CDSL/OPS/DP/1622 **June 22, 2009**

SEBI CLARIFICATIONS ON PMS DEMAT ACCOUNTS

Pursuant to representations from Portfolio Managers, CDSL had applied to SEBI seeking guidelines with regard to opening of PMS demat accounts. SEBI, vide letter nos. IMD/MT/165502/2009 dated June 05, 2009 and IMD/MT/166494/2009 dated June 15, 2009 has clarified the issues relating to opening of demat accounts by Custodians / Portfolio Managers. The issues raised and the clarification sent by SEBI is as given below:

1. **PMS providers be allowed to open demat accounts for their clients on the basis of the PMS client agreement & Power of Attorney [POA] signed with the client.**
   SEBI's comment: Accounts can be opened by the client only and not through use of Power of Attorney [POA] by the Portfolio Manager. POA may be permitted only for operating the account.

2. **BO's account to be allowed to be opened in the name and style of "Name of PM-PMS A/c Investor Name".**
   SEBI's comment: Accounts may be opened only in the name of the client.

3. **Participants be allowed to rely on the In-person Verification [IPV] of the client done by Portfolio Manager and that the other market participants should not carry out any IPV of clients of portfolio managers.**
   SEBI's comment: IPV is to be done by each market intermediary separately as specified under the respective Regulation.

4. **Address for correspondence should be that of the Portfolio Manager instead of the client.**
   SEBI's comment: Portfolio Manager's address cannot be captured as correspondence address. However, the transaction statements may be sent / made accessible to both – the portfolio manager and its client.

5. **Facility for holding a pool account for the portfolio managers for operational and commercial purposes similar to clearing members' accounts and transfers from pool account be treated as "on-market" transfers instead of "off-market" transfers.**
   SEBI's comment: This is essentially a commercial or operational issue. Pool account can be used for the purpose of ease of operation i.e. trades can be done in one single order but

the securities can not lie in the "pool account" overnight as it will defeat the purpose of SEBI regulations, hence all securities need to be segregated into the individual demat accounts of the client.

6. a) **Bank account details of the Portfolio Manager (instead of that of the client) to be allowed to be captured.**
   SEBI's comment: Under the Portfolio Management Services framework, Bank Account details of the Portfolio Manager instead of the client can be captured by the DPs.

   b) **Portfolio Managers be allowed to sign only one agreement for all clients.**
   SEBI's comment: This may not be permitted.

   c) **Signature of the Portfolio Manager be allowed to be taken on record by Participant and Client's signature may be captured from copy of POA i.e. the client of Portfolio Manager will not give his/her original signature to the Participant on the account opening form.**
   SEBI's comment: This may not be permitted.

7. **SEBI to issue guidelines to allow market intermediaries viz. DP, Custodian, Mutual Fund, etc. to accept the KYC done by the Portfolio Manager and exempt the requirement of separate KYC for PMS clients by each of these intermediaries.**
   SEBI's comment: Separate KYC for all clients need to be done.

8. **SEBI may consider the requirement of appointment of custodian optional for all portfolio managers.**
   SEBI's comments: Appointment of custodian is compulsory only for such portfolio managers whose Assets under Management is more than or equal to Rs.500 crores.

Queries regarding this communiqué may be addressed to **CDSL-Helpdesk** on telephone nos. **(022)** 2272-8642, 2272-8427, 2272-8624, 2272-8693, 2272-8625, 2272-8639, 2272-8663, 2272-1261, 3246-2767, 2272-2075 or email ID: helpdesk@cdslindia.com.

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