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Demystifying SEBI's

Proposed Consultation paper on Portfolio Managers Regulations, 2026

PMS

Regulation Today, Strengthening Tomorrow.

A clause-by-clause guide to the Proposed Consultation paper on Portfolio Managers Regulations, 2026

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Demystifying SEBI's Proposed Portfolio Managers Regulations, 2026

The Indian Portfolio Management Services (PMS) industry is entering a defining phase of its evolution. Over the past decade, it has transformed from a niche investment solution for high-net-worth investors into a rapidly expanding pillar of India's wealth management ecosystem. As investor expectations, product innovation, and market opportunities continue to evolve, the regulatory framework governing the industry must evolve alongside them.

Recognizing this shift, the Securities and Exchange Board of India (SEBI) has proposed a comprehensive review of the SEBI (Portfolio Managers) Regulations, 2020. The consultation paper represents one of the most significant regulatory developments for the PMS industry in recent years. While the proposed Mutual Fund Portfolio Management Services (MF-PMS) framework has attracted considerable attention, the reforms extend far beyond a single proposal. They encompass expanded investment opportunities, greater operational flexibility, stronger governance standards, enhanced compliance mechanisms, and a modernized regulatory framework designed to support the industry's next phase of growth.

At PMSBazaar, we believe that regulatory developments should not merely be reported—they should be interpreted. Understanding a consultation paper requires more than identifying what has changed; it requires understanding why the changes matter, how they may influence business models, and what they mean for investors and industry participants. Our objective is to bridge that gap by presenting regulatory developments in a practical, analytical, and industry-centric manner.

This publication has been prepared to serve as a comprehensive reference for stakeholders across the PMS ecosystem. It is structured into three sections to provide both regulatory context and practical insights.

This report has been prepared with the objective of helping portfolio managers, wealth managers, distributors, compliance professionals, investors, and other market participants navigate one of the most important regulatory transitions in the PMS industry. Rather than simply summarizing the consultation paper, we aim to provide context, practical interpretation, and balanced analysis that support informed decision-making and meaningful industry discussions.

As India's alternatives ecosystem continues to mature, thoughtful regulation will play a critical role in shaping its future. PMSBazaar remains committed to supporting that journey through independent research, data-driven insights, and knowledge resources that simplify complexity and contribute to the sustainable growth of India's Portfolio Management Services and Alternative Investment industry.

Team
PMSBazaar Research

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SECTION 1

The section 1 presents a detailed clause-by-clause comparison between the existing SEBI (Portfolio Managers) Regulations, 2020 and the proposed draft regulations, highlighting every significant amendment and its practical implication.

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SECTION 2

The section 2 examines the broader impact of the proposed reforms, including expanded investment permissions covering pre-IPO securities, investment-grade unlisted debt, foreign securities, and exchange-traded derivatives, while discussing the operational, governance, compliance, and risk management considerations arising from these changes.

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SECTION 3

The section 3 focuses on the opportunities and challenges for small and emerging portfolio managers, evaluating how the proposed reforms may improve ease of doing business while simultaneously raising expectations around governance, compliance, and operational readiness.

The consultation paper proposes a new draft Portfolio Managers Regulations, 2026.

Key goals include expanding investment avenues, easing compliance, consolidating provisions, simplifying language, and removing redundancies. Many changes build on the 2020 framework with transitional/grandfathering clauses for existing entities.

1. Structure & Chapter Reorganisation (Major Consolidation)

Aspect	Existing (2020)	Consultation Paper (2026)	Newly Added / Removed	Impact
Overall Structure	Scattered chapters with some duplication.	Consolidated & restructured (see Annexure B mapping). Registration in Chapter II; Obligations in Chapter V; New MF-PMS in Chapter VI; Inspection in Chapter VII.	Many scattered provisions consolidated (e.g., registration process, co-investment into dedicated chapter). Transitory provisos deleted.	Significant simplification - easier reference, reduced redundancy.

