Indian Association of Investment Professionals — A member society of CFA Institute

Name of the person/entity proposing comments:	Indian Association of Investment Professionals (CFA Society India)			
Name of the organisation :	Same as above			
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Category	Public. Volunteer body of CFA charter holders in India			
Sr No	Para no of the consultation paper	Extract from the consultation paper	Comments/suggestions	Rationale
1	4.4	AIFs to mandatorily offer a Direct Plan for investors entailing no distribution/placement fee	The mandatory introduction of the Direct Plan by AIFs is a welcome step and we support the same.	Direct investors as well as fee paying investors should be paying a higher fee to the Investment Manager when they are not using the services of a distributor who is compensated by the Investment Manager. The Investment Manager is likely to make more fees from such investors. Fee charging intermediaries will also commence recommending such products to their customers since their clients will now pay a lower fee.
2	4.5	AIFs to ensure that any investor approaching the AIF through an intermediary that is separately charging the investor a fee, invests in the AIF through the direct plan only.	Investors investing through intermediaries who are charging them a fee should be routed through the direct plan of the AIF is a welcome step	Investors should not be charged by the Investment Manager as well as the Intermediary. This will lead to higher costs for the investors. By routing all direct investors and fee paying investors via the direct plan, the double charging of fees to investors can be avoided.

3	4.6	Investors on-boarded via the direct plan to be provided adjusted higher number of units taking into account the lower distribution charges applicable to the direct plan such that all investors would continue to see the same NAV	We are not in agreement with this proposal	For open ended AIFs which allow investors to purchase and redeem units on a continuous basis, the proposal to allot additional units for the lower expenses looks impractical to implement. This activity will have to be carried out on a daily basis and will be akin to making investments on a daily basis. It is recommended that the two plans can have different NAVs as is followed for mutual fund schemes. The Direct Plan should also be allowed to bear marketing expenses for doing direct marketing to customers as well as to RIAs and other investment advisors. This will also lead to tax complications as the first units will have a cost whereas the adjusted units will have a zero cost. Further, different NAVs are useful to explain to clients the benefits of lower costs as Direct Plan NAVs will be higher than that of Regular Plans.	
4	5.7	Category III AIFs will charge investors a placement/distribution fee on a trail basis only. For Category II & III AIFs, placement/distribution fee can be paid on a trail basis too. However, certain higher amount of placement fee (viz one third of the present value of the total distribution fee) may be paid up-front in the first year.	We are not in agreement with this proposal.	Up-front fees tend to distort the decision making of distributors. Further, investments will be routed to funds which are close ended and hence ill-liquid. Hence it is suggested that the trail fee model be followed for all category of AIFs	