

Eligibility:

- Mutual Funds
 - ✓ with at least three years of operation and
 - ✓ ₹10,000 crore in Assets Under Management (AUM) qualify under one route.
- Alternatively, funds can qualify by appointing experienced fund managers with a proven track record in managing large portfolios

Structure:

- The new asset class will be structured under the MF framework
- Relaxed prudential norms to accommodate higher risk-taking while maintaining adequate safeguards.
- AMCs can offer 'Investment Strategies' under this class with customizable redemption frequencies and potentially list the units on stock exchanges

Investment flexibility:

- More flexible portfolio construction compared to traditional MF restrictions, including
 - ✓ Exposure to derivatives for purposes beyond hedging
 - ✓ With proposed relaxations in single-issuer and sector limits

Branding:

- A strategy to differentiate the new asset class from traditional mutual funds
- To protect the reputation of existing MF schemes from potential risks and underperformance of the new asset class

REITs and InvITs

REITs

- Entities that own, operate, or finance income-generating real estate.
- They offer a way for individual investors to earn a share of the income produced through commercial real estate ownership without having to buy, manage, or finance any properties themselves

REITs in India

- Introduced by SEBI in 2014
 - ✓ First REIT launched in 2019
- Focused mainly on commercial real estate (offices, retail spaces, etc.)
 - ✓ Nascent stage
 - ✓ 3 major REITs
- Provides regular income in the form of dividends from rent and capital appreciation
 - ✓ Dividend yields in the range of 6 to 8% p.a., so far

Key growth drivers

- Urbanisation
- Demand for office spaces

Challenges

- Low awareness among investors
- Limited number of quality assets

Opportunities

- Increased participation from institutions and retail investors
- Growing real estate demand post-COVID

InvITs

- Entities that own, operate, or finance income-generating infrastructure projects like roads, power transmission, or telecom towers.
- They allow investors to pool money for long-term infrastructure projects and benefit from income generated through those assets

InvITs in India

- Regulated by SEBI
 - ✓ First InvIT launched in 2019
- Invests in operational infrastructure assets, providing stable cash flows from projects like highways, energy transmission, and telecom assets
 - ✓ Still a nascent market
 - ✓ Roughly 7 listed InvITs so far
- Provides regular income in the form of dividends from rent and capital appreciation
 - ✓ Dividend yields in the range of 8 to 10% p.a., so far

Key growth drivers

- Government's push for infrastructure growth
- High GDP growth rate

Challenges

- Low awareness among investors
- Limited number of quality assets

Opportunities

- Increased participation from institutions and retail investors
- Government's focus on infrastructure development

Key Takeaways

- These new products offer diversification
- Products and regulations are still evolving
- Huge opportunity and challenges, as these are early days

Taxation in securities markets

Recent changes in capital gains tax

What we will cover

- Introduction
- Types of capital gains
- Recent changes in capital gains taxes on securities – Union Budget 2024
- Tax planning strategies
- Implications for investment advisers

Union Budget 2024

Proposed changes in capital gains tax

- Streamlining of tax rates
- Only two time periods to determine long term / short term capital gains
- Removal of indexation benefit
- No changes in clauses related to tax saving, e.g., Sec 80C, Section 80D
- Time for long term capital gains reduced in case of REITs and InvITs from 3 years to 1 year

Differences in tax structure

- Holding period
 - ✓ 1 year or
 - ✓ 2 years
- Type of asset
 - ✓ Type of investment
 - ✓ Listed or unlisted
- Investor category
 - ✓ Resident Indian
 - ✓ Non-resident
 - ✓ Non-individual
- Purchase date
 - ✓ Before April 1, 2024
 - ✓ On or after April 1, 2024
- Sell date
 - ✓ Before July 23, 2024
 - ✓ On or after July 23, 2024 but before April 1, 2025
 - ✓ On or after April 1, 2024

Tax planning strategies

- Tax deferral in certain assets
- Tax loss harvesting still possible, though reduce opportunities due to
 - ✓ Higher LTCG tax on debt mutual funds
 - ✓ Removal of indexation benefit

Implications for investment advisers

Implications for investment advisers

- Tax optimization
 - ✓ Ensure to optimize taxes
 - ✓ Impact on rebalancing of the portfolio's allocation to assets or securities
 - ✓ Tax deferment vehicles, e.g., mutual funds, or NPS
- Guiding the clients
 - ✓ Help clients take informed decisions for better tax-efficiency
- Staying updated
 - ✓ Investment Advisers are required to keep abreast of the changes in tax structure as it impacts the investment returns, especially on securities markets products

Key Takeaways

- The structure of capital gains is getting simplified with fewer time periods and tax rates
- Removal of indexation benefit simplifies the calculations

Regulatory Changes

Course Overview

- Regulatory Changes
 - ✓ Regulatory Updates including IAASB, Periodic Reporting, SCORES/ODR
 - ✓ Advertisement Code, Market surveillance Circular
 - ✓ Cybersecurity Resilience Framework

NEW ADMINISTRATION AND SUPERVISION BODY - IA

- SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-POD-1/P/CIR/2024/101 dated July 12, 2024 has granted recognition to BSE Limited as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB) under Regulation 14 of SEBI (Research Analysts) Regulations, 2014 and SEBI (Investment Advisers) Regulations, 2013 for administration and supervision of Research Analysts ('RAs') and Investment Advisers ('IAs') for a period of five years starting from July 25, 2024.
- All the existing SEBI registered RAs and IAs holding BASL/BSE membership will be enlisted on the Exchange w.e.f. July 25, 2024. Applicants desirous of obtaining registration as IA and/or RA are required to submit their application to the Exchange w.e.f. July 25, 2024, through the online interface on the URL link <https://membershipraia.bseindia.com/>
- All activities related to new registration or changes to existing registration will now be carried out via BSE (erstwhile BASL) only
- IA's need to submit all annual reports, periodic reporting and compliance to other provisions to BSE as part of the supervision.

SUBMISSION OF ANNUAL COMPLIANCE AUDIT REPORT BY INVESTMENT ADVISERS

- ❑ In accordance with the Regulation 19(3) of the SEBI (Investment Advisers) Regulation, 2013 and SEBI circular no. SEBI/HO/IMD/DFI/CIR/P/2020/182 dated September 23, 2020, the circular by BASL/BSE bearing no: 20220519-01, dated 19/05/2022 has directed RIA in submission of annual compliance audit report.
- ❑ Investment advisers are required to conduct yearly audit in respect to compliance with the regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India within six months from the end of each financial year.
- ❑ Investment Advisers need to obtain and maintain on record an annual certificate from an auditor (in case of Individual IA) and its statutory auditor (in case of a non- individual IA) within six months of the end of the financial year, confirming compliance with the client level segregation requirements as specified in the IA Regulations. The said certificate as per specified SEBI circular shall form part of the aforesaid compliance audit report in terms of Regulation 19 (3) of the IA Regulations.
- ❑ BSE/BASL has prescribed the format for the said report which IA needs to follow which covers variety of aspects related to BSE/SEBI circulars.

Continued...

- Accordingly, BASL/BSE (IA) members need to submit the following on a yearly basis :
 - (a) Annual compliance audit reports in terms of Regulation 19(3) of the IA Regulations (which shall also include annual certificate confirming compliances with client level segregation).
 - (b) To submit adverse findings of the audit, if any, along with action taken thereof duly approved by the individual IA/management of the non-individual IA to BASL/BSE (in addition to filings with SEBI as per circular dated September 23, 2020) within a period of one month from the date of the audit report but not later than, October 31st of the each year for the previous financial year.

Periodic reporting – May 2024 - SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2024/38

- Half yearly reporting starting from March 2024 and onwards for all IA's to be submitted to BSE
- Details with respect to IA registration Details
- Details of Shareholdings
- Details of NISM certifications, PAIA etc
- Details of Social media handles
- Detail of Bank accounts used for Fees receipt
- Details for PO/CO/MD etc
- Details of Advertisement issued so far
- Details of complains and aging analysis, Reasons
- Details of Clients, AUM Data, Fees mode, etc
- Other details as needed
- **To be submitted on Half yearly basis within 7 working days**

SCORES – Changes to timelines and New portal

- SEBI has notified the SEBI (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023. According to which, IA shall redress investor grievances **within 21 calendar days** from the date of receipt of the grievance
- SEBI has a web based centralised grievance redress system called **SEBI Complaint Redress System (SCORES)** at <http://scores.gov.in> where investors can lodge their complaints against IAs.

Complaints lodged against the IA on the SCORES platform will be automatically forwarded to the IA for resolution and reporting through the Action Taken Report (ATR).

The ATR will be automatically routed to the investor who has filed the complaint.

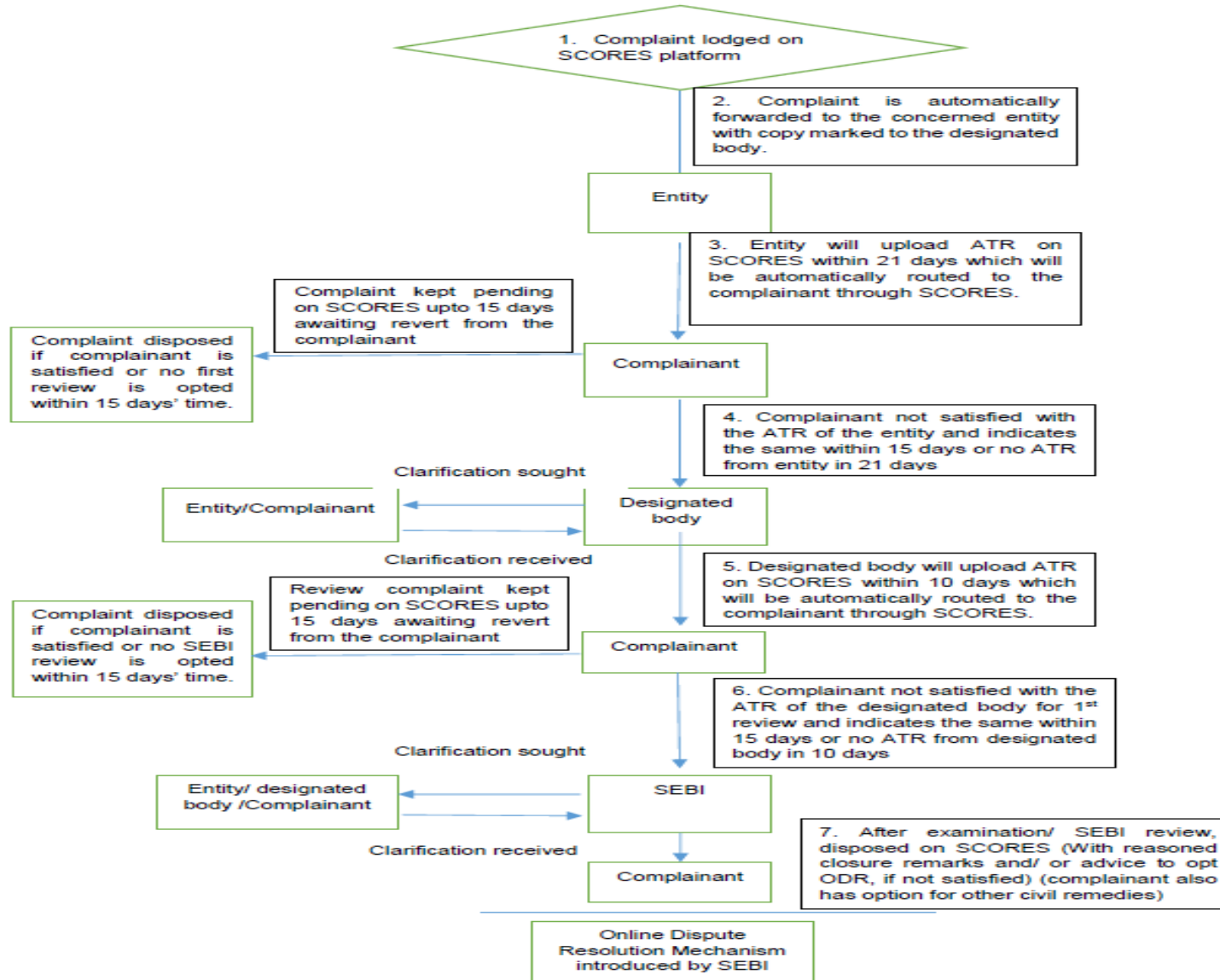
The complaint against the IA will simultaneously be forwarded to the Designated Body i.e. BSE for investor grievance redressal, who shall ensure that the ATR is submitted within 21 days.

