



INVESTOR EDUCATION SERIES

# SEBI RIA vs MFD

THE COMPLETE INVESTOR CLARITY GUIDE



Everything you need to know about who advises you, how they are paid, what they can do & who to approach for every situation.

## OPTION A SEBI RIA

Registered Investment Adviser  
Fee-only · Fiduciary · Holistic Planning

## OPTION B MFD

Mutual Fund Distributor (ARN Holder)  
Commission-based · Product Distribution

A man in a dark suit and blue tie is looking at a tablet. The tablet displays a line graph and a bar chart. The background is a blurred office setting with a green plant.

**SECTION 01**  
**IDENTITY**  
**&**  
**REGULATION**

# WHO ARE THEY & WHO REGULATES THEM ?

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## Q1 What exactly is a SEBI Registered Investment Adviser (RIA) ?

A SEBI Registered Investment Adviser (RIA) is a professional or firm formally registered with SEBI under the SEBI (Investment Advisers) Regulations, 2013. They are legally authorised to provide personalised investment advice covering mutual funds, stocks, bonds, ETFs, insurance (for investment purposes) & overall financial planning.

RIAs must hold professional qualifications (CFP, CA, MBA Finance, or NISM Series-X-A & X-B certifications), have relevant experience, and maintain a clean regulatory record. They are required to act in the client's best interest at all times — a legally binding fiduciary standard.

**Note :** You can verify any RIA by searching their registration number on [sebi.gov.in](http://sebi.gov.in) → Intermediaries/Market Infrastructure → Investment Adviser.



## **Q2 What is a Mutual Fund Distributor (MFD) and what is an ARN number?**

A Mutual Fund Distributor (MFD) is an individual or firm registered with AMFI (Association of Mutual Funds in India) and holding an AMFI Registration Number (ARN). They are authorised to sell and distribute mutual fund products on behalf of Asset Management Companies (AMCs).

MFDs earn commissions from AMCs — called trail commission or upfront commission — on every investment made through them. To qualify, they must pass the NISM Series-V-A (Mutual Fund Distributors) certification exam and renew their ARN periodically.

**Note :** Verify any MFD at [amfiindia.com](http://amfiindia.com) → AMFI ARN Lookup by entering their ARN number.



### **Q3 Can one person be both an RIA and an MFD at the same time ?**

Since the 2020 SEBI amendments, an individual cannot simultaneously act as both an RIA & an MFD for the same client. SEBI introduced this segregation to eliminate conflict of interest. An RIA must clearly operate in advice mode & cannot earn distribution commissions.

However, a firm (corporate entity) may have separate arms — one registered as RIA and another holding an ARN — provided they maintain strict segregation of clients, staff & operations. They cannot serve the same client in both capacities.

**Key Takeaway :** If someone claims to be your adviser and also earns commissions from the same products they recommend to you, that is a regulatory red flag. Question their registration status immediately.



**SECTION 02**  
**COMPENSATION**

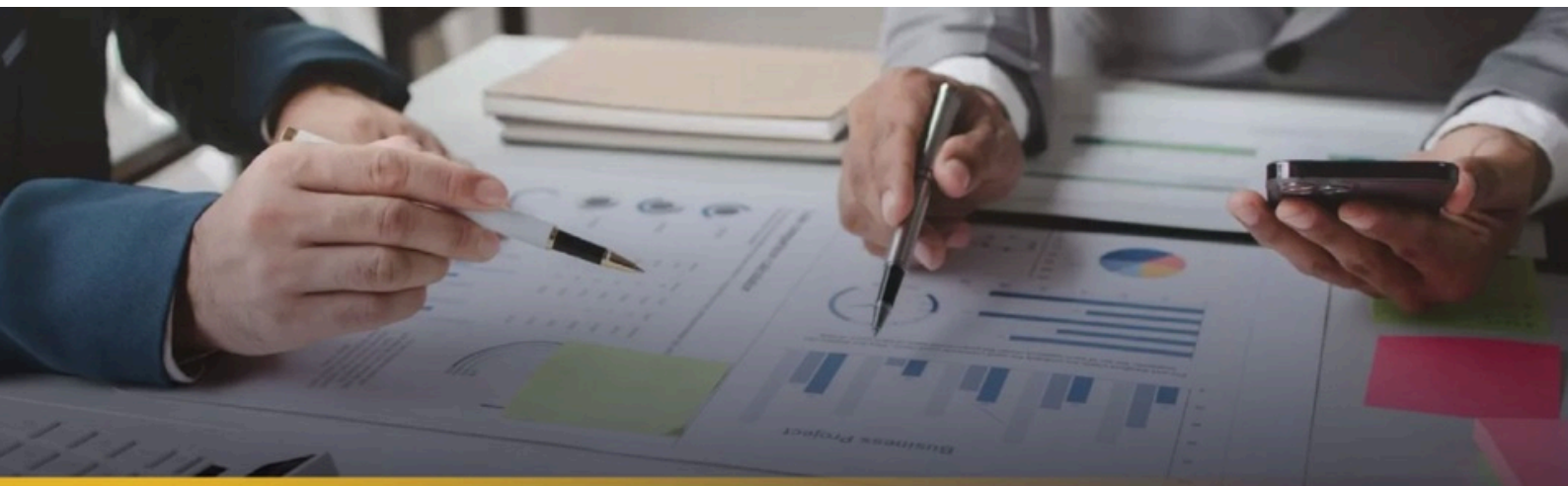
## WHO PAYS THEM, AND HOW DOES IT AFFECT YOU ?

