DEPARTMENT OF COMMERCE AND FINANCIAL STUDIES
BHARATHIDASAN UNIVERSITY, TIRUCHIRAPPALLI - 620024
MBA (Financial Management)

Course Code: FMEC5/21

Course Name: Financial Planning and Wealth Management

Course Teacher: Dr.T.Unnamalai

Email ID: drtunnamalai@bdu.ac.in

Scheme of Presentation

UNIT V

- Provisions of the SEBI (Investment Advisers) Regulations, 2013,
- overall 58 59 framework of the regulatory system
- roles of regulators in detail: MoF, MCA, SEBI, RBI, IRDA, PFRDA
- Role of Self-regulatory organizations
- provisions of PMLA, 2002, SEBI, AMFI, etc,
- ethical issues in providing financial advice
- investor complaint redressal mechanism
- PAN, KYC, Demat and Remat processes, NRI to RI and RI to NRI.

SEBI (Investment Advisers) Regulations, 2013

The Securities and Exchange Board of India (SEBI) (Investment Advisers) Regulations, 2013, aim to regulate the investment advisory industry in India. These regulations outline the requirements for individuals and entities engaged in providing investment advice.

Registration and Requirements

- **Registration:** All individuals or entities providing investment advice in India are required to register with SEBI.
- **Qualifications:** Investment advisers must meet certain qualification criteria, including educational qualifications and experience.
- **Capital Adequacy:** Investment advisers must maintain a minimum net worth or capital adequacy ratio as specified by SEBI.

Client Relationship and Advice

- **Know Your Client (KYC):** Investment advisers must follow KYC procedures to understand their clients' financial objectives, risk tolerance, and suitability for specific investments.
- **Investment Advice:** Advice must be provided in a manner that is fair, honest, and not misleading.
- **Disclosures:** Investment advisers must disclose all relevant information to clients, including conflicts of interest and fees charged.

Code of Conduct

- **Fiduciary Duty:** Investment advisers must act in the best interests of their clients.
- **Conflicts of Interest:** Investment advisers must avoid conflicts of interest and disclose any potential conflicts.
- **Client Money:** Investment advisers must handle client money in a segregated account.

Record Keeping and Reporting

- **Record Keeping:** Investment advisers must maintain detailed records of their activities, including client transactions and advice provided.
- **Reporting:** Investment advisers must submit periodic reports to SEBI, as required.

Penalties and Enforcement

Penalties: SEBI has the power to impose penalties on investment advisers who violate the regulations.

Enforcement: SEBI can take enforcement action, including suspension or cancellation of registration

Key Components of a Regulatory System

Regulatory Bodies: These are government agencies or organizations responsible for formulating, implementing, and enforcing regulations. Examples include:

- Central banks
- Securities and exchange commissions
- Environmental protection agencies
- Food and drug administrations

Laws and Regulations

These are the written rules that govern the behavior of individuals, businesses, and other entities. They can be:

- Statutes (laws passed by legislatures)
- Regulations (rules promulgated by administrative agencies)
- Common law (judge-made law)

Enforcement Mechanisms

- Inspections
- Audits
- Investigations
- Legal actions
- Penalties (fines, sanctions)

Stakeholders

- Businesses
- Consumers
- Industry associations
- Non-governmental organizations
- Government agencies

The Regulatory Framework: A 58-59 Approach

- **58:** This could represent the **58 core principles** of good governance as outlined by the OECD. These principles cover various aspects of governance, including transparency, accountability, participation, and the rule of law.
- **59:** This could represent the **59 elements** of a comprehensive regulatory system. These elements could include:
  - Regulatory objectives
  - Regulatory instruments
  - Regulatory processes
  - Regulatory institutions
  - Regulatory oversight

Regulatory Bodies under the Ministry of Finance

- **Reserve Bank of India (RBI)**
- **Securities and Exchange Board of India (SEBI)**
- **Insurance Regulatory and Development Authority (IRDAI)**
- **Pension Fund Regulatory and Development Authority (PFRDA)**
- **Financial Intelligence Unit (FIU)**

Ministry of Corporate Affairs (MCA)

The Ministry of Corporate Affairs (MCA) is an Indian government department primarily responsible for regulating the corporate sector. Its primary function is to ensure that companies adhere to the laws and regulations governing their operations.