Online Dispute resolution – July 2023

- Market Infrastructure Institutions (MIIs) have set-up an **ODR (Online Dispute Resolution) Portal**.
- IAs must enrol on the portal, and ensure implementation of related processes and requirements, specified by SEBI.
- The modalities of the ODR Portal along with the relevant operational guidelines and instructions are specified by SEBI.
- Investors can approach the ODR route or other appropriate civil remedies at any point of time.
- In case the complainant opts for Online Dispute Resolution mechanism or other appropriate civil remedies while the complaint is pending on SCORES, the complaint shall be treated as disposed on SCORES.

ODR Regulations – Key requirements

- Upload the Master Circular on their website.
- Register on the ODR Portal latest by September 15, 2023. Account creation instructions to enroll on the portal will be shared by the ODR portal team with the Market Participants on the registered e-mail ID with SEBI between August 15, 2023, to September 15, 2023.
- Display a link to the ODR Portal on the home page of their websites and mobile apps. (<https://smartodr.in/intermediary/login>)
- Amend the existing Investment Advisory Agreements with the clients to incorporate provision to the effect that the parties agree to undertake online conciliation and/or online arbitration by participating in the ODR Portal and/or undertaking dispute resolution.
- Update the Investment Advisory Agreements and Grievance Redressal Policy to incorporate provision of the ODR circular.
- Ensure that the employees are duly trained for attending to the complaints/disputes and in handling the references arising from the SCOREs portal or the ODR Portal, and in participating in online conciliation and arbitration.
- Make reasonable efforts to undertake promotion of investor education and investor awareness programmes through seminars, workshops, publications, training programmes etc. aimed at creating awareness about the ODR Portal for the Indian Securities Market.
- Promptly attend to all complaints or disputes raised by clients in accordance with applicable SEBI rules, regulations, and circulars. The communications shall clearly specify, the availability of the SCOREs portal and the ODR Portal to the client and that the same could be accessed by such client if unsatisfied with the response (or the lack thereof) of the Market Participant.



Applicable Circulars under SEBI (Investment Advisers) Regulations, 2013

- SEBI (Investment Advisers) Master Circular dated May 21, 2024
- SEBI Circulars dated April 05, 2023 and April 06, 2023
- BSE Master Circular dated July 31, 2024
- BASL/BSE Code of Advertisement dated May 26, 2023
- SEBI Master Circular on Surveillance of Securities Market dated July 09, 2024 (Unauthenticated news)
- Other applicable circulars issued

Introduction To Advertisement Code

Meaning/Applicability:

Communication issued by or on behalf of Investment Adviser that:

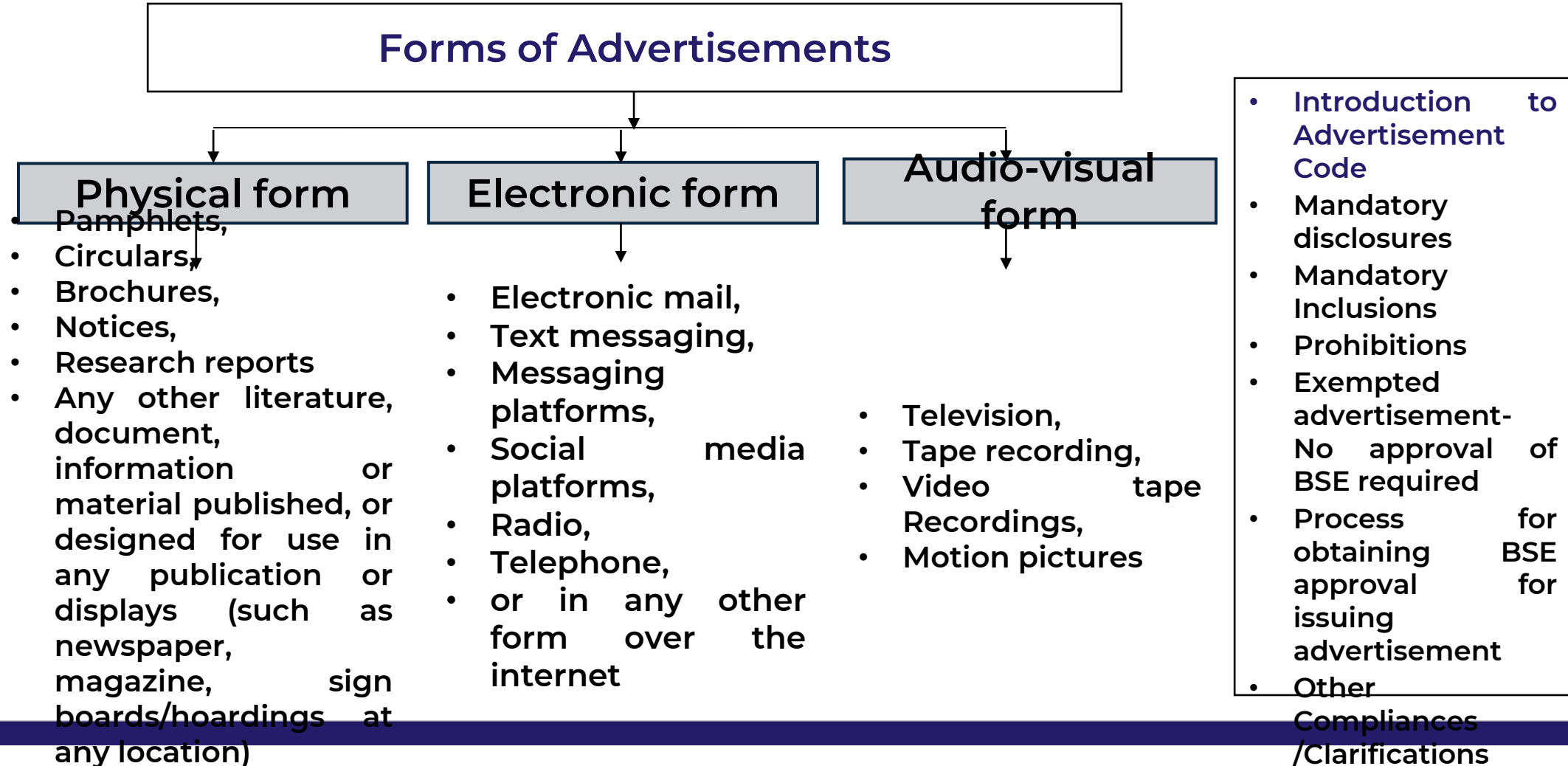
- -Influences investment decision of client/prospective client
- -Gives reference to product/service/fee plan
- -Makes claim of service
- -Gives performance details
- -Solicits client

Modes of Advertisement:

- -Internal communication to registered client
- -Content issued by authorized person/business or channel partner and influencer/blogger (paid)
- -Website/digital platform with public outreach
- -Publicity material
- -Promotion of mobile application
- -Any kind of promotional activity

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other Compliances /Clarifications
- Obligations with

INTRODUCTION TO ADVERTISEMENT CODE



MANDATORY DISCLOSURES ✓

Investment Adviser's Name and CIN (if any)

Type and Validity of Registration

- SEBI Registration and BSE Enlistment number

- Registered office address with telephone numbers

- Logo/brand name/Separate identifiable division of IA/Trade name

Disclaimer: Investment in securities market are subject to market risks. Read all the related documents carefully before investing. (minimum font size – 10) # **

- Introduction to Advertisement Code
- [Mandatory disclosures](#)
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other Compliances /Clarifications

(1) No addition or deletion of words shall be made to/from the standard warning (2) If the advertisement is issued in a language other than English the standard warning is accurately translated in the language of the advertisement with respect to handling social media accounts

** Voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 20 words running for at least 10 seconds may be considered as clear and understandable.

MANDATORY DISCLOSURES ✓

Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors**

The securities quoted are for illustration only and are not recommendatory*

• Display of "BSE Limited Advertisement Approval Number" at the time of publishing the said advertisement. (Effective March 15, 2024)

- Introduction to Advertisement Code
- **Mandatory disclosures**
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other Compliances /Clarifications
- Obligations with respect to handling social media

*Such disclaimer must be on the same slide of the written creative / frame of the video where such specific security / securities are displayed and not at the end of the creative / Advertisement. The logos of the securities quoted shall not be used in the creative/Advertisement.

** Voice over reiteration shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 20 words running for at least 10 seconds may be considered as clear and understandable.

Sample advertisement have been provided for better understanding in the next slide

Logo of IA

ABC

ABC INVESTMENT ADVISORS

BSE Limited Advertisement Approval Number

What is ABC Cross-Cycle Opportunities

It is a cross-cycle concentrated portfolio of Indian stocks that seeks to generate returns

Key Features

- Harnessing the power of robust fundamental research and product identifies quality stocks and provides a tailored portfolio for long-term growth.
- We employ techniques to adapt to evolving market conditions.
- Experienced team possesses the expertise and skill to identify stocks which have a business model and offer long term value creation potential

Investment Universe, Process, & Strategy:

- Model advisory portfolio to have 15-20 stocks with equal weightage.
- Model advisory portfolio will actively scout for stocks with strong fundamentals and further screen stocks on various quant parameters like stock volatility, momentum, and return ratios amongst others
- Maximum exposure to a sector to be capped at 30%, and maximum exposure to a stock to be capped at 10%.

Advertisement
Approval

Standard
Warning

Standard
Disclaimer

Disclosure
regarding
illustration of
securities

ABC

ABC INVESTMENT ADVISORS

TOP STOCK HOLDINGS OF ABC CROSS-CYCLE
OPPORTUNITIES

AOP BANK

TYP LTD

ASU LTD

YPP BANK

GYU CORP

FEES OF ABC CROSS-CYCLE OPPORTUNITIES
Upfront Subscription
Advisory Fees: 2% p.a (1% upfront to be charged for 2 quarters)
Subscription mode: Upfront Subscription

ABC Investment Advisors Private Limited
BSE IA Enlistment No. - 283
CIN - AAAAUHCA9238
Regd Office Address - Office No 123, FQW
Building

SEBI Regn No. - INA934892
Type of Registration - Non Individual
Validity of Registration - 28th February, 2024 -
Perpetual

Investment in securities market are subject to market risks. Read all the related documents carefully before investing
Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors
The securities quoted are for illustration only and are not recommendatory

Statutory Details
about the
Investment
Adviser

MANDATORY INCLUSIONS

Statistical
information/graphs/charts
etc.

- Should be supported by their source, i.e., certification by a practicing professional or other authentic verifiable source, if any

Claims expressly stated to
be based on, or supported
by independent research
or assessment

- Source of such data and the period

Content pertaining to any
other business activity
such as Mutual Funds,
Initial Public Offer (IPO),
Insurance, Commodities,
Bonds, Loans, etc.

- Respective registration number(s), where applicable, must be mentioned

Distributor/s for any of the
products

- Mention specifically in the disclaimer that they are only distributor/s of such products

- Introduction to Advertisement Code
- Mandatory disclosures
- **Mandatory Inclusions**
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other Compliances /Clarifications
- Obligations with respect to

MANDATORY INCLUSIO

Statistical information/graphs/charts etc:

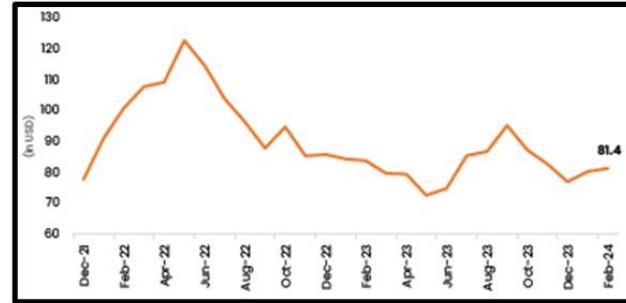
- Should be supported by their source, i.e., certification by a practicing professional or other authentic verifiable source, if any

OIE

OIE INVESTMENT ADVISORS

BSE Limited Advertisement Approval Number -

Monthly Update of Nifty 50



Source: NSE Historical Data/Chart from December 2021 to February 2024, www.nseindia.com

Market Outlook

- India's macro-economic news flow is strong, with corporate profits expected to grow by 15-17% in the next two years.
- Globally, inflation and interest rates have peaked, and stable crude prices are positive for India. However, there is still exuberance in many stocks and the focus should be on fundamentals.

