<u>Speaking Notes of Shri Amarjeet Singh, WTM, SEBI on "The Role of Mutual Fund Distributor and Future of Distribution"</u>

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1. Distinguished dignitaries on the dais, guests and speakers, valued mutual fund distributors, ladies and gentlemen. Good Morning. It is a pleasure to be here today. I thank NJ Group and FICCI for inviting me.

2. Over the past decade, one of the most significant developments in our financial sector has been the remarkable growth of mutual funds. This has accompanied a broader financialization of household savings. More Indian households are participating in capital markets and in the opportunities created by India's economic growth.

3. Distributors have been central to this journey. They serve as the bridge between households and capital markets, playing a critical role in guiding and handholding investors, enhancing the investing experience, and upholding trust in the financial system.

4. My remarks today are in 3 parts. First, to set the context, I will highlight some data points highlighting the growth of the industry and the role of distributors. Secondly, I will mention some of the recent initiatives taken by SEBI to energize and incentivize the distribution ecosystem. Finally, I will conclude with some expectations from distributors.

A. Context – distribution landscape

5. The total AUM (assets under management) of the Indian mutual fund industry stands at around INR 85 lakh crore. To put this growth in perspective, it took the industry decades to cross the INR 10 lakh crore mark in 2014. In a little over a decade since then, assets have grown more than eight-fold. Investor folios have crossed 27 crores, and there are now more than 6 crore unique mutual fund

investors. Mutual funds are clearly becoming an increasingly important part of household savings in India.

6. The distribution ecosystem has expanded alongside this growth. The number of active AMFI-registered distributors has increased from 2.4 lakh to 3.4 lakh[1] over the past five years. Around 71% of the mutual fund assets of retail and HNI investors continue to come through distributors[2]. So, even as digital channels and direct investing grow, distributors remain central to the mutual fund journey of a large majority of individual investors.

7. SIP assets now account for more than 21% of the industry's total assets. The holding-period data also show an interesting pattern: around 34% of SIP assets in regular plans have been held for more than five years, compared with 20% in direct plans[3], indicating a stronger long-term orientation in regular plans.

8. This points to the important role that distributors can play as a behavioural anchor, particularly during periods of market volatility. Investors may otherwise be tempted to stop SIPs, redeem investments, or chase schemes and asset classes that have performed well recently. A distributor can provide perspective and help ensure that short-term market movements do not drive long-term investment decisions.

9. The geographical reach of mutual funds is also expanding. B-30 cities now account for almost 19% of total industry AUM, compared with around 16% five years ago. Yet, considerable headroom for further penetration remains, and distributors will have an important role in taking mutual funds deeper into the country. In smaller towns and among first-time investors, distributors can play an important role in building awareness, explaining products and creating the trust needed to bring new households into mutual funds. This is an important part of the financial inclusion journey.

[1] Source: AMFI, period – March 2021 to March 2026
[2] https://www.amfiindia.com/uploads/AMFI_Investor_Trends_Jun2026_b746dacb72.pdf
[3] https://www.amfiindia.com/uploads/Annualreport_Mar26_efae8818ff.pdf

B. Measures taken by SEBI

10. Our approach to distribution has evolved around a few broad principles—better alignment of incentives, greater transparency and investor choice, and wider reach. You are familiar with initiatives such as Choti SIP, B-30 incentives, incentives for on-boarding first time women investors – I will not elaborate them. Let me instead mention a couple of recent initiatives guided by the aforesaid broad principles.

11. First, SEBI, in consultation with NISM, has simplified the certification framework for SIFs, allowing distributors who obtain the relevant certification to distribute both mutual funds and SIFs. This will help distributors to expand their product offerings with a single certification and serve investors with more sophisticated needs.

12. Second, we are also consulting on a proposal to introduce a Mutual Fund-only PMS framework. Under the proposal, an MF only-PMS would invest exclusively in direct plans of mutual funds, including ETFs and SIFs. The minimum investment is proposed at INR 25 lakh, compared with INR 50 lakh for a conventional PMS, along with a lower net-worth requirement and a simplified regulatory framework. The remuneration model would be based on a fixed management fees, performance-based fee or a combination of both.

13. This could enable larger and more capable distributors to move from helping investors select individual schemes to managing the investor's overall mutual fund portfolio—covering asset allocation, scheme selection and ongoing portfolio management. Appropriate safeguards have also been proposed, including segregation between the MF Distribution and MF-PMS businesses and their respective clients.

14. The larger point is that there is space for different models to co-exist in a growing mutual fund ecosystem, distributors who deepen reach and bring new investors into the market, and those who build the capabilities to serve investors with increasingly sophisticated needs.

C. Expectations from distributors

15. Ethical distribution

a. The distribution landscape is evolving rapidly. Competition is intense. There is an abundance of information, viral narratives, and intense competition for investor attention. Pressure to grow assets and acquire customers has become more pronounced, even as regulatory expectations have strengthened over the years.

b. This environment can sometimes tempt firms to prioritise growth over suitability and short-term acquisition over long-term investor outcomes. However, growth not built on investor trust will ultimately become difficult to sustain. As the quote goes - *Trust takes years to build, seconds to break, and forever to repair*.

c. Ethical distribution therefore has to remain at the centre of the investor relationship. This means fair disclosure of risks and commissions, ensuring product suitability, staying engaged beyond the point of sale, and continuously building capabilities as products become more complex. A simple test is whether you would make the same recommendation, in the same manner, to a member of your own family.

d. The industry needs to guard against the risk of mis-selling, including the less visible and unreported dimensions where investors themselves may not be immediately aware that they have been mis-sold.

16. In this context, I appreciate the recent initiatives being taken by AMFI and NISM to conduct case-study based workshops on ethics for mutual fund distributors. I understand that these cover issues such as conflicts between financial incentives and fiduciary duty, mis-selling and data privacy, and that there are plans to expand the initiative further. This is a very welcome step.

17. <u>AI and technology</u>

a. Technology and AI offer both risks and opportunities.

b. Digital on-boarding, mobile platforms and AI-enabled tools are changing how financial products are accessed, distributed and serviced. These developments can improve efficiency, reduce costs and considerably expand reach. They can also allow distributors to spend less time on routine processes and more time understanding and engaging with their clients.

c. At the same time, the growing use of technology and AI raises important questions around accountability, transparency and suitability. There is also the risk of “AI washing”, where claims about the use or capabilities of AI exceed the reality. Cyber-security, data protection and privacy are equally important concerns.

d. While technology is enabling greater dis-intermediation, it cannot take away the significance of personal human touch. Nonetheless, to remain more relevant, distributors will need to demonstrate clear and continuing value, through better understanding of investor needs, and sustained engagement. Distributors who combine the efficiency of technology with the value of human judgement and engagement will be best placed for the future.

D. Concluding Remarks

18. India’s capital markets are growing, and creating significant opportunities for long-term wealth creation. The task before us is to ensure that the benefits of capital markets are accessible to all sections of the society. Distributors can play an important role in this democratization of wealth creation - by bringing more investors into regulated financial products and helping them make informed, long-term investment decisions.

19. With our 80th Independence Day just around the corner, this is a fitting aspiration- to build a financial system that is inclusive, trusted and accessible, and that

enables more citizens to participate in India’s growth and move towards greater financial independence.

Thank you !