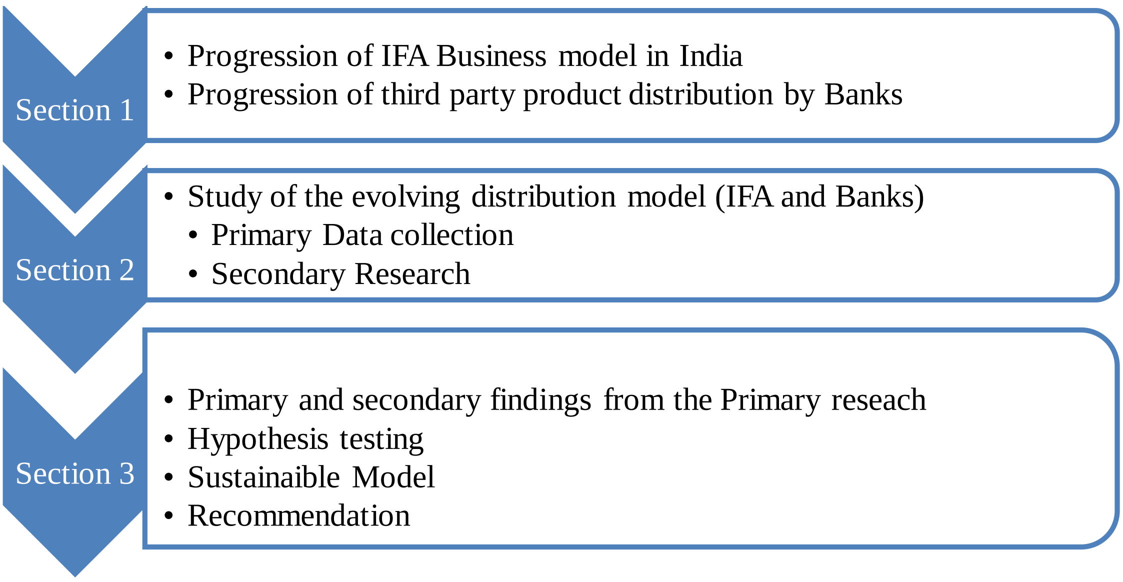
Chapter 5
Intermediary Study

Introduction: This regulatory impact assessment study on the mutual fund distribution model is organized in the following manner considering IFA and Banks. In the first section, the IFA Business model progression in India is presented and there is a discussion on bank as a mutual fund channel partner. In the second section, the researcher has studied the evolving distribution model post the Entry Load Regulation removal in India across Banks and IFA. Here, primary data has been compiled through interviews and secondary data findings of prior studies are captured. Section three then discusses the intermediary data, its key and secondary findings followed by Hypotheses testing. This is followed by a proposed sustainable model and recommendations to policy makers and regulator.

Figure 1: Distribution study chapter flow



5.1 IFA and Bank business model:

5.1.1 IFA business model progression in India: The IFA model has progressed from a single person operating entity to a well-developed franchised professional setup and this has been discussed by Sundaram, Gupte and Khatri (2014). There are IFAs who operate from their home, to IFAs who run a large setup with sub-brokers attached. A discussion on the various operating models in the IFA segment s enclosed as per Sundaram *et al. (*2014). In this section, the IFA classification as per Shah *et al.* (2010) has been used. Shah *et al.*, had referred to large IFA as those with AUM >Rs. 100 lac, medium IFA as those with AUM >Rs.10lac and < 100Rs. lac and small IFAs as those with AUM <Rs.10 lac. The Figure 23 below traces the evolution of the IFA model.

Figure 2 : Evolution of IFA model.

Source: Adapted from Sundaram *et al.* (2014)

Model 1, refers primarily to single person IFAs, typically in the small IFA category (AUM < 10 Lac). These constitute a mere 1% of the total AUM of the industry (Shah, Garg, Radhakrishna, & Prasad, 2010). *This category of IFAs only tell clients of the benefits of MF returns and market the scheme to the investor.*

Model 2 refers to that model where the IFA undertakes additional record keeping services. These would include collection/ delivery of account statements/dividend cheques etc.

The above two IFA operating models have seen the maximum outward movement in their AUM, primarily due to *the lack of robust client advising platform and support knowledge*. Shah *et al.* (2010) states that these IFA AUM has moved to distributors who bring in a more robust platform including an online presence. This included National distributors, Medium IFAs and Regional distributors.

National distributors have a Pan India presence (ex NJ, IIFL, Anand Rathi, Karvy, ICICI Securities etc), Medium IFA (AUM 10L-100L) and Regional distributors refers to strong regional players (example Wealth Managers Pvt. Ltd in Pune).

Model 3 refers to active investment selection based on macro environment and client risk return allocation.

Model 4 refers to adhering to the Financial Planning process, which involves creation of a financial plan based on risk profiling and asset allocation.

Model 5 refers to the Relationship Management stage where the IFA shares a strong bond with the client and is able to manage the account in a holistic manner, going beyond his investment requirements.

5.1.2 Banks and Third party product distribution (Mutual funds only)

The reforms in India's financial sector in the early 1990's and the subsequent revolutionary developments in information technology opened up new avenues for retail Banks in India and they ventured into several new product lines. These include Merchant Banking, Lease and Term financing, Capital and Equity Market related activities, Banc assurance, Hire-Purchase, Real Estate finance and Mutual Funds amongst others.

