

CIRCULAR

HO/38/12/11(1)2025-MIRSD-POD/ I/71/2025

October 30, 2025

To,

All Registered Investment Advisers

Investment Adviser Administration and Supervisory Body (IAASB)

Madam / Sir,

Sub: Ease of doing business measures - Enabling Investment Advisers (“IAs”) to provide second opinion to clients on assets under pre-existing distribution arrangement

1. Clause 1.(iii)(f) of the Master Circular for Investment Advisers specifies that any portion of Assets Under Advice (“AUA”) held by the client under any pre-existing distribution arrangement with any entity shall be deducted from AUA for the purpose of charging fee by the IA and hence IAs are not allowed to charge AUA based fee on such assets.
2. Industry association of IAs has represented that, if a client desires to avail a second opinion on assets, which are under any pre-existing distribution arrangement with any entity, the above provision restricts their ability to serve such clients and hence have sought that IAs should be permitted to charge AUA based fee in such scenarios and provide second opinion to their clients.
3. Considering the above and in order to provide investors the opportunity of obtaining a second opinion on assets under pre-existing distribution arrangement with other entity, if so desired, the following has been decided:
 - 3.1. IAs may charge fee on such assets subject to a limit of 2.5% of such assets value per annum.

- 3.2. In such cases, IAs must disclose and seek consent from such clients (on annual basis), that apart from the advisory fees payable to the IA, the clients will be incurring costs towards distributor consideration for such assets.
4. In view of above, the clause 1.(iii)(f) of the Master Circular for Investment Advisers shall stand revised and read as under:
“For clients seeking second opinion on assets under pre-existing distribution arrangement with other entity, IAs may charge fee on the assets under pre-existing distribution arrangement under AUA mode, subject to a limit of 2.5% of such assets value per annum. IAs shall, on annual basis, disclose and seek consent from such clients that apart from the advisory fees payable to the IA, the clients will be incurring costs towards distributor consideration for such assets.”
5. The provisions of this circular shall come into effect immediately.
6. This circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992 read with Regulation 15A of the SEBI (investment Advisers) Regulations, 2013 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
7. This circular is available on SEBI website at www.sebi.gov.in under the category: 'Legal → Circulars.

Yours faithfully,

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