OIE Investment Advisors Private Limited
BSE IA Enlistment No. - 23
CIN - AAAAN304
Regd Office Address - Office No 3443, SDS
Building

SEBI Regn No. - INA56672
Type of Registration - Non Individual
Validity of Registration - 12th March, 2024 -
Perpetual

Investment in securities market are subject to market risks. Read all the related documents carefully before investing


Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

- Introduction to Advertisement Code
- Mandatory disclosures
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- Obligations with respect to handling social media accounts

MANDATORY INCLUSIONS

Content pertaining to any other business activity such as Mutual Funds, Initial Public Offer (IPO), Insurance, Commodities, Bonds, Loans, etc:

- Respective registration number(s), where applicable must be

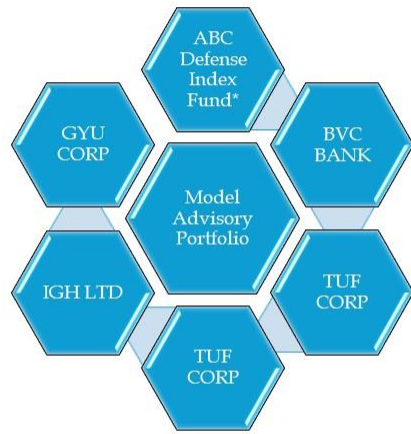


**HGU
ADVISORS**

HGU INVESTMENT ADVISORS

BSE Limited Advertisement Approval Number -

TOP HOLDINGS OF MODEL ADVISORY PORTFOLIO



***ABC MUTUAL FUND, SEBI MF REGISTRATION NO. MF12345**

HGU Investment Advisors Private Limited BSE IA Enlistment No. - 78 CIN - AHJBC09 Regd Office Address - Office No 12, SS Building	SEBI Regn No. - INA566452 Type of Registration - Non Individual Validity of Registration - 19 th September, 2023 - Perpetual
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Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

The securities quoted are for illustration only and are not recommendatory

- Introduction to Advertisement Code
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Distributor/s for any of the products:

- Mention specifically in the disclaimer that they are only distributor/s of such products



TUF DISTRIBUTORS

BSE Limited Advertisement Approval Number -

DFG INVESTMENT ADVISERS

DFG Investment Advisers provides investment advice in companies leading in different fields whereby the advisory clients can access the fastest-growing, industry-leading blue-chip companies.

FEES OF DFG INVESTMENT ADVISERS

Upfront Subscription

Advisory Fees: 2% p.a (1% upfront to be charged for 2 quarters)

Subscription mode: Upfront Subscription

TUF Distributors Private Limited
CIN - BCH3849

AMFI Regn No. - ARN123
Regd Office Address - TUF
Building, Mumbai

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Model Advisory Portfolio is third party product which is offered by SEBI Registered Investment Advisors (RIA). TUF Distributor is acting as distributor of DFG Investment Advisers Private Limited having SEBI IA Registration no. INA94598.

- Introduction to Advertisement Code
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PROHIBITIONS

Content	Statement	Recommendation	Reference to any report, analysis, or service:
<ul style="list-style-type: none"> • Technical/ legal/ complex language • Inaccurate/false/ imitation of other IA. • Superlative terms (Eg: Best, Top1). However, factual details of awards received by the IA from independent organizations may be included. 	<ul style="list-style-type: none"> • False/ misleading/ biased/Exaggerated/based on assumptions or projections • Likely to be misunderstood/to disguise the significance of the same or any other statement • Exploit the lack of experience/knowledge of the investors • Discredits other advertisements or intermediaries • Makes unfair comparisons or ascribes any qualitative advantage over other intermediaries. 	<ul style="list-style-type: none"> • Recommendations such as BTST (Buy Today and Sell Tomorrow), ATST (Acquire Today and Sell Tomorrow) etc. • Any recommendation/promotion of a specific investment/ scrip/contract, in any manner including by way of reference to past performance or 	<ul style="list-style-type: none"> • Reference to any report, analysis, or service as free, unless it actually is available for free and without any condition or obligation.
		<ul style="list-style-type: none"> • Introduction to Advertisement Code • Mandatory disclosures • Mandatory Inclusions • Prohibitions • Exempted advertisement- No approval of BSE required • Process for obtaining BSE approval for issuing advertisement • Other Compliances /Clarifications • Obligations with respect to handling social media 	

PROHIBITIONS

Celebrities

- Features in the top 50 rankings in any celebrity index
- Played lead role or one of the lead roles
- An Influencer with more than 10 Lacs followers/ subscribers (per social media handle)
- A Sports person has been part of National team of the country to which he belongs or has represented his country at international level.
- A host or one of the hosts or anchor for any TV programs and such other entertainment programs at least for one season or for a minimum of 10 episodes, as the case may be.
- A winner or runners-up in any prominent/popular competitive program aired on TV/OTT platform or any prominent personality who has gone through a series
- A virtual character bearing influence
- Any other person in view of BSE is capable of influencing the opinion of viewers.

Incentive/referral schemes

- Any form of incentive/vouchers/ coupons/ certificates/ tokens, by whatever name called, to the clients/prospective clients
- A scheme/plan to clients/prospective clients in order to avail/continue to avail services with the IA.
- IAs or anybody associated with the IA including the Associated Persons/ Associates/ Channel Partners/ Influencers/ Bloggers shall not promote or incentivize investment advisory, in any form including but not limited to distribution of cashback/ certificates /medals /gifts

Schemes/leagues/competitions

- Dealing or sponsor or be associated in any kind of scheme/league/competition /quiz /game/ lottery/ engagement program or any form of incentive, monetary or otherwise, by whatever name called and has the effect to promote their brand in any manner or promote/incentivize investment
- Reference of IA's name /logo, etc., made in any schemes/ leagues/ competition
- Sharing of any information of their clients, even with their consent with a third party involved in launching schemes/ leagues/ competition.
- Taking any financial liability, including any contingent financial liability on account of any

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- **Prohibitions**
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PROHIBITIONS

Returns/Performance
<ul style="list-style-type: none"> Any promise or assurance of any fixed/guaranteed/indicative/target returns or risk-free returns or any other nomenclature that gives the impression that the investment advice is risk-free and/or not susceptible to market risks and/or that it can generate returns to any prospective/ existing clients.

Logo
<ul style="list-style-type: none"> Logo of other entities unless specific approval is obtained from the respective entities and the same was disclosed to BSE prior to using the same. Name and Logo of BSE/SEBI Logos of the securities quoted

Associated Person
<ul style="list-style-type: none"> Any Advertisement issued by Associated Person on their own shall not be entertained by BSE

<ul style="list-style-type: none"> Introduction to Advertisement Code Mandatory disclosures Mandatory Inclusions Prohibitions Exempted advertisement- No approval of BSE required Process for obtaining BSE approval for issuing advertisement Other Compliances /Clarifications Obligations with respect to handling social media accounts
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- Reference to past performance of the

Sample advertisement have been provided for better understanding in the next slide

Superlative statements regarding IAs are prohibited

Incomplete Statutory Details

Font Size has not been adhered to

XYZ INVESTMENT ADVISORS

"LEADING INVESTMENT ADVISER IN THE CURRENT MARKET"

"GUARANTEED 20% RETURNS AT END OF EVERY QUARTER"

What is XYZ Flexi Cap Portfolio

This is a diversified, flexible, and moderately concentrated portfolio of Indian stocks designed to deliver returns that outperform the market in both the short and medium term

KEY FEATURES

- Using strong basic research, the product finds high-quality stocks and creates a customized portfolio for steady growth over time.

INVESTMENT UNIVERSE, PROCESS, & STRATEGY:

- The Investment Product has 15-20 stocks with equal weightage from Essex 500 universe

PAST PERFORMANCE OF THE MODEL ADVISORY PORTFOLIO

<u>BENCHMARK</u>	<u>BENCHMARK RETURN</u>	<u>PORTFOLIO RETURN</u>
ESSEX 500	10%	13%
TRIO 50	12%	15%

XYZ Investment Advisors Private Limited
BSE IA Enlistment No. - 134
CIN - AAA889237

SEBI REGN No. - INA9328482
Type of Registration - Non Individual
Validity of Registration - 16th March, 2022 - Perpetual

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Providing Guaranteed Returns is prohibited

Providing Past Performance about the model advisory portfolio



PAI

PAI ADVISORS

1

What is PAI FLEXI CYCLE MODEL ADVISORY PORTFOLIO

KEY FEATURES

1 {

2 {


- A Model Advisory Portfolio that strikes the perfect balance between large-cap, mid-cap, and small-cap stocks, working together seamlessly.
- The aim of model advisory portfolio is to generate long-term capital appreciation through a portfolio of equity securities across various market capitalizations. However, there is no guarantee that this objective will be achieved

PAI Advisors Private Limited
BSE IA Enlistment No. - 345
CIN - AHDHCJIS9504
Regd Office Address - Bungalow 12, Mumbai

SEBI Regn No. - INA94577
Type of Registration - Non Individual
Validity of Registration - 13th May 2022 - Perpetual

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors



PAI

PAI ADVISORS

BSE Limited Advertisement Approval Number -

2

What is PAI FLEXI CYCLE MODEL ADVISORY PORTFOLIO

KEY FEATURES

1 {

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- The aim of model advisory portfolio is to generate long-term capital appreciation through a portfolio of equity securities across various market capitalizations. However, there is no guarantee that this objective will be achieved

PAI Advisors Private Limited
 BSE IA Enlistment No. - 345
 CIN - AHDHCJIS9504
 Regd Office Address - Bungalow 12, Mumbai

SEBI Regn No. - INA94577
 Type of Registration - Non Individual
 Validity of Registration - 13th May 2022 - Perpetual

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Registration granted by SEBI, enlistment of IA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

CXO INVESTMENT ADVISORS

3

BSE Limited Advertisement Approval Number -

**"LEADING INVESTMENT ADVISER IN THE
CURRENT MARKET"**

CXO Investment Advisors Offers varied,
adaptable, and somewhat focused guidance
on Indian stocks aimed at growing your
investment

CXO Investment Advisors Private Limited
BSE IA Enlistment No. - 389
CIN - AHDHCJIS2344
Regd Office Address - Building 99, Mumbai

SEBI Regn No. - INA324
Type of Registration - Non
Individual
Validity of Registration - 13th
March 2024 - Perpetual

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CXO INVESTMENT ADVISORS

4

BSE Limited Advertisement Approval Number -



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Validity of Registration - 13th
March 2024 - Perpetual

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to investors



The securities quoted are for illustration only and are not recommendatory



HNI

HNI ADVISORS

BSE Limited Advertisement Approval Number -


5

HNI MODEL ADVISORY PORTFOLIO


KEY FEATURES

- Model Advisory Portfolio that combines large-cap, mid-cap and small-cap stocks
- Strives for a perfect balance between the three types of stocks to create a seamless portfolio


TOP STOCK HOLDINGS OF MODEL ADVISORY PORTFOLIO




ACB
BANK




CID
LTD



POQ
CRP



OIA
LTD



YGI
BANK

HNI Advisors Private Limited
BSE IA Enlistment No. - 236
CIN - AHDHCJIS9504
Regd Office Address - Office No. 1, Mumbai

SEBI Regn No. - INA12345
Type of Registration - Non Individual
Validity of Registration - 13th October 2021 - Perpetual

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HNI ADVISORS

BSE Limited Advertisement Approval Number -

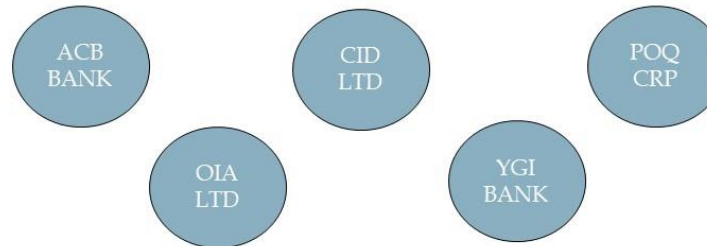
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HNI MODEL ADVISORY PORTFOLIO

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A2Z ADVISORS

7

PERFORMANCE OF MODEL ADVISORY PORTFOLIO

KEY FEATURES

- The Model Advisory Portfolio mixes big, medium, and small-cap stocks to achieve a balanced and smooth portfolio

PAST PERFORMANCE OF THE MODEL ADVISORY PORTFOLIO

<u>BENCHMARK</u>	<u>BENCHMARK RETURN</u>	<u>PORTFOLIO RETURN</u>
ESSEX 500	11.5%	13%
TRIO 50	13.2%	15%

A2Z Advisors Private Limited
BSE IA Enlistment No. - 278
CIN - ASC98459
Regd Office Address - Office No. 23,
Mumbai

SEBI Regn No. - INA09876
Type of Registration - Non Individual
Validity of Registration - 13th November
2021 - Perpetual

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A2Z ADVISORS

8

PERFORMANCE OF MODEL ADVISORY PORTFOLIO

KEY FEATURES

- The Model Advisory Portfolio mixes big, medium, and small-cap stocks to achieve a balanced and smooth portfolio

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A2ZAdvisors Private Limited
BSE IA Enlistment No. - 278
CIN - ASC98459
Regd Office Address - Office No. 23,
Mumbai

SEBI Regn No. - INA09876
Type of Registration - Non Individual
Validity of Registration - 13th November
2021 - Perpetual