2. Definitions (Regulation 2)

Term	Existing (2020)	Consultation Paper (2026)	Changes / New / Removed	Impact
To be listed securities	Not defined.	New definition: Equity/debt under IPO/primary issuance until listing.	Newly added.	Enables pre-listing investments.
Associate	Not separately defined in core definitions (used contextually).	New detailed definition (≥20% equity/partnership).	Newly added.	Clarity on related entities.
Net worth	Paid-up capital + free reserves (excluding revaluation) minus losses etc.	Updated: Includes securities premium; excludes loans/ advances to related parties/ associates.	Modified plus clarified.	Stronger, more conservative definition.
MF only PMS (MF-PMS)	Not present.	New definition (Chapter VI registration).	Newly added.	Dedicated lighter framework.

Term	Existing (2020)	Consultation Paper (2026)	Changes / New / Removed	Impact
Non-Discretionary PM	Implied.	Explicit definition added.	Newly added.	Clarity.
Investment approach	Not explicitly defined.	New: Broad outlay considering client/securities factors.	Newly added.	Better disclosure framework.
Related Party	Existing detailed (with promoter thresholds).	Retained with minor alignment to Companies Act.	Minor tweaks.	Consistency.
Eligible Fund Manager/Fund	References Income-tax Act.	Updated references (to 2025 IT Act Schedule).	Updated.	Alignment with tax law.

Other definitions (accredited investor, Co-investment PM, etc.) largely retained with minor updates.

3. Registration & Eligibility (Chapter II)

Aspect	Existing (2020)	Consultation Paper (2026)	Changes	Impact
Application Process	Detailed (Regulation 4-6, 10, 13 etc.).	Consolidated in Regulation-3 (form + fees per Schedule; clarification; rejection process).	Consolidated plus timelines improved (e.g., 30 days for objections).	Ease of compliance.
Consideration/Fit & Proper/Net Worth	Regulation 7-9 (detailed criteria, Rs.5 Cr net worth).	Mapped to Regulation 4-7 (conditions, continuance, surrender). Net worth clarified.	Tabulated eligibility; new liquid assets requirement (10%); surrender added.	Streamlined; stronger liquidity.
MF-PMS	Not available.	New Chapter VI: Reduced ticket (Rs.25 Lakhs), net worth (Rs.2 Crores), relaxed Principal Officer qualifications, optional staff/ room, fee cap 2.5%, segregation.	Major new framework.	Lowers barriers for mutual fund-focused services.
Minimum Business	None.	New requirement: 10 clients or Rs.5Cr AUM in 3 years.	Newly added.	Prevents dormant registrations.

Collectively, the proposed registration reforms reflect a shift from a prescriptive, infrastructure-based regulatory model to a principles-based, risk-proportionate framework. Smaller and specialized portfolio managers receive calibrated compliance relief, while core governance standards continue to be maintained

4. Investments & Portfolio Management (Reg 18 / Old Reg 24)

Aspect	Existing (2020)	Consultation Paper (2026)	Changes	Impact
To-be-listed & Unlisted	Limited.	Explicit permissions.	Expanded universe.	Diversification.
Foreign Securities	Not permitted.	Allowed (listed equity/debt, overseas funds/REITs) with FEMA compliance plus explicit consent.	Newly permitted.	Professional global access.
Derivatives (Annexure C)	Hedging/rebalancing only.	Total exposure ≤1.25x AUM; unhedged short ≤50%; options premium ≤10%; detailed calculation + offsetting rules (Annexure C1). Explicit consent.	Enhanced flexibility plus guardrails.	Sophisticated strategies enabled with risk controls.
Holding Securities	Cannot hold in own name.	Clarified exception for short-term liquid MFs.	Anchor clause.	Operational efficiency.

5. Obligations, Compliance & Disclosures (Chapter V)

Aspect	Existing (2020)	Consultation Paper (2026)	Changes	Impact
Disclosure Document & Timelines	Specific formats; 7 working days.	Digital allowed; 10 calendar days; latest on website. Forms to Master Circular.	Eased plus digital.	Paperless initiative.
Dealing Room	Mandatory.	Relaxed for small PMs (<10 clients / <Rs.100Cr AUM) with audit trails.	New relaxation.	Ease for smaller players.
Compliance Officer	Appointed.	NISM Series-III-C certification required.	Strengthened.	Professional standards.
Reporting & Expenses	Various timelines/caps (upper limits).	Aligned/extended; 0.5% Operating Expenses exclusive of levies.	Clarified plus eased.	Reduced burden.
Geographical Scope	Implicit.	Explicit (India-only, except overseas trades).	Newly clarified.	Oversight strengthened.

