way for a technologically-balanced regime that encourages non-fund based financial services providers to use the latest technologies.

Discuss (200w)

A) Non-fund based financial services are basically advisory/ancillary services for which the financial intermediary charges a fee/commission for rendering the services. They donot involve outlay of funds.

Eg: Merchant Banking

However, a number of technology based improvements have been brought to the financial services industry especially Investment Advisors (IA)

Eg: Robo-Advisor: an algorithm based, automated portfolio management system.

These automated investment tools should comply with specific SEBI regulations - SEBI (Investment Advisers) Regulations, 2020.

However, there are many concerns

1. Recent IA regulations are not tailored to new-age automated advisors.
   - Eg: IAs should have NISM certification and 2years experience in asset management.

② Fund-raising made difficult
→ Minimum capitalisation requirements for unregulated financial services
→ FDI only through government-approval route for partially regulated services
→ Usually fintech start-ups are unregulated

③ Concerns w.r.t client suitability
→ SEBI imposed restrictions on RIAs from providing free trails or accepting part payments for any services & products
→ Fintechs should risk profile all customers to favour only suitable clients
→ This is not cost-effective & business friendly for fintech start-ups.

Owing to such hardships, IAs are refraining from adopting technology. Technology like Robo-Advisor offer many $\boxed{\text{advantages}}$ like -

1. No emotional factors in decision making
2. High-tech longterm quantitative investment strategies
3. Convenience driven by digital transactions etc

Hence, SEBI's regulatory framework for IAs should favour automated portfolio management system to meet the needs of diverse groups of investors in a customised fashion.

x ——— x