

Event Update

October 29, 2025

SEBI draft TER regulations: More negative for brokers than AMCs

Given the sheer extent of the consultative paper and related documents, we are still in process of grasping the material to evaluate the likely impact. However, four key proposed regulations are noteworthy from a TER and AMC revenue standpoint.

- **With an objective to rationalize cost for unitholder, additional expense of 5bps that was allowed in equity TER has been removed from the draft MF Regulations.**

PL View: This would be a negative for AMCs as 5bps would be directly reduced from equity TER

- **To pass on any change in statutory levy in future, TER limits are revised downward to the extent of GST on all expenses other than MF fees. Hence, across slabs TER has been proposed to be reduced by 10bps**

PL View: While the wordings are a bit ambiguous this may mean that TER will have to exclude the GST impact which was roughly 10bps. Assuming that statutory levies would be permitted over and above the TER limit, this may not have a material adverse impact.

- **To protect investor interest and ensure that expenses are charged only once, brokerage has been revised from 12 bps to 2 bps for cash transactions and 5 bps to 1 bps for derivative transactions. All other execution-related transaction costs may be charged on actual basis.**

PL View: As per SEBI, since AMCs already charge an MF fees, additional brokerage over and above 2bps would lead to a dual impact on customer. This would certainly be negative for brokers.

- **A provision enabling TER to be charged based on performance has been introduced and same shall be voluntary for AMCs. A detailed framework in this regard shall be finalized separately in consultation with stakeholders.**

PL View: AMCs would be allowed to charge additional performance-based TER which would be a positive, increasing revenue; final guidelines are awaited.

Sector/stock impact:

We expect AMCs may pass on the 5bps equity TER cut to other industry participants however assuming no pass through, core earnings for ICICI Pru, HDFCAMC, NAM, ABSL AMC and UTIAM would be affected by 8.0-9.0%. The impact would be more severe for CRAMC at ~22% due to ~90% equity share. This negative effect has been partly neutralised by proposing a performance-based TER (framework to be finalised).

Reduction of the cash brokerage from 12bps to 5bps and derivative brokerage from 2bps to 1bp would adversely affect brokers; SEBI is effectively proposing a MIFID like approach. There may be broker representation to SEBI objecting to the same. This may also not be easy for AMCs since currently research bandwidth is constrained owing to vast coverage which may entail expanding the team.

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2	Axis Bank	BUY	1,425	1,170
3	Bank of Baroda	BUY	270	262
4	Can Fin Homes	BUY	950	838
5	City Union Bank	BUY	245	219
6	DCB Bank	BUY	155	132
7	Federal Bank	BUY	250	227
8	HDFC Asset Management Company	BUY	6,175	5,764
9	HDFC Bank	BUY	1,150	1,003
10	ICICI Bank	BUY	1,800	1,437
11	IndusInd Bank	Hold	840	751
12	Kotak Mahindra Bank	BUY	2,480	2,187
13	LIC Housing Finance	BUY	725	567
14	Nippon Life India Asset Management	BUY	900	875
15	State Bank of India	BUY	960	865
16	Union Bank of India	BUY	150	139
17	UTI Asset Management Company	Accumulate	1,400	1,339

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Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
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