6. Other Key Changes

1. Co-investment Portfolio Manager: Dedicated chapter (Regulation 12-14) with exemptions.
2. Eligible Fund Managers: Consolidated procedures.
3. Grandfathering: Tightened timelines (e.g., min investment compliance in 36 months).
4. Redundant Provisions: Removed (e.g., old transitory provisos, detailed agreement content, some litigation clauses now under fit & proper).
5. Dispute Resolution & Grievance: Strengthened/added.
6. Inspection/Defaults: Renumbered but similar with updates.

Overall Impact Summary:

1. Growth-Oriented: Expanded investments (foreign, derivatives, pre-IPO, MF-PMS) plus lower barriers.
2. Investor Protection: Consent requirements, exposure limits, liquidity rules, minimum activity thresholds, segregation.
3. Ease of Business: Consolidation, digital processes, relaxed requirements for smaller/MF-focused entities, clearer language.
4. Transition: Existing PMs will be given some time to fully meet the new requirements; forms moved to Master Circular for flexibility.

Annexure-B provides the official clause-by-clause mapping, confirming the consolidation (e.g., old Regulation 4-15 to new Regulation 3-7).

Regulatory Significance of Investment Approach

Draft Regulation: Introduces a formal definition of 'Investment Approach'

Regulatory Significance

The introduction of a formal definition of Investment Approach is a significant regulatory development. Under the proposed framework, the Investment Approach is no longer merely a descriptive strategy but becomes a key reference point for the Disclosure Document, Client Agreements, Portfolio Construction and Ongoing Portfolio Management. Portfolio Managers may therefore need to clearly define each Investment Approach, ensure consistency in implementation and establish internal governance process/monitoring mechanisms to identify and document any material deviations from the disclosed strategy.

1. Investment Permissions - Key Changes & Impact

Permission	Existing (2020)	Consultation Paper (2026)	Impact	Risks / Practical Implications
To-be-listed securities	Not explicitly allowed	Explicitly permitted (new definition).	Broader pre-IPO access & diversification.	Higher illiquidity & volatility risk; requires strong due diligence & client consent.
Unlisted debt under Discretionary Portfolio Management Services (DPMS)	Generally prohibited	Up to 10% of client AUM in investment-grade unlisted debt.	More flexibility for DPMS.	Credit & liquidity risk increase; PMs need robust credit assessment capabilities.
Foreign Securities	Not permitted	Listed equity/debt + overseas MFs/ REITs (FEMA compliant).	Global diversification for HNIs.	Currency, geopolitical & regulatory risks; complex FEMA reporting & client consent required.
Exchange Traded Derivatives#	Limited (hedging/ rebalancing)	Total exposure ≤1.25x AUM; unhedged short ≤50%; options premium ≤10% $(Annexure C).	Sophisticated strategies enabled.	Significant leverage & market risk; needs strong risk systems, explicit consent & disclosures.
MF-only PMS	Standard PMS rules apply	Dedicated lighter framework (direct plans, ETFs, SIFs).	Accessible to mass-affluent clients.	Lower expertise threshold may lead to mis-selling risks: segregation from MFD activities mandatory.

$ **Impact:** The proposed cap on the aggregate option premium paid and received limits the extent to which derivative positions involving options can be built within a portfolio. Portfolio Managers will need to monitor option premium exposure on an ongoing basis to ensure compliance with the prescribed limit. This may require appropriate system controls, periodic monitoring and internal reporting mechanisms to prevent breaches of the regulatory threshold.

Equity derivatives: Full enhanced flexibility (1.25x total exposure + up to 50% unhedged short); **Commodity derivatives (ETCDs):** Only for hedging and portfolio rebalancing (no unhedged directional exposure).

Compliance Impact: Portfolio Managers should implement appropriate monitoring mechanisms to ensure that the aggregate option premium paid and received does not exceed 10% of the client's AUM, as prescribed under Annexure C. This may require system-based alerts and periodic compliance reviews.

