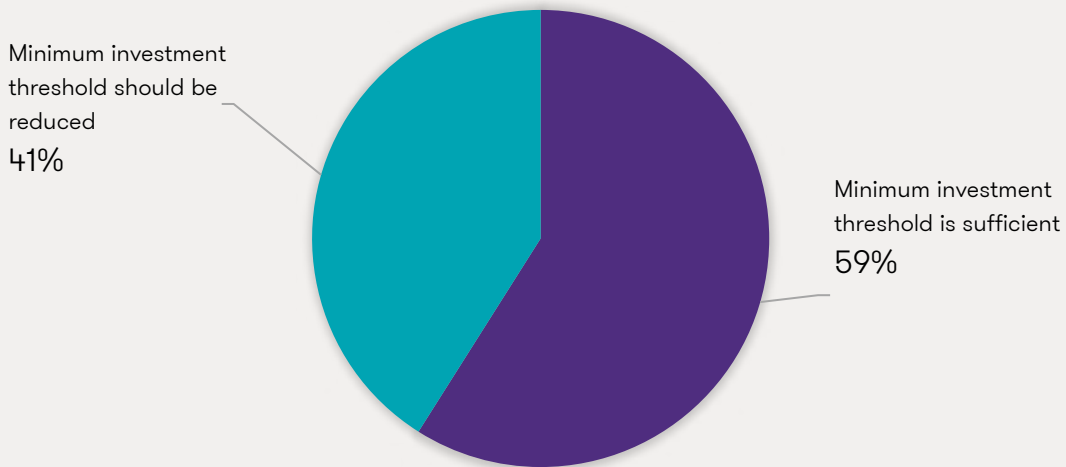
India's PMS entry barrier is disproportionately high relative to income, making it an ultra-premium service compared to global norms.

France and Switzerland maintain the highest entry points, reinforcing PMS as a luxury service, while the United States and Germany lead in democratization through low-cost digital options.

## Survey insights – Domestic Market

We gathered insights on the minimum initial investment requirement of INR 50 lakh for PMS investors. Out of the 78 respondents, about 46 respondents (59% respondents) were of the opinion that the minimum investment threshold is sufficient, while the remaining 32 respondents (41% respondents) believed that the threshold should be reduced.

### Respondent views on the minimum investment requirement from the investor



Few recommendations from the respondents on the minimum investment requirements were as under –

- Around 40% of respondents (i.e. 14 respondents) suggested that the minimum amount should be reduced to INR 25 lakhs.
- Few respondents also suggested that should the minimum threshold of INR 50 lakhs is continued, investors should be allowed to invest in tranches like in AIF instead of the current practice of one time meeting the threshold.
- Few portfolio managers also suggested allowing partial withdrawal facilities after a lock-in period with a lower minimum investment cap for investments.
- Few portfolio managers also suggested reducing the threshold to INR 10 lakhs, mainly to align PMS with Specialized Investment Funds (SIF) and Mutual Funds that allow investors at lower entry points.

## Fee structure and other charges charged to investors

Portfolio Management Services (PMS) typically involve multiple layers of charges that vary by jurisdiction and provider, but the core components remain consistent globally. These include annual management fees, generally calculated as a percentage of assets under management (AUM), and performance fees, which apply when returns exceed a benchmark or hurdle rate

### United Kingdom

FCA – FEES 6 Annex 4 stipulates the following for the charges to PMS clients:

- Annual management charges - the amount of the annual charge on all assets in portfolios which the firm manages on a discretionary basis received or receivable in the latest accounting period. This is typically around 1% p.a. of assets under management.
- Front-end or exit charges - the front-end or exit charge are levied on sales or redemptions of assets in portfolios which the firm manages on a discretionary basis. It is typically 4-5% of sales/redemptions.
- Performance fees - the amount of performance management fees from the management of assets in portfolios which the firm manages on a discretionary basis received or receivable in that same accounting period.
- Other income – These are any other income directly attributable to the management of assets in portfolios which the firm manages on a discretionary basis in that same accounting period, including commission and interest received.

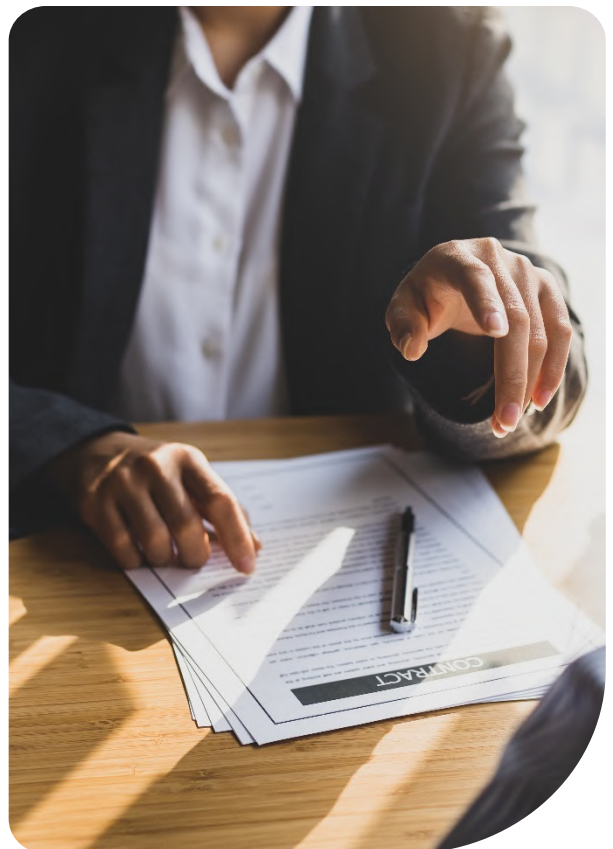
### United States

- Regulators do not mandate a specific fee structure for portfolio management services. However, investment advisers are required to ensure that all fees are clearly disclosed, reasonable, and consistent with the advisory agreement and Form ADV filings. The Securities and Exchange Commission (SEC) mandates transparency in fee arrangements and prohibits misleading or deceptive practices. Advisers must adhere to the terms outlined in their contracts and disclose any conflicts of interest related to compensation.
- PMS Fee Structure (as per industry practice): Annual management fees based on Assets Under Management (AUM) typically range from 1.00% to 2.00%, with negotiable rates for very large portfolios.

### Singapore

There is no regulatory mandate for fees charged to clients. The firm's managing discretionary portfolios on an average charge fee as under:

- Management Fees - Annual charges based on Assets Under Management (AUM), ranging from 0.2% to 1.5%.
- Custody & Transaction Fees - Custody fees range from 0.2% to 0.3% per annum, while brokerage fees vary between 0.1% and 1.0% per transaction, depending on the market and asset class.
- Performance fees - Applied to returns exceeding a benchmark or hurdle rate, commonly seen in hedge funds and discretionary mandates. These range from 10% to 20% of profits above benchmark.
- Administrative Charges - Include account maintenance, audit confirmations, and issuance of tax statements. These are typically charged on a per-request or periodic basis.



## Japan

In Japan, there are no regulator-imposed fee caps or standardized brackets for either discretionary or non-discretionary investment management services. The Financial Services Agency (FSA) permits investment firms to determine their own fee structures, provided they comply with transparency, disclosure, and conduct requirements under the Financial Instruments and Exchange Act (FIEA).

