Address by Shri Tuhin Kanta Pandey, Chairman, SEBI

Association of Portfolio Managers in India

Annual Conclave - 2025

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Mr. Ashishkumar Chauhan, MD & CEO, NSE, Mr. Biharilal Deora, Chairman, APMI, Mr. Sushant Bhansali, Vice Chairman, APMI, Board Members of APMI, market participants, members of the media, ladies and gentlemen!

Thank you for the opportunity to address you at APMI's Annual Conclave, 2025. It is a privilege to be among professionals shaping bespoke wealth management in India. I urge you to use this event as a sounding board - at the end of it, each of you should have atleast one key takeaway for your business.

Today, I want to share my thoughts on the evolving Portfolio Management Services (PMS) industry and reflect on its opportunities, challenges, and responsibilities as a differentiated provider of wealth solutions.

Why PMS Matters Today

In 1993, SEBI brought PMS under its regulatory ambit at a time when India's GDP was a modest USD 279 billion[1]. Back then, personalized wealth management was a luxury, an idea way ahead of its time. It was a service that only a handful of pioneering managers offered, relying on personal relationships rather than formalized processes. Bringing PMS under SEBI's regulatory ambit, separate from Mutual Funds, was also a clear sign of PMS's importance as a distinct professional service.

Fast forward to 2024, and India's GDP has reached around USD 3.9 trillion[2], marking almost a multi-fold expansion since 1993 and cementing its place among the world's top five economies. That surge has also powered a boom in private wealth - the count of High Networth Individuals (HNIs) and Ultra-HNIs is increasing year-on-year. In this environment, standardized investment strategies may not satisfy needs of investors - the needs of customized risk profiling, high-conviction opportunities, and built-in downside protection.

That's precisely why PMS comes in. You do not merely offer access to markets - you provide one-on-one management that aligns client portfolios with their risk appetite, time horizon, and financial objectives, backed with full transparency and performance-linked fees.

[1] Source: World Bank
[2] Source: World Bank

Let me take you through some of the numbers[3] and what they signal for the industry:

1. The number of registered Portfolio Managers rose from 361 at end FY 2020-21 to 479 as of June 30, 2025, showing steady ecosystem growth while maintaining quality.

2. During the same period, the total client base grew at ~ 12% CAGR, with discretionary PMS clients growing at ~ 13% annually, and now making up ~ 96% of all clients.

3. Discretionary AUM (non-EPFO/PF) grew ~ 23% annually, indicating increased client preference to delegate active management of their portfolios. This AUM also makes up over 40% of the organically sourced AUM - a sign of client trust in the industry.

4. Non-discretionary and Advisory client counts have declined, but their AUMs have risen. This is indicative that substantial PMS-client relationships still exist in these categories.

But this growth comes with the mandate to maintain trust and professional conduct. Clients are entrusting you with their capital and their future. Any fall in governance standards will erode that trust.

A question to ask yourself - How are you reinforcing this trust in your own client relationships?

SEBI's Support to the PMS Ecosystem

SEBI has worked with APMI to bring in a slew of reforms to support the evolution of the PMS industry. You have seen reforms aimed at ease of doing business. For example:

- streamlining the process to digitally onboard clients,
- simplification of disclosure documents,
- specifying clear guidelines on infrastructure adequacy,
- bringing PMS distributors under the oversight of APMI,
- selection of a secondary benchmark made optional, and
- issuance of consolidated guidance by way of Master Circulars.

An operational manual for registration and post-registration activities is also available, reducing SEBI's average processing time from 74 days (FY 2023-24) to 49 days (FY 2024-25)[4].

[3] SEBI Annual Reports and Bulletins
[4] Internal SEBI estimates

These are not just administrative conveniences - they are enablers for you to focus on carrying out your core business of meeting client deliverables.

While PMS caters to sophisticated investors, we have worked with APMI on reforms for protecting investor interest. Some of these reforms include:

- norms for performance reporting and benchmarking,
- investment limits on related-party transactions with prior client consent,
- disclosure of investor grievance data on PMS websites,
- mandatory fee calculation tool with high-water mark, and
- 'Most Important Terms and Conditions' document.

I am sure you have several more asks from the Regulator and my team at SEBI is ready to work with you on the same. SEBI has formed a working group at APMI's request to address concerns of custodians, depositories, and other market participant. We look forward to their recommendations.

I would like to assure you that though the PMS Regulations were completely overhauled in 2020, that will not act as a bar in developing a more optimal regulation.

Role of APMI

Since its incorporation in 2021, APMI has enabled structured dialogue between the regulator and industry. This partnership has been a model of co-creation rather than top-down prescription.

APMI has accelerated the implementation of SEBI's agenda for investor protection, regulation, and development for the PMS industry. I commend its office bearers, past and present, for their dedication.

APMI's way forward is to position PMS as the preferred choice for informed investors. There is a need to demystify the product with investor education and awareness sessions with simplified content. APMI has to drive outreach programs to highlight the differentiated features of PMS and build trust among existing and prospective investors.

The success of SEBI's supervision system for portfolio managers is dependent on accurate and timely data filed by all stakeholders. I must commend the efforts of the Offsite Inspection Data Committee of APMI for streamlining this process. I urge APMI to continue its emphasis on maintaining data quality.

Way ahead for the Industry

Growing demand for customized wealth management outside of the traditional mutual fund space reflects investor sophistication. PMS's edge is its flexibility in delivering tailormade strategies, but the industry must demonstrate that customization is a consistent capability, not just a slogan.

You must ensure that clients understand the risk-return trade-offs, the bespoke nature of their mandate, and the advantage of directly owning underlying securities - benefits that pooled products may not match. Educating each client on their unique risk appetite is the first step in building a truly diversified portfolio.

Your client communications must be clear: eliminate ambiguity, communicate performance claims responsibly, and formally document any strategy changes.

Many of your clients will have investments through mutual funds or other pooled vehicles. Your role is to complement these investments. By combining the benefits of mutual funds with the capabilities of PMS, investors in India can build portfolios that are both resilient and differentiated.

APMI and the industry must curb misleading claims being made by a few registered Portfolio Managers. Such exaggerated performance claims undermine trust and could stall growth of this industry.

The PMS industry needs to modernize onboarding, reporting, and client engagement through digital solutions to stay competitive and trusted. SEBI's tech-enabled supervision also puts the onus on Portfolio Managers and their ecosystem to embrace technology.

Concluding thoughts

In closing, I remind you that the PMS industry is at an inflection point. You have a powerful proposition in place - a flexible regulatory framework, active industry engagement through APMI, and a rising pool of informed investors. Sustained growth will depend on innovation, process strengthening, technology investment, and keeping client interests central.

As APMI enters its fourth year, we at SEBI remain committed to shaping a forward-looking regulatory framework that exemplifies collaboration and innovation.

Thank you all. Jai Hind!