Enhanced Role of Client Consent: The proposed amendments indicate a greater reliance on explicit and informed client consent for certain investment activities and portfolio management decisions. Rather than prescribing uniform regulatory restrictions in every case, the proposed framework enables Portfolio Managers to undertake specified activities where the client has been provided with adequate disclosures and has given informed consent. This approach is reflected across multiple proposals, including overseas investments, the use of exchange-traded derivatives, specialised investment mandates and other client-specific investment decisions. Consequently, Portfolio Managers may need to strengthen their client onboarding processes, consent documentation, disclosure standards and record-keeping mechanisms to demonstrate that client consent has been obtained in a clear, informed and auditable manner.

2. Compliance Relaxations

Area	Existing Requirement	Proposed Relaxation	Impact	Practical Implications
MF-PMS Framework	Full PMS rules	Reduced net worth (Rs.2 Cr), ticket size (Rs.25 L), relaxed Principal Officer qualifications, optional dealing room/ employee.	Easier entry for mutual fund focused players.	Lower compliance cost: faster onboarding of smaller clients.
Dealing Room	Mandatory for all	Relaxed for PMs with <10 clients or <Rs.100 Cr AUM (with audit trail).	Cost saving for small/ medium PMs.	Must maintain digital audit trails: potential SEBI scrutiny on controls.
Disclosure Document	Physical + strict timelines	Digital sharing allowed: 10 calendar days for updates.	Reduced paperwork.	Easier updates but website must always show latest version.
Reporting Timelines	Shorter (e.g., 7 working days, 30 days)	Extended/aligned (e.g., 10 calendar days, 60 days for corporate governance).	Lower operational burden.	Better alignment with other filings.
Net Worth Deployment	General	10% in liquid assets (with transition).	Stronger liquidity.	Capital allocation constraints for some PMs.
Principal Officer & Staff	Stringent qualifications + mandatory extra employee	Rationalized qualifications: optional for MF-PMS & small entities.	Easier hiring.	May reduce talent acquisition costs.

3. Detailed Impact Analysis (Overall)

Category	Positive Impacts	Negative / Neutral Impacts	Overall Assessment
Industry Growth	Expanded investment universe, MF-PMS for mass affluent, derivatives flexibility.	-	High positive - expected to boost AUM & client base further.
Investor Protection	Explicit consents, exposure limits, segregation, minimum business thresholds.	Potential for higher risk products (derivatives, unlisted, foreign).	Balanced - more options with safeguards.
Operational Ease	Consolidation, digital processes, relaxations for small/MF-PMS.	New requirements (liquid assets, certifications, geographical limits).	Net positive for most players.
Compliance Cost	Reduced timelines, relaxed dealing room, simplified formats.	System upgrades for derivatives, foreign investments & audit trails.	Moderate cost increase for complex strategies, savings for smaller entities.
Regulatory Oversight	Clearer definitions, geographical boundaries, surrender process.	-	Strengthened supervision.

4. Risks & Practical Implications (Key Areas)

Area	Key Risks	Practical Implications for PMs	Mitigation Suggested by Draft
Derivatives	High leverage & market risk: potential large losses.	Need robust risk management systems, training & monitoring.	Exposure caps, offsetting rules, explicit client consent & disclosures (Annexure C).
Foreign Investments	Currency & regulatory risks: FEMA violations.	Additional compliance team or tie-ups: complex reporting.	Client consent + adherence to FEMA limits.
MF-PMS	Mis-selling to less sophisticated clients: conflict with MFD activities.	Arm's length segregation required: simplified but still regulated.	Client-level segregation & clear fee structure.
Smaller PMs	Relaxations may lead to weaker controls.	Easier operations but higher scrutiny on audit trails.	Mandatory audit trails & internal controls.
Transition	Grandfathering timelines (36 months for min investment, etc.).	Need to review & upgrade existing client portfolios.	Time-bound compliance windows provided.
General	Increased litigation risk from complex products.	Better documentation & suitability assessments essential.	Fit & proper + disclosure enhancements.