### Discretionary Investment Management Services

- Fee Flexibility
- Registered discretionary investment managers may adopt various fee models, including:
  - Asset-Based Fees: Charged as a percentage of Assets Under Management (AUM).
  - Performance-Based Fees: Contingent on investment returns, subject to fair disclosure.
  - Flat or Tiered Fees: Fixed annual charges or progressive fee structures based on AUM thresholds.
- Regulatory Oversight
- Clear and prior disclosure of fee structures in client agreements. Transparent performance reporting using metrics such as Time-Weighted Rate of Return (TWRR) or Extended Internal Rate of Return (XIRR). Restrictions on related-party transactions, such as brokerage commissions paid to affiliates, which must not exceed 20% of total brokerage fees.

### Non-Discretionary Investment Advisory Services

- Fee Models
- Advisory firms may charge:
  - Flat Annual Fees: Common in institutional advisory contracts.
  - AUA-Based Fees: Based on Assets Under Advisement, similar to AUM-based models but without execution authority.
- Disclosure Requirements
- Advisory agreements must specify:
  - Scope of services (e.g., advice only, no execution or custody).
  - Fee structure and calculation method.
  - Statement confirming no trade execution or asset transfer without client consent.

## France

France (AMF & ACPR)

From a regulatory standpoint, the Autorité des marchés financiers (AMF) and the Autorité de contrôle prudentiel et de résolution (ACPR) in France provide overarching principles rather than fixed fee structures for portfolio management services. Here's how fees are regulated for both discretionary and non-discretionary PMS:

### Discretionary Portfolio Management Services

- The AMF requires that all fees and charges be clearly disclosed to clients before entering into a mandate
- Ban on transaction fees for discretionary mandates will take effect:
  - From January 1, 2027, for new mandates
  - From January 1, 2028, for existing mandates

### Non-Discretionary Portfolio Management Services

- Fees must be proportionate to the service and not impair the client's ability to make informed decisions.
- Firms must unbundle research and execution costs unless explicitly justified
- Basis industry practice – Annual management fee charged
- Single Asset Class (Cash & Fixed Income: 0.30%–0.95%, Alternative & Equity: 1.35%–2.10%)
- Asset Allocation (Profiled Funds: 1.55%–1.95%, SRI Funds: 0.80%–1.00%, Systematic Analysis – Flex: 1.70%–1.90%).



## Germany

As per the industry practice, portfolio management firms in Germany typically apply tiered fee models based on the size of the client's investment portfolio. These fees are structured to reflect the level of service, investment strategy complexity, and client segmentation. Key trends observed across providers include:

- **Tiered Annual Management Fees:** Most firms charge an annual fee ranging from 0.73% to 1.20%, with rates decreasing as the portfolio size increases. For example, portfolios under €500,000 are often charged at the higher end of the spectrum (around 1.20%), while portfolios exceeding €1 million may benefit from reduced rates below 1.00%.
- **Minimum Investment Thresholds:** Entry points vary widely. Some digital-first platforms accept investments as low as €20, while traditional wealth managers may require €50,000 to €250,000 as a minimum.
- **Fixed Minimum Fees:** Certain providers impose a monthly minimum fee (e.g., €190/month), ensuring baseline revenue regardless of portfolio performance or size.
- **Digital vs. Traditional Models:** Digital platforms tend to offer lower fees and automated services, appealing to cost-conscious or tech-savvy investors. In contrast, traditional firms offer personalized advisory and multi-asset strategies, often at higher cost.
- **VAT Considerations:** Management fees are typically subject to VAT, which is added to the quoted rates.

## Switzerland

FINMA (Swiss Financial Market Supervisory Authority) no statutory fee caps or fixed pricing requirements. Basis research of service providers we identified:

**Administration / Custody Fees** – Charged for safekeeping of assets and servicing portfolios.

Range: 0.20–0.30% p.a., with minimums of CHF 48–2,000 depending on provider

**Transaction Fees** – Costs for executing trades.

- **Equities/ETFs:** 0.80–1.60% per trade (min. CHF 200).
- **Bonds:** 0.30–1.00%.
- **Funds:** 0.15–1.90% (subscription fees also apply, 1.0–4.0%, tiered by investment size).
- **Structured Products:** 0–3% issue fee.
- **Fiduciary Deposits:** 0.08–0.80%, linked to rate.
- **Derivatives/FX/Metals:** Flat CHF 20–50 or up to 1.5% notional.
- **Exit/redemption spreads:** Around 1.0% in some products.

**Advisory Fees** – Ongoing charge for portfolio advice, independent of transactions.

Range: 0.10–0.50% p.a., with minimums of CHF 1,000–5,000.

**Discretionary / Asset Management Fees** – Applied when portfolio is professionally managed.

Range: 0.30–2.10% p.a., depending on mandate type or strategy (Conservative, Income, Balanced, Growth, Equity). Minimum annual charges can range CHF 9,000–18,500.

**External / Product Costs** – Fees embedded in investment vehicles.

Regulated funds: Up to 2.8% ongoing + 2% costs.

Alternatives: Up to 4.5% ongoing + 3% costs.

ETFs: Usually lower, up to 1% ongoing.

## Germany

### Cost Efficiency:

India offers one of the most cost-effective PMS structures globally and SEBI requires fee structures must be disclosed transparently in the Disclosure Document and client agreement.

In contrast, Switzerland charges up to 2.1% p.a. plus product costs (up to 4.5%), and France has no cap, making them significantly more expensive.

### Minimum Charges:

India's minimum investment threshold (₹50 lakh) is high, but annual fees remain modest.

Switzerland imposes minimum annual charges ranging from CHF 9,000 to CHF 18,500, creating a high entry barrier for investors.

### Performance Fees:

Globally common in the range of 10–20%, performance fees are permitted in India but must follow the high-water mark principle for investor protection. Singapore and Switzerland apply similar rates, often tied to benchmarks or hurdle rates.

### Regulatory Approach:

India and France emphasize investor protection through strict disclosure norms and fee restrictions.

Switzerland and Japan allow greater fee flexibility, but require transparency and conduct compliance, often at a higher cost to investors

Below is a summary of the fees across markets –

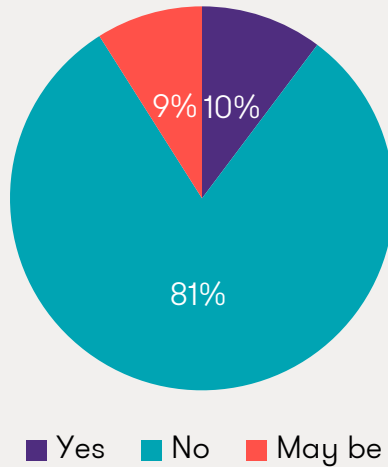
Country	Cost Efficiency	Performance Fees	Fee Components
India	Most cost-effective	Allowed (10–20%) with high-water mark	Portfolio managers performance, entry/exit, custody/transaction
Germany	Tiered fees (0.73–1.20% p.a.) with VAT	Allowed; varies by provider	Portfolio managers, fixed minimum
Switzerland	PMS: 0.20%–2.10% p.a. + transaction/product costs (min. CHF 9,000)	10–20% above benchmark/hurdle	Custody, transaction, advisory, discretionary, product costs
Singapore	Competitive (0.2–1.5% p.a.) + custody/transaction	10–20% above benchmark/hurdle	Portfolio managers, custody, brokerage, admin, performance
Japan	No caps; flexible fee models	Allowed with fair disclosure	Asset-based, performance-based, flat/tiered, AUA advisory
United Kingdom	No caps: fees vary by provider	Allowed; must be disclosed	Portfolio managers, performance, transactions, other income
United States of America	No caps; flexible and disclosed	Allowed for qualified clients	Portfolio managers, performance, transactions, other income
France	No caps: fees vary; transaction fees banned from 2027	Permitted; evolving regulation	Portfolio managers, performance; transaction fees banned from 2027

## Survey insights – Domestic Market

There were no inputs from respondents regarding the fee structure and other charges levied on investors.