Key Roles and Responsibilities

- **Administration of Corporate Laws**
- **Incorporation and Registration**
- **Regulatory Oversight**
- **Investor Protection**
- **Corporate Governance**
- **Professional Bodies**

The Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) is the central bank of India. It plays a crucial role in maintaining financial stability, regulating the Indian economy, and promoting economic growth. Here's a detailed breakdown of its regulatory functions:

The Reserve Bank of India (RBI): A Comprehensive Overview of Its Regulatory Roles

- **Monetary Policy**
- **Financial Stability**
- **Currency Management**
- **Banking Regulation**
- **Consumer Protection**
- **Economic Development**

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

1. **Regulation of Insurance Business**
    - **Licensing**
    - **Supervision**
    - **Product Approval**
2. **Protection of Policyholders' Interests**
    - **Grievance Redressal**
    - **Consumer Education**
    - **Fair Practices**

3. Promotion of Insurance Industry

- **Development**
- **Rural Penetration**
- **International Integration**

4. Financial Stability

- **Solvency**
- **Investment Guidelines**
- **Risk Management**

5. Market Conduct

- **Code of Conduct**
- **Monitoring**

Pension Fund Regulatory and Development Authority

The Pension Fund Regulatory and Development Authority is a statutory body established by the Government of India to regulate and promote the pension industry in the country. Its primary objective is to safeguard the interests of subscribers to pension fund schemes and to provide old-age income security.

1. Regulation of Pension Funds

- Oversight
- Approval
- Registration
- Protection

2. Promotion of Pension Schemes

- Encouragement
- Education
- Development

3. Administration of National Pension System (NPS)

- **Governance**
- **Intermediaries**
- **Investment Guidelines**
- **Grievance Redressal**

4. Dispute Resolution

- **Adjudication**
- **Fair Practices**

5. Financial Supervision

- **Monitoring**
- **Risk Management**

The Prevention of Money Laundering Act

The Prevention of Money Laundering Act (PMLA), 2002, is a comprehensive legislation aimed at preventing money laundering in India. It deals with the criminal offence of legalizing the income/profits from an illegal source. The Act has several key provisions.

- Defines money laundering offences and imposes penalties
- Provides for attachment and confiscation of property
- Designates authorities to investigate and prosecute cases
- Imposes reporting requirements on certain entities
- Provides for cooperation with foreign countries
- Establishes Adjudicating Authority and Appellate Tribunal

Association of Mutual Funds in India

- **Formation:** AMFI was founded in 1995 as a self-regulatory organization (SRO) for the Indian mutual fund industry.
- **Growth:** As the mutual fund industry in India expanded, so did AMFI's role. It became a key player in promoting investor awareness, ensuring fair practices, and protecting investor interests.
- **Regulatory Oversight:** While AMFI operates as a self-regulatory body, it works closely with the Securities and Exchange Board of India (SEBI), which is the primary regulator of the Indian securities market.

Role of AMFI

- **Promoting Investor Awareness:** AMFI conducts various educational programs and campaigns to educate investors about mutual funds, their benefits, and risks.
- **Setting Standards:** AMFI sets industry standards and best practices for mutual fund houses, ensuring transparency, accountability, and fair dealing.
- **Dispute Resolution:** AMFI provides a platform for investors to resolve disputes with mutual fund houses, acting as a mediator.
- **Representing Industry:** AMFI represents the interests of mutual fund houses before regulatory bodies and government agencies.
- **Conducting Research:** AMFI conducts research and analysis on the mutual fund industry, providing valuable insights to investors and industry participants

Dematerialization

This is the process of converting physical share certificates into electronic form and storing them in a demat account.

Rematerialization

This is the process of converting electronic shares held in a demat account back into physical certificates.

Non-Resident Indian

This term refers to an Indian citizen who resides outside India for more than 182 days in a financial year. NRIs often have financial interests in India, such as investments, property, or family ties.

RI

This term is typically used to describe an NRI who is planning to return to India to settle permanently. While there's no strict definition, it often implies that the individual has plans to establish a long-term residence in India.

Key Differences between NRI & RI

- **Duration of Stay:** The primary difference lies in the length of stay. NRIs have lived outside India for an extended period, while RIs are planning to return.
- **Intent:** NRIs may or may not have plans to return, while RIs have a clear intention to settle back in India.
- **Tax Implications:** There are specific tax implications for both NRIs and RIs. For instance, NRIs generally have different tax rules compared to residents of India.

Steps Involved in NRI to RI Conversion

1. **Physical Presence**
2. **Income Source**
3. **Declaration**
4. **KYC Updates**
5. **Account Conversions**
6. **Tax Implications**

RI to NRI

- NRO Account
- Required Documents
- Tax Implications
- Other Account Types

Thank You

References

https://www.sebi.gov.in/legal/regulations/jan-2013/sebi-investment-advisers-regulations-2013-last-amended-on-december-08-2016-_34619.html

https://www.imf.org/external/pubs/ft/scr/2013/cr13266.pdf

https://rupeezy.in/blog/financial-regulatory-bodies-in-india

https://www.karunya.edu/sites/default/files/img/pdf/academics/Commerce.pdf
https://www.indmoney.com/blog/financial-regulatory-bodies-india

https://www.dtf.in/wp-content/files/Annual_Report_2009-10_of_Ministry_of_Finance.pdf