Currently banks are one of the key intermediaries for mutual fund sales globally and in India they constitute approximately 30% of the mutual fund sales (Mckinsey 2011). This sale is dominated by Foreign Banks, followed by Indian Private Banks and Public sector banks. Mutual brokerage payout analysis of Amfi data in section three reveals the key players in the banking intermediary space in the Indian context. The sale of mutual funds provides these banks with a numerous advantages (Popli & Rao, 2009). These include usage of existing infrastructure efficiently, ring fencing and deepening of client relationships, additional channel for fee revenue generation especially in times of shrinking margins, and optimizing manpower utilization. The Asset management companies in turn gain access to a ready distribution bank branch network (over 70,000 branches), skilled manpower, and most importantly a financial literate customer base.

5.2 Intermediary Sample details

For Sample Size Confirmation the researcher conducted a pilot study with 25 Intermediaries in Pune City and they were asked about the Impact of ELR on their Business. Positive revenue was treated as p and Negative or Neutral impact was treated as q. Using Kothari formula (Kothari, 2004) the sample size was calculated.

Sample size (N) = Zsq * (p) * (1-p)/Csq

Where Z = Z value (1.96 for a 95% confidence interval)

p =0.04, C = confidence interval =.05

Here N =59

Total intermediary sample of this research 62. (> 59)

The intermediary study included interviews with 62 respondents and comprised of two sections namely Demographic and Business study related. Methods of data collection was through a Questionnaire.

Identification of *Active Intermediary* was on the basis of inputs from a leading Pune Registrar. An Active intermediary submits a minimum 30 MF applications in a month. For this study 150 IFAs and 18 Banks were identified as Active and of these 52 IFA responses and 10 Banks responses were analysed.

IFA Sample Size (As a % of Active population): 35%.

Bank Sample Size (As a % of Active population): 55%

5.2.1IFA Data

Primary data along with secondary data is used in this research for analysis.

***5.2.1.2 Secondary Data*:** A Café mutual survey of the Independent Financial Advisor (August – September 2011) on the regulatory impact of the entry load removal constitutes a key empirical research. This survey covered 1505 IFA across 30 cities using Quantitative research. The survey found that over 70% of the IFA segment saw a decrease in the income post the removal of entry load and found the going tough. Only 25% of the IFAs said that most or some of their clients were willing to pay a fee for the services. While the IFA segment was trying hard to stay afloat in lieu of the falling incomes, the study also revealed the need for support to this segment in rolling out a client centric model where IFA can confidently charge investors. The survey also laid bare the vulnerability of the IFA segment in adapting quickly to the rapid regulatory changes and heightened competition. The survey envisaged that in spite of falling markets last year, the IFA segment continued to invest in equity schemes through the Systematic Investment Plan (SIP) route and lauded them for helping build a scalable model. A second pan India study by the same entity revealed that 42% of the IFAs had started charging fees. A substantial jump from 25% to 42%.

The two key areas that emerged for the survival and growth of this segment were the need to look beyond the referral and repurchase model by undertaking business development activities and secondly giving debt funds equal if not more allocation in the client portfolios.

5.2.1.2 Primary Data findings from Regional IFA survey (2013) by the Researcher: Over 150 Pune city based active IFAs were contacted as a part of this research and of these 52 gave a complete form filled along with qualitative inputs which are separately discussed. The questionnaire used the Likert scale for response parameters.

5.2.2 Bank data

18 Pune city based active Banks were contacted of which 10 responses were received.

5.3 Intermediary data characteristics and key findings:

Table 1 : Intermediary Sample analysis

No of Years in Business	Pune Regional Sample*	Our Sample
<2	5%	0%
2-5	29%	25%
6-10	33%	33%
11-15	15%	17%
>16	16%	25%

**Registrar Data name withheld on account of confidentiality request*.

P=.346

The characteristics of the sample are outlined in Table 2 above. A chi-square test suggests that the sample is not significantly different from the population. Accordingly, the sample was viewed as sufficiently representative to provide results which can be generalized. (Ennew, 2007)

Table 2 : Intermediary data - years of operation

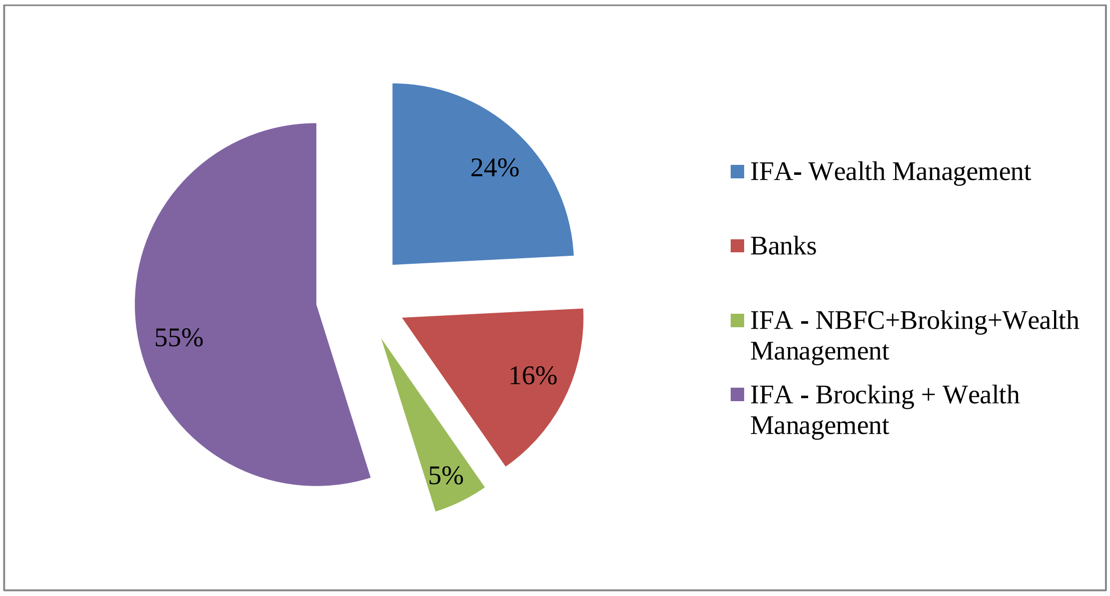
Years of Operation	Percentage of Sample
< 2	Nil
2-5	25%
6-10	33%
11-15	17%
>16	25%