However, respondents did share their views on the challenges related to billing and collection of performance and management fees. This is summarized as below –

### Respondent views on the minimum investment requirement from the investor



Although 81% respondents provided response as, “No challenge”, the following suggestions were received from the 10% respondents who indicated they faced challenges:

- Back-office systems do not support ad-hoc billing cycles (e.g., performance fees billed every 3 years, but system only supports monthly cycles).
- Systems are unable to generate more than one invoice per client per month, forcing fee consolidation.
- Lack of system integration between PMS and outsourced accounting platforms (e.g., Wealth Spectrum), leading to:
  - Manual invoicing
  - Longer turnaround time
  - Higher operational risk
  - Increased dependence on human effort

## Taxation structure

There were no inputs from respondents regarding the fee structure and other charges levied on investors.

However, respondents did share their views on the challenges related to billing and collection of performance and management fees. This is summarized as below –

### United Kingdom

#### Indirect Tax:

- PMS fees (initial charges, annual management, performance fees) are subject to 20% VAT.
- Transaction-based commissions may qualify for VAT exemption if separately itemized.

#### Direct Tax:

- Dividends: Tax-free within £12,570 personal allowance + £500 dividend allowance; above allowance taxed at 8.75%, 33.75%, or 39.35%.
- Buying Shares: SDRT of 0.5% on electronic purchases; 1.5% for depositary receipt schemes.
- Selling Shares: CGT applies on gains above annual allowance; exemptions for ISAs, UK gilts, and qualifying bonds.

### United States of America

#### Indirect Tax:

No VAT or GST on PMS fees; advisory services exempt from sales tax.

#### Direct Tax:

#### Capital Gains:

- STCG taxed at ordinary income rates (up to 37%).
- LTCG taxed at 0%, 15%, or 20% based on income.
- Dividends: Qualified dividends taxed at LTCG rates; ordinary dividends taxed at regular income rates.

### France

#### Indirect Tax:

- PMS generally exempt from VAT under EU directives

#### Direct Tax:

- Flat Tax (PFU): 30% combined rate (12.8% income tax + 17.2% social charges) on dividends, interest, and capital gains.
- Progressive Option: Investors can opt for progressive income tax scale if beneficial.
- Social Charges: Standard 17.2%; reduced to 7.5% for certain non-residents.
- Capital Gains: Taxed under PFU; management package gains may be reclassified as salary and taxed at higher rates.

### Singapore

#### Indirect Tax:

- PMS fees subject to 8% GST for local clients; zero-rated for overseas clients under Section 21(3)(j) GST Act.
- GST exempt on interest income and sale of debt/equity securities and Interests from bank deposits or from loans, sale of units in unit trusts

#### Direct Tax:

- No capital gains tax.
- Foreign income not remitted to Singapore is generally tax-free; remitted income may be taxed unless exempted.

#### Tax Incentives:

- Fund Management Business Incentive: Reduced tax rate of 10% on qualifying fee income for five years.
- Fund Schemes: 13-O (Resident Fund), 13-U (Enhanced Tier), 13-CA (Offshore Fund) offer exemptions on designated investments subject to MAS approval.

### Japan

#### Indirect Tax:

- PMS fees subject to 10% Consumption Tax, unless exempt for cross-border services.

#### Direct Tax:

- Capital Gains: Listed securities taxed at 15% (short-term) and 10% (long-term).
- Corporate Tax for PMS Firms: ~30% including local taxes.
- Carried Interest: Taxed as salary (up to 55%) or as capital gains (~20%) if structured through fund vehicles.
- Withholding Tax: Applies to non-residents; reduced under tax treaties.

## Germany

### Indirect Tax:

- PMS is exempt from VAT under EU VAT rules.

### Direct Tax:

- Capital Gains Tax: Flat rate of 25% on investment income + 5.5% solidarity surcharge + 8–9% church tax.
- Applies to dividends, interest, fund distributions, and gains from financial instruments.
- Investment Funds:
- Section 7 InvStG: 15% withholding on income subject to deduction; solidarity surcharge applies.
- Section 50 InvStG: Special investment funds must withhold 15% on distributed income and gains

## Singapore

### Indirect Tax:

- PMS fees generally subject to Swiss VAT at 7.7%, unless exempt for cross-border services.

### Direct Tax:

- Capital Gains: Private investors typically exempt from capital gains tax on movable assets; professional traders taxed as income.
- Dividend Income: Taxed at federal and cantonal rates; partial relief under participation exemption.
- Withholding Tax: 35% on dividends; reclaimable under tax treaties.

## Comparative Insights - Global market:

India's PMS taxation framework imposes 18% GST on portfolio management fees, along with capital gains tax and dividend tax under the Income Tax Act. This makes PMS relatively expensive compared to several global jurisdictions.

The UK applies 20% VAT on PMS fees, like India, while Singapore levies 8% GST for domestic clients and zero-rates services for overseas clients. In contrast, France and Germany generally exempt PMS from VAT under EU directives, and Switzerland applies a lower 7.7% VAT, making these markets more cost-efficient for investors.

On direct taxation, India uses progressive slab-based rates for dividends. Long-term capital gains (LTCG) on listed securities are taxed at 10% above ₹1 lakh, while short-term capital gains (STCG) are taxed at 15%. Dividend income is taxed at the investor's slab rate.

Global markets, however, often adopt flat tax regimes or offer preferential treatment. France applies a 30% flat tax (Prélèvement Forfaitaire Unique) on investment income, while Germany levies 25% plus solidarity and church surcharges. The UK taxes dividends and capital gains at tiered rates, and the US offers preferential long-term capital gains rates (0%, 15%, 20%) depending on income level, making it more investor-friendly for long-term holdings. Singapore stands out with no capital gains tax and generous fund management incentives, while Switzerland exempts private investors from capital gains tax entirely, positioning itself as a highly attractive wealth management hub.

India's GST rate (18%) is among the highest globally, compared to Singapore (8%) and Switzerland (7.7%), and significantly higher than VAT-exempt regimes in France and Germany.

India's progressive taxation contrasts with flat tax regimes in France and Germany and preferential LTCG rates in the US.

Singapore and Switzerland offer structural tax advantages (no CGT, exemptions, incentives), making them more attractive for wealth management.

