



## SEBI Proposes a New Asset Class

[Source: IE](#)

### Why in News?

The [Securities and Exchange Board of India \(SEBI\)](#) has proposed the introduction of a **new asset class or product category**.

- This move is aimed at providing investors with a **regulated investment product that features higher risk-taking capabilities**, while also curbing the proliferation of unregistered and **unauthorised investment** products.

### Note:

- PMS allows investors to rely on professionals to manage their investment portfolio and earn competitive returns from various asset classes.
- The service is tailored to meet the specific needs of each investor, ensuring that it meets their expectations and requirements.

### What is the Proposed New Asset Class?

- **Minimum Investment Threshold:** The minimum investment threshold under the new asset class has been proposed at Rs 10 lakh per investor.
- **Distinct Nomenclature:** SEBI proposes distinct naming for this new asset class to differentiate it from traditional MFs, PMS, [Alternative Investment Funds \(AIFs\)](#), [Real Estate Investment Trusts \(REITs\)](#), and [Infrastructure Investment Trusts \(INVITs\)](#).
- **Investment Strategies:** Some of the investment strategies that may be permitted include long-short equity funds and inverse [ETF \(exchange-traded fund\)](#) (funds that are traded on stock exchanges, much like individual stocks).
  - Investors may also have an option of systematic plans such as systematic investment plan (SIP), systematic withdrawal plan (SWP) and systematic transfer plan (STP) for investment strategies under the new asset class.
- **Eligibility Criteria for Asset Management Companies (AMCs):**
  - **Two Routes of Eligibility:**
    - **First Route:** Existing MFs operational for at least three years with an average **asset under management (AUM)** of Rs 10,000 crore and **No action initiated by SEBI against the sponsor/AMC** in the last 3 years can directly offer products in this new class.
    - **Second Route:** Existing and new MFs that do not fulfil the first eligibility route should appoint a Chief Investment Officer (CIO) with at least 10 years of fund

management experience and managing AUM of not less than Rs 5,000 crore.

- Appointment of an additional fund manager with at least 7 years of fund management experience and managing AUM of not less than Rs 3,000 crore.

▪ **Potential Benefits and Implications:**

- **Regulated investment product:** The new asset class is expected to provide investors with a regulated investment product that **offers higher risk-taking capabilities and a higher ticket size.**
- **Bridging the gap between MFs and PMS:** The new asset class is intended to fill the gap between MFs and PMS, offering a product that caters to the needs of the emerging category of investors.
- **Strengthening the role of MFs:** The eligibility criteria for offering products under the new asset class may strengthen the position of established MFs and AMCs in the investment landscape.

## Securities and Exchange Board of India (SEBI)

SEBI is a **Statutory Body** established in 1992 in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992** to protect investors' interests and regulate the securities market.

- Its **headquarters is in Mumbai**, with regional offices in Ahmedabad, Kolkata, Chennai, and Delhi.
- Before SEBI's establishment, the **Controller of Capital Issues regulated capital markets under the Capital Issues (Control) Act, 1947.**
  - In 1988, SEBI was formed as the regulatory authority for capital markets in India through a government resolution.
  - Initially, SEBI was a non-statutory body but gained autonomy and statutory powers through the SEBI Act 1992.
- SEBI Board includes a Chairman and other full-time and part-time members. SEBI forms committees as needed to address current issues.
  - The **Securities Appellate Tribunal (SAT)** is established to safeguard the interests of those affected by SEBI's decisions, with a Presiding Officer and two Members.
  - SAT has the authority of a civil court, and appeals against its decisions can be made to the Supreme Court.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims

**Q. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (2019)**

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

**Ans: (d)**