The Table 30 above shows that the sample has 17% of intermediaries in 11 to 15 years of operation, 25% intermediaries in the 2 to 5 years and over 16 years of operation and 33% with 6-10 years of operation.

Table 3: Intermediary data-Scope of Services

Scope of Service	Percentage
Banking and Wealth Management	16.1%
Broking with Wealth Management	54.6%
NBFC	4.8%
Wealth Management	24.2%
Total	100%

Figure 3 : Intermediary data scope of service.



The sample comprises of 4.8% NBFC, 16.1% Banks, and 24.2% Wealth Management Firms and 54.6% as Broking firms who operated as Wealth Management outfits.

Figure 4: Impact of ELR on intermediary business

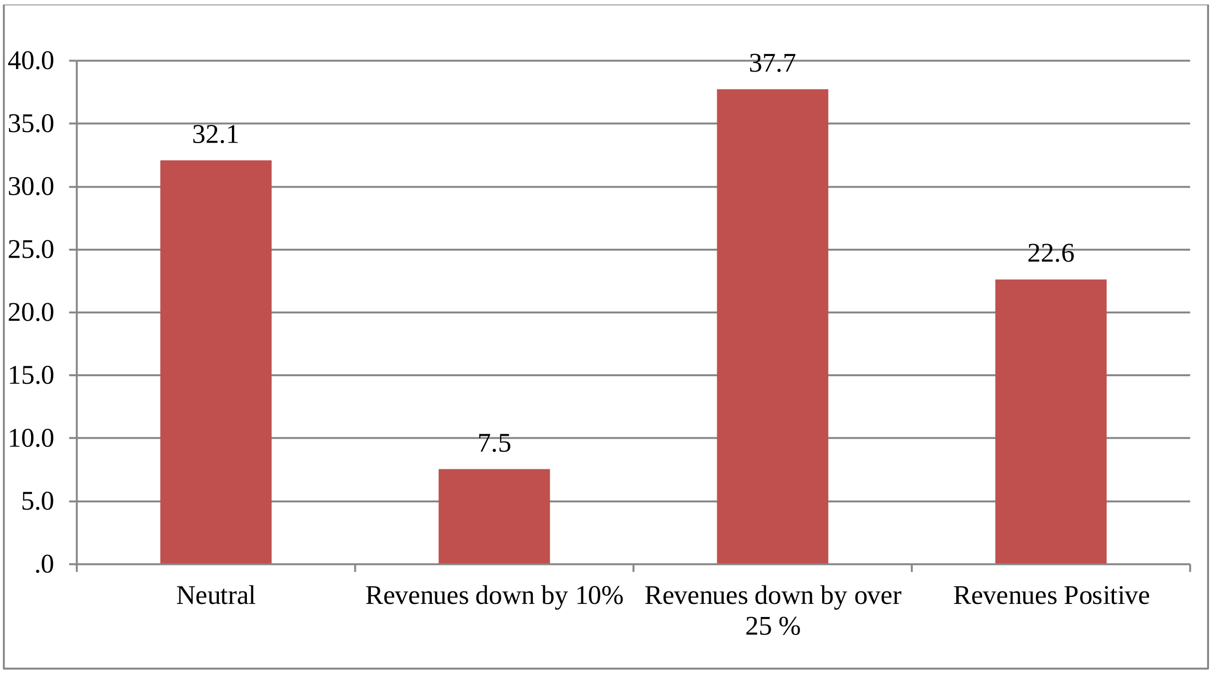


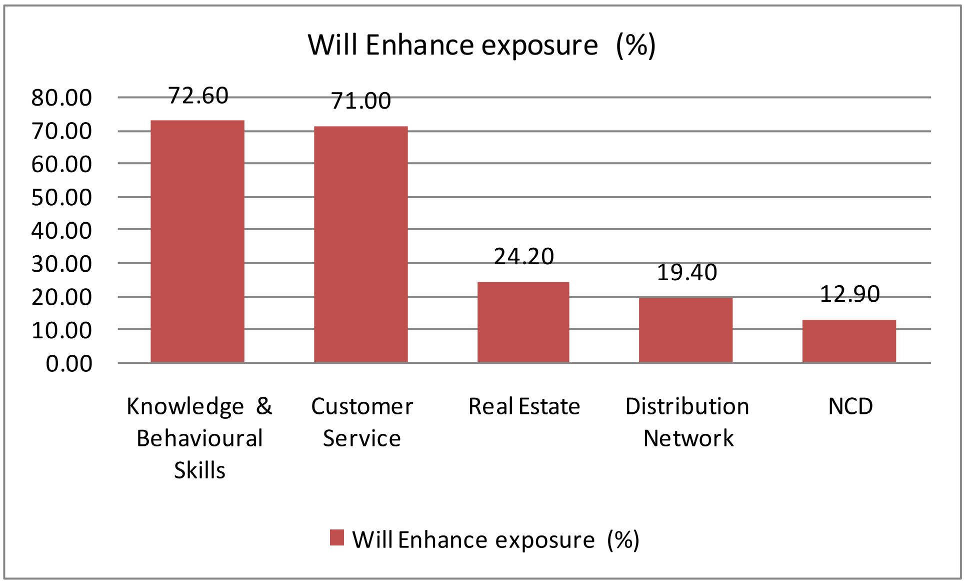
Figure 4 above shows the impact of the Entry Load Removal on the intermediary Business. While 32.1 % have had *Neutral or No* impact, 22.6% had positive revenues, and a large chunk of ***45.2 %*** have seen a drop in AUM.

