

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:152  
ANSWERED ON:16.08.2013  
WEALTH MANAGEMENT SERVICES  
Abdulrahman Shri ;Gowda Shri D.B. Chandre

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government / Reserve Bank of India (RBI) has issued any directions / guidelines to the Scheduled Commercial Banks (SCBs) to segregate their core business from wealth management services;
- (b) if so, the details along with their compliance status thereof, bank-wise;
- (c) the action taken / proposed to be taken by the Government / RBI against such banks which have not complied with the above directives; and
- (d) the other corrective steps taken / being taken by the Government / RBI in this regard?

**Answer**

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.152 FOR 16th AUGUST, 2013 REGARDING WEALTH MANAGEMENT SERVICES TABLED BY SHRI ABDUL RAHMAN AND SHRI D.B. CHANDRE GOWDA

(a) : To address the issue of conflict of interest arising from the single entity conducting both the activities of advisory / fund management as well as marketing, the Reserve Bank of India (RBI) has proposed to segregate the two functions in its draft guidelines dated 28.06.2013 issued on the subject to stakeholders for their comments. As per the draft guidelines, banks may conduct all Wealth Management Services (WMS) activities either from a separate subsidiary or through a Separately Identifiable Department or Division (SIDD) set up for the purpose and to comply with the following prescriptions in this regard:-

1. Such subsidiary/SIDD would require to be registered with SEBI.
2. There should be a strictly defined and clear demarcation between the other departments of the bank and the SIDD.
3. There should be an arm's length relationship between the bank and the subsidiary if WMS is being undertaken through the subsidiary.
4. Persons manning the SIDD/subsidiary should have suitable professional qualifications.
5. While the specific activity of financial advisory services/portfolio management will be regulated by SEBI, the RBI would continue to supervise the bank for all its activities including those undertaken through the SIDD.
6. The bank/subsidiary should set up robust internal grievance redressal machinery.
7. The bank/subsidiary should formulate a board approved customer compensation policy in case of complaints related to services offered.
8. Banks/subsidiaries should disclose to the customers, details of all the commissions/other fees (in any form) received, if any, from the various mutual fund/insurance/other financial companies for marketing their products. This disclosure would be required even in cases where the bank is marketing products of only one mutual fund/ insurance company etc.
9. The instructions/ guidelines on Know Your Customer (KYC) /Anti-Money Laundering (AML)/ Countering Financing of Terrorism (CFT) applicable to banks, issued by RBI from time to time, may be adhered to, in respect of customers to whom the services of referral/Investment Advisory Services (IAS)/ Portfolio Management Services (PMS) are being provided.
10. Banks may, through the SIDD/subsidiary, provide services only in respect of financial services and products offered by regulated financial services entities.
11. Violation of the instructions regarding undertaking of referral/IAS/PMS business by banks/subsidiaries will be viewed seriously

and may invite deterrent action against the banks, which could include raising of reserve requirements, withdrawal of facility of refinance from the RBI and denial of access to money markets, apart from prohibition from undertaking referral/IAS/PMS activity.

(b) to (d): Since the guidelines are at draft stage, the question of compliance by banks does not arise.