Derivatives - Exposure Calculation Methodology

Derivative Position	Exposure Calculation Method	Remarks
Long Futures	Notional value of the futures contract.	Counts towards total exposure.
Short Futures	Notional value of the futures contract.	Counts towards short exposure and overall exposure, subject to offsetting rules.
Long Call / Long Put (Bought Options)	Premium paid for purchasing the option.	Exposure limited to the premium paid: loss is limited to premium.
Short Call / Short Put (Sold Options)	Notional value of the underlying contract.	Creates contingent liability: included in exposure computation as prescribed in Annexure C.
Offsetting Positions	Net exposure after applying permissible offsetting rules.	Offset permitted only where the conditions specified in Annexure C are satisfied (e.g., eligible combinations with the same underlying/ expiry, as applicable).
Total Portfolio Exposure	Aggregate exposure after considering cash market positions, derivative positions and permitted offsets.	Overall exposure shall remain within the limits prescribed under the proposed regulations.

Impact: Portfolio Managers will need systems capable of computing derivative exposure on a real-time basis in accordance with the methodology prescribed in Annexure C. This requires accurate capture of notional values, option premiums, offsetting positions and aggregate portfolio exposure. Manual calculations may not be sufficient where portfolios actively use derivatives, necessitating appropriate risk management systems and automated exposure monitoring.

Note: The above table is a simplified summary prepared for ease of understanding. Exposure shall be computed strictly in accordance with the methodology prescribed in Annexure C to the proposed SEBI (Portfolio Managers) Regulations.

Summary Takeaway: The proposed regulations are pro-growth with safeguards. They significantly expand opportunities (especially for derivatives, foreign & MF-only) while offering meaningful compliance relief for smaller and specialized players. However, PMs adopting advanced strategies will face higher operational and risk management demands.

The proposed 2026 regulations significantly expand the investment universe for Portfolio Managers (especially under Discretionary PMS). While this creates growth opportunities, it also raises the bar for operational infrastructure, risk controls, and compliance.

1. What Are the 'Advanced Strategies'?

- Investment in foreign securities (listed equity, debt, overseas funds/REITs)
- Unlisted debt securities (up to 10% under DPMS)
- Exchange Traded Derivatives (total exposure up to 1.25x AUM, unhedged short up to 50%, options exposure capped)
- Pre-IPO / To-be-listed securities
- These go beyond traditional listed equity/debt and mutual funds that most PMs have historically focused on.

2. Why Higher Operational Demands?

Area	Specific Demands	Why It's More Demanding
Due Diligence & Research	In-depth credit analysis for unlisted debt, country/ regulatory analysis for foreign securities, IPO pipeline monitoring.	Requires specialized research teams or external tie-ups (previously not needed at this scale).
Technology & Systems	Real-time exposure monitoring for derivatives (1.25x limit), forex & cross-border settlement systems, pre-IPO application tracking.	Many smaller PMs will need to upgrade or integrate new risk & order management systems.
Execution & Settlement	Overseas trading infrastructure, handling different time zones, custodians & tax withholding.	Potential need for foreign broker relationships and specialized custodians.
Client Onboarding & Consent	Explicit positive consent for each advanced strategy (derivatives, foreign, etc.): suitability assessments.	More paperwork, client education sessions, and audit trails for every client.
Reporting & Record-keeping	Enhanced performance attribution, risk metrics (VaR, Greeks for derivatives), FEMA & overseas reporting.	More frequent and complex client reports + internal MIS.

3. Why Higher Risk Management Demands?

Risk Type	Examples	Required Controls
Market & Leverage Risk	Derivatives can amplify losses (1.25x exposure + 50% short).	Strict position limits, daily mark-to-market, stress testing, stop-loss mechanisms.
Liquidity Risk	Unlisted debt & pre-IPO securities.	Liquidity buffers, concentration limits, exit strategy planning.
Currency & Geopolitical Risk	Foreign investments.	Hedging policies, country exposure limits, regular scenario analysis.
Credit & Counterparty Risk	Unlisted debt & derivatives.	Credit rating thresholds, counterparty due diligence, collateral management.
Compliance & Regulatory Risk	FEMA violations, breach of exposure caps.	Automated compliance engines, independent risk officer (or enhanced role), regular internal audits.
Suitability & Conduct Risk	Complex products sold to unsuitable clients.	Robust KYC + risk profiling, documented advice, grievance redressal readiness.