### Q4 How does an RIA charge fees ? What are the typical fee structures ?

An RIA is paid directly by you, the client never by the product manufacturer. This is the foundation of the fee-only model.

Fee Type	RIA	MFD
Fixed Annual / Quarterly Retainer	✓ Common	✗ Not applicable
% of Assets Under Advice (AUA)	✓ Common (max 2.5% p.a.)	✗ Not applicable
Flat Fee per Plan / Consultation	✓ Allowed	✗ Not applicable
Upfront Commission from AMC	✗ Prohibited	✓ Earned
Trail Commission from AMC	✗ Prohibited	✓ Earned (ongoing)
Referral Commission	✗ Prohibited	✓ Possible

**⚠ Important :** SEBI caps RIA fees: maximum Rs.1.25 lakh per annum per family under fixed fee, or 2.5% of AUA per annum. Any RIA charging more is non-compliant.



### **Q5 MFD services seem 'free' — I pay nothing. Is that true?**

This is one of the most common misconceptions in personal finance. When you invest through an MFD in Regular Plans of mutual funds, you do pay — indirectly. The commission is baked into the fund's expense ratio.

The difference in annual expense ratio between a Regular Plan and a Direct Plan of the same fund is typically 0.5% to 1.5% per year. On a Rs. 50 lakh portfolio over 20 years, this seemingly small difference can compound to Rs. 30–60 lakhs less in your corpus.

**Key Takeaway :** FD services are not 'free.' The cost is real — it's just hidden inside the fund. With an RIA using Direct Plans, you pay a visible fee but gain a lower expense ratio, which often nets out in your favour over the long term.



**Q6 Does the commission structure create a conflict of interest for MFDs?**

It can. Since MFDs earn higher commissions from some funds versus others, there is an inherent incentive to recommend higher-commission products — not necessarily the best products for you. This is a structural issue acknowledged by SEBI itself.

SEBI's rules require MFDs to follow a 'suitability' standard recommending products suitable for the client. But they are not held to a fiduciary standard, unlike RIAs who must always act in the client's best interest.

Standard	Description
RIA → Fiduciary Standard	Must act in client's <b>BEST INTEREST</b> at all times, even at cost to themselves
MFD → Suitability Standard	Must recommend products <b>SUITABLE</b> for the client a lower bar

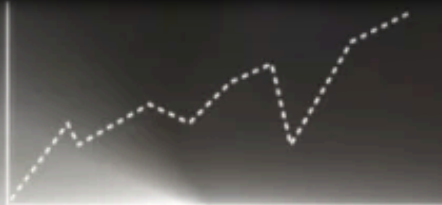


The background image shows a person's hands holding a tablet. The tablet screen displays a complex digital dashboard with various data visualizations. At the top, there are two large numbers: 825963 on the left and 996801 on the right. Below these are several rows of data, including a bar chart on the left, a line graph in the center, and a table on the right. The table has three columns and three rows of data. The overall aesthetic is high-tech and futuristic, with a dark background and glowing white and blue elements.

# SECTION 03

## WHAT THEY CAN & CANNOT DO

999724



850	9011	5890
3420	47028	72844
5315	47028	72844
47028	66478	
44839		
196	5192	5192
8942	7940	
6247	47028	82678

## SCOPE OF SERVICES — WHO DOES WHAT ?

### Q7 What can an RIA legally advise on? What's outside their scope ?

Area	RIA	MFD
Mutual Funds (Direct Plans)	✓ Yes	✓ Yes (Regular Plans only)
Stocks / Equities	✓ Yes	✗ No
Bonds / Debentures	✓ Yes	✗ No
Portfolio Management (PMS)	✓ Yes	✗ No
Comprehensive Financial Planning	✓ Core service	✗ Not authorised
Goal-based Retirement Planning	✓ Core service	⚠ Informally only
Insurance Products (investment)	✓ Advisory only	✗ Not in scope
Tax Planning Integration	✓ As part of advice	✗ Not in scope
MF Transaction Execution	⚠ Via Direct Plans only	✓ Core service
KYC & Account Setup	⚠ Partial	✓ Core service



### **Q8 An MFD helps me invest in mutual funds. Doesn't that count as 'advice' ?**

This is a nuanced but important distinction. An MFD can provide product information and fund recommendations within the mutual fund category. However, what they provide is technically 'distribution' and 'guidance' — not regulated investment advice in the full sense.

