# SEBI PMS Overhaul: Wider Investment Choices and Simplified Entry Rules

July 25, 2026 • vajiramandravi.com


## SEBI PMS Overhaul Latest News

- The Securities and Exchange Board of India (SEBI) has proposed a sweeping review of the SEBI (Portfolio Managers) Regulations, 2020, through a consultation paper released recently.
- This marks one of the most comprehensive reviews of portfolio management services (PMS) regulations since their notification in 2020.

## Why the Overhaul Is Needed

- Assets managed by portfolio managers have more than doubled over the past six years, prompting SEBI to modernise the regulatory framework.
- The reforms aim to offer greater flexibility to portfolio managers and broader investment options to sophisticated investors, while adapting to the growing complexity of India's capital markets.

## What Is Portfolio Management Service (PMS)?

- PMS is a professional investment service registered under the SEBI (Portfolio Managers) Regulations, 2020.
- A qualified fund manager manages the equity, debt, and other securities portfolio of a high net-worth client.
- Only SEBI-registered corporate entities, companies, or LLPs can legally offer PMS in India.
- SEBI mandates a minimum investment of Rs 50 lakh per client.

### Industry growth

- PMS assets under management (AUM) rose from Rs 18.07 lakh crore (April 2019) to Rs 42.61 lakh crore (May 2026).
- Total clients grew from 1.5 lakh to 2.19 lakh over the same period.
- The number of registered portfolio managers more than doubled — from 226 in 2020 to 515 as of May 2026.

## Key Proposed Reforms

- **Wider Investment Universe**
  - Portfolio managers may be permitted to invest in overseas listed equity and debt securities, aligning PMS rules with those governing mutual funds and alternative investment funds.
  - Investments allowed in "to-be-listed" securities, widening market exposure.
  - Discretionary portfolio managers may invest up to 10% of client AUM in investment-grade unlisted debt securities.
  - Currently, PMS managers cannot invest client funds in foreign securities — though resident individuals can do so independently via the **Liberalised Remittance Scheme (LRS),** capped at USD 250,000 per financial year.
- **New 'Mutual Fund-Only' PMS (MF-PMS) Category**
  - A simplified framework aimed at mass-affluent investors, focused exclusively on managing investments in direct plans of mutual funds, ETFs, and specialised investment funds.
  - Requires separate registration as **MF-PMS**.
  - Minimum client investment proposed to be reduced from **Rs 50 lakh to Rs 25 lakh**.
  - Minimum net worth requirement for applicants proposed to be lowered from **Rs 5 crore to Rs 2 crore**.
  - Mutual fund distributors (MFDs) operating under MF-PMS must maintain **arm's length separation** between their MFD and MF-PMS functions through distinct departments, with client-level segregation — the same client cannot be offered both services by one entity.
- **Easing Compliance Burden**
  - Greater flexibility in using **derivatives** for hedging and investment strategies, with exposure allowed up to **1.25 times** client AUM.
  - A new framework permitting **independent fund managers** to operate under registered PMS platforms, with compliance responsibility remaining with the registered portfolio manager.
  - Firms managing assets **below Rs 100 crore** may be exempted from maintaining a separate dealing room, cutting operational costs for smaller players.

## Balancing Innovation with Investor Protection

- SEBI has stressed that the reforms aim to strike a balance between innovation, ease of doing business, and investor safeguards.
- The regulator believes the evolving PMS industry requires a framework that supports greater product diversity while maintaining adequate oversight.

## Conclusion

- SEBI's proposed PMS overhaul reflects a maturing regulatory approach — expanding investment avenues and lowering entry barriers to serve a broader investor base, while retaining safeguards through segregation norms and enhanced oversight.
- If implemented, it could significantly deepen and diversify India's portfolio management landscape.

**Source:** IE | LM

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