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EXEMPTED ADVERTISEMENT- NO APPROVAL OF BSE

REQUIREMENTS

For educational/information /knowledge sharing/training purposes	Press release/audio and video interviews	Market commentary concerning overall market / economic news	Wishes /Greetings on events/festivals
Advertisement is approved by BSE for a specific medium (for e.g., print media) and the same Advertisement without any change in the content is redesigned for a different medium (for e.g. social media etc.)	Third party can publish any content related to the products/services offered by them, that has been approved by BSE	Previously approved and reused without any change other than factual information	Research reports
Internal communications to existing clients related to advisory services	Websites with basic content	Public communications for business expansion	disseminated to existing clients, not soliciting / making any claim of service/ performance of IA. The research report shall be in compliance with all other provisions of

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement - No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other Compliances /Clarifications
- Obligations with respect to handling social media accounts

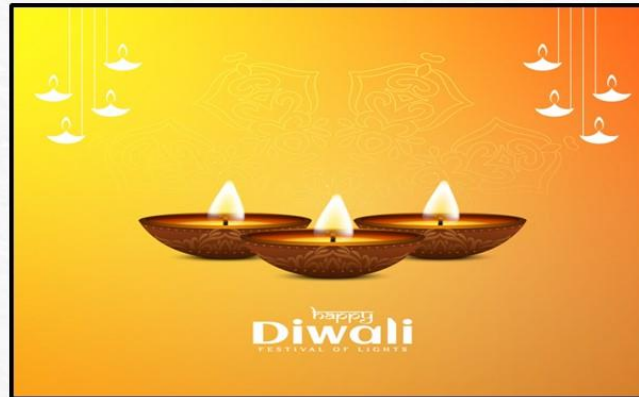
VRS

VRS INVESTMENT
ADVISORS

VRS INVESTMENT ADVISORS PRIVATE LIMITED

WISHES YOU

A VERY HAPPY DIWALI



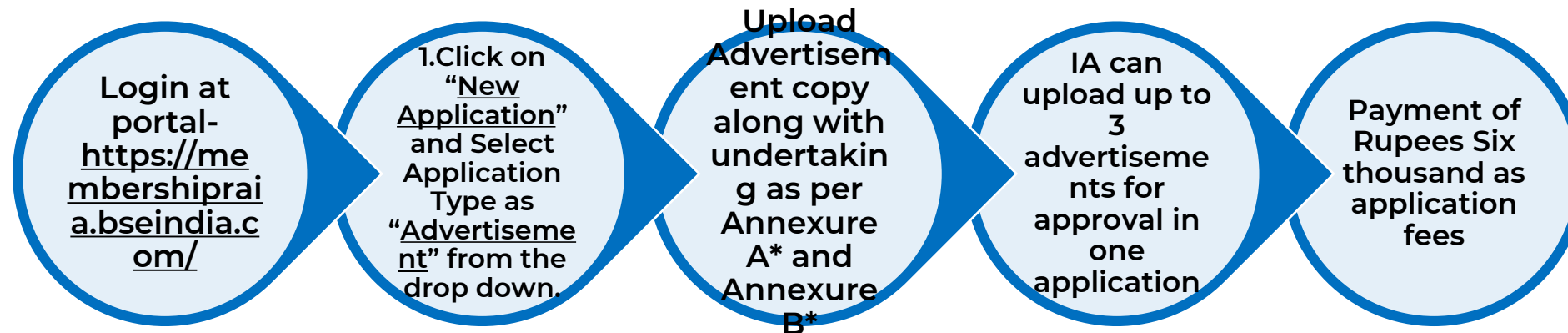
VRS Investment Advisors Private Limited
BSE IA Enlistment No. - 278
CIN - ASC98459
Regd Office Address - Office No. 23, Mumbai

SEBI Regn No. - INA09876
Type of Registration - Non Individual
Validity of Registration - 13th November 2021 -
Perpetual

Investment in securities market are subject to market risks. Read all the related documents
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PROCESS FOR OBTAINING BSE APPROVAL FOR ISSUING ADVERTISEMENT



Note – Fresh approval for an advertisement shall be required to be taken only for any substantial changes in the advertisement.

*Annexure A – Confirmation for compliance with Code of Advertisement

Annexure B - If advertisement has any individuals forming part of the advertisement

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- [Process for obtaining BSE approval for issuing advertisement](#)
- [Other Compliances /Clarifications](#)

- Obligations with respect to handling social media accounts

OTHER COMPLIANCES/CLARIFICATIONS

- IA to frame an internal policy/framework to ensure compliance with the circulars/guidelines issued by BSE/SEBI for Advertisements (by itself and Associated Persons/Business Partner/Channel Partner of the IAs or Influencer/Blogger being paid by IAs)
- Any third-party issuing Advertisement without the consent of the IA, then the IA shall disown the said Advertisement, inform BSE and take appropriate legal action against such entity.
- Copy of the advertisement shall be retained by IA for a period of 5 years.
- Any Advertisement issued by Associated Person on their own shall not be entertained by BSE.
- IA's not complying with the Code for Advertisement may be subject to suitable action(s) such as imposition of penalty from time to time

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement
- Other

Compliances/Clarifications

- Obligations with respect to handling social

OBLIGATIONS WITH RESPECT TO HANDLING SOCIAL MEDIA ACCOUNTS

Responsibilities of Employees

- Access to Facebook/LinkedIn/Twitter/Blogs/Telegram/Chat Forums/Messenger sites or such other social media platforms will be restricted under supervision or access shall not be allowed
- Do not encourage or circulate rumours or unverified information obtained from client, industry, any trade or any other sources without verification
- Employees should forward any market related news received by them either in their official mail/personal mail/blog or in any manner after the same has been seen and approved by the IA's Compliance Officer
- If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for action.

Responsibilities of IA

- IA is required to frame a proper internal code of conduct and controls should be put in place
- Logs for any usage of such Blogs/Chat Forums/Messenger Sites (called by any nomenclature) shall be treated as records and shall be maintained by IA
- The Compliance Officer shall also be held liable for breach of duty in case of non-compliance

- Introduction to Advertisement Code
- Mandatory disclosures
- Mandatory Inclusions
- Prohibitions
- Exempted advertisement- No approval of BSE required
- Process for obtaining BSE approval for issuing advertisement

- Other Compliances /Clarifications
- Obligations with respect to handling social media accounts

SEBI Circular SEBI/HO/MIRSD/ MIRSD-PoD-2/P/CIR/2023/52 dated April 06, 2023

The IA may use such name/logo, however, shall ensure that:

Display of details	What details are required to be displayed
<ul style="list-style-type: none">• Portal and/or website, if any,• Notice board,• Display boards,• Advertisements,• Publications,• Know your client (KYC) forms,• Client agreements,• Statements or reports or any other form of correspondence with the client	<ul style="list-style-type: none">• Name of the IA as registered with SEBI,• Brand name/trade name/logo,• SEBI registration number and BASL/BSE membership ID,• Complete address with telephone numbers,• Name of the compliance officer, his telephone number and e-mail address,• Name, telephone number and e-mail address of the grievance officer or the grievance redressal cell,• Disclaimer that “Registration granted by SEBI, membership of BASL/BSE and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.”

Please note that SEBI logo shall not be used by IA.
Effective Date : May 01, 2023



National Institute of Securities Markets

A Capacity Building Initiative of SEBI

Cyber Security & Cyber Resilience Framework- Overview for SSRE

Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

With rapid technological advancement in the securities market, there is a greater need for maintaining robust Cyber security and to have a Cyber Resilience framework to protect the integrity of data and guard against breaches of privacy.

The Securities and Exchange Board of India (SEBI) has issued comprehensive guidance on the Cyber Security and Cyber Resilience Framework (CSCRF) - SEBI/HO/ ITD-1/ITD_CSC_EXT/P/CIR/2024/113 dated 20th August 2024

The current circular overrides and replaces all previous circulars.

This guidance highlights the regulator's proactive stance in enhancing the Cybersecurity and Resilience of its regulated entities, ensuring they are not only compliant but also well-equipped to handle the complexities of modern cyber threats.

The Framework lays the guidelines to controls and protect Asset Managers information, systems, databases and networks from emerging cyber threats while ensuring Confidentiality, Integrity and Availability (CIA).

Thresholds for REs' categorization

CSCRF follows a graded approach and classifies the REs in the following categories based on Span of operations and certain thresholds like : Number of Clients ,Trade Volume ,Asset Under Management

Categorization : Market Infrastructure Institutions (MIIs), Qualified REs ,Mid-size REs ,Small-size REs and Self-certification REs

In case an RE is registered under more than one category, then the provision of highest category under which such an RE falls shall be applicable.

The category of REs shall be decided at the beginning of the financial year based on the data of the previous financial year.

Once the category of RE is decided, RE shall remain in the same category throughout the financial year irrespective of any changes in the parameters during the financial year.

Goals

CSCRF is based on five Cyber Resiliency goals namely Anticipate, Withstand, Contain, Recover, and Evolve.

ANTICIPATE: Maintain a state of informed preparedness in order to forestall compromises of mission/ business functions from adversary attacks.

WITHSTAND: Continue essential mission/business functions despite successful execution of an attack by an adversary.

CONTAIN: Localize containment of crisis and isolate trusted systems from untrusted systems to continue essential business operations in the event of cyber-attacks.

RECOVER :Restore mission/ business functions to the maximum extent possible, subsequent to successful execution of an attack by an adversary.

EVOLVE: To change mission/ business functions and/or the supporting cyber capabilities, so as to minimize adverse impacts from actual or predicted adversary attacks

The framework is broadly based on two approaches: cybersecurity and cyber resilience.

Cybersecurity – Covers Governance to operational controls (including Identify, Detect, Protect, Respond, and Recover) and the cyber resilience goals include Anticipate, Withstand, Contain, Recover, and Evolve.

CSCRF- Structure

The framework is divided into four parts:

Part I: Objectives and Standards: The objectives highlight goals which a security control needs to achieve. The standards represent established principles for compliance with CSCRF.

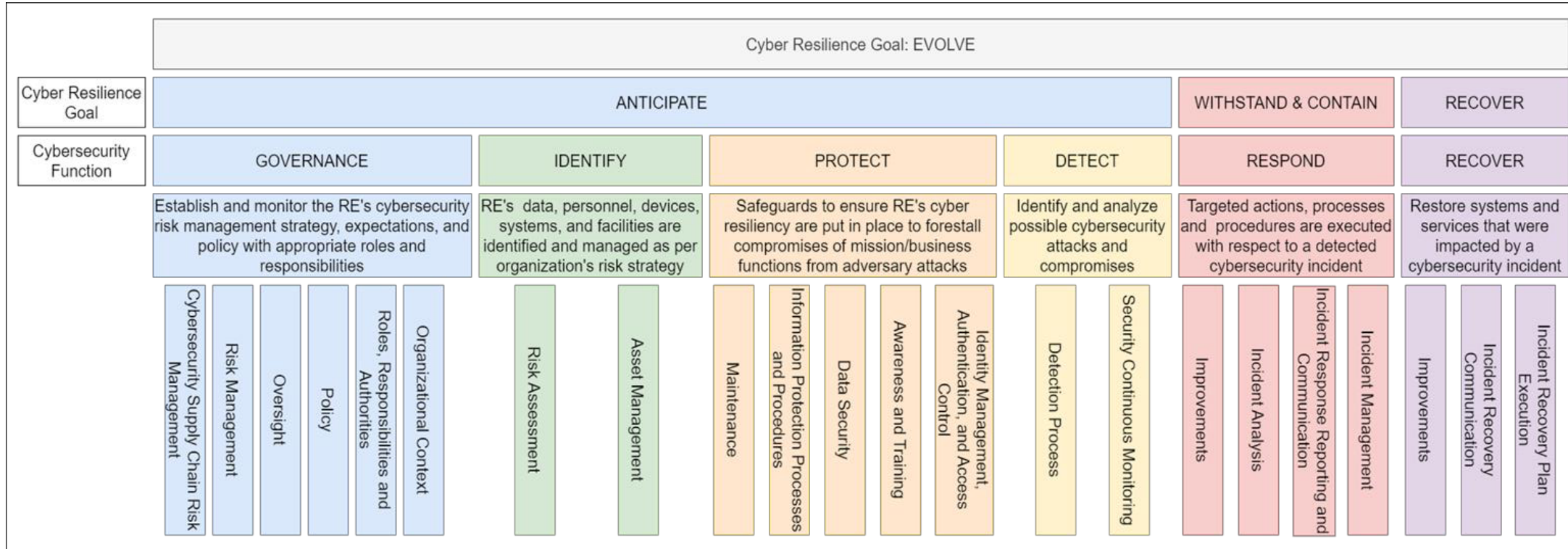
Part II: Guidelines: The guidelines recommend measures for complying with standards mentioned in this document. However, few of the guidelines are mandatory in nature and shall be complied by REs as applicable.