Table 4 : Intermediary feedback: AUM pre-post ELR

Product	Pre ELR allocation (%)	Post ELR allocation (%)	% Change
Mutual Funds	64.94	64	-3
Fixed Deposits	7.59	11.73	35
Corporate FD	1.14	1.30	12
Structured Products	1.90	1.51	-2.6
Insurance	18.31	14.11	-30
Others	6.16	8.18	25

Analysis of the intermediary data reveals that Mutual Fund allocation and insurance among their client base have *actually moved down* in their AUM by 3% and 30% respectively post Entry Load Removal. While allocation to Fixed Deposits in their Client books has moved up substantially by 35%, Corporate Fixed Deposit by 12%, structured products has witnessed a negative impact of 2.6%. Allocation to Others – category has gone up by *25%*. Others, includes Real Assets like Real Estate and Gold and also Alternatives like Paintings, Wine, Precious Gems, Luxury Cars etc. This movement to other investment avenues, is in line with the analysis of MF AUMs by Anagol *et al.* (2013) which opined towards a movement from Financial Assets to Real Assets namely Real Estate and Gold.

Figure 5: Intermediary-Business Strategy for next 3years

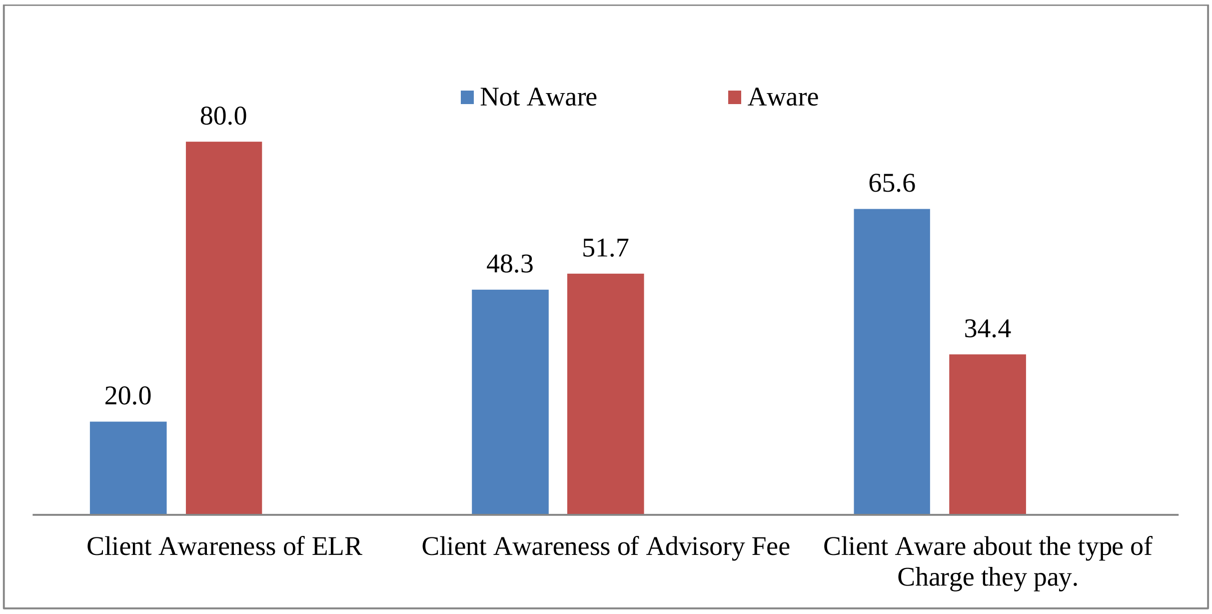


- The intermediaries were asked to respond for Strategy changes that s/he felt that they could undertake to have a robust and sustainable model. There were 5 options provided namely :
- New Asset Class - Real estate
- New Instruments-Non Convertible Debenture (NCD)
- New-Place-Distribution Network enhancement
- Process Enhancement – Customer Service and Personal Skill Enhancement Improvising knowledge and behavioral skills.

These findings are encapsulated in the chart above, and they are critical and show guidance on the way ahead that the intermediary's Business plan works out. A large chunk 72.6% Intermediaries focus for the next 3 years is "***Enhancement of Knowledge of markets and mutual funds along with gaining an understanding of Client behavior".*** This can be achieved clearly with the Sebi's initiative and emphasis on training for intermediaries and investor education. This also points towards behavioral training needs of intermediaries which Asset Management Companies need to take cognizance of. Thus understanding client psychology emerges as one of most influential areas for the future. Secondly, customer service is an area, in which 71% intermediaries felt that they would want to work on for building a sustainable enterprise in the future. Entry into Real Estate Asset class (24.2%), tying up for a distribution network (19.4%) and addition of Non - Convertible Debentures (12.9%)

less than 25% intermediaries showed inclination to foray into New Asset Class, New Instrument or New Widen the distribution. The area of focus emerged enhanced process for better customer service and personal skill enhancement in technical and soft skills.

