



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumezine.net

FIFA Perspectives

Sep 2014

FIFA wins Wealth Forum award for excellence in regulatory engagement



Winner of the Wealth Forum IFA Association Award 2014 for Excellence in Regulatory Engagement is Foundation of Independent Financial Advisors (FIFA). Seen from left to right : Yogesh Sharma, Director FIFA, Dhruv Mehta, Chairman FIFA, Milind Barve, CEO HDFC AMC, Ashu Suyash, CEO L&T AMC, Sangeeta Jhaveri, General Secretary, FIFA, Roopa Venkatakrishnan, General Secretary FIFA, and Vijay Venkatram, Wealth Forum.

We are pleased to inform you that Foundation of Independent Financial Advisors (FIFA) received an Award at Wealth Form Annual Event for excellence in regulatory engagement.

This was based on a poll of Mutual Fund senior management. The award is a testimonial to the efforts of the Foundation and all its members in creating a Common voice for the IFA community and engaging in a constructive dialogue with the regulatory authorities and other industry participants.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumazine.net

FIFA Perspectives

Sep 2014

AMCs : please walk the talk

Brijesh Dalmia, Dalmia Advisory, Kolkata



The straight talking Brijesh Dalmia, who has never minced words when discussing distribution practices that need to be reviewed, strengthened or changed, makes some important points for AMCs to reflect on, on business practices that they perhaps need to review. A lot of the learnings from excesses of the last bull market were acknowledged readily in recent years, raising hopes that we will all learn from history and avoid repeating the same mistakes. However, as Brijesh points out, there are some disturbing signs of history beginning to repeat itself. The industry is doing many things right, he says - but if we can smoothen out some of these rough edges quickly enough, we can work together to take the industry to newer heights.

Markets are at all time highs. Mutual fund industry AUM has breached the 11 lac crore mark. Investors confidence is back. Business environment looks good for distributors. Surely, good times have come.

Keep walking, as they say. What next ? For the industry to reach further scale from here we need to tighten out seat belts, review current business practice and take path defining decisions.

In the past, a lot has been spoken and written about what investors and distributors should do. A lot has been discussed about where the industry has gone wrong, which is important, so that we can learn from history and avoid making the same mistakes.

While mutual fund houses deserve a lot of credit for making continuous efforts to grow the industry, they also need to sit back and analyze some of their practices. On examining closely the activities of AMC's, I find some of them are not consistent to what they talk. I will highlight some of them here and hope AMC's will take it in good spirit and do their bit to remove these anomalies.

Flurry of NFOs - AMCs not walking their talk

At most forums AMCs suggest that inflows in equity funds are directly proportionate to highs and lows in Index, meaning that more money comes at higher index levels and less inflows come in when market bottoms out. They advise distributors to do the opposite. However, most AMC's actually do not walk their talk. The recent surge in NFOs is a clear indication that AMCs are also in the race of increasing their assets under management in good times.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

 **WealthForum e-zine**
The voice of India's wealth management industry
www.wealthforumezine.net

AMCs : please walk the talk

They also do a lot of data mining (choosing arguments which favour them) and make their case to distributors as to why they should sell their NFOs. Some of these NFOs may be worth their salt but most are not.

Worse still is the fact that almost all such NFOs come with a huge upfront commission and no trail. This induces the distributor to aggressively sell and over-selling such funds, which can lead to mis-selling. The question is that why can't they offer low upfront and trail rather than high upfronts even if they have to launch NFOs? Clearly, the answer is that they know they will not be able to garner huge AUMs without huge upfronts. Bucking the trend, there are a few AMCs who stick to their philosophy of fewer funds and promoting existing schemes rather than coming out with several NFOs. Kudos to them.

Promoting performance, defying prudence.

Again, several presentations are made by fund houses that winners rotate. Schemes which did well last year may not do well in the current year. They suggest distributors not to go overboard in schemes which have already gone up in the recent past. They caution investors and distributors not to look at the rear view mirror, but rather look ahead.

