Frequently Asked Questions (FAQs) - Portfolio Managers Registered with SEBI

1. What is a Portfolio Manager (PM) and what services do they provide?

A Portfolio Manager is a registered entity with SEBI that offers professional management of securities portfolios on behalf of clients. PMs provide personalized investment solutions, including managing equity and debt portfolios, in line with client objectives and risk tolerance.

2. How can I verify the registration status of a Portfolio Manager?

You can verify the registration status of a Portfolio Manager by visiting the SEBI website (www.sebi.gov.in) and checking the list of registered Portfolio Managers available in the "Intermediaries/Market Infrastructure Institutions" section.

3. How do I engage a Portfolio Manager's services?

To engage a Portfolio Manager's services, you should contact the PM directly. They will typically guide you through the onboarding process, including client agreements and risk profiling, to tailor their services to your investment needs.

4. What is the minimum investment required to avail of Portfolio Management services?

The minimum investment required can vary from one Portfolio Manager to another. PMs usually specify their minimum investment requirements in their offer documents or agreements. It's advisable to confirm this with the PM you are interested in. However as per the regulation, the minimum investment amount is INR 50 lakhs.

5. How are Portfolio Managers compensated?

Portfolio Managers typically charge a fixed fee based on the assets under management (AUM) and/or a performance-based fee structure. The fee details, including the calculation method, will be outlined in the client agreement, and offering documents.

6. What are the risks associated with investing through a Portfolio Manager?

Investing in securities always carries risks, including market risk, liquidity risk, and credit risk. Portfolio Managers aim to manage these risks on your behalf, but it's essential to understand that there are no guarantee of returns, and investments can both rise and fall in value.

7. Can I customize my investment strategy with a Portfolio Manager?

Yes, Portfolio Managers often provide customized investment strategies tailored to your financial goals and risk tolerance. It's crucial to discuss your objectives and preferences with your PM to design a suitable investment plan.

8. How frequently will I receive updates on my portfolio?

Portfolio Managers usually provide periodic reports detailing the performance and composition of your portfolio. The frequency and format of these updates can vary, so it's advisable to discuss this with your PM. It is however mandatory for the portfolio manager to provide updates not beyond a calendar quarter.

9. What is the process for withdrawing funds or closing my account with a Portfolio Manager?

To withdraw funds or close your account, you should communicate your intentions to your Portfolio Manager. They will guide you through the necessary steps, which may include a notice period or redemption process outlined in the client agreement.

10. How do I address complaints or grievances with my Portfolio Manager?

If you have concerns or complaints, you should first attempt to resolve them with your Portfolio Manager directly. If the issue remains unresolved, you can contact SEBI through their SCORES (SEBI Complaints Redress System) platform.

These FAQs provide general information about Portfolio Managers and their services. It's essential to conduct thorough due diligence and discuss specific questions with your chosen Portfolio Manager before engaging their services.

11. What is Discretionary Portfolio Management Services (DPMS)?

Under DPMS, a Portfolio Manager (PM) has the authority to make investment decisions and manage a client's portfolio on their behalf. The PM has the authority to buy, sell, and make investment choices without seeking prior approval for each transaction from the client

12. What is Non-Discretionary Portfolio Management Services (NDPMS)?

Under NDPMS, a Portfolio Manager (PM) provides investment advice and recommendations to a client, but the client retains full control and decision-making authority over their portfolio. The PM offers guidance and expertise, but the execution of the investment advices and recommendation is done by the PM only after seeking prior approval from the client.

This question helps clarify the key distinction between Discretionary and Non-Discretionary Portfolio Management services, emphasizing the client's role in decision-making for NDPMS.

13. Is the customer obligated to top up his account if the portfolio value falls below the SEBI (Portfolio Managers) Regulations, 2020 minimum investment amount as a result of portfolio valuation?

No.

14. Can NRIs invest in PMS?

Yes.

15. Is it mandatory to open a Custodian Account while availing DPMS or NDPMS?

Yes. The regulation makes it mandatory to have a custodian arrangement and also to ensure that the underlying investments are clearly earmarked to the client.

16. Is a demat account required for opening a PMS account?

For investment in listed securities, an investor is required to open a new demat account in his/her own name, because the listed securities are held in the client's demat account. This demat account needs to be opened with the Custodian.

17. Is Income or Gains from PMS taxable?

Yes, income and gains shall be taxable in the same manner as if the client had dealt with the investments directly. It is however, always advisable to consult your professional tax advisor for any clarification.

18. How is PMS different from Mutual Fund?

The differentiating factor is the customized approach. The portfolio manager understands each customer's needs and prepares a model portfolio depending upon his financial goals, time horizon, investment outlook.