Figure 6 : Intermediarys' understanding about investors



Intermediaries were asked about client awareness of Entry Load Removal (ELR) and 80% of intermediaries responded that clients were aware. This also matches with the investor sample results which reported 83% investors aware of the regulation (Cafe Mutual Commissioned Study, 2011). 51% of the intermediaries reported that investors were aware of advisory fees but only 34% were aware about the advisory charge that they pay. This reflects that amongst investors there is extremely low awareness of the fees that they are paying. This gives opportunity to the stakeholders namely intermediaries and AMCs to clarify it clearly and regulator also to make it distinct through investor communication.

Figure 7 : Intermediarys' Perception about evolving market practices

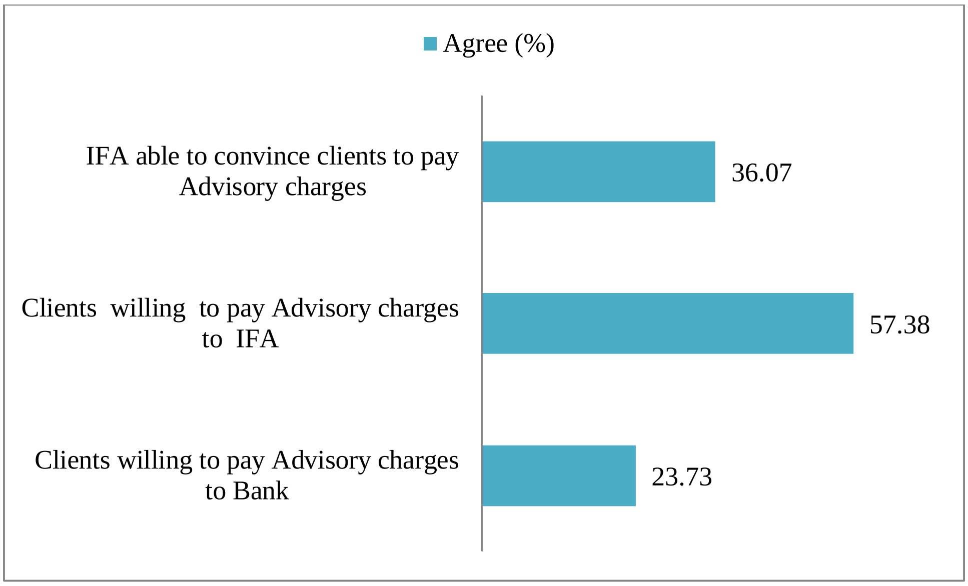
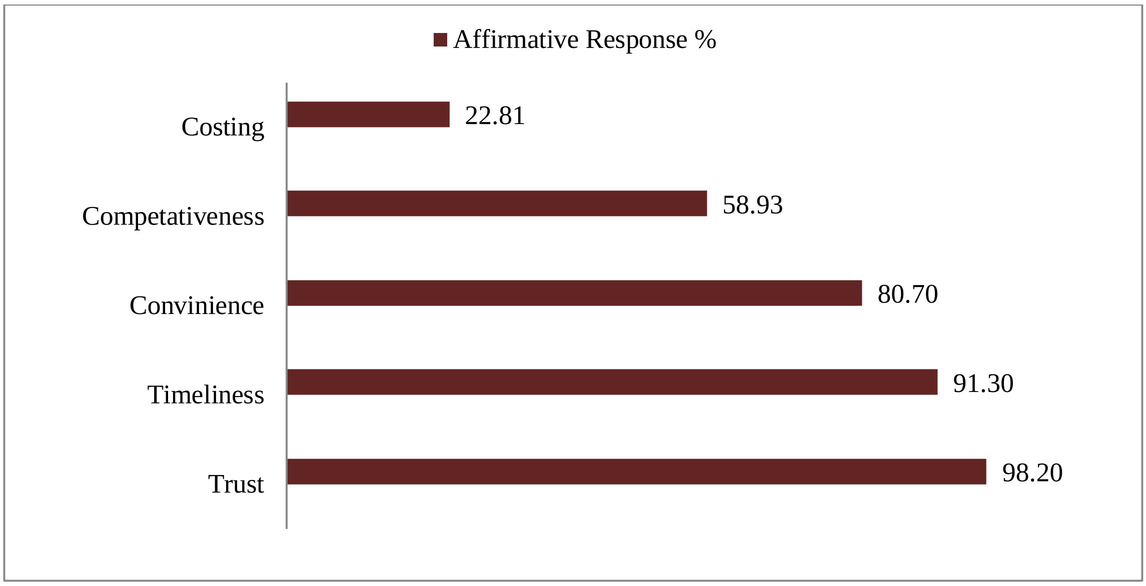


Figure 7 above depicts the Emerging Market practices as perceived by the intermediaries with regard to Clients and Fee Payment. Only 23.73% Intermediaries perceive that clients are willing to pay Banks Advisory Fees and 57.38% intermediaries perceive that clients are willing to pay IFA fees. Thus, between Banks and IFA, a larger number of intermediary's feel that investors may pay an IFA fee as against a Bank.

