Sebi eyes e-tail for mutual funds

To clear the decks for mutual funds via e- commerce at an out- of- turn board meeting next month

The Securities and Exchange Board of India (Sebi) is set to hold a board meeting in the first half of January 2016. This would be a break from the tradition of one meeting every quarter (90 days), as this meeting has been scheduled within 45 days of the last.

According to people in the know, this meeting would go heavy on reforms for the mutual fund sector and would include electronic Know Your Client (e- KYC) on a priority basis.

An e- mail to the regulator did not get a response till the time of press.

According to sources, the chairman has scheduled this meeting to clear all the uncompleted tasks before his term comes to an end. The five- year tenure of current chairman U K Sinha ends on February 17, 2016.

The government is close to finalising a replacement for Sinha, who had joined Sebi in 2010, after taking over from CB Bhave.

"There is a considerable push from the regulator to clear impediments around the sale of mutual funds through e- commerce platforms," said a source.

The regulator has held five meetings with a panel headed by Nandan Nilekani on digitisation and streamlining distribution of mutual fund products.

The last meeting was on December 15.

The committee has been tasked with making it easy to invest in mutual funds and digitise all securities market transactions.

According to sources, the committee has decided against the move to have a third net asset value for now. But, the model has not been scrapped.

The e- commerce platforms could be asked to follow a distribution model and an advisory model.

Under the distribution model, the platforms would be entitled to a commission from the fund house, but cannot charge anything to the customer.

Platforms such as Snapdeal and Flipkart will be allowed to sell only direct plans. But, the platforms cannot advise on any mutual fund scheme.

In the last meeting, a leading e- commerce firm reportedly raised a demand for 40 basis points as commission — half of it to be shared with the customer. However, this cannot be eased under the current regulatory framework.

"It seems the targeted intermediaries, the e- commerce platforms, do not understand the framework and requisite stipulations while selling a regulated product such as mutual funds. The regulator would need to decide that whether it wants proper channels to increase mutual fund penetration or wants more peddlers on the street," said Manoj Nagpal, chief executive, Outlook Asia Capital.

Also, there could be norms for making the credit- rating process more streamlined. It is learnt that the rating agencies have filed their reports to the regulator, with suggestions on changes.

The issue of norms for rating agencies gained importance in the wake of the recent crisis owing to the downgrade of debt paper of Amtek Auto.

(Business Standard)