Part III: Structured formats for compliance

Part IV: Annexures and References

REs are required to comply with the all applicable standards and mandatory guidelines as mentioned in CSCRF.

CSCRF - OVERVIEW



Categorization

RE /Criteria	Self- certification REs	Small-size REs	Mid-size REs	Qualified REs
PMS / AUM	Less than Rs. 1000 crores	Rs. 1000 crores and above but less than Rs. 3000 crores	Rs.3000 crores and above	N.A.
AIF /AUM	Less than Rs. 100 crores	Rs. 100 crores and above but less than Rs. 500 crores	Rs. 500 crores and above but less than Rs. 1000 crores	Rs. 1000 crores and above
MF / AUM	NA	Less than Rs. 10,000 crores	Rs. 10,000 crores and above but less than Rs. 1 lakh crore	Rs. 1 lakh crores and above
Client-based and Proprietary Stock-Brokers/ Active Client-base as per	Less than or equal to 10 ,000 active clients and not providing IBT or Algo trading facility	More than 50,000 and up to 5,00,000	More than 50,000 and up to 5,00,000	More than 5,00,000

RE /Criteria	Self- certification REs	Small-size REs	Mid-size REs	Qualified REs
Custodian/AUC	NA	Less than Rs. 1 Lakh crores	Rs. 1 Lakh crores and above but less than Rs. 10 Lakh crores	Rs. 10 Lakh crores and above
Depository Participants / Type Of DP	NA	NA	Non –Institutional DP	Institutional DP
RTA / Servicing number of folios	NA	10,000 and above but less than 1 crore	1 crore and above but less than 2 crore	NA
VCFs / Sum of corpus of all schemes of the VCFs	Less than Rs. 100 crores	Rs. 100 crores and above but less than Rs. 500 crores	Rs. 500 crores and above but less than Rs. 1000 crores	Rs. 1000 crores and above

Categorization...

Individual IAs	Non – Individual IAs
Individual IAs shall be excluded from submission of compliance with CSCRF.	Non-individual IAs shall be categorized as Small-size REs.

REs Excluded from Submission of Compliances	Only SELF CERTIFIED RE's
<ul style="list-style-type: none"> • Foreign Portfolio Investors (FPIs) • Foreign Venture Capital Investors (FVCI) • Limited Purpose Clearing Corporation (LPCC) • Qualified Depository Participants (QDPs) • Real Estate Investment Trust (REIT)/ Infrastructure Investment Trust (InvIT) • Vault Managers 	<ul style="list-style-type: none"> • Collective Investment Scheme (CIS) • Credit Rating Agency (CRA) • Debenture Trustee (DT) <p>DTs which have not added any new issuer of listed debt security as client in the last three financial years shall be excluded from submission of compliance with CSCRF. Remaining DTs shall be under the Self-certification REs category</p>

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Implementation of Cybersecurity Policy	✓	✓ (basic policy covering essential areas)	✓ (detailed policy, updated annually)	✓ (advanced cybersecurity framework)
IT Committee	Not Mandatory	Not Mandatory	✓ (Mandatory – IT Committee' must include at least one (01) external independent Technology Expert.)	✓ (Mandatory – IT Committee' must include at least one (01) external independent Technology Expert.)
Risk Management	✓	✓ (Conduct risk assessments	✓ (Conduct periodic risk assessments and	✓ (Continuously assess and update the Cyber

Guidelines - Applicability

Particulars	Self-Certified RE'S	Small size RE'S	Mid Size RE'S	Qualified RE'S
Detailed Roles and Responsibilities	Not Mandatory	Not Mandatory	Roles and Responsibilities to be documented	Roles and Responsibilities to be documented
Employee Due Diligence, screening and Training	Not Mandatory	Not Mandatory	✓	✓
Third Party – Vendor Due Diligence /Agreement	Not Mandatory	Not Mandatory	✓	✓
PIM/PAM Solution	Not Mandatory	Not Mandatory	✓	✓

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Appointment Qualified CISO	Designated Personnel or Management Personnel	Designated Personnel or Management Personnel	Designated Personnel	✓
List of Critical Assets - SBOM	✓	✓	✓	✓
IT Budget Allocation	Not Mandatory	Not Mandatory	✓	✓
Network Segmentation	Not Mandatory	Not Mandatory	✓	✓
AD Management and Controls Including STRONG Password control mechanism	Not Mandatory	Not Mandatory	✓	✓

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Conduction of Cyber Security Training	✓ (Annually)	✓ (Basic Cybersecurity Training Annually)	✓ (Cybersecurity Training Semi-Annually)	✓ (Conduct Specialized Training Sessions Annually)
Conduct Vulnerability Assessment and Penetration Testing (VAPT)	✓ (Annually)	✓ (Annually)	✓ (Annually)	✓ (Annually)
Conduction of Audits	✓ (Annually)	✓ (Annually)	✓ (Annually)	✓ (Annually)
ISO and other Compliances	✓ (Best Practices to be adopted)	✓ (SEBI guidelines and ISO 27001 standards)	✓ (SEBI guidelines and ISO 27001 standards)	✓ (SEBI guidelines, ISO 27001, and explore additional certifications)
Security Operations		✓	✓	✓

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Internet Access Policy				
Network Segmentation			✓	✓
SPF/DMARC/DKIM/DNS filtering				
User Credentials – Complexity and processes	✓	✓	✓	✓
Physical Access				
Remote Support – Strigent Monitoring	✓	✓	✓	✓
AD management and Controls	Not Mandatory	Not Mandatory	✓	✓
DLP solution /Appropriate Data Usage Policy	Not Mandatory	Not Mandatory	✓	✓

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Capacity Planning and Monitoring	Not Mandatory	Not Mandatory	✓	✓
Data Availability And Classification				
Need based Access	✓	✓	✓	✓
Data Protection /Backup Recovery				
Secure Infra Design	✓	✓	✓	✓
Patch Management , EOL MECHANISM,Tech Refresh	✓	✓	✓	✓
Contineous evolving /learning -Anticipate through Threat modelling/threat reduction through learning	Not Mandatory	Not Mandatory	✓	✓

Guidelines - Applicability

Particulars	Self-Certified RE'S	SMALL SIZE RE'S	MID SIZE RE'S	QUALIFIED RE'S
Incident Management /CCMP	✓	✓ (Develop and review Incident Response Plan annually)	✓ (Maintain a comprehensive Incident Response Plan)	✓ (Implement a fully developed Cyber Crisis Management Plan (CCMP))
Incident Reporting	✓ (24 hours of detection)	✓ (24 hours of detection)	✓ (24 hours of detection)	✓ (6 hours of detection)

In the absence of IT Committee for REs for Small-size REs and Self-certification REs, the compliance to CSCRF shall be reviewed and approved by MD/ CEO/ Board member/ Partners/ Proprietor.

Qualified REs shall obtain ISO 27001 within 1 year of issuance of CSCRF. The evidence of certification shall be submitted along with the Cyber Audit report to the authority - SEBI



Compliance, Audit Report Submission, and Timelines

Standard/ Guidelines and Clause	Self - Certified REs	Small-Size REs	Medium-Size REs	Qualified Res
Cyber resilience self-assessment using CCI (GV.OV.S4)	-	-	-	Annually
Submission of CCI self-assessment evidence	-	-	-	Within 15 days of completion of CCI assessment
Cybersecurity and cyber resilience policy review	Annually	Annually	Annually	Annually
Cybersecurity risk management policy	Annually	Annually	Annually	Annually
IT Committee for REs meeting periodicity	-	-	Quarterly	Quarterly
REs' risk assessment	-	-	Annually	Annually
User access rights, delegated access and unused tokens review	Half Yearly	Half Yearly	Half Yearly	Quarterly
Review of privileged users' activities	Half Yearly	Half Yearly	Half Yearly	Quarterly
Cybersecurity training program	Annually	Annually	Annually	Annually



Compliance, Audit Report Submission, and Timelines (Contd..)

Standard/ Guidelines and Clause	Self - Certified REs	Small-Size REs	Medium-Size REs	Qualified Res
Review of RE's systems managed by third-party service providers	Annually	Annually	Annually	Half-yearly
Functional Efficacy of SOC	Annually	Annually	Annually	Half-yearly
Red Teaming exercise	-	-	-	Half-yearly
Threat hunting	-	-	-	Quarterly
Cybersecurity scenario-based drill exercise for testing adequacy and effectiveness of recovery plan	Annually	Annually	Annually	Half-yearly
Review of periodically and update their contingency plan, continuity of operations plan	-	Annually	Annually	Half-yearly
Evaluation of cyber resilience posture	-	Annually	Annually	-
VAPT Activity	Annually	Annually	Annually	Annually
Cyber Audit	Annually	Annually	Annually	Half-yearly

VAPT – Periodicity and Report Submission

- Vulnerability Assessment & Penetration Testing (VAPT) must be conducted by the REs on periodic basis
 - The Scope & Compliance is as provided in the standard DE.CM.S5 and the corresponding guidelines.
 - The REs have to submit the VAPT report along with a Declaration signed by MD/CEO as per the format provided by SEBI in Annexure – A of the Circular to SEBI.
 - VAPT must be carried out Annually and must be commenced at the beginning of the financial year
 - REs shall ensure that no audit cycle shall be left unaudited (if any) due to the change in category.
 - In case, any period is left unaudited then the same shall be included in the current cycle of the audit.
- Any open vulnerabilities after 3 months of VAPT activity shall be approved by IT Committee for REs

Activity	Format	Periodicity	Timelines	Reporting to
Conduct VAPT Activity	Scope as specified by SEBI	Annually	VAPT activity shall commence in the first quarter of the financial year	SEBI
Report submission of VAPT and Declaration by MD/CEO	As per the format provided by SEBI	Annually	Within 1 month of Completion of VAPT	SEBI
Closure of findings identified during VAPT activity	-	Annually	Within 3 months of submission of VAPT report	SEBI
			within 5 months of	

Cyber Audit Periodicity and Submission

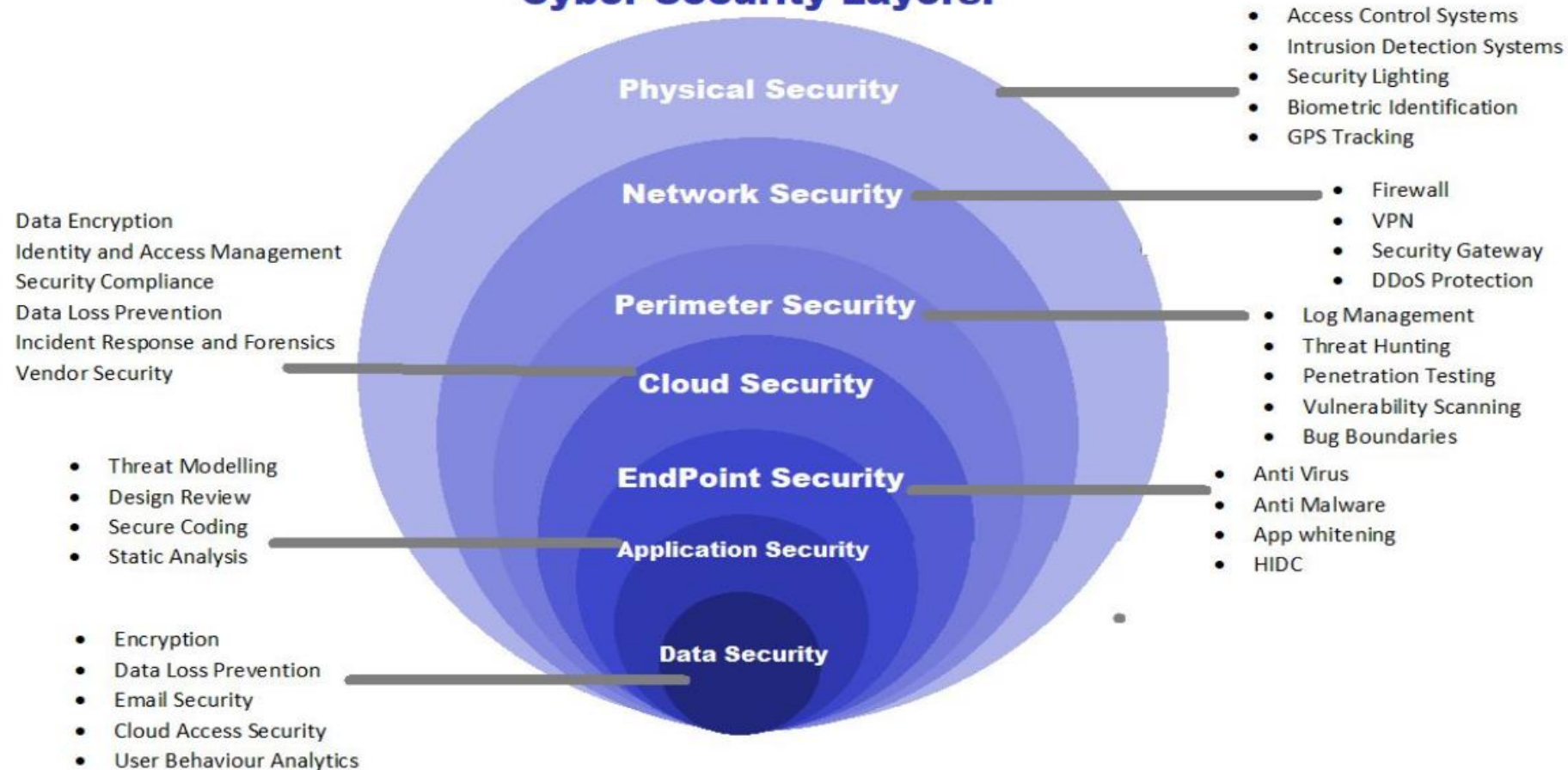
- Cyber audit here pertains to the audit conducted for verifying the compliance with CSCRF and the report of the same and a declaration from MD/CEO must be submitted with SEBI as per the format prescribed in Annexure-B of the circular.
- Cyber Audit to be carried out by CERT-In empanelled IS auditing organization and the guidelines of the same is as provided by SEBI.
- REs shall ensure that no audit cycle shall be left unaudited (if any) due to the change in category in the beginning of the financial year.
- For Qualified REs the cyber audit must be carried out half-yearly & rest of the REs have to carry it out annually.
- Cyber Audit is not applicable for Self-certification RE. They have to submit a compliance report as