However, only 36.07 % intermediary's feel that IFAs *are able* to convince clients to pay fees. This response reflects that in the IFA category convincing clients to pay fees remains one of the biggest challenges. This is in line with trade reports on intermediary's inability to charge clients for their service.

Figure 8 : Key parameter for Client Relationship Management



The key parameters which intermediaries perceived for managing client relationship, yielded a huge 98% pegging Trust as the most important parameter. This is followed by Timeliness, Convenience, & Competitiveness. Costing is the *last* parameter. This is again a significant finding, as the perception is that Cost maybe a key parameter for managing client relationships.

Figure 9 : Client monitoring habit

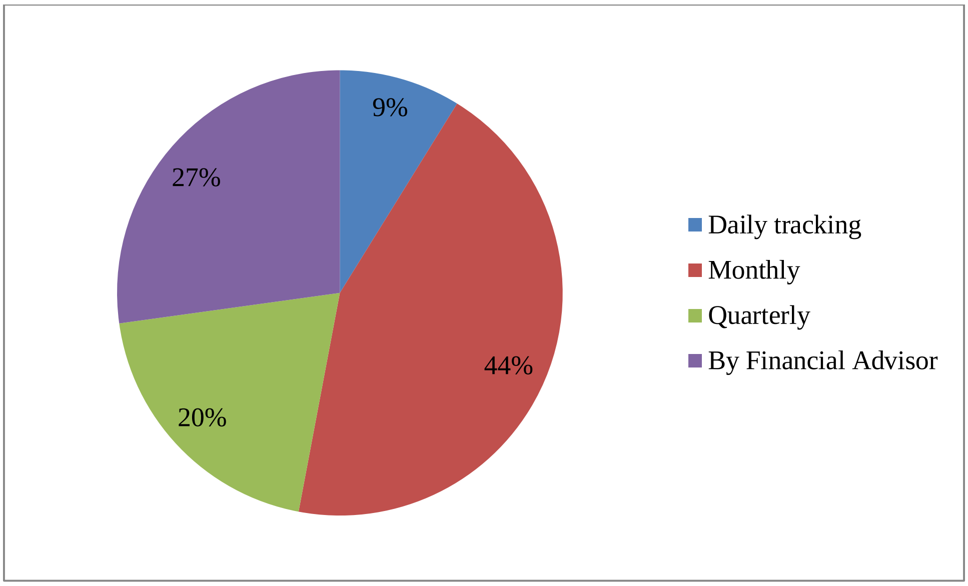


Figure 9above depicts that client's portfolio monitoring habits. Over 44% said they tracked their portfolio monthly, followed by 27% who conveyed that their financial advisor tracked it and contacted them. 20% tracked their portfolio quarterly and a small portion of 9% tracked it daily. A relatively higher inclination (27%) of clients is seen towards monitoring by financial advisor.

Table 5: Flat fee structure implementation

Flat Fee Payment	Percentage
Yes	22.6
No	77.4
Total	100.0

Figure above indicates the % of intermediaries implementing a Flat Fee based structure mutually decided, are only 22.6%. A large chunk 77.4% have other charge structures which are namely Nil, Transaction fee, AUM based fee.

Table 6 : Chi-square test on Scope of Service and fees

	Value	Df	Asy. Sig. (2 sided)
Pearson Chi-square	5.573	3	.134
Likelihood Ratio	5.541	3	.136
No of valid cases	62		

In the next section, post ELR distribution model (Advisory / Agent) followed by Banks is studied.

5.4 Study of the Mutual Fund Distribution model followed in Banks:

Introduction: The Agent-Advisor guidelines have been implemented by the regulator recently. Sebi guidelines state that intermediaries who do not charge for MF investments have followed the Agent Structure or the Execution Only approach wherein they would be reimbursed by the manufacturer in this case the AMC. Adaption of Advisory model requires that the advisor to be reimbursed only from the client and the AMC cannot pay him any brokerage or trail commissions (Sebi, 2013).

The researcher undertook a study of the investment advisory structure which was being implemented by banks. The Table below captures the top 10 Banks who received brokerages in 2011-12 in descending order.

Table 7: Distribution model followed by Banks (Primary research)

Name of Entity	Type	Brokerage Earned in INR Lacs (2011-12)	Model Followed as per Sebi Definition*
HSBC	Foreign Private Bank	15398.15	Advisory
HDFC	Indian Private Bank	13057.83	Agent
Citibank	Foreign	12901.80	Advisory
Standard Chartered	Foreign	8453.08	Advisory
Axis Bank	Indian Private Bank	5924.63	Agent
ICICI	Indian Private Bank	5461.18	Agent
Kotak	Indian Private Bank	5033.07	Advisory
Deutche	Foreign	3460.98	Advisory
Royal Bank	Foreign	3109.63	Advisory
SBI	PSU	3076.41	Agent

Source: Data for brokerage payout from Amfi website and data for model compiled by author.

As a part of this study, the researcher contacted the attached list of banks separately for understanding their advisory model and the last column captures the Model that the Bank had adopted.

Advisory fees were recovered as Transaction or AUM based charges for Mutual Fund investments done through these Banks. The Bank's pricing matrix varied as per the client's relationship size, client segmentation as per the Bank classification and was the main determinant of the advisory charge. An investor selected the option that he wanted to pay the Bank for availing these MF advisory services. Other products namely Insurance, Structured Products, Bonds, Gold had separate charging methodology. The client total relationship (AUM – Assets Under Management) is a sum total of all his investments viz. Deposits, Mutual Funds, Bonds, Structured Products, Equity Shares etc.

