



## Exam jitters grip finance pros as Sebi mandates certification

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Sebi cleared the certification plan on 29 March (Photo: Mint)

### SYNOPSIS

*These new provisions are part of a larger revamp of AIF norms currently being undertaken by Sebi*

New Delhi: Several private equity and hedge fund managers are experiencing exam jitters following a proposal that mandated the finance pros validate their skills by clearing a certification examination from the National Institute of Securities Market (NISM).

The Securities and Exchange Board of India (Sebi) approved the proposal mandating certification for alternative investment funds (AIFs), according to minutes from its board meeting on 29 March. Fund managers offering portfolio management services and investment advisers are already subject to similar certification requirements. AIFs, which serve high net-worth investors with a minimum investment of ₹1 crore, will now face the same scrutiny.

“To facilitate skill-based approvals and to ensure objectivity in ascertaining eligibility for registration of AIFs, the board approved a proposal to replace the existing minimum experience requirement as an eligibility criterion for the key investment team of the manager of the AIF with a comprehensive certification requirement,” said the official press release issued by the market regulator post the board meeting.

AIF managers are concerned about the reputational risks, fearing that failure to pass the exam could put them in an awkward position within their professional networks.


There have been many cases where PMS managers and investment advisers have failed to clear the exam, according to fund managers. As a result, there is fear now among fund managers that they might face similar setbacks. An email sent to Sebi seeking comments remained unanswered.

“If all GPs (AIF fund managers) are required to appear for an exam or undergo a similar procedure to affirmatively obtain a certification, then this will cause a lot of discomfort in the industry, lead to time and cost inefficiencies and cause staffing limitations,” said Nandini Pathak, leader, investment funds at Nishith Desai Associates. “This is also likely to deter competent personnel from taking up the role of compliance officers.”

To meet prior eligibility requirements, a key investment team member must have at least five years of investment experience, and one member must hold a relevant educational qualification, like a finance degree. The rules say it is also fine if an investment

“It is yet to be seen if the certification requirement which will replace the existing minimum experience criteria will be applicable to all the members of the key investment team or only one of the members since even currently, the minimum five years’ investment experience requirement can be fulfilled by any one of the key investment team members,” said Tejesh Chitlangi, senior partner, IC Universal Legal. “Also, the funds which have already got approval should be exempted from such a norm,” Chitlangi added that the certification criteria will benefit new fund managers who may not have the requisite investment experience.

These new provisions are part of a larger revamp of AIF norms currently being undertaken by Sebi. AIF rules have been considered ‘light touch regulations’ for the longest period since their inception in 2012. So far, AIFs and fund managers have enjoyed the freedom and had a minimum compliance burden.



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