4. Practical Implications for PMs

Small / Mid-sized PMs: May stick to plain vanilla or MF-PMS to avoid heavy investment in systems and talent. Adopting advanced strategies could strain resources.

Large / Sophisticated PMs: Better positioned but still need to scale up risk teams, technology budgets, and training.

Cost Increase: Higher expenses on technology, specialized staff (risk managers, compliance experts, research analysts), and external vendors (global custodians, data providers).

Talent Needs: Demand for professionals experienced in derivatives, international markets, and quantitative risk modeling.

Liability: More potential for client disputes or regulatory penalties if risk controls fail or suitability is not properly documented.

Timeline Pressure: Existing PMs must upgrade processes within the transition periods while continuing to service current clients.

Bottom Line: The regulations open the door to more professional, globally competitive portfolio management, but they effectively raise the professional standards required to offer these strategies safely. PMs who want to use the new permissions must treat them as a serious capability upgrade, not just an add-on service. Those who do it well can differentiate themselves and attract higher AUM: those who rush in without proper infrastructure face elevated regulatory, operational, and reputational risks.

Small PMs are typically defined in the proposal as those with <10 clients or AUM below Rs.100 crore. The new regulations are generally favorable for them through targeted relaxations, but they also introduce some new obligations.

1. Positive Impacts / Relaxations for Small PMs

Area	Benefit	Details	Practical Advantage
Dealing Room Requirement	Major relaxation	No dedicated dealing room needed if <10 clients or <Rs.100 Cr AUM (with audit trail).	Significant cost saving on infrastructure & personnel.
MF-PMS Framework	New lighter option	Can register/operate as MF-only PMS with lower net worth (Rs.2 Crores), lower ticket size (Rs.25 lakhs), relaxed PO qualifications, optional extra staff.	Easier to serve mass-affluent clients without full PMS overhead.
Compliance Timelines	Extended periods	Many filings changed from 7 working days to 10 calendar days: corporate governance to 60 days.	Reduced pressure on small teams.
Disclosure & Reporting	Digital + simplified	Digital disclosure documents allowed: formats simplified.	Lower printing & administrative costs.
Registration & Operations	Consolidated & clearer rules	Easier application process: surrender option added.	Better predictability and exit flexibility.

2. New Requirements / Potential Burdens

Area	New Requirement	Impact on Small PMs	Practical Implication
Minimum Business Threshold	Must achieve 10 clients or Rs.5 Crore AUM within 3 years of registration.	Pressure to grow or risk losing registration.	Small/new PMs must focus on client acquisition quickly: transition period for existing.
Net Worth Liquidity	10% of net worth in liquid assets (cash, G-secs, etc.).	Capital deployment constraint.	May tie up funds that small PMs prefer to use for operations/marketing.
Compliance Officer Certification	NISM Series-III-C mandatory.	Additional training/certification cost.	Small teams may need to upskill or hire.

Area	New Requirement	Impact on Small PMs	Practical Implication
Advanced Strategies	Higher controls if used (derivatives, foreign, unlisted).	Optional but resource-intensive.	Most small PMs likely to avoid them due to complexity & cost.
Audit Trails & Controls	Must maintain proper records for relaxed dealing room.	Increased documentation discipline.	Requires investment in basic compliance software.

3. Overall Impact Summary for Small PMs

Aspect	Assessment	Key Takeaway
Ease of Doing Business	Highly Positive	Relaxations in dealing room, MF-PMS entry barriers, and timelines significantly reduce costs and complexity.
Growth Potential	Positive	MF-PMS opens a new segment (mass-affluent clients) with lower minimums.
Compliance Burden	Mildly Increased	New certification, liquidity rules, and minimum activity threshold add some load, but manageable.
Risk Level	Neutral to Lower	Small PMs are encouraged to stay simple (avoid complex derivatives/foreign unless ready).
Competitive Position	Improved	Helps small PMs compete with larger ones in the retail/mass-affluent space via MF-PMS.
Survival Pressure	Moderate	The 3-year minimum business rule may force dormant or very small PMs to scale up or surrender.