Activity	Format	Periodicity	Timelines	Reporting to
Conduct Cyber Audit	Scope as specified by SEBI	Yearly/Half-Yearly		SEBI
Submission of Cyber Audit Report and a Declaration by MD/CEO	As per the format provided by SEBI	Yearly/Half-Yearly	within 1 month of completion of cyber audit.	SEBI
Closure of findings identified during cyber audit	-	Yearly/Half-Yearly	Within 3 months of cyber audit report submission	SEBI
		Yearly/Half-	within 5 months of	

Cyber Security Layers

Cybersecurity is relevant to all, though its complexity and scope vary based on the categorization of Regulated Entity.

Cyber Security Layers:





National Institute of Securities Markets

A Capacity Building Initiative of SEBI

Ethics & Behavioural Aspects

Course Overview

- Ethics & Behavioural aspects
 - ✓ Code of Conduct, Emphasis on fiduciary duty (recent orders) and investor charter
 - ✓ Behavioural finance – A Refresher

Code of Conduct - Refresher

CODE OF CONDUCT- I.A. REGULATIONS, THIRD SCHEDULE

- ❑ An investment adviser must abide by the code of conduct laid down by the regulation. They are as follows:
 - **Honesty and fairness:** An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.
 - **Diligence:** An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.
 - **Capabilities:** An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.
 - **Information about clients:** An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.
 -
 - **Information to its clients:** An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

CONTINUED...

- **Fair and reasonable charges:** An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.
- **Conflicts of interest:** An investment adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated.
- **Compliance:** An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.
- **Responsibility of senior management:** The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

CODE OF CONDUCT- INTERMEDIARY REGULATIONS, SCHEDULE III

According to the SEBI (Intermediaries) Regulation, 2008, an intermediary and its directors, officers, employees and key management personnel must continuously abide by the code of conduct specified and they are as follows:

- ❑ Protection of interests of investor: Protection of interests of investor /clients, by ensuring High Standards of Service through the High level of fairness, integrity, dignity and ethics. They shall exercise of due diligence and collusion. The Intermediary shall not increase any fees or charges for the services rendered without a proper notice.
- ❑ Disbursal of amounts: An intermediary shall be prompt in disbursing dividends, interests or any such accrual income received or collected by it on behalf of its clients/investors.
- ❑ Disbursal of information: An intermediary shall ensure that adequate disclosures are made to the clients/investors in a comprehensible and timely manner so as to enable them to make a balanced and informed decision.
 - An intermediary shall not make any misrepresentation and ensure that the information provided to the clients/investors is not misleading.
 - An intermediary shall not make any exaggerated statement whether oral or written to the client/investor, either about its qualification or capability to render certain services or its achievements in regard to services rendered to other clients/investors.

CONTINUED...

- An intermediary shall not divulge to anybody, either orally or in writing, directly or indirectly, any confidential information about its clients/investors, which has come to its knowledge, without taking prior permission of its clients/investors except where such disclosures are required to be made in compliance with any law for the time being in force.

- ❑ Conflict of interest: An intermediary shall avoid conflict of interest and make adequate disclosure of his interest and shall put in place a mechanism to resolve any conflict of interest situation that may arise in the conduct of its business or where any conflict of interest arises, shall take reasonable steps to resolve the same in an equitable manner. An intermediary shall make appropriate disclosure to the client/investor of its possible source or potential areas of conflict of duties and interest while acting as an intermediary which would impair its ability to render fair, objective and unbiased services.
- An Intermediary or any of its directors, or employee having the management of the whole or substantially the whole of affairs of the business, or an associate of the intermediary shall not, either through its account or their respective accounts or through their family members, relatives or friends indulge in any insider trading.

CONTINUED...

- ❑ Compliance and corporate governance: An Intermediary shall ensure that good corporate policies and corporate governance is in place. It shall not engage in fraudulent and manipulative transactions in the listed on any stock exchange in India and shall not indulge in any unfair competition (including resorting to unfair means for inducing another intermediaries' clients) which is likely to harm the interests of other intermediaries or investors or is likely to place such other intermediaries in a disadvantageous position while competing for or executing any assignment.
 - An Intermediary shall take adequate and necessary steps to ensure that continuity in data and record keeping is maintained and that the data or records are not lost or destroyed. It shall also ensure that for electronic records and data, up-to-date back up is always available with it.
 - An Intermediary shall ensure that the Board is promptly informed about any action, legal proceedings, etc., initiated against it in respect of any material breach or non-compliance by it, of any law, rules, regulations, and directions of the Board or of any other regulatory body.

CONTINUED...

- ❑ Intermediary infrastructure requirements: An Intermediary shall have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients, investors and other registered entities from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.
 - An Intermediary also registered with the Board in any other capacity/ category shall endeavour to ensure that arms length relationship is maintained in terms of both manpower and infrastructure between the activities carried out as an Intermediary and other permitted activities.
 - An Intermediary shall establish and maintain adequate infrastructural facility to be able to discharge its services as such intermediary to the satisfaction of clients/investors, and the operating procedures and systems of the intermediaries shall be well documented and backed by operations manuals.
 - An Intermediary shall create and maintain the records of all documents and data in their in custody in such manner that the tracing of such document or data is facilitated in the event of loss of original records or documents for any reason.

CODE OF CONDUCT- PIT REGULATIONS

- The compliance officer shall report to the board of directors or head(s) of the organisation (or committee constituted in this regard) and in particular, shall provide reports to the Chairman of the Audit Committee or other analogous body, if any, or to the Chairman of the board of directors or head(s) of the organisation at such frequency as may be stipulated by the board of directors or head(s) of the organization but not less than once in a year.
- All information shall be handled within the organisation on a need-to-know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. The code of conduct shall contain norms for appropriate Chinese Wall procedures, and processes for permitting any designated person to “cross the wall”.
- Designated persons and immediate relatives of designated persons in the organisation shall be governed by an internal code of conduct governing dealing in securities.
- The compliance officer shall confidentially maintain a list of such securities as a “restricted list” which shall be used as the basis for approving or rejecting applications for pre- clearance of trades.
- The code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to formulate a code of conduct under sub- regulation (1) or sub-regulation (2) of regulation 9, respectively, that there has been a violation of these regulations, such intermediary or fiduciary shall promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by the Board from time to time.
- Intermediaries and fiduciaries shall have a process for how and when people are brought ‘inside’ on sensitive transactions. Individuals should be made aware of the duties and responsibilities attached



National Institute of Securities Markets

A Capacity Building Initiative of SEBI

Investor Charter in respect of Investment Adviser (IA) – Dec 2021

Investor Charter in respect of Investment Adviser (IA) – Mandatory Website Display

A. Vision and Mission Statements for investors

- **Vision**

Invest with knowledge & safety.

- **Mission**

Every investor should be able to invest in right investment products based on their needs, manage and monitor them to meet their goals, access reports and enjoy financial wellness.

B. Details of business transacted by the Investment Adviser with respect to the investors

- To enter into an agreement with the client providing all details including fee details,
- aspect of Conflict of interest disclosure and maintaining confidentiality of information.
- To do a proper and unbiased risk – profiling and suitability assessment of the client.
- To obtain registration with Know Your Client Registration Agency (KRA) and Central Know Your Customer Registry (CKYC).

CONTINUED...

- To conduct audit annually.
- To disclose the status of complaints in its website.
- To disclose the name, proprietor name, type of registration, registration number, validity, complete address with telephone numbers and associated SEBI regional/local Office details in its website.
- To employ only qualified and certified employees.
- To deal with clients only from official number
- To maintain records of interactions, with all clients including prospective clients (prior to onboarding), where any conversation related to advice has taken place.
- C. Details of services provided to investors (No Indicative Timelines)

C. Details of services provided to investors (No Indicative Timelines)

Onboarding of Clients

- Sharing of agreement copy
- Completing KYC of clients

Disclosure to Clients

- To provide full disclosure about its business, affiliations, compensation in the agreement.
- To not access client's accounts or holdings for offering advice.
- To disclose the risk profile to the client.

To provide investment advice to the client based on the risk-profiling of the clients and suitability of the client.

CONTINUED...

D. Details of grievance redressal mechanism and how to access it

1. In case of any grievance / complaint, an investor should approach the concerned Investment Adviser and shall ensure that the grievance is resolved within 30 days.
2. If the investor's complaint is not redressed satisfactorily, one may lodge a complaint with SEBI on SEBI's 'SCORES' portal which is a centralized web based complaints redressal system. SEBI takes up the complaints registered via SCORES with the concerned intermediary for timely redressal. SCORES facilitates tracking the status of the complaint.
3. With regard to physical complaints, investors may send their complaints to: Office of Investor Assistance and Education, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra-KurlaComplex, Bandra (E), Mumbai - 400 051.

Expectations from the investors (Responsibilities of investors)

Do's

- Always deal with SEBI registered Investment Advisers.
- Ensure that the Investment Adviser has a valid registration certificate.
- Check for SEBI registration number. Please refer to the list of all SEBI registered Investment Advisers which is available on SEBI website in the following link:<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=13>)
- Pay only advisory fees to your Investment Adviser. Make payments of advisory fees through banking channels only and maintain duly signed receipts mentioning the details of your payments. e Investment Adviser.
- Always ask for your risk profiling before accepting investment advice. Insist that Investment Adviser provides advisory strictly on the basis of your risk profiling and take into account available investment alternatives.
- Ask all relevant questions and clear your doubts with your Investment Adviser before acting on advice.
- Assess the risk–return profile of the investment as well as the liquidity and safety aspects before making investments.
- Insist on getting the terms and conditions in writing duly signed and stamped. Read these terms and conditions carefully particularly regarding advisory fees, advisory plans,

Expectations from the investors (Responsibilities of investors)

Don'ts

- Don't fall for stock tips offered under the pretext of investment advice.
- Do not provide funds for investment to the Investment Adviser.
- Don't fall for the promise of indicative or exorbitant or assured returns by the Investment Advisers. Don't let greed overcome rational investment decisions.
- Don't fall prey to luring advertisements or market rumors.
- Avoid doing transactions only on the basis of phone calls or messages from any Investment adviser or its representatives.
- Don't take decisions just because of repeated messages and calls by Investment Advisers.
- Don't take decisions just because of repeated messages and calls by Investment Advisers.
- Do not fall prey to limited period discount or other incentive, gifts, etc. offered by Investment advisers.
- Don't rush into making investments that do not match your risk taking appetite and investment goals.
- Do not share login credential and password of your trading and demat accounts with the Investment Adviser.

Complaint Data to be displayed by IA's

Formats for investors complaints data to be disclosed monthly by IAs on their website/mobile application:

Data for the month ending -

Sr. No.	Received from	Pending at the end of last month	Received	Resolved *	Total Pending #	Pending complaints > 3months	Average Resolution time^ (in days)
1	Directly from Investors						
2	SEBI (SCORES)						
3	Other Sources (if any)						
Grand Total							

^ Average Resolution time is the sum total of time taken to resolve each complaint in days, in the current month divided by total number of complaints resolved in the current month.

Trend of monthly disposal of complaints

Sr. No.	Month	Carried forward from previous month	Received	Resolved*	Pending#
1	April, YYYY				
2	May, YYYY				
3	June, YYYY				
4				
5	March, YYYY				
Grand Total					

*Inclusive of complaints of previous months resolved in the current month. #Inclusive of complaints pending as on the last day of the month.