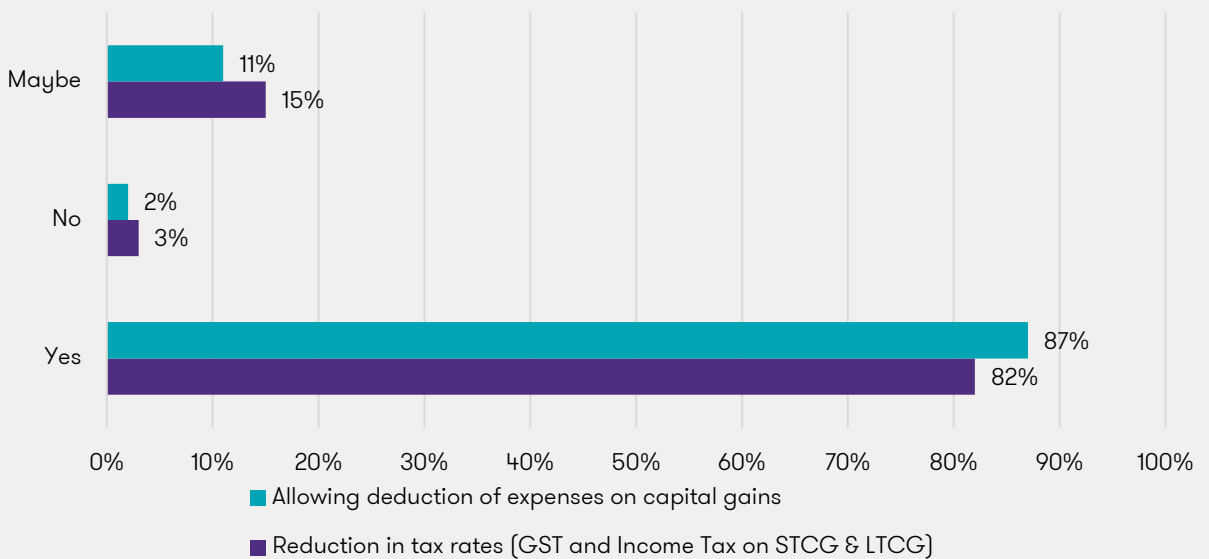
## Survey insights – Domestic Market

Several respondents request rationalization (e.g., GST on fees, Capital Gains Tax simplification), allowing expense deductions against capital gains, and parity with pooled vehicles, clear and simple disclosure of PMS tax treatment to reduce disputes.

A few respondents highlighted that, unlike mutual funds where tax liability arises only at the time of investor redemption and internal portfolio churn does not trigger taxation, PMS investments are held in the investor's own demat account, resulting in capital gains tax on each transaction executed by the portfolio manager and leading to frequent tax leakage, particularly in active strategies.

Respondents were asked to share their views on whether certain tax-related changes would help attract a larger investor base to PMS. The proposed changes included: (i) a reduction in applicable tax rates, including GST and income tax on short-term and long-term capital gains, and (ii) allowing the deduction of expenses while computing capital gains. The snapshot below summarizes the views of portfolio managers on these proposals.

### Respondents view on taxation and its impact in increasing the investor base



## Investor protection standards

Investor protection frameworks across jurisdictions aim to safeguard client interests through disclosure obligations, suitability assessments, asset segregation, and dispute resolution mechanisms.

### United Kingdom

- United Kingdom (FCA – MiFID II Framework)
- Written Agreement: Mandatory before providing services; must outline rights, obligations, service scope, permitted instruments, and corporate action handling.
- Disclosure Obligations: Cost and charges disclosed ex-ante; if not possible, provided prompt post-transaction.
- Suitability Analysis: Assess client knowledge, experience, financial situation, and investment objectives. No recommendations are allowed if sufficient information cannot be obtained

### United States of America

- United States (SEC – Form CRS & Fiduciary Standards)
- Form CRS Disclosure: Plain-English summary of services, fees, conflicts, and disciplinary history.
- Service Clarity: Explain discretionary vs. non-discretionary management, monitoring practices, and account minimums.
- Fee Transparency: Disclose all costs, including custodian fees and fund expenses.
- Conflict of Interest: Reveal compensation sources (proprietary products, third-party payments).
- Standard of Conduct: Advisers owe fiduciary duty; broker-dealers follow “best interest” obligation under Reg BI.
- Ongoing Updates: Relationship summaries updated within 30 days of material changes; clients notified within 60 days.

### Singapore

- Singapore (MAS Initiatives)
- Financial Literacy and Education
- The Monetary Authority of Singapore (MAS) leads initiatives to enhance consumer awareness and financial preparedness Money SENSE, launched in 2003, provides education on budgeting, home ownership, insurance, retirement planning, and financial preparedness.
- Dispute Resolution Mechanism
- To ensure accessible redress for consumers, the Financial Industry Disputes Resolution Centre (FIDReC) was established in 2005. It offers:
  - an independent, affordable, and effective platform for resolving disputes between consumers and financial institutions and, Provides mediation and adjudication services.
- Consumer Protection Alerts
- MAS actively warns the public against financial risks through official advisories.
- Issues Consumer Alerts to highlight unauthorized entities and potential scams.
- Reinforces commitment to safeguarding financial interests and promoting informed decision-making.

### Japan

- Japan (FSA – FIEA Framework)
- Regulatory Oversight: FSA enforces transparency, fair dealing, and suitability under the Financial Instruments and Exchange Act.
- Asset Segregation: Mandatory separation of client assets from firm assets.
- Japan Investor Protection Fund (JIPF): Compensation up to ¥10 million per customer if a firm fails to return assets
- Disclosure & Suitability: Firms must provide accurate product information and ensure recommendations match investor profiles.
- Investor Classification: General investors receive stronger protection than professional investors.

## France

- France (AMF – MiFID II Framework)
- Client Categorization: Retail (highest protection), Professional, Eligible counterparties.
- Suitability & Appropriateness Tests: Discretionary PMS: Suitability test; Non-discretionary PMS: Appropriateness test.
- Disclosure Obligations: Ex-ante and ex-post cost disclosures; clear risk and fee information; regular portfolio reports.
- Product Governance: Define target market; ensure distribution of suitable clients; periodic reviews.
- Inducements & Conflicts: MiFID II restricts inducements; only minor non-monetary benefits are allowed.
- Staff Competence: Mandatory training and certification under AMF guidelines

## Germany

- Germany (BaFin – EU Framework)
- Investor Protection Measures: Ad hoc disclosures of price-sensitive information; monitoring insider transactions.
- Rules of Conduct: Firms must act in clients' best interests; cold calling prohibited.
- Supervision: BaFin oversees solvency, product approval, and distribution; enforces compliance with KAGB.
- Collective Consumer Protection: BaFin restricts or prohibits product distribution in serious cases

## Switzerland

- Switzerland (FINMA – FinSA Framework)
- The Financial Services Act (FinSA) enhances investor protection in Switzerland by mandating financial service providers to affiliate with a recognized ombudsman for dispute resolution. Providers must disclose their identity, regulatory status, and risks associated with financial instruments. Services providers of investment advice must explain product functions, risks, and costs. Conflicts of interest and product selection criteria must be transparently communicated. These disclosures must be accessible, standardized, and distinguishable from advertising. FINMA oversees compliance, with exemptions for providers serving only institutional clients

## Comparative Insights - Global market:

- India's PMS investor protection framework under SEBI emphasizes written agreements, fee disclosure, and suitability assessments, aligning broadly with global norms. However, when compared to leading jurisdictions, India's approach appears compliance-focused rather than holistic, lacking advanced mechanisms such as formal compensation schemes like Japan, structured dispute resolution platforms like Switzerland, and nationwide financial literacy programs.
- India has introduced SCORES (SEBI Complaints Redress System) and the Online Dispute Resolution (ODR) portal as digital platforms to facilitate investor grievance redressal and resolve disputes in financial services, like Singapore's Financial Industry Dispute Resolution Centre (FIDReC).
- Limited financial literacy initiatives compared to Money SENSE (Singapore). India lacks a national financial literacy initiative integrated with PMS. SEBI runs Investor Awareness Programs, but these are general and not PMS-specific. PMS providers mainly fulfill regulatory disclosure obligations, not holistic financial education like budgeting, retirement planning, or scam awareness (which Money SENSE covers).



# Cyber security governance

Cybersecurity has become a critical regulatory priority for portfolio management services (PMS) globally due to increasing digitalization and cyber threats. Regulators mandate robust frameworks to safeguard sensitive data, ensure operational resilience, and maintain investor confidence. Below is a detailed summary of requirements across major jurisdictions.

## United Kingdom

Regulatory Reference: FCA – Financial Crime Guide & FCTR 6

### Key Requirements:

- Implement systems and controls to prevent unauthorized access.
- Physical and IT security measures to protect customer data; off-site storage must be encrypted.