Bottom Line for Small PMs

Supportive Measures for Small and Mid-Sized Portfolio Managers: The proposal is tailor-made to support smaller players. The dealing room relaxation and MF-PMS framework are particularly beneficial and can meaningfully lower operational costs.

Caution: You cannot remain too small indefinitely. The new minimum activity requirement (10 clients or Rs.5 Crores AUM in 3 years) is a clear signal that SEBI wants active, viable businesses.

Strategic Recommendation: Focus on MF-PMS as an easy entry/growth lever. Stay away from complex strategies (derivatives, foreign securities) unless you have the systems and expertise. Invest early in basic compliance tech for audit trails and digital disclosures.

MF-PMS vs Traditional PMS – Detailed Comparison
(Under the Proposed SEBI (Portfolio Managers) Regulations, 202X)

Parameter	Traditional PMS (Full Scope)	MF-PMS (Mutual Fund Only)	Key Implications
Permissible Investments	Broad: Listed equity, debt, derivatives (with limits), unlisted debt (limited), to-be-listed, foreign securities (proposed).	Restricted: Only direct plans of Mutual Funds, ETFs, and Specialized Investment Funds (SIFs).	MF-PMS is much simpler and lower risk.
Minimum Client Investment	Rs.50 lakh	Rs.25 lakh (reduced)	MF-PMS opens door to mass-affluent segment.
Net Worth Requirement	Rs.5 crore	Rs.2 crore (reduced)	Significantly lower capital barrier for MF-PMS.
Principal Officer Qualifications	Professional qualification (Finance/ Law etc.) + NISM/CFA + 5 years experience (2 years relevant).	Relaxed: Graduation (any discipline) + 2 years experience + NISM certification.	Easier to appoint PO in MF-PMS.
Additional Employee	Mandatory (with qualifications)	Optional	Cost saving for MF-PMS.
Dedicated Dealing Room	Mandatory (with relaxation for small PMSs)	Optional	Major operational relief for MF-PMS.
Fee Structure	Flexible (fixed + performance)	Fixed management fee capped at 2.5% of AUM + performance fee possible with consent.	More regulated and transparent in MF-PMS.
Exit Load	Applicable as per scheme	Waived (no double charging)	Client-friendly in MF-PMS.
Disclosure Document	Detailed & comprehensive	Simplified format	Easier compliance and client understanding.
Segregation Requirements	Standard	Strict arm's length from MFD activities + client-level segregation (same client cannot get both services).	Prevents conflict of interest.
Target Clients	HNIs & Ultra-HNIs seeking active stock picking.	Mass-affluent investors seeking professional MF allocation.	MF-PMS broadens the market.
Operational Complexity	High (research, trading, risk management)	Low (mainly scheme selection & allocation).	MF-PMS is lighter to operate.

Parameter	Traditional PMS (Full Scope)	MF-PMS (Mutual Fund Only)	Key Implications
Risk Profile	Higher (equity, derivatives, foreign)	Lower (mutual fund level diversification)	Safer for smaller PMs and conservative clients.
Registration	Single registration covering all.	Can be obtained as separate registration or as an investment approach under existing PMS.	Flexibility for existing PMs.

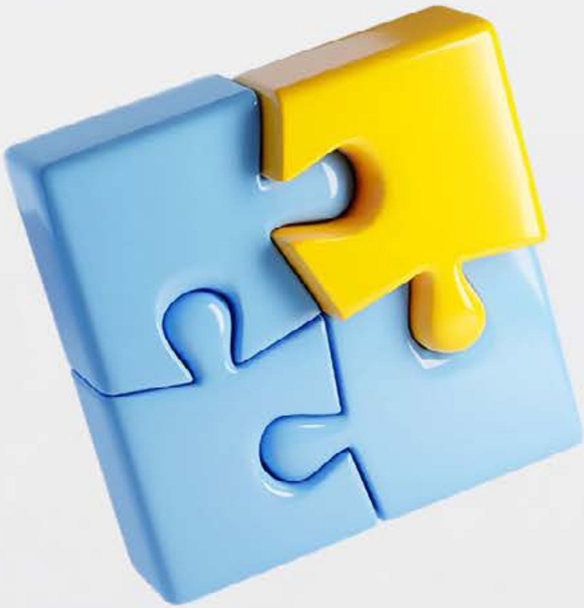
Choosing Between MF-PMS and Traditional PMS: Key Considerations