An MFD cannot legally :

- Create a written, signed financial plan for you
- Advise on non-MF products (stocks, NPS allocation strategy, etc.)
- Charge you a fee for advice
- Hold themselves out as a 'financial adviser' or 'investment adviser'

**⚠ Important :** If an MFD calls themselves your 'financial adviser' and charges a fee, they may be operating illegally without SEBI RIA registration. Report to SEBI via [scores.sebi.gov.in](https://scores.sebi.gov.in)

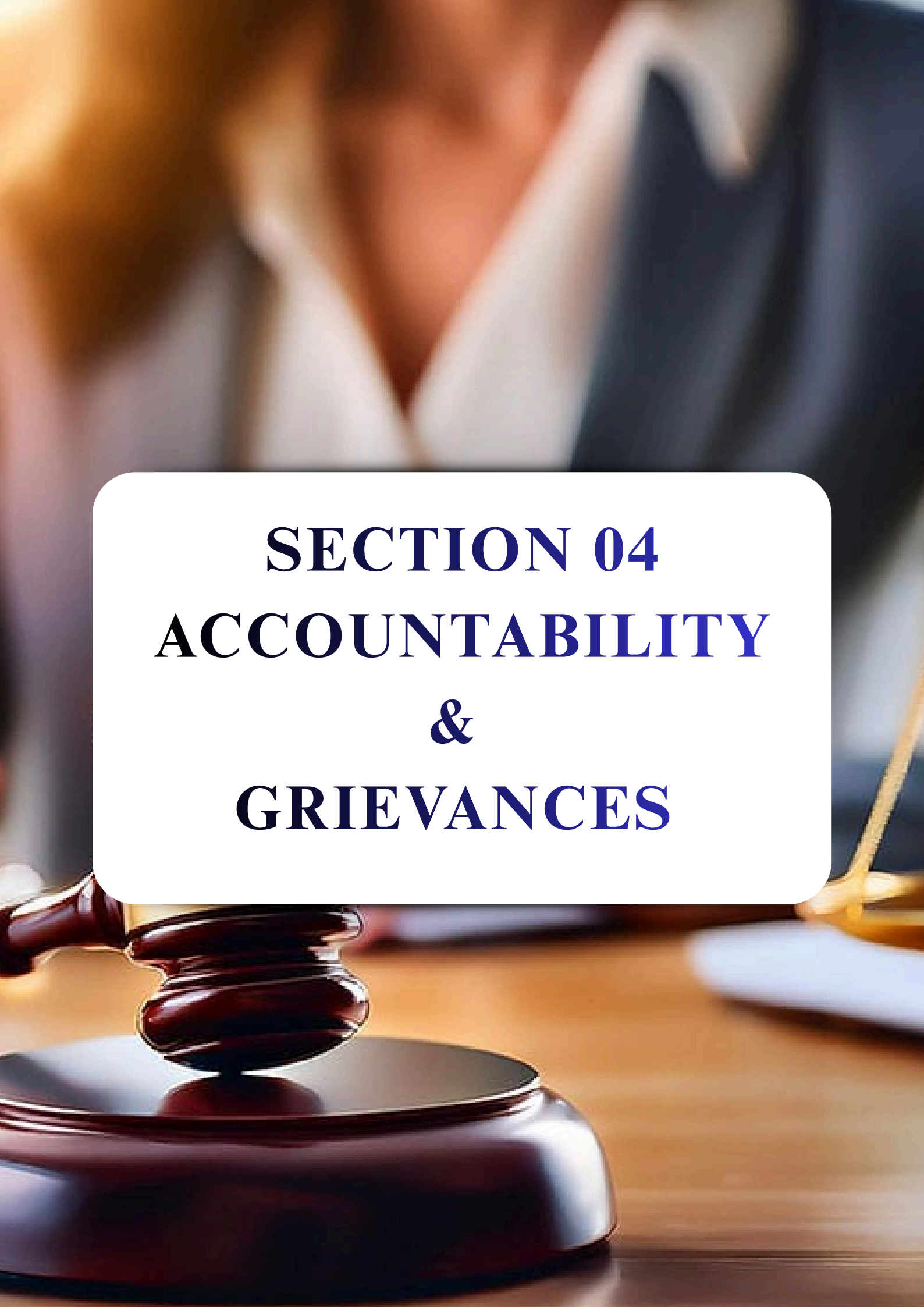


### **Q9 Can an MFD create a financial plan for me ?**

Technically, no. Creating a personalised, written financial plan covering goal analysis, risk profiling, asset allocation strategy, portfolio construction, and review — is the domain of a SEBI RIA. Only RIAs can legally charge for this service and call it 'investment advice.'