AMCs again are not walking the talk here. It has been noticed that many times (including the last few months) many AMCs promote schemes which have done extremely well in the last 1 year by offering higher commissions (mostly through upfronts) to distributors. Many AMCs aggressively promote these funds through advertisements that focus on last 1 year performance. Many distributors are thus induced to sell such funds and increase their current income. While the steam may still be left in such funds, prudence says otherwise. The point is, AMCs advocate at open forums not to chase recent performance but promote their own performance by paying higher incentives and too through upfronts.

Peer group pressure, exit loads and pricing strategies

Everyone knows that equities are for long term. To get returns investors should hold for longer periods. AMCs show a lot of data that the holding period of clients is not going up substantially. They ask distributors to promote longer term investments. However, exit loads and pricing strategies of AMCs are not in sync with this. First of all, while they advocate that distributors should build their model on trail income, most AMCs still offer high upfronts. Their argument of offering both upfront and trail model for the distributor to choose will not hold because this induces distributors to go for upfronts. If not immediately, AMCs can reduce upfronts regularly in due course of time so that the distributors adjust to this change and prepare themselves to build their business on trail. Here, it is worth acknowledging the bold step taken by some AMCs to have come out with only trail model. While they may be seeing some business being lost to competitors, this is definitely a good move and they will be rewarded in due course.

Further, why can't AMCs increase exit load period from 1 year to 3 year or more to discourage churning and redemptions? The reason of not doing so seems simple. If a particular fund house will increase exit load period, they may not get inflows as distributors and investors will prefer other fund houses. The point is - who will bell the cat first. It's an industry level problem. All AMCs need to come together and formulate a forward looking and mature strategy in the interest of all.



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

 **WealthForum e-zine**
The voice of India's wealth management industry
www.wealthforumezine.net

AMCs : please walk the talk

Investor Education - IFA enablement Programs

One thing that regulators have done well is the allocation of 2bps of recurring expenses to be spent on investor awareness programs (IAP's). Today, 100's of IAP's are being organised across the country. This will surely bring positive results in the near future as well as long term. While it is a positive step, I find a corollary here. Suppose, millions of new investors will want to invest in mutual funds, who will service them? Today, there are less than 20-30 thousand IFAs and if we add another 30-40 thousand distributors from banks and alternate channels, it is still much less than 1 lac feet on street. We all know one distributor may not be able to advise and service more than 100-200 investors. This means, industry is not geared up to service more than 1-2 crore investors. Even among the current distributors, a lot of them lack the expertise to advise clients in the right way. In my opinion, apart from IAP's, regulators and AMC's also need to spend considerable time and money to empower existing distributors as well as create more distributors in this profession. One way to do this may be by allocating a part of allocation made towards IAP's (say 1bps or 0.5 bps). If AMC's find merit in this argument they can approach regulators to do something about it.

To conclude

I am sure AMC's have their own challenges and it may not be easy to implement all suggestions they receive. I just hope they do their best by taking cognizance of above points.

Most distributors (specially in B15 cities) rely heavily on AMC's to build their business models, make sales pitch, etc. As such, it becomes all the more important that AMC's become more careful and responsible - and, to walk the talk.

The above issues however, do not take away the credit AMC's deserve in reaching where the industry stands today having faced so many serious challenges in the past decade. It is their sheer persistence and hard work that have seen the industry through. Several AMC's are spending a lot of money and resources on distributor training. Some are introducing innovative schemes for distributors, safeguarding their families by assuring trail even if the distributor in no more. Some are providing world class technological platforms to help distributors strengthen their business at no cost. We must applaud the good work done by the AMC's and as we look into the future with optimism, I hope they will weed out the smaller inconsistencies in their approach and take the industry to a new high.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