### Controls:

- Secure internet links for data transfer; restricted access to sensitive areas.
- Regular review of staff access rights; enhanced vetting for data-sensitive roles.
- Staff training on data security risks.

### Cybersecurity Practices:

- Regular backups and restoration testing.
- Patch management and system updates.
- Strong passwords and two-factor authentication.
- Encryption for sensitive data in storage and transit.
- Security testing, vulnerability assessments, and secure APIs.

## United States of America

Regulatory Reference: SEC & FINRA Rules

### Key Requirements:

- The SEC's Regulation S-P Rule 30 requires firms to have written policies and procedures reasonably designed to safeguard customer records and information.
- FINRA Rule 4370 mandates business continuity plans to address service denials and operational interruptions.
- FINRA emphasizes cybersecurity as a principal operational risk for broker-dealers and expects firms to develop cybersecurity programs aligned with their risk profile, business model, and scale.
- Technology-related issues, such as poor change- and problem-management practices, can expose firms to operational failures, impacting compliance with multiple rules including FINRA Rules 4370, 3110, and 4511, as well as Exchange Act Rules 17a-3 and 17a-4.

## Singapore

Regulatory Reference: MAS – Notice FSM-N22

### Key Requirements:

- Secure Administrative Accounts – Fund management entities (FMEs) must ensure all administrative accounts for operating systems, databases, applications, security appliances, and network devices are protected against unauthorized access.
- Apply Security Patches – FMEs must promptly apply patches to address vulnerabilities. Where patches are unavailable, mitigating controls must be implemented.
- Maintain Security Standards – FMEs must establish written security standards for all systems and ensure compliance, or else apply compensating controls.
- Implement Network Perimeter Defense – FMEs must restrict all unauthorized network traffic through perimeter security controls.
- Deploy Malware Protection – FMEs must install effective malware protection measures on all systems where available.
- Enforce Multi-Factor Authentication (MFA) – FMEs must implement MFA:
- All administrative accounts in respect of any operating system, database, application, security appliance or network device that is a critical system; and
- All accounts on any system used by the relevant entity to access customer information through the internet.

## Japan

### Regulatory Reference: FSA – Cybersecurity Guidelines

#### Key Requirements:

The FSA requires financial institutions to adopt a risk-based cybersecurity framework integrated into overall governance. Cybersecurity must be treated as a management-level responsibility, supported by organization-wide governance structures and regular risk assessments. Firms are expected to maintain robust incident detection, response, and recovery plans, ensure oversight of third-party and cloud service providers, and conduct continuous monitoring through vulnerability assessments and penetration testing. Additionally, the FSA emphasizes sector-wide collaboration, encouraging participation in cyber exercises and threat intelligence sharing.

The FSA Guidelines on Cybersecurity in the Financial Sector clearly distinguish between Basic Response Items (minimum standards) and Desirable Response Items (advanced practices) required for various domains. The domains include:

- Governance – Management involvement, clear roles, and accountability.
- Identification – Risk assessment and asset inventory.
- Protection – Access control, encryption, and secure system design.
- Detection – Continuous monitoring and anomaly detection.
- Response – Incident response plans and drills.
- Recovery – Business continuity and disaster recovery.
- Third-Party Risk Management – Vendor and cloud security oversight.

## France

The Digital Operational Resilience Act (DORA), effective from 17 January 2025, establishes a unified EU-wide framework for managing ICT (Information and Communication Technology) risks in the financial sector. It applies to all asset management companies (AMCs) offering discretionary and non-discretionary PMS.

#### Key Requirements:

- Governance: Boards must approve resilience strategy; CISO reports annually.
- Risk Management: IT risk policy covering detection, response, and recovery.
- Third-Party Oversight: Cybersecurity clauses in contracts; regular risk assessments.
- Resilience Testing: Annual penetration tests and scenario-based simulations.
- Incident Reporting: Major ICT incidents reported to regulators within defined timelines.

## Singapore

### Regulatory Reference: MAS – Notice FSM-N22

#### Key Requirements:

- Secure Administrative Accounts – Fund management entities (FMEs) must ensure all administrative accounts for operating systems, databases, applications, security appliances, and network devices are protected against unauthorized access.
- Apply Security Patches – FMEs must promptly apply patches to address vulnerabilities. Where patches are unavailable, mitigating controls must be implemented.
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- Enforce Multi-Factor Authentication (MFA) – FMEs must implement MFA:
- All administrative accounts in respect of any operating system, database, application, security appliance or network device that is a critical system; and
- All accounts on any system used by the relevant entity to access customer information through the internet.



## Germany

Portfolio Management Services (PMS) involve the professional management of client investments aligned with individual financial goals and risk profiles. As digital transformation reshapes financial services, Germany's IT Security Act 2.0 (effective May 2021) plays a pivotal role in ensuring secure and compliant PMS operations.

### Key Requirements:

Strengthens BSI's (Bundesamt für Sicherheit in der Informationstechnik (BSI), or Federal Office for Information Security) role as central cybersecurity authority.

### Implications for PMS:

- Compliance with minimum IT security standards for client data and transaction systems.
- Certification for critical components (e.g., 5G, fintech integrations).
- Consumer protection via IT Security Mark for secure platforms.
- Advanced measures for firms classified as critical infrastructure.
- Alignment with EU cybersecurity certification schemes under Regulation 2019/881.

## Comparative Insights - Global market:

### Comparative Insights - Global market:

India's PMS cybersecurity framework under SEBI emphasizes basic IT controls and periodic audits but lacks formalized governance standards, mandatory MFA, and incident disclosure requirements seen in global regimes. Jurisdictions like the US and France enforce written cybersecurity policies, incident reporting, and board-level accountability, while Singapore mandates baseline cyber hygiene and MFA for critical systems. Switzerland and Germany focus on outsourcing risk, certification, and resilience testing, which India does not currently mandate.

### Survey insights – Domestic Market:

- We received overwhelming feedback on operational challenges related to technological support, technological advancement, and cybersecurity governance.
- The key issues relate to the compliance burden faced, particularly by smaller portfolio managers, with respect to Cyber Security & Cyber Resilience Framework (CSCRF), Digital Personal Data Protection Regulation (DPDP), and Digital Accessibility requirements. These challenges are summarized below -

## Switzerland

In Switzerland, the increasing digitalization of financial services has elevated cybersecurity to a critical area of regulatory focus, especially for Portfolio Management Services (PMS). The Swiss Financial Market Supervisory Authority (FINMA) has consistently ranked cyber risks among the top threats in its annual Risk Monitor. As PMS providers rely more on digital platforms and outsourced services, FINMA has introduced a robust governance framework to ensure operational resilience, data protection, and regulatory compliance.

### Key Requirements:

- Cyber risks are recognized as a separate operational risk category.
- Outsourcing: Service providers must meet same regulatory standards; responsibility remains with PMS firm.
- Governance: Define risk appetite; integrate controls into ICS; independent review of effectiveness.
- Protective Measures: Scenario testing for worst-case breaches; backup and recovery strategies validated for timeliness and integrity.
- Regular training and awareness programs for staff.

