

**IIFL WEALTH EXITS ADVISORY
BUSINESS POST SEBI CIRCULAR**

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IIFL Wealth exits advisory business post Sebi circular

Clients can opt for portfolio management service biz or move back to distribution

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IIFL Wealth Management Ltd has exited its investment advisory business on 1 October, following a circular from the Securities and Exchange Board of India (Sebi) asking companies to cease offering advisory and distribution services to the same client.

According to IIFL Wealth, it has ₹1.8 trillion in assets under advice (AuA), which includes customers' investment assets. In late 2019, IIFL had acquired L&T's ₹25,000 crore wealth management business. It had also acquired smaller firms such as Wealth Advisors India and Altire Advisors in 2018.

The data reporting for pre-existing investments made under the advisory code till 30 September will continue till 31 December, the company said in an email communiqué to its clients, adding that the data feeds will stop thereafter.

A person with knowledge of the matter said, seeking anonymity, that clients will have the choice to move to the portfolio management service (PMS) business under IIFL One, which is part of its wealth management vertical.

IIFL Wealth had anticipated the Sebi move and had prepared for it by launching the PMS business a year ago, the person said.

PMS is essentially a wrapper within which a client's asset alloca-



The new Sebi rules require companies not to offer advisory or distribution to the same client at a group level. REUTERS

tion and fund selection is done. It is governed by Sebi PMS regulations instead of those for registered investment advisers. It offers servi-

solution, will have to manage their own investments, he added.

"The Sebi ban on providing advisory and distribution is at the group

bank know that client X is an advisory client of the banking arm, if the brokerage is a separate entity?" the person said.

"We will continue to offer distribution and manufacturing services. As a manufacturer, we will offer PMS, alternative investment funds (AIF) and mutual funds (MF) options to investors. With a comprehensive platform, we are well positioned to continue servicing our clients for all of their investment needs," said Sandeep Jethwani, senior managing partner, IIFL Wealth.

Separately, in an emailed statement to *Mint*, IIFL Wealth denied that its move was an exit. "The IIFL Wealth Group has not exited any business; it has merely re-organized it as per the requirements of the new Sebi regulations," it said. *Mint* reported that most large banks have set up advisory service for high net-worth individuals (HNIs), but some are evaluating their businesses following the new regulations.

"With the new Sebi rules requiring providers not to offer advisory or distribution to the same client at a group level, we are evaluating our proposition, including helping clients achieve their financial goals," said Raveendra Balivada, head, investment advisors, HDFC Securities. However, responding to *Mint*'s queries, HDFC Securities added

that the closure of its advisory business will be a "premature assumption and not in line with our thinking".

OPTIONS FOR CLIENTS

IIFL Wealth has ₹1.8 trillion in assets under advice, which includes customers' investment assets

THE group had anticipated the Sebi move and had launched the PMS business a year ago

CLIENTS who do not opt for PMS or distribution may have to manage their own investments

WE will continue to offer distribution and manufacturing services, said an IIFL Wealth executive

ces with a minimum ticket size of ₹5 million. Alternatively, the clients can move back to distribution. Those who do not opt for either

level. But for large financial groups, such as banks and their subsidiaries, it is almost impossible to implement it. How can the brokerage arm of a