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Tax Flash News

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Transfer of portfolios of PMS business by Portfolio Managers

Background

The Securities and Exchange Board of India (SEBI) vide Circular[1] dated 24 October 2025 (the Circular), has implemented a framework for the transfer of Portfolio Management Services (PMS) business from one Portfolio Manager to another both within and outside the same group.

As per the earlier provisions,[2] transfer of PMS business was permitted only on account of change in control of PMS entities, typically through mergers or acquisitions. Key requirements included prior SEBI approval, client notification with an exit option and NCLT[3] approval.

[1] SEBI/HO/IMD/RAC/CIR/P/2025/ 0000000138

[2] Master Circular for Portfolio Managers dated 16 July 2025, issued by SEBI

[3] National Company Law Tribunal

Key features of the Circular

1. **Intra-group transfer between Portfolio Managers within the same group – either a partial or complete transfer of PMS business**

   Portfolio managers within the same group may transfer either through selected investment approach(es) or the entire PMS business.

   - Complete PMS business transfer – PMS registration to be surrendered within 45 working days from the date of completion of transfer.
   - Partial PMS business transfer – In case of transfer of only select investment approach(es)[4], the transferor may retain its PMS registration.

2. **Transfer to an unrelated Portfolio Manager outside the group – complete transfer**

   - Joint application to be made by both the transferor and transferee portfolio managers to SEBI for approval.

- Partial transfer of selected investment approaches is not permitted.
- In the transition phase – Transferor to continue as Portfolio Manager but cannot onboard new clients.
- Liability:
  - The transferee to comply with all applicable regulatory requirements.
  - All acts, deeds, pending actions, litigations, and obligations of the transferor to be assumed by the transferee.
  - All rights and obligations under the existing PMS agreements including all assets, client mandates and associated power of attorney to be assigned/transferred to transferee.
  - All clients of the PMS business are to be informed of the transfer and necessary client consents need to be obtained wherever required.
- The transfer process must be completed within two months of SEBI approval.

[4] As per Para 4.6.1 of Master Circular dated 16 July 2025 an 'investment approach' is the documented investment philosophy to be adopted by the Portfolio Managers while managing the client funds in order to achieve client's investment objectives.

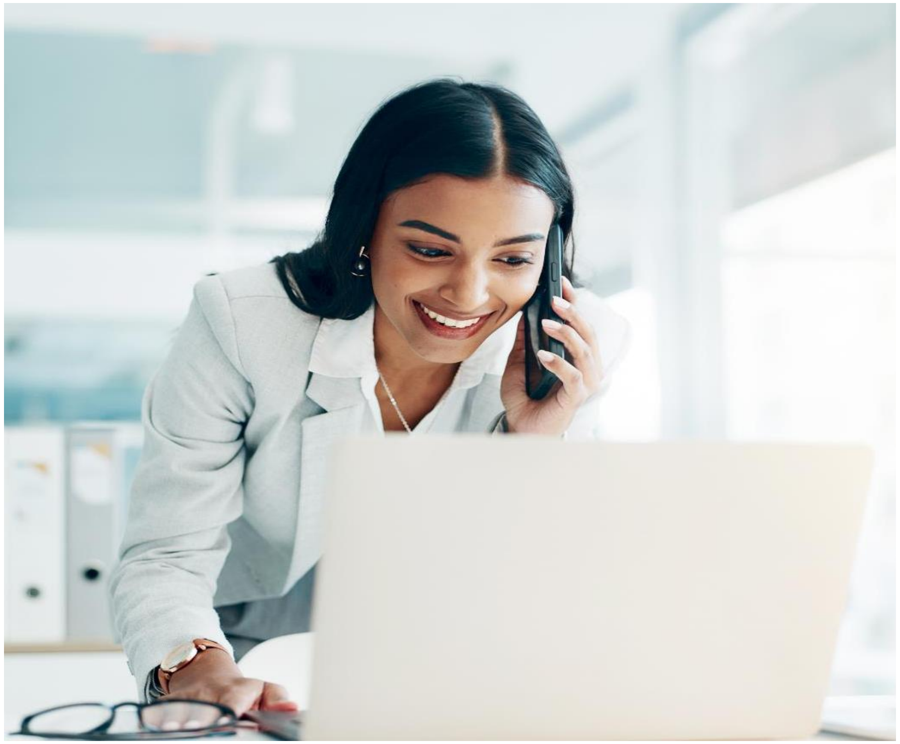
- Required documentation – Board resolution, copy of business transfer agreement, list of clients and assets under management, client communication, fit and proper person declaration as per SEBI (Intermediaries) Regulations, 2008.

Our comments

The Circular aims to simplify the regulatory process and facilitate ease of doing business while ensuring investor protection.

Portfolio Managers would now have the flexibility to transfer either complete or partial PMS business, without the need for a change in control or NCLT approval.

While this simplifies operational restructuring, the requirement of prior SEBI approval continues to ensure regulatory oversight and investor protection. Investors in turn benefit from continuity of service, transparent communication and protection of their rights throughout the transition process.



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