 **WealthForum e-zine**
The voice of India's wealth management industry
www.wealthforumezine.net

FIFA Perspectives

Sep 2014

Events in August 2014

Delhi

"Global Developments" by Tai Hui, Chief Market Strategist – Asia – JP Morgan on 5th August 2014. Tai Hui, Managing Director, is the Chief Market Strategist Asia for J.P. Morgan Funds based in Hong Kong. Working closely with colleagues in the US and Europe, Hui is responsible for providing insight and perspective on markets, the economy and investing to J.P. Morgan Asset Management clients across Asia. With over 12 years of experience, Tai formulates and disseminates J.P. Morgan Funds' views on the markets, economy and investing to financial advisors and their clients in the Asia region. With his knowledge and experience, he is able to explain and illustrate complex economic and financial issues in a digestible way. He took us through Global developments including India & this session will be on creating awareness on markets & opportunities that exist globally

Mumbai

FIFA had partnered with NEXT ADVISORS for their 3rd annual event on 27th August 2014 at SAHARA STAR Mumbai. The invitee list for this event included CEOs and CIOs of mutual funds and insurance companies. This year the theme of the event was IChange.

Some of the topics covered were - How UTI managed to reinvent itself; How global asset allocation can help investors; How health is the biggest wealth; How to increase productivity; Brands in an interconnected world; IFA success stories; Panel discussions by CEOs & CIOs of the industry; transformation talks etc.

Participants were encouraged to learn and initiate the process of change and become future-ready. Leading experts like Mr. Madhukar Talwalkar, Mr. Kiran Khalap, Mr. Santosh Nair etc. apart from leading lights from the MF industry shared their insights.

Thefundoo.com, a portal dedicated to the MF industry was launched during the event. IFAs can see the video of the event on www.nextadvisors.in and can use www.thefundoo.com to research, analyze and recommend investments.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumazine.net

FIFA Perspectives

Sep 2014

Events in September 2014

Indore

FIFA and IIAA event and Investor meet by Mr. Raamdeo Agrawal, Chairman, Motilal Oswal AMC-was held on 1st Sept 2014 in Indore



Delhi

INDIAN EQUITIES by Mr. Raamdeo Agrawal, Chairman, Motilal Oswal AMC- New Delhi was held on 19th Sept 2014 at CONNAUGHT PLACE , NEW DELHI

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumazine.net

FIFA Perspectives

Sep 2014

Events in September 2014

Mumbai

1. Mirae Asset Global Investments Ltd. (India) and FIFA -Knowledge sharing session 'In Conversation with Mr. Gopal Agrawal ,CIO, Mirae Asset Global Investments Ltd. (India)'- was held on Wednesday, 3rd September 2014 at Marine Plaza, Mumbai



Mr. Gopal Agrawal's key topic was "Principles of Stock picking". He elaborated on how they at Mirae Asset adhere to the core principle in picking stocks and some of the important stock picks of theirs in the past. He also gave the audience his outlook on the market.

2. 3rd Annual General Meeting was held on 25th Sept 2014 at Sunville Banquets-Mumbai.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner



FIFA Perspectives

Sep 2014

Is your client data really safe with you?

Yogesh Sharma, Director, FIFA



Yogesh highlights a key issue which distributors and advisors will do well to take note of, just as all FIFA members have, thanks to a recent knowledge initiative that FIFA organized for its members. FIFA asked Mr. D Sivanandhan, who recently retired as Mumbai's top cop, to give a presentation on the theme "Future crimes in a connected world", where he highlighted just how easy it is for rogues to steal your client data and even access your personal credit card without ever touching it. Read on to understand how data is being compromised and what you can do to protect your and your clients data.

FIFA had organised a talk by Mr. D. Sivanandhan on Thursday, 25th September 2014 as part of their knowledge series. Mr. D. Sivanandhan was the Police Commissioner of Mumbai after the 26/11 attacks and retired as the Director General of Police Maharashtra in 2011. He has worked in the Intelligence Bureau (I.B.) as well as the Central Bureau of Investigation (C.B.I.). Most recently, he has been a member of the special task force in the National Security Council Secretariat (Prime Minister's Office) for revamping India's internal and external national security measures. He is also the security advisor to the Reserve Bank of India.