- Managers repeatedly cited Cyber Security & Cyber Resilience Framework (CSCRF), DPDP Act obligations, and Digital Accessibility audits as substantial in time and money.
- The burden concentrates on boutique/mid-size managers who lack in-house SOC/CISO capacity.
- Many reports multiple audits (internal, statutory, performance, cyber, accessibility) each year, diverting operating spend from research/servicing to compliance overheads

To avoid the above, we also received the following suggestions from the Portfolio Managers -

- Standard, regulator/industry-issued policy packs (model cyber policies, access control templates, incident response SOPs) to reduce duplication and ensure consistent baselines
- Shared utilities (an APMI-facilitated SOC, central vulnerability monitoring, or a vetted vendor marketplace) so smaller firms can subscribe rather than build which help achieve uniform, auditable controls at lower cost
- Harmonization between SEBI cyber/data norms and DPDP ("comply once, satisfy both") to eliminate parallel, overlapping controls for the same datasets

# Key recommendations for PMS industry practices



## Investor Awareness Program for Portfolio Management Services

Portfolio Management Services (PMS) remain a niche investment product, primarily catering to high-net-worth individuals (HNIs). However, awareness among potential investors is significantly low. PMS is often perceived as complex compared to other investment options, and there is currently no structured nationwide investor education initiative from the industry body to simplify PMS concepts and build trust.

APMI may consider launching a nationwide investor education campaign focused on Portfolio Management Services (PMS), either directly or by mandating participation from industry players.

The campaign may aim to:

- Explain the benefits and risks associated with PMS.
- Highlight the regulatory safeguards in place to protect investors.
- Address common misconceptions and build trust among retail investors.

Additionally, adopting a city/state penetration strategy by the portfolio managers can also help ensure targeted outreach and maximize impact.

Further, as a part of the domestic portfolio managers' survey, the respondents were asked whether marketing and awareness initiatives by regulator or APMI could increase awareness of PMS strategies amongst potential investors. An overwhelming 97% respondents (76 out of 78 respondents) were of the view that such initiatives towards awareness would increase the investor base.

Few respondents highlighted absence of an industry-level awareness campaign which has limited the visibility and understanding of PMS relative to mutual funds. Further respondents emphasized the need for an APMI-led national awareness and investor education initiative, similar to AMFI's campaigns, to enhance trust. Respondents also highlighted that the lack of standardized and centralized PMS performance data restricts informed comparison and decision-making. Additionally, respondents observed that limited distributor awareness and training constrain the reach of PMS, particularly beyond metro markets.

## Flexibility / opportunity to invest in strategies of the portfolio managers by key employees

Currently, employees and director of the PMS and its fund managers, cannot invest in the PMS strategies of the portfolio managers unless they meet the minimum investment requirement of INR 50 lakhs. This restriction limits their ability to participate in and demonstrate confidence in the strategies they manage.

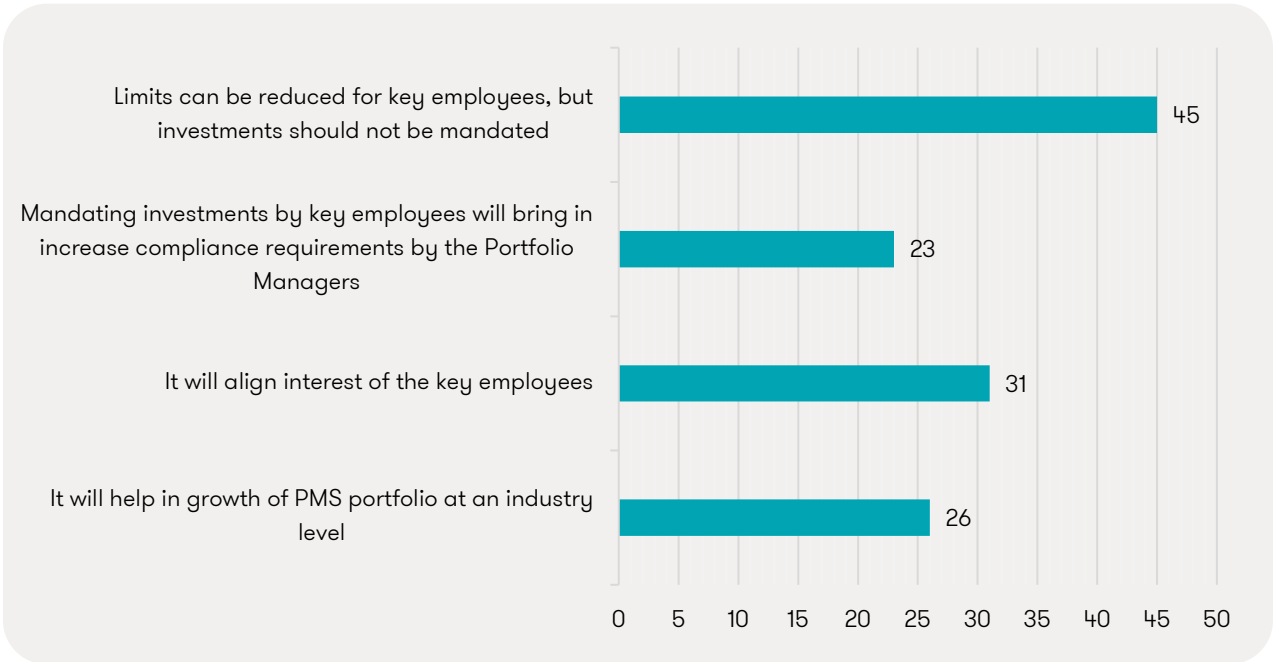
APMI may propose introducing a provision that allows key employees and fund managers to invest in PMS strategies at a reduced minimum investment amount. This will:

- Encourage Greater Employee Participation: Enable key personnel to invest in the strategies they manage, fostering alignment with client interests.
- Promote Ownership and Accountability: Strengthen commitment to performance and create a culture of responsibility within PMS firms.

Providing this flexibility will enhance alignment of interests and enhance investor confidence in PMS strategies.

Few respondents highlighted that the current minimum investment threshold of INR 50 lakh for PMS limits employee participation and weakens alignment of interest ("skin in the game"), particularly for junior and mid-level employees who may not have sufficient capital. Unlike mutual funds and AIFs, where employees can invest with significantly lower minimum amounts, PMS employees are effectively restricted from investing in their own strategies. Allowing employees to invest at lower thresholds would strengthen retention, foster a culture of ownership, and enhance credibility with clients.

Below is the snapshot of respondents view on providing reduced minimum investment threshold for key employees or mandating key employees to invest in PMS strategies of the AMC. the survey –



**Investment in unlisted securities**

Under the current regulatory framework, only Non-Discretionary Portfolio Management Services (ND PMS) are permitted to invest in unlisted securities, up to 10% of the client’s net assets. Discretionary PMS (D PMS), in contrast, does not have the flexibility to participate in unlisted opportunities, which limits the breadth of investment strategies available to investors.

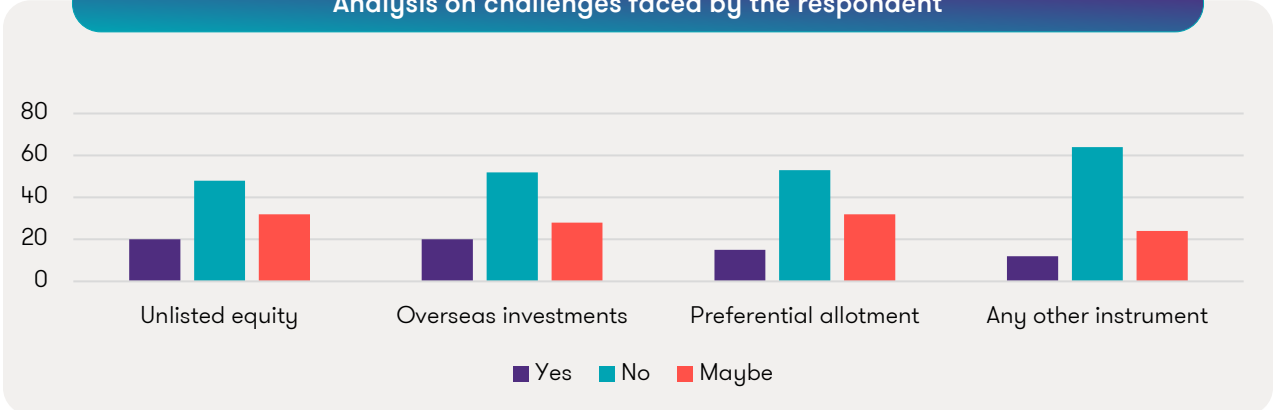
To enhance the overall investment ecosystem and align PMS offerings with evolving market opportunities, we propose that APMI evaluate the feasibility of allowing DPMS to invest in unlisted securities within PMS portfolios

- The majority of respondents highlighted regulatory restrictions as the primary barrier. PMS managers emphasized that discretionary PMS (DPMS) is not permitted to invest in unlisted securities, while non-discretionary PMS has restrictive caps. PMs also pointed to valuation complexity, lack of liquidity, and operational issues arising from corporate actions leading to temporary NIL valuation.