Scenario	Recommended Option	Reason
Large, experienced PM with strong research team	Traditional PMS	Full flexibility to offer active stock selection & advanced strategies.
Small / New PM wanting to start quickly	MF-PMS	Lower entry barriers, reduced costs, easier compliance.
Existing PM wanting to serve smaller clients	MF-PMS (as additional approach)	Can tap mass-affluent segment without full overhead.
Client seeking aggressive returns	Traditional PMS	Wider investment universe.
Client seeking professional MF portfolio	MF-PMS	Simpler, lower cost, diversified.
Survival Pressure	Moderate	The 3-year minimum business rule may force dormant or very small PMs to scale up or surrender.

Key Strategic Takeaway:

MF-PMS provides a significant advantage to smaller and mid-sized PMs. It lowers almost every major barrier (capital, ticket size, infrastructure, qualifications) while still allowing professional management of mutual funds. Traditional PMS remains the premium offering for sophisticated HNIs who want direct equity, derivatives, and international exposure.

CONCLUSION



Regulatory reforms often shape the future of an industry long before they come into effect. Understanding their practical implications, therefore, becomes as important as understanding the regulations themselves. This report has been prepared with that objective—to simplify a complex consultation paper and present its implications in a structured, practical, and industry-focused manner.

As the proposals are currently under public consultation, the final regulations will be shaped by feedback from industry participants and other stakeholders. We encourage portfolio managers, wealth managers, investors, compliance professionals, and all interested stakeholders to actively participate in this consultative process by reviewing the proposals and submitting their comments to SEBI.

SEBI is currently inviting public comments on the proposed regulations until August 13th 2026. You can submit your feedback through the official consultation portal below:

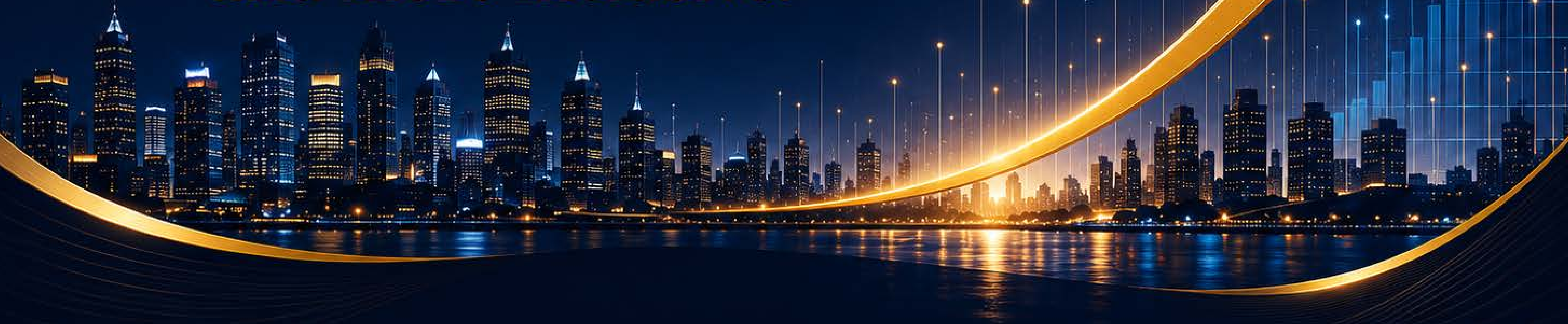
SEBI Public Consultation Portal:

https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes

At PMSBazaar, we remain committed to decoding regulatory developments, providing independent research, and enabling informed conversations that contribute to the continued growth and evolution of India's portfolio management industry.

“Regulation evolves. Opportunity expands.

The future of PMS is stronger, smarter, and more inclusive.”



Thank You!

For reading our comprehensive guide on

SEBI's Proposed Consultation paper on Portfolio Managers Regulations, 2026

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