



REGULATORY

SEBI's Strategic Shift: Balancing Professional Competence and Ease of Doing Business in Investment Advisory

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In a landmark move aimed at refining the regulatory framework for financial intermediaries, the **Securities and Exchange Board of India (SEBI)** recently introduced a significant relaxation in the certification requirements for individuals associated with investment advisory firms. Issued via a circular dated June 24, 2026, this policy shift specifically targets Persons Associated with Investment Advice (PAIA) who are engaged exclusively in sales and other non-core operational functions.

By differentiating between those who provide technical financial counsel and those who manage client relationships or administrative sales, SEBI is taking a pragmatic step toward its broader “Ease of Doing Business” objective while maintaining the integrity of the advisory profession.

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The Evolution of Certification Standards

What the Previous Rules Required

To understand the impact of this change, one must look at the preceding regulatory framework. Under the **SEBI (Investment Advisers) Regulations, 2013**, and subsequent updates, the bar for entry into the investment advisory space was set high.

All persons associated with investment advice, regardless of their specific daily tasks, were mandated to clear two rigorous examinations conducted by the National Institute of Securities Markets (NISM):

- NISM **Series X-A** (Investment Adviser Level 1)
- NISM **Series X-B** (Investment Adviser Level 2)

Industry Concerns with the Old Framework

While these certifications ensured a deep understanding of financial planning, risk management, and complex security analysis, the industry frequently pointed out that such a high level of technical proficiency was often unnecessary for staff whose roles were limited to non-core tasks such as:

- Onboarding clients
- Explaining product brochures
- Managing general inquiries

For many investment advisory firms, requiring every relationship manager and sales associate to pass these two levels created a **significant bottleneck in hiring** and increased operational costs without necessarily improving the quality of the actual advice given to the end-investor.

Introducing the Lighter NISM Module

Recognizing these industry challenges, SEBI's June 2024 circular marks a pivot toward **role-based certification**. The regulator noted that sales staff and relationship managers, while being the primary points of contact for clients, are often not directly involved in the core “advice-related aspects” such as drafting financial plans or recommending specific investment strategies based on a client's risk profile.

As a solution, SEBI has introduced a “lighter” certification module specifically designed for these roles. Under the new guidelines, personnel engaged only in non-core services are now required to pass the **NISM Series XXV-B: Persons Associated with**

Investment Advice (Sales and Other Non-Core Services) Certification Examination.

This new examination is intended to provide staff with a sufficient understanding of the regulatory environment and ethical standards without requiring the deep technical mastery of the Level 1 and Level 2 advisory exams.

Preserving the Core Integrity of Financial Advice

Crucially, SEBI has been careful to ensure that this relaxation does not dilute the quality of financial advice provided to the Indian public. The circular draws a clear line in the sand: if a staff member's responsibilities extend beyond sales and non-core services, **the relaxation does not apply**.

Any individual involved in the actual delivery of investment advisory services (those who analyze portfolios, suggest asset allocations, or provide specific investment recommendations) must continue to hold the more advanced *Level 1 and Level 2 certifications*.

This **dual-tier system** creates a logical hierarchy within advisory firms. It allows firms to scale their client-facing teams more efficiently while ensuring that the "brain trust" of the organization—the actual advisors—remains held to the highest possible standard of professional competence.

Seamless Transition and Implementation

Grandfathering Existing Employees

One of the most practical aspects of the notification is the **transition arrangement** provided for existing employees. SEBI has ensured that the new rule does not cause immediate disruption or force unnecessary re-testing for those who have already cleared the more difficult exams.

Personnel who are currently in non-core roles but already hold the NISM Series X-A and X-B certifications are grandfathered into the new system. They are not required to take the new XXV-B exam immediately, rather, they must only obtain the new certification once their current certificates expire.

Decentralised Compliance Oversight

The implementation of these changes has been decentralized to ensure thorough compliance across the industry. The **Investment Adviser Administration and Supervisory Body (IAASB)** has been directed to amend its bye-laws and internal rules to align with SEBI's new directive.

This ensures that the relaxation is integrated into the daily supervisory oversight of all registered investment advisers across the country.

A Significant Step for Market Development

This regulatory update reflects a **maturing securities market**. By listening to feedback from market participants, SEBI is demonstrating a willingness to adapt rules that may have become overly restrictive.

The move is expected to have several positive ripple effects:

- It will likely **reduce the compliance burden** on smaller advisory firms.
- It will **lower the barriers to entry** for young professionals looking to start in sales roles within the financial sector.
- It will allow firms to **allocate their training resources** more effectively.

Ultimately, SEBI's decision to relax certification for non-core staff represents a **balanced approach**. It encourages a more efficient business environment for investment advisers while keeping a firm grip on the qualifications of those who hold the financial future of investors in their hands.

As the Indian financial sector continues to grow, such nuanced regulatory adjustments will be vital in ensuring that the industry remains both strong and accessible.

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