As can be seen, advisory structure is currently being implemented by a number of Banks though largely Foreign Banks. Reason for adoption of this Advisory Structure in Banks maybe the ease of implementation process consisting of debiting client accounts based on one time written instruction of Auto Debit for advisory fees, which most Banks followed. This is a logical progression for Foreign Banks in any country, considering their global reach and similar model implementation across some geographies example USA, UK and other markets. Debt Funds are not charged by most Foreign Banks excluding HSBC who charges 0.5% transaction fee for Debt MF also. Foreign Bank charges range from 0.5% to 2.5% and they adopted the practice immediately in August 2009, once the Sebi regulation got implemented.

Indian Private Banks have mostly adopted the Agent model. Axis Bank also charges a nominal transaction amount of Rs 200 per form.

SBI, the lone PSU Bank to figure in the list of Top 10 for brokerage payout has adopted an Agent Model. IDBI is the other PSU which is focusing on investment business.

The other channels namely National Distributors and IFAs do not have this advantage of directly debiting client accounts. They are required to raise debit note and have the client respond with payment. Thus for implementing the Advisory model they are required to take separate instructions from clients or instruments of payments, which as per qualitative feedback received is extremely difficult.

After studying the post ELR evolving models of distribution in IFAs and Banks in earlier sections, the next section tests the Hypotheses which were drawn from the literature review on distribution and regulation impact assessment study. Hypotheses 6 attempts to identify the distributor firm characteristic on which the impact of the ELR on firm's revenue depends. Hypotheses 7 tries to identify what makes a firm adopt a specific revenue model (Advisory / Agent). Hypotheses 8 helps determine the firm's future business strategy after the ELR.

For testing Hypotheses 6, 7, and 8 the Chi-Square test was applied as the data did not follow a normal distribution and was nominal.

5.5 Hypotheses Testing:

Hypothesis 6:

Ho: The **Impact of the Entry Load Removal** is independent of the Firm's Characteristics: Scope of Service, Ticket Size, Families being managed and Model (Advisory / Agent) being adopted.

H1: The **Impact of the Entry Load Removal** is dependent of the Firm Characteristics: Scope of Service, Ticket Size, Families being managed and Model (Advisory / Agent) being adopted.

Table 8 : Hypothesis 6 - Impact of ELR and Firm characteristics

Firm Characteristic	Sig	Conclusion	Further Research
Scope of Service	0.004***	Nearer to Statistically Significant	Across different services
Vintage	0.082	Not Statistically Significant	NA
Ticket Size	0.152	Not Statistically Significant	NA
No of Families	0.397	Not Statistically Significant	NA
Model	0.756	Not Statistically Significant	NA

Source: Primary Data; *** Significant at .01 Level, ** Significant at .05 level, * Significant at .1 level

The impact of ELR on the firm revenue, depends only on the scope or type of Services provided.

Here scope of service included: Banking and Wealth Management; Broking and Wealth Management or NBFC, Broking, Wealth Management and NBFC. The scope of services which an intermediary provides affects how the ELR regulation affects its revenue stream Thus, the impact of ELR is different for a Bank as against an IFA. This is in line with what is happening in the industry. Foreign Banks / Private Banks which have both Banking and Wealth Management Services have been relatively less impacted by the regulations. Other channel partners, especially small IFAs are one's who have seen an impact in terms of revenue.

The ELR impact on a firm is independent of the firm's other features – Vintage / Size / Families or Model.

Hypothesis 7:

Ho: The Intermediary model (Advisory / Agent) being adopted is independent of the Firm characteristics: Scope of service, Vintage, Ticket Size, and Families being managed.

H1: The Intermediary model being adopted is dependent on the Firm characteristics: Scope of service, Vintage, Ticket Size, and Impact on Revenue or families being managed.

Table 9: Hypothesis 7- Business model selection & Firm characteristics

Firm Features	Sig	Conclusion
Scope of Service	0.136	Not Statistically Significant
Vintage (No of Years)	0.269	Not Statistically Significant
Ticket Size	0.233	Not Statistically Significant
No of Families managed	0.665	Not Statistically Significant

Source: Primary Data; *** Significant at .01 Level, ** Significant at .05 level, * Significant at .1 level

None of the firm's features – Scope of Service/Vintage / Size / No of families managed, play a significant role in the Business Model being adopted by intermediary. The model implemented by the intermediary is independent of the firm characteristics.

Hypothesis 8:

Ho: The Intermediary does not propose to make any changes in his current business focus post the ELR regulation.

H1: The Intermediary proposes to make changes in his current business focus post the ELR regulation.

Table 10: Hypothesis 8 – ELR and Intermediary business practice

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.092[a]	12	.521
Likelihood Ratio	13.317	12	***.346***
N of Valid Cases	62		

The analysis yields Statistically Not significant with p=0.346 and hence we accept the NULL, that the intermediary *does not propose to make any changes in his business focus.*

Strategy Ahead: The data analysis of intermediary's AUM also yielded that post the ELR there has been a 3% drop in the Mutual Fund AUM. The fall in AUM valuation could have been attributed to the fall in the markets and as discussed by Anagol *et al.* (2013). Our data also shows that other assets AUM has increased, and these other Assets may be Real Estate or Gold. *Hence, it may be possible that the intermediary in spite of an immediate unpredictability in his revenue streams has decided NOT TO Change his existing Business model. No new products are being envisaged (besides Mutual Funds, also getting into separate non related business is not being considered by the intermediary. Clearly the strategy that emerges across intermediaries is to continue to focus sales of Mutual Funds.*

5.6 Qualitative findings from the interviews (IFA only):

- The fall in the number of active IFAs due to the revised Know Your Distributor (KYD) and other norms has led to a fall in competition.