Trend of annual disposal of complaints

SN	Year	Carried forward from previous year	Received	Resolved*	Pending#
1	2018-19				
2	2019-20				
3	2020-21				
	Grand Total				

*Inclusive of complaints of previous years resolved in the current year. #Inclusive of complaints pending as on the last day of the year.

Case 1 – Violations observed, Penalty imposed

- Not intimating SEBI about material changes and not taking prior approval for change in control
- Failure to obtain SCORES registration and displaying the information in respect of status of complaints on website
- Using payment gateway mechanism to receive fees.
- Not adopting any procedures / written procedures to implement the anti-money laundering provisions as envisaged under the PMLA and outsourcing the same

Case 2 – Violations observed, Penalty imposed

- The Noticee did not had a valid NISM X-A certification for almost 16 months, thereby violating the IA Regulations.
- The Noticee failed to provide any agreement executed by it for clients. The list of records which has to be maintained by the Investment Adviser includes the copies of agreements.
- The Noticee collected fees from few clients in excess of permissible regulatory limit of Rs. 1,25,000 p.a under Fixed Fee Mode, thereby violating IA Regulations.
- The Noticee failed to maintain due care and diligence in maintaining confidentiality also by sharing Scores complain information with third parties without proper agreements
- Collection of GST from clients during FY 2018-19 and 2019-20 without having GST registration – Fraudulent Activity

Case 3 – Violations observed, Penalty imposed

- Employees provided investment advisory services without NISM certification and meeting qualification requirement.
- Noticee had charged fees from the clients without entering into any agreement with the clients and not maintained call recordings with its clients, copy of agreements, KYC documents, invoices, risk profiling and email communications with clients.
- Risk Profiling Questionnaires were misleading and open-ended and have been framed to make the clients fall in the high-risk category
- IA's operations are conducted from office not registered as Registered Office/ Branch Office and the said changes were not intimated to SEBI
- Noticee violated IA Regulations by not disclosing the Investor Charter and providing a link to lodge complaints on SCORES.
- Noticee advertised fake testimonials and its past performance on its website to demonstrate the accuracy of its tips to lure the investors by showing profit generated by those tips and thereby has tried to deceive its clients.

Case 4 – Violations observed, Penalty imposed

- Noticee failed to register with CKYC agency CERSAI and maintain of KYC records.
- Noticee didn't informed addition of employees i.e. persons associated with investment advice to SEBI
- The Noticee has been charged with failing to perform risk profiling in a prescribed manner and not considering the preferred time horizon of his clients. SEBI observed that the Noticee did risk profiling over a telephone call and did not retain any physical copies. The Noticee was required to obtain the consent of the client through registered email or physical document, which he did not do.
- The Noticee was found guilty by not resolving investor grievances within 30 days.

Case 5 – Violations observed, Penalty imposed

- Staff working in sales/ support and compliance department were acting as persons associated with investment advice (PAIA), such executives were not in compliance with the qualification and certification requirements.
- Fees paid by the client for service packages were not in proportion to the service offered by the Noticee.
- The Noticee had been inconsistent in the SEBI prescribed agreement format.
- Noticee was engaged in forgery of signature, mis-selling of products by providing products / services which are not in accordance with the risk profile of the client, not obtaining signature of the concerned client on documents and not providing services / products in accordance with the agreement executed.
- Employees misled and promised assured returns to the clients and collected part payment from such clients. The said assurance of maximization of returns is an active concealment of the material fact that every investment in the market is subject to market risk.

Case 6 – Violations observed, Penalty imposed

- Violation on account of not verifying CKYC and KRA of the clients.
- Sold products meant for High-Risk category clients to some clients having Low risk profile
- Incorrect Risk Assessment on account of raising same question twice
- Noticee has charged advisory fees which was more than the investment amount and annual gross income of the client.

Case 7 – Violations observed, Penalty imposed

- The Investment Adviser, not being an individual, shall include the words ‘investment adviser’ in its name.
- IA started Collecting fees and giving investment advice before entering into agreements with clients.
- Noticee had displayed incorrect information of preparation of research report by professional research analysts and having CA and CFA (US) as team members on its website.
- Noticee had not displayed the name and contact details of the Compliance Officer in its office.
- Noticee had failed to display correct information with respect to Investor Complaints under the heading “Trend of annual disposal of complaints” from 2018-2021.

Module - Behavioral Finance
Why investors make the decisions
they do

Behavioral evolution

Changes over time affect decision-making

Understanding behavioral finance helps to avoid emotion-driven decisions that can lead to unnecessary losses.

Evolutionary changes naturally impact decision-making over time:

- Human nature and hard wiring
- Means of processing information
- Coping mechanisms



Technological evolution

Major advancements have altered the process

Decades of constant technological advancements have shaped the way humans interact with one another and make decisions.

- Computer revolution, 1980s–present
- Internet and smart phone adoption
- Algorithmic trading and artificial intelligence



Personal experience

Beliefs are rooted
in personal
experience

Family,
community, or
societal legends
often contribute

Experiences are
some of the most
difficult
habits/beliefs to
break

Major investor behavior challenges

The roots and reasons behind decision-making

☐ Anchoring
Bias

☐ Confirmation
Bias

☐ Recency
Bias

☐ Herding
Bias

☐ Ambiguity
Aversion

☐ Myopic Loss
Aversion

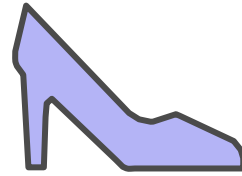
Anchoring bias

Relying too heavily on information received first

WHAT IS ANCHORING?

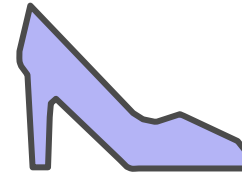
Anchoring is most commonly used in facets of retail shopping, such as groceries, clothing, and car shopping.

No one buying



₹ 399

Everyone dying to buy



~~₹1000~~

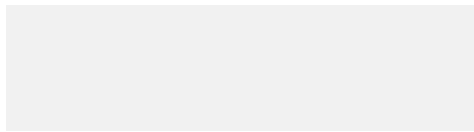
60% discount

₹399

Anchor

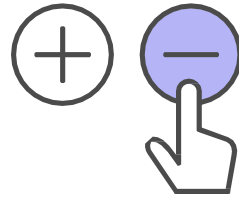
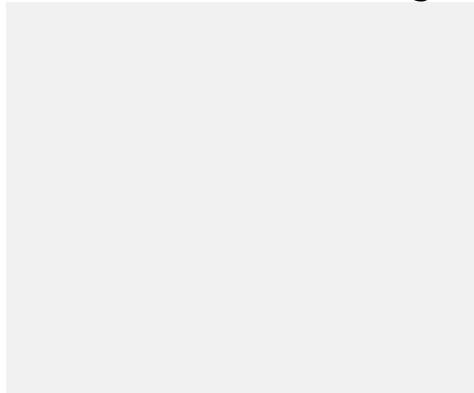
Confirmation bias

Seeking out information that confirms an existing belief



WHAT IS CONFIRMATION BIAS?

Confirmation bias is the natural tendency to filter out information to retain only what confirms one's original



Working against good behavior every day



Searching out the answers that you want to hear rather than the right answers

I don't always know what I'm talking about, but I know I'm right.

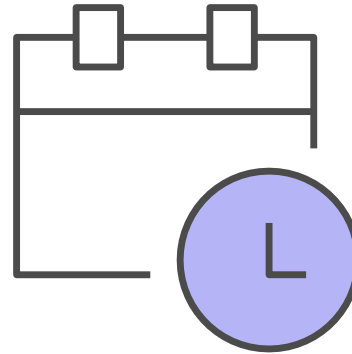
Muhammad Ali

Recency bias

Basing decisions only on the most recent information

WHAT IS RECENCY BIAS?

Recency bias is when individuals make decisions based on recent results, or on their perspective of recent results, which may



What we learn from history is that
people don't learn from history.
When investors get either too fearful
or too greedy, they sometimes hide
behind the notion that,
'This time it's different.' **Usually, they**
regret it. **Warren Buffett**

Herding bias

Following the crowd instead of making decisions independently

WHAT IS HERDING BIAS?

Herding bias is the tendency to follow the actions of a larger group, whether those actions are rational or irrational.

It is rooted in early human behavior.



Ambiguity aversion

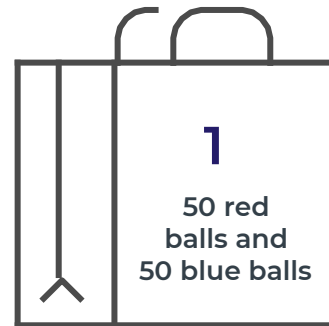
A tendency to avoid the unknown

WHAT IS AMBIGUITY AVERSION?

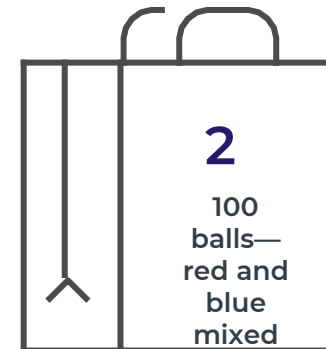
Ambiguity aversion is the tendency to avoid the unknown by having a preference for known risks over unknown risks.

Daniel Ellsberg Paradox:

Select a ball from either bag and guess the color.



Probability of success:
50%



Probability of success:
unknown

Result

More people chose bag 1, where there was more certainty in the outcome (50% chance of guessing correctly).

Fewer people chose bag 2, where there was more uncertainty (ambiguity) in the outcome.

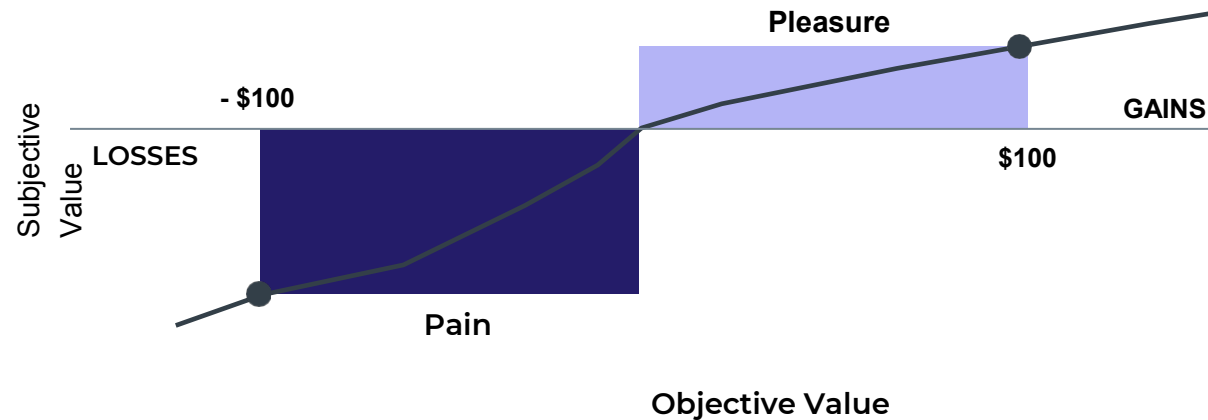
Myopic loss aversion

Experiencing more sensitivity to losses than gains

Losing \$100 hurts twice as much as the feeling you'd experience by gaining \$100.

WHAT IS MYOPIC LOSS AVERSION?

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains, and a tendency to evaluate outcomes

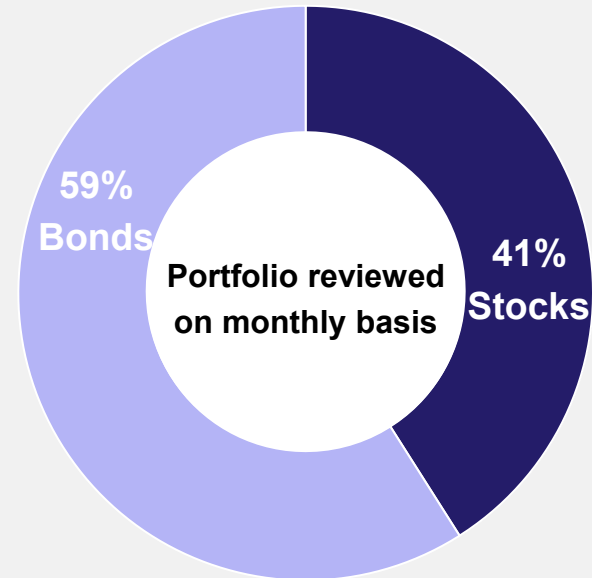
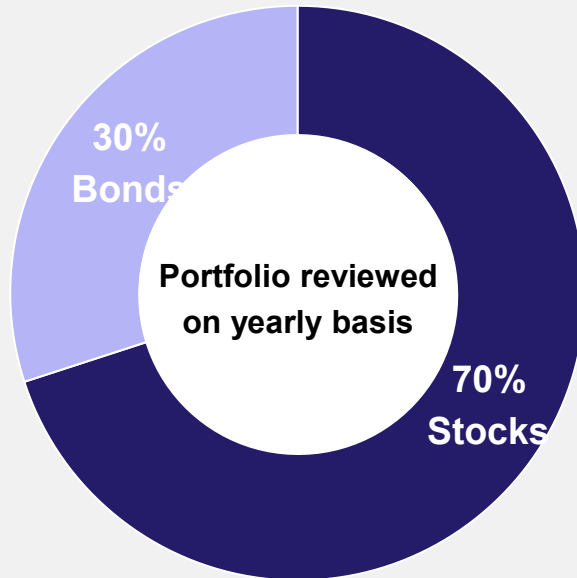


Studies showed that people chose to take a risk only when the potential gain is 2x greater than the expected loss.