- A large portion of portfolio managers stated that PMS entities face structural disadvantages because they are not recognized as Qualified Institutional Buyers (QIBs). This restricts participation in preferential issues, anchor allotments, and institutional book-building.
- Lack of clarity on IPO categorization; treated as unlisted until listing.
- Complex valuation and exit constraints; NIL valuation after demergers causes issues.

Given below is the analysis of the responses received from the participants regarding the challenges encountered while investing in unlisted equity, overseas securities, preferential allotments, and other investment instruments.

**Analysis on challenges faced by the respondent**



## Enabling Foreign Investment Exposure through PMS Providers

Indian investors are increasingly seeking global diversification to reduce domestic market concentration risk and capture international growth opportunities. Although PMS regulations do not explicitly prohibit such investments, the operational complexities and lack of a clear regulatory framework have discouraged fund managers from pursuing foreign exposure. Portfolio Management Service (PMS) providers, as regulated entities, can play a crucial role in facilitating such exposure within the ambit of RBI and SEBI guidelines.

## More formalized Second line of Défense

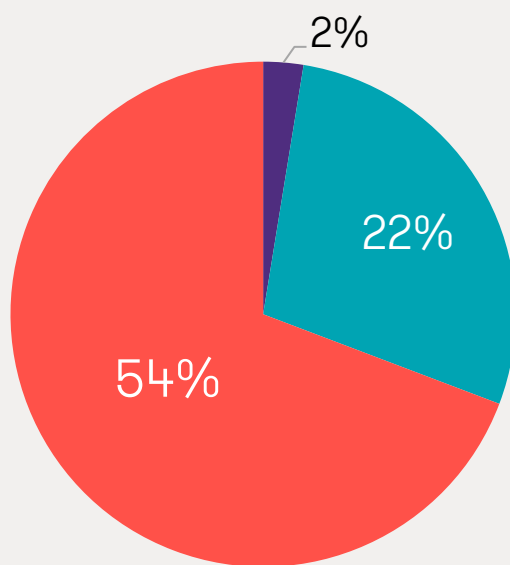
Currently, there is no regulatory requirement or mandate for a structured second-line review or risk oversight in the PMS business in India. It is recommended that APMI evaluate the need to establish a formal risk framework to monitor key risks, such as:

- Operational Risk: Processes to identify and mitigate risks arising from day-to-day operations.
- Investment Risk: Regular assessment of portfolio exposures and adherence to investment guidelines.
- Liquidity Risk: Mechanisms to monitor liquidity positions and manage stress scenarios effectively

## Investor Onboarding Process

As per the current market practice, portfolio managers follow both a digital and physical onboarding basis their feasibility. Below is a quick summary of investor onboarded by respondents –

### Analysis on challenges faced by the respondent



■ Digital onboarding ■ Physical onboarding ■ Both

## The feedback of the respondents are summarized below -

- A majority of respondents highlighted the need for fully digital onboarding across all client categories: NRIs, corporates, non-individuals, and HUFs, not just individuals.
- Simplification in NRI documentation requirements.
- Support in single-click KYC process, Aadhaar-linked verification, and instant validations.
- Introduce industry-wide unified digital onboarding platforms accessible to all PMS houses, including small PMS.
- Frequent request of PM players was centralized, consent-based KYC repository.
- Duplication of KYC by all stakeholders can be avoided. Custodians should lead in KYC & FATCA compliance to reduce friction.

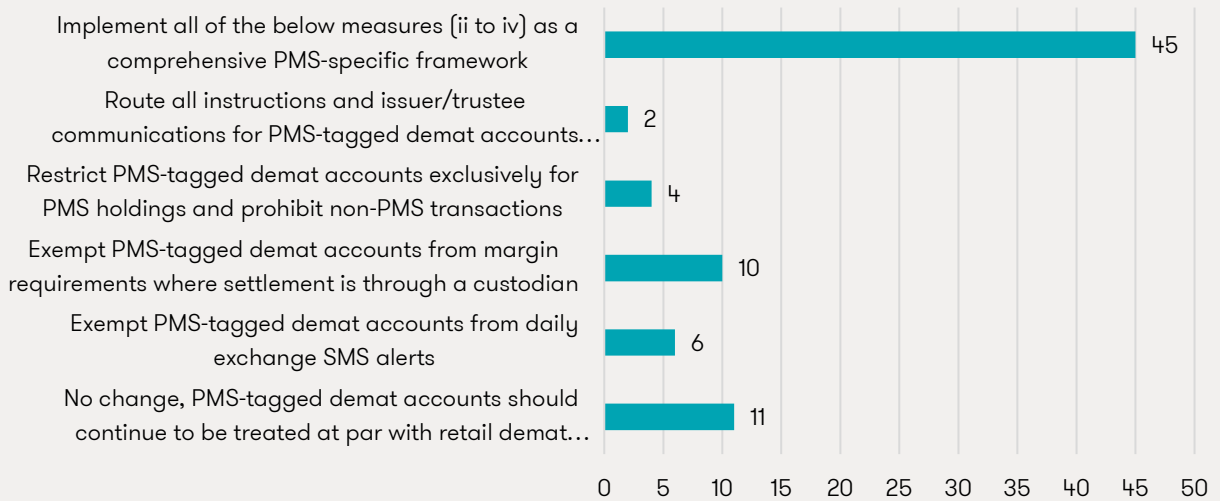
### Differentiated Oversight in PMS-Tagged Demat Accounts

Suggestions and feedback were obtained on the need for a differentiated regulatory and operational framework for PMS-tagged demat accounts held under custody. Responses were received from a total of 78 portfolio managers. Approximately 58% of respondents (45 participants) were of the view that a comprehensive PMS-specific framework should be introduced, incorporating the following measures:

- Exemption of PMS-tagged demat accounts from daily exchange SMS alerts
- Exemption from margin requirements where settlement is undertaken through a custodian
- Restriction of PMS-tagged demat accounts exclusively for PMS holdings with non-PMS transactions prohibition
- Routing all the instructions and issuer/trustee communications for PMS-tagged demat accounts through the Portfolio Manager

Below snapshot provides the respondents perspective on the differentiated oversight for the PMS – tagged demat accounts