- 50% IFAs' perceived that Investor Awareness is the key challenge to selling the product.
- Over 30% IFAs conveyed explicit need for coaching on behavioral and technical skills. This can be clearly viewed as a skill gap by the regulator and AMC.
- Intermediaries conveyed that the regulator was more skewed towards the investor protection than status / existence of the IFA.
- The regulator's interventionist approach was heavily criticized and mutual funds considered as the most heavily regulated business.
- Online portfolio support was sought by the young age group in the range of 21-35. This could be attributed to India's shifting demographic with a large chunk of youthful tech savvy population. The distributor body could initiate web / cloud based portfolio viewing and monitoring facility as the next step.

5.7 Building a sustainable IFA Model :

Based on the findings from IFA interviews and qualitative inputs from experts, a preliminary model for sustaining the IFA Business is proposed and outlined in Table.

This simple model considers that IFA capability building in both interpersonal skills as well product and market knowledge as a cornerstone to sustain this franchise. Product knowledge seamlessly enhances the ease of selling a larger basket of products. Secondly, it emphasizes building a larger retail book through individual clientele. Definition of Retail book varies according to setup, on a broad base, it comprises of single investment below INR 1 Lac. Third factor is using technology to drive contactibility and impact. A number of IFA websites now allow client’s any time portfolio view and a stable transaction platform. This hugely helps reduce pressures on the individual IFA considering limited resources in the franchise. Fourthly, is deepening the Mutual Fund focus and concentration in client portfolios, by blending both equity and debt products. Lastly, the key remains developing Relationship Management skills. This will enable the IFA to build a long term working relationship based on Trust and comfort. Trust has been rated as the foremost parameter is managing Client Relationships.

Table 11 : Model for sustainable intermediary business

	Current Small IFA	New Sustainable Model
IFA Role	Passive Form Pusher	Trained to create a value proposition
Type of Enterprise	Single person operation	May continue to be single person operation, but with more online support through investment in an updated system.
External Environment	High decibel advertising cover from AMCs	AMCs on a tight budget, restricted expenses & competitive business environment.
Client Profile	HNI & large ticket focused	Retail clientele with consistent flows.
Business Book	Family, friends and referral circle	Strong Referral Model to build a wider client base comprising of Individual outside the family/friend circle and building on their network to reach a wider community.
Product Suite	Equity mutual fund	Equity, debt & hybrid mutual fund focused SIP to give annuity income.
Infrastructure	Systems for MIS and Book Keeping.	Website Hosting Client Portfolios accessible 24*7, Mobile access to portfolios.
Training Needs	Coaching on products (ongoing) behavioral skills, knowledge of spreadsheets and taxation. Building a strong value system based on trust and self-belief.	

Source: Sundaram *et al.* (2014)

Conclusion:

The Mutual Fund Distribution industry in India is undergoing tremendous shakeout. The Regulator Sebi has strongly conveyed its stance namely that of a speedy implementation of a platform, which is more investor centric and more or less demands the distributor to focus on his core skill areas and survive against the tide. This can be seen from the number of regulations / rulings issued with regards to Mutual Fund Sales and Distribution from 2009.

IFA Specific:

Entry load removal has become a reality and the way out for the IFA is that either s/he chooses the Advisor or the Agent model. Clearly his revenue stream is demarcated. In this research the responses of the intermediary to the Advisory model is captured. Only 25% of the IFAs have conveyed that they are able to charge clients for advice and opt for the Advisory Structure.

Hence for the IFA to survive in this competitive environment s/he will have to clearly refocus on the Mutual Fund product and pricing suite deepening Mutual Fund sales, improvise on his knowledge levels, enhancing his & firms technology orientation, work out aggressive client acquisition and retention strategy.

This research suggests that for relationship management, primarily the Trust Factor will play a pivotal role in the long haul. Only then will the IFA be able to swim against the tide, negotiating the whirlpools and reach the safety of the shore. His safety net is long gone.

The move to an advisory model in distribution is a move from a "transaction "to a "fee based model" and is a long term game. As per the Sebi Advisor Guideline (2013) both advisor competency (through mandatory certifications) and his ethics through clear compliance with the Code of Conduct will be the two main aspects that the Regulator will track the IFA ongoing ahead.

Banks:

- Foreign Banks, followed by Indian Private Banks have been able to implement the Advisory Model.
- However whether these Banks, have now registered through subsidiaries as Investment Advisers as required by Sebi norms is yet to be confirmed The list updated on Sebi website was last on Oct 11,2013 (Sebi, 2013)and it does not reflect the final names and shows

only 16 names as on 11th October'2013 . 70 intermediaries only have finally registered as Investment Advisors with Sebi by the deadline (Business Standard, 2013) from over 60000+ intermediaries in India.

- PSU and Indian Private Banks with the exception of Kotak Bank have adopted the Agent Model.

Adoption of Advisory Model will require Investor education and psychology change. Both IFAs and Banks believe that Knowledge along with Behavioral skills will be the key to managing business in future. A continued focus on Mutual Fund as an Asset Class is now being executed by all intermediaries.