

Name of entity/person organisation: ASIFMA (Asian Securities Industry & Financial Markets Association; www.asifma.org)			
Contact Details: Patrick Pang (ppang@asifma.org)			
Category: ASIFMA is an industry association representing capital markets in Asia			
Sr. No.	Proposal	Rationale	
	Para No.		
	1	<p>While we appreciate the policy objectives of the proposal, we suggest that the proposed mechanism be made optional for IA/RA.</p> <p>There could be practical difficulties identifying the scope of clients who are subject to the proposed mechanism especially for international banks where research reports including those on India securities are distributed globally.</p>	Please see further comments/suggestions.
	3.1	<p>We believe the proposed mechanism may cause unintended impact on the financial markets that is broader than the issue that it intends to address as the scope as currently envisaged is too wide. Proliferation of unlicensed research activities can be addressed in more direct ways via education, enforcement, or making information more readily available of which entity is registered.</p>	
	3.2	<p>The proposed mechanism could potentially disrupt most banks' research payment mechanism in APAC and India, and create additional frictions operationally to price, monitor, and reconciliation of those payments with institutional clients. To add, research services provided by most foreign registered broker/dealers that are operating in India are generally compensated via bundled trading commissions, rather than separate research charges. For this reason, we also suggest that SEBI should clarify that bundled trading commissions are not in scope for the proposed payment mechanism.</p> <p>We also draw your attention to existing SEBI RA regulations which already recognize existing operating models where the SEBI-registered research entities provide research services as an ancillary service to existing brokerage clients. In these circumstances, no separate fees are charged for the provision of such research services and clients do not sign separate client agreements for research services. Altering existing broker dealer market mechanisms by which research is paid for carries the risk that there could be unintended consequences to the research market ecosystem and by association the capital markets, including the possibility of reduced stock coverage, impairment of overall market transparency and potentially the ability of small-medium cap companies to access capital. For this reason, we also suggest that SEBI should clarify that broker dealers whose payment mechanisms are already covered under the existing regulation are not in scope for the proposed payment mechanism.</p>	We are also concerned that the proposed mechanism will require a whole new set of compliance obligations on both clients and research provider which could be costly and operationally cumbersome to implement.
	3.5(i)	<p>We propose that the mechanism should be optional for IA/RA for reasons stated above and the proposed scope be modified to exempt bundled trading commissions and broker dealers whose payment mechanisms are already covered under the existing regulation.</p>	Please see the comments/suggestions in the previous and following paragraphs.
	3.5(ii)	<p>While we agree that in an absolute sense, the awareness of the proposed mechanism will make investors more cautious in approaching unregistered entities for availing investment advisory/research services, we believe it is more effective and cost efficient to address the policy objective of countering the proliferation of unlicensed research activities through more direct ways of promoting awareness of such activities through public education and media campaign that are complemented by a readily accessible list of registered IAs/RAs which the public campaign should educate the public to refer to, together with robust enforcement.</p> <p>However, in the event that the proposed mechanism is implemented, we would still suggest that the awareness of the proposed mechanism needs to be proactively promoted by the Government through a public media campaign and cautioning the public that research fees paid to IAs and RAs should always be made via the mechanism and that legally operated IAs and RAs will never ask investors to pay fees outside the mechanism. The creation of the proposed mechanism in itself will not promote more awareness of or stop unregistered entities from misleading investors to pay fees directly to them.</p> <p>Since we believe that public education and public awareness campaign need to be made by the Government in either case, we believe it is more efficient and cost effective to maintain a readily accessible list of registered IAs/RAs for investors to refer to instead of creating the proposed mechanism.</p>	
	3.5(iii)	<p>In the event that the proposal is implemented and applicable to the situations that we suggest not to, we would be grateful if the following additional clarifications are provided:</p> <ul style="list-style-type: none"> -Details on scope of the application – type of research product (report, calls, conferences, etc). -Type of client(s) that would be in scope or out of scope. -Consideration on protection of clients' confidential and firm's proprietary information in the process. How would client information and data be shared between institution and the third-party platform? -Any relevant exemptions. 	