Mr. D. Sivanandhan addressing FIFA members and AMC guests

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumezine.net

Is your client data really safe with you?

He spoke on the topic "Future Crimes - in a connected World", a real eye opener for one and all on how easily our and our client's data can be accessed when a video was shown of how easily one's credit card or even one's access card can be cloned by a thief without one even touching these cards and not even being physically in contact with the owners of these cards. All that a thief needs to do is be in close proximity of the person either and misused. AMC CEOs, Sales Heads, Fund Managers and other representatives along with FIFA members present were really in awe when even the devices were shown to them physically along with live demos on how easily data can be compromised through these devices. The audience was mesmerized standing next to him in an elevator or just standing in a queue or market place besides him or her.



A rapt audience, spell bound by the presentation and live demos

A device was shown and also demonstrated live to the audience on how someone can come to one's office and just plug in a small USB device into one's computer or even remotely in close proximity to the laptop or computer and copy the complete data of that computer even if the computer and data is password protected. True examples of how easily Bank frauds were committed by insiders were shown and also how just with an umbrella ATMs were robbed without detection of CCTVs.

Websites were shown where these devices were easily available online and therefore it further reinforced that how important it is for organisations and companies to not be complacent of their data and the personnel they hire as it was also demonstrated as most data thefts occur with insider help. Mr. Sivanandhan now heads a successful organisation called Securus First where they guide and help organisations and companies and individuals to protect their data.

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner

WealthForum e-zine
The voice of India's wealth management industry
www.wealthforumezine.net

Is your client data really safe with you?



Dhruv Mehta and Yogesh Sharma thank Mr. Sivanandhan for a truly enlightening talk

FIFA Perspectives brought to you by Wealth Forum



Foundation of Independent Financial Advisors

www.fifaindia.org

FIFA's Knowledge and
Communication partner



FIFA Perspectives

Sep 2014

FIFA welcomes its new members

M Type	Membership	Type	ORGANIZATION	NAME	CITY
Ordinary	O114	Indv	PRIME FINANCIAL CONSULTANCY	ANIRUDDHA SAMDANI	MUMBAI
Ordinary	O109	Indv	KAPIL KHURANA FINANCIAL & Risk Soution Pvt Ltd	VineetKhurana	AMRITSAR
Founder	F41	N.Indv	SINGHANIA INVESTMENT CONSULTANT	SHYAM SINGHANIA	GUWAHATI
Ordinary	O116	Indv	PRL Commodity & Derivatives Broking Services Pvt Ltd	PukhrajLunkar	GUWAHATI
Ordinary	O117	Indv	BIKASH HARLALKA	BIKASH HARLALKA	GUWAHATI
Ordinary	O118	N.Indv	Harsh Financials	Harsh Agarwal	GUWAHATI
Ordinary	O119	N.Indv	Vashistha Capital	Santosh Kumar Mishra	NEW DELHI
Ordinary	O120	Indv	Rajbir Singh	Rajbir Singh	GURGAON
Ordinary	O121	Indv	Ajay Malhotra	Ajay Malhotra	GURGAON
Ordinary	O122	Indv	Pawan Gupta	Pawan Gupta	DELHI
Ordinary	O123	Indv	VinatBharati	VinatBharati	DELHI
Ordinary	O124	N.Indv	S R Investments	Sandeep Bhargava	Noida
Ordinary	O125	N.Indv	Guliani Investment Center	Rajesh Guliani	DELHI
Ordinary	O126	N.Indv	Real Value Financial Services	Rajiv Verma	DELHI
Associate	A3	Asso	GWALIOR DIVISION MUTUTAL FUND DISTRIBUTORS WELFARE ASSOCIATION SAMITI	MANOJ SHARMA	GWALIOR
Associate				Ram Singhal	GWALIOR

FIFA Perspectives brought to you by Wealth Forum