

Educating India's next generation of advisers

With an objective to educate investors to invest according to their needs, and to help build advisory capacity in India by educating the next generation of advisers, P R Dilip of Impetus shares the philosophy with which the firm was founded and functions today.

With stringent regulations imposed by the Securities and Exchange Board of India (SEBI) in 2013 outlining the role and capacity of investment advisers, these practitioners will need to adopt a more comprehensive approach to advising their clients than before.

Impetus is among the first few pure equity research firms in India. Founded in 1994 by P R Dilip, the firm operates via process-driven investment approach toward its clients.

Such an approach is in line with the laws stated by SEBI. And with the proposed reforms, which call for advisers to assume a more facilitatory role in the investment advisory process by understanding the client's needs.

Advisers should be enablers during the wealth management process, suggests Dilip. "An adviser should enable the investor to understand what is good for

him or her, and then take a decision with help from the adviser."

STAYING AHEAD

In 2014, SEBI tightened norms for custodians. Embracing a custodian route suggests that a financial institution will hold the client's securities and safe-keeping to minimise the risk. Each investor will have a separate depository participant/demat account, a separate bank account, and a custodian manages the account. Such a practice thus calls for a comprehensive Know Your Client (KYC) strategy.

Dilip prides himself on the fact that Impetus did not have to make many changes to suit the changing regulations. By contrast, to comply with the current SEBI regulations, many wealth management institutions will need to revise their approach to make it more holistic. Firms should undertake an exhaustive process focused on the risk-



P R DILIP
Impetus

taking ability and goals of the client before suggesting a suitable basket of portfolios. A key issue is that Indian

clients still shy away from paying fees purely for procuring advice. They are more likely to pay commission-based fees as opposed to adhering to an annual fees structure.

For this reason, Impetus has two operational models: advisory and distribution. The advisory model charges an annual fee to the client for discretionary advice; the distribution model is based on commission. According to regulations, an adviser cannot claim fees under both the models.

tion is in their late 20s. Within the next three to four years, they will start looking for options to invest.

There is potential to invest almost USD140 billion of financial savings per year. Household savings per annum are close to USD130 billion.

However, together between the available SEBI-approved 44 mutual funds, the cash flow in the system is only about USD230 billion. Hence, the mutual fund industry has not even captured two

qualified and registered financial advisers to capture the growing wealth industry in the country."

Training the younger generation is more feasible today than before, given the advent of technology.

Even in the countryside, young adults have access to information which they previously didn't.

As a result, the younger generation should be taught the workings of the wealth management industry to make them more skilful. Opportunities should be provided and are present for them to operate within their local neighbourhoods.

This would generate more employment opportunities along with creating a robust framework of sustainable advising.

"If an individual is able to operate from his known, local domain, there is minimal competition for them," says Dilip. "These individuals will also be more cognizant of operating with

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BUILDING CAPACITY

To create a sustainable and systemic change in the approach of investment advisers, educating the upcoming generation in wealth management is the key.

"I have been training youngsters on wealth management for a few years now. These youths come from different parts of the country and from different management universities for three months to understand the workings of the wealth management industry," says Dilip, explaining his model for building capacity in the next generation.

Some students use the learning to manage their own family wealth; others use it to advise their own communities.

This is important given the country's demographics. Half the Indian popula-

years' worth of household financial savings. This presents a tremendous opportunity to build adviser capacity within India.

"There is exponential opportunity for growth of wealth in India which presents a very lucrative opportunity for firms like ours."

Says Dilip: "There is exponential opportunity for growth of wealth in India which presents a very lucrative opportunity for firms like ours. Governments and firms should strive to generate more

keeping the best interests of their clients. There is thus a chance for firms like ours to expand our reach to the remotest areas of the country and flourish." ■