Frequent portfolio evaluation can lead to risk-averse behavior

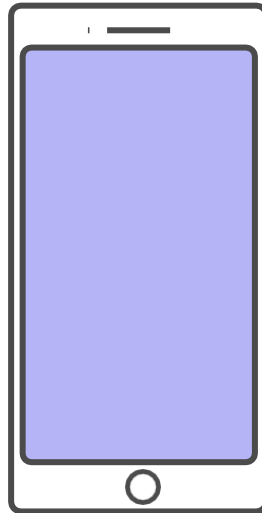
A short-term focus can lead to investing too conservatively

Constant reminders of volatility may cause investors to seek more conservative investments—regardless of objectives or time horizon.



Information overload

The amount of information at our fingertips is rising exponentially



The average Person spends five hours and twenty-four minutes per day on their mobile device.

Most people check their phones on average 96 times per day, or once every ten minutes.

Dealing with behaviors that may hinder success

How to address behavioral challenges

Anchoring Bias

- Acknowledge the anchor when making decisions.
- Understand, address, and remember the goal—not the dollars.
- Recognize that the ways choices are presented will affect the decision.

Confirmation Bias

- Admit that different situations call for different expertise.
- Seeking out confirmation of options is a surefire way to “group think.”

Recency Bias

- Yesterday’s truth is not tomorrow’s.
- No pattern continues forever.

Herding Bias

- Running with the crowd may prevent solitary embarrassment, but won’t keep you from being wrong.
- By the time everyone is heading a particular direction, it’s usually time to start heading the other way.

Ambiguity Aversion

- Goal-based planning is key to success.
- Outcomes should drive your actions, not fear of the unknown.

Myopic Loss Aversion

- Financial losses are often “locked in” by panic selling.
- Keep a focus on the long-term goals in order to drive success.

Breaking the behaviors

Four strategies to help investors

- 1 **Get to know yourself.**
Become more aware of how your tendencies can influence financial decisions.
- 2 **Avoid panic selling.**
Stay invested during times of market volatility and uncertainty.
- 3 **Stay Focused**
Don't dwell on the past; focus on your long-term goals and time horizon.
- 4 **Consult with your financial representative regularly.**
Your financial representative can help take the emotion out of investing.

Make a Plan

Working with a financial representative can be invaluable

How can a financial representative help?

Avoid panic selling.

Stay invested during times of market volatility and uncertainty.

Tailor an investment plan aligned to your goals, risk tolerance, and time horizon.

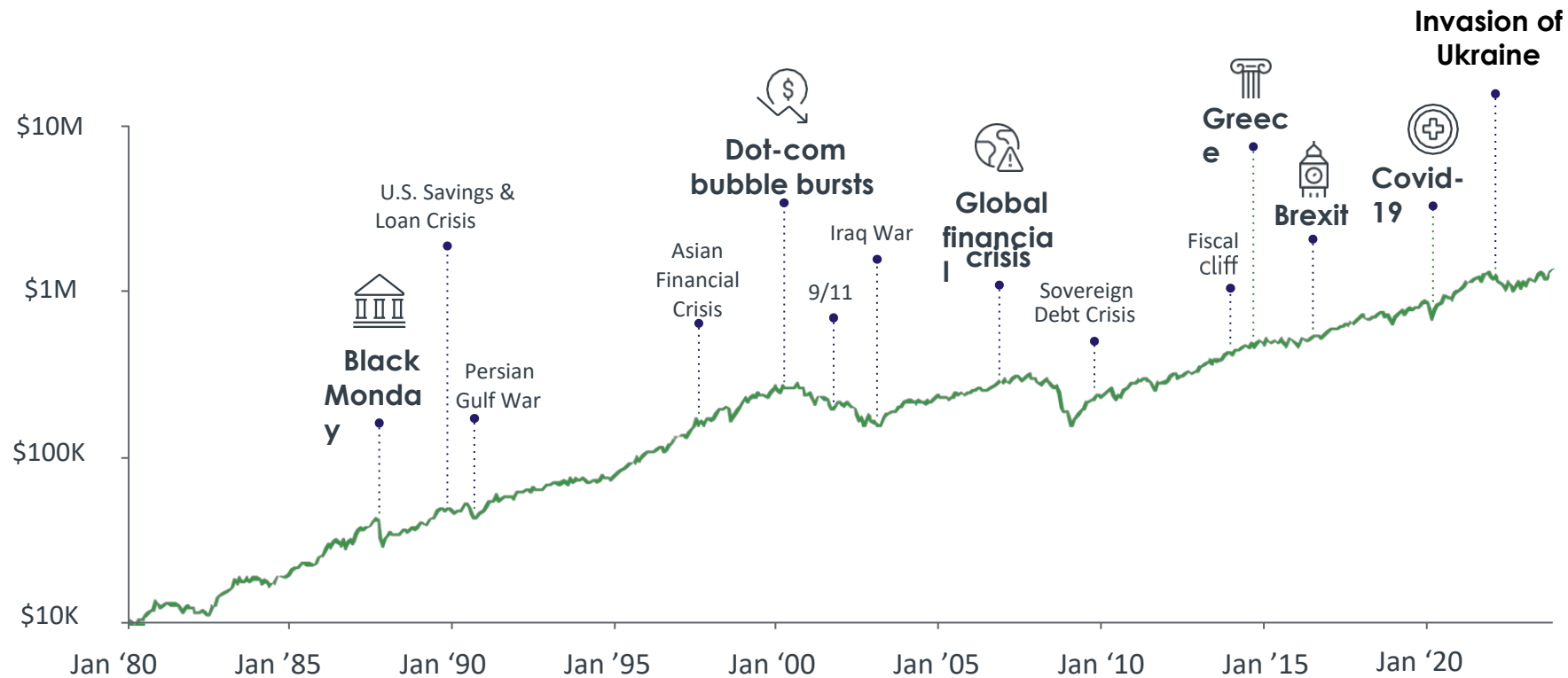
Maximize your retirement income potential and minimize

Guide you through emotional financial decisions.

Nearly 7 in 10 investors working with an advisor have a formal financial plan.*

Markets have been resilient

Despite market pullbacks, stocks have typically risen over the long term



Basic Behavioral Biases Influencing

Investments

Loss aversion bias: Loss aversion refers to investor's tendency to strongly prefer avoiding losses to acquiring gains. The fear of loss leads to inaction. Studies show that the pain of loss is twice as strong as the pleasure of gain of a similar magnitude. Investors prefer to do nothing despite information and analysis favouring a particular action that in the mind of the investor may lead to a loss. Holding on to losing stocks, avoiding riskier asset classes like equity when there is a lot of information and discussion going around on market volatility are manifestations of this bias. In such situations, investors tend to frequently evaluate their portfolio's performance, and any short-term loss seen in the portfolio makes inaction their preferred strategy.

Confirmation bias: Confirmation bias, also called my side bias, is the tendency to search for, interpret, or prioritize information in a way that confirms one's beliefs or hypotheses. It is a type of cognitive bias and a systematic error of inductive reasoning. For example, when a trader buys a stock for a reason and that reason doesn't work out so the trader makes up another one for owning the position. Similarly, first we make decision in mind and then find for the information to justify that intuitive decision.

Ownership bias: Things owned by us appear most valuable to us. Sometimes known as the endowment effect, it reflects the tendency to place a higher value on a position than others would. It can cause investors to hold positions they would themselves not buy at the current level.

Gambler's fallacy: Predicting absolutely random events on the basis of what happened in the past or making trends when there exists none. It is the mistaken belief that if something happens more frequently than normal during some period, then it will happen less frequently in the future, or

CONTINUED...

Winner's curse: Tendency to make sure that a competitive bid is won even after overpaying for the asset. While behaviourally it is a win, financially, it may be a loss.

Herd mentality: This is a common behaviour disorder in investing community. This bias is an outcome of uncertainty and a belief that others may have better information, which leads investors to follow the investment choices that others make. Such choices may seem right and even be justified by short-term performance, but often lead to bubbles and crashes. Small investors keep watching other participants for confirmation and then end up entering when the markets are over heated and poised for correction. Most of the individuals don't go against the crowd as economist John Maynard Keynes said: "It is better for reputations to fail conventionally than to succeed unconventionally."

Anchoring: Anchoring is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered when making decisions. Investors hold on to some information that may no longer be relevant, and make their decisions based on that. New information is labelled as incorrect or irrelevant and ignored in the decision making process. Investors who wait for the 'right price' to sell even when new information indicate that the expected price is no longer appropriate, are exhibiting this bias. For example, they may be holding on to losing stocks in expectation of the price regaining levels that are no longer viable given current information, and this impacts the overall portfolio returns. Actually, the decision

should be made purely on the basis of what price and value difference exist today in light of available information rather than based on what the prices were in the past.

Asset allocation strategies

What we will cover

- What is asset allocation
- Different types of asset allocation strategies
- Evaluating these strategies
- Key takeaways

Determinants of asset allocation

4 truths

Mix of assets –
most important
decision

Real purpose
and time of use
of money

Diversify –
within and
between asset
classes

Be patient and
persistent

From the foreword by Charles D Ellis to the 4th edition of *Asset Allocation – Balancing Financial Risk* by Roger C Gibson

Most active investors – who all say they are trying to get better performance – do themselves and their portfolios real harm by going against one or all of these truths. They pay higher fees, cost of change, and taxes; they spend hours of time and lots of emotional energy; and they accumulate “loss leaks” that drain away the results they could have had from their investments if they had only taken the time and care to understand their own investment realities, develop a sensible long-term program most likely to achieve their goals, and stay with it.

From the foreword by Charles D Ellis to the 4th edition of *Asset Allocation – Balancing Financial Risk* by Roger C Gibson

... individuals ... to devote their time and energy to the one role where they have a decisive advantage: knowing themselves and accepting markets as they are – just as we accept weather as it is – and designing a long-term portfolio structure or mix of assets ...

From the foreword by Charles D Ellis to the 4th edition of *Asset Allocation – Balancing Financial Risk* by Roger C Gibson

Tests for a long-term portfolio

1. The investor can and will live with it.
2. The long-term, reasonably expectable results will meet the investor's own priority

From the foreword by Charles D Ellis to the 4th edition of *Asset Allocation*
– *Balancing Financial Risk* by Roger C Gibson

Different types of asset allocation strategies

- Strategic asset allocation
 - ✓ Drifting asset allocation
 - ✓ Constant weighting asset allocation
- Tactical or dynamic asset allocation
- Insured asset allocation
- Integrated asset allocation

Strategic asset allocation

- Long-term strategy that involves setting target allocations for various asset classes based on a client's risk tolerance and goals
- Ideal for clients with a long-term focus, such as retirement planning.

Strategic asset allocation

Drifting

- Once set, the asset allocation is allowed to drift as the asset prices move

Constant-weighting

- Weights are periodically rebalanced to the original / desired levels

Tactical / dynamic asset allocation

- Deviating from strategic asset allocation
 - ✓ Based on opportunities
 - ✓ Momentum
 - ✓ Valuation changes
 - ✓ FM's views

Tactical / dynamic asset allocation

- Could be rule based or at the FM's discretion
- Could be based on short term outlook or long term

Insured asset allocation

- Ensures a minimum portfolio value by allocating assets in a way that guarantees a certain level of capital is protected, usually by adjusting the asset allocation as market conditions worsen

Integrated asset allocation

- A combination of SAA and dynamic strategies that adjusts the asset mix based on the client's evolving financial goals and changes in market conditions

Evaluating these strategies

- Risks involved
- Costs of transactions and taxes
- Behaviour management

Key Takeaways

- Asset allocation is at the core of investment advice
- The test of the asset allocation is that the investor should be able to stay with it for the desired time horizon
- There are different asset allocation strategies
- Different strategies have their own merits and demerits