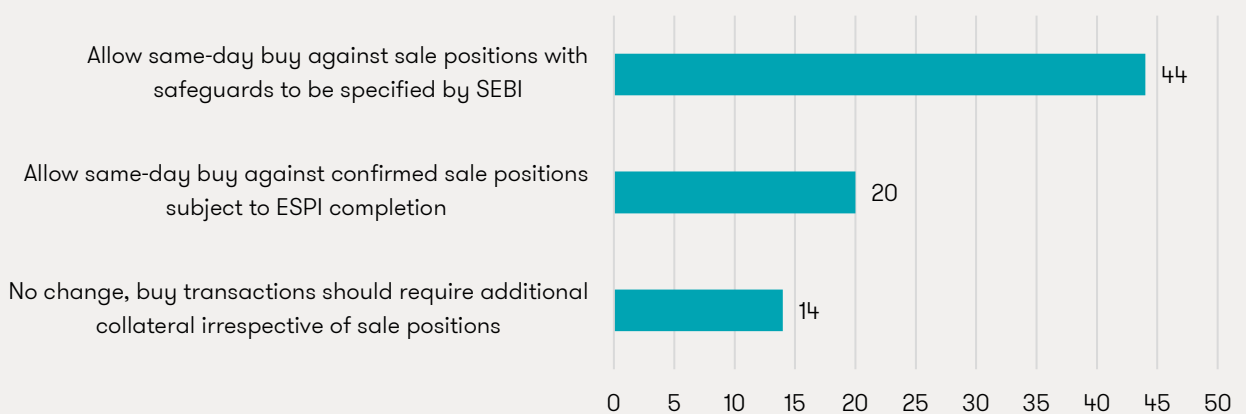
#### Analysis on challenges faced by the respondent



### Regulatory Consideration for Same-Day Buy Without Additional Collateral in PMS

We received insights on the execution of same-day buy transactions against confirmed sale position, without additional collateral, where settlement obligations are clearly established and Early Securities Pay-in (ESPI) of the sold securities is completed, given that such transactions are fully covered and do not create settlement risk where 82% respondents (i.e 64 respondents) were of the opinion that allow same day buy and against sale position within safeguard specified by SEBI and subject to ESPI completion

#### Analysis on challenges faced by the respondent

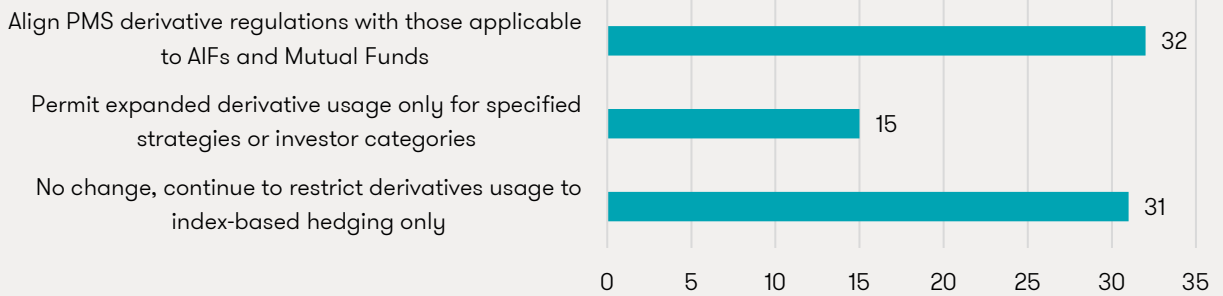


## Expended use of derivatives in PMS

We received insights on permitting investments in derivatives beyond index hedging, subject to appropriate risk management frameworks, safeguards, and disclosure requirements, in line with the regulatory approach applicable to Alternative Investment Funds (AIFs) and Mutual Funds. The responses indicate a mixed view among portfolio managers –

- Approximately 41% of respondents (32 participants) supported aligning PMS derivative regulations with those applicable to AIFs and Mutual Funds.
- A further 19% of respondents (15 participants) were of the view that expanded derivative usage should be permitted only for specified strategies or investor categories.
- The remaining 40% of respondents (31 participants) favored no change and supported the continuation of existing restrictions on derivative usage beyond index hedging.

### Analysis on challenges faced by the respondent

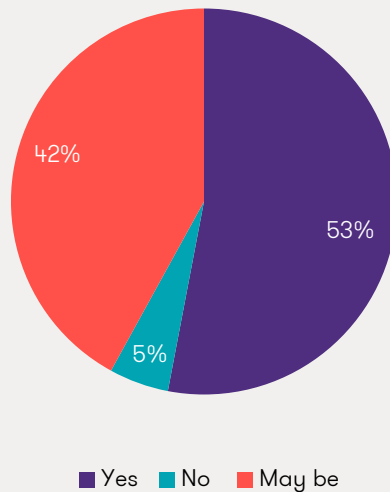


## Technological advancements in PMS operations

We received insights on the potential for technological advancements to ease PMS business operations in India. A majority of respondents (53%, representing 41 participants) indicated that there is significant potential for technological advancement. A further 42% of respondents (33 participants) noted that there may be potential opportunities for technological improvement, while a small proportion (5%, representing 4 participants) indicated that there is no opportunity for technological advancement.

Below snapshot summarize the respondents view on

### Analysis on challenges faced by the respondent



Portfolio managers suggested below recommendations as a part of survey: -

- Deployment of tech solutions for automated regulatory reporting, real-time breach monitoring, AML/KYC screening, audit trail maintenance, and bot-based regulatory filings.
- Rationalization and consolidation multiple regulatory reporting portals and reduce duplicative offsite reporting requirements.
- Development of a unified, ERP-style PMS platform or common industry utility (facilitated by APMI or the regulator) to support onboarding, operations, compliance, reporting, and client servicing, particularly benefiting smaller PMS firms.
- Introduction of shared data utilities for market data, benchmarking, and performance attribution at lower cost.

# Summary of member feedback on APMI



## Overall Assessment

Member feedback indicates that APMI has successfully established itself as a credible, effective, and influential apex body for the PMS industry within a relatively short time. Across respondents, sentiment is strongly positive, with APMI widely recognized for strengthening regulatory engagement, standardization, compliance awareness, and industry coordination.

### Key Contributions Identified

#### Regulatory Representation & Advocacy

Members consistently view APMI as a critical intermediary between PMS entities and SEBI, particularly given limited direct access to the regulator.

##### Key outcomes highlighted include:

- Structured and consolidated representation of industry issues
- Constructive dialogue with SEBI through specialized committees
- Tangible regulatory outcomes (e.g., FSLs-related approvals)
- Overall, APMI is seen as having enhanced the quality, credibility, and effectiveness of industry advocacy.

#### Standardization & Governance

APMI's role in standardizing industry practices is one of the most frequently cited strengths. Members acknowledged:

- Uniform performance benchmarking and reporting norms
- Governance frameworks for distributors and third-party flows
- Improved consistency in disclosures and operational practices

These initiatives are perceived to have raised professionalism, reduced ambiguity, and strengthened member confidence across the PMS ecosystem.

#### Compliance Education & Awareness

Compliance education emerges as a flagship area of impact:

- The Compliance Sutra initiative is widely regarded as highly effective, practical and relevant
- Regular webinars, regulator-inclusive sessions, and updates have improved regulatory understanding
- Members report greater clarity and confidence in meeting compliance requirements
- Despite increasing regulatory complexity, APMI is viewed as lowering interpretation risk and compliance uncertainty.

#### Operational Support & Query Resolution

Members appreciate APMI's responsiveness and accessibility, particularly through:

- The Query Module
- Email and telephonic support
- Timely resolution of compliance-related questions

This support is seen as directly improving compliance quality and operational execution.

#### Industry Coordination & Data Aggregation

APMI is recognized as:

- Aggregating industry-level data
- Providing performance summaries and reporting frameworks
- Creating shared infrastructure and information channels

These efforts have contributed to greater transparency and ease of reporting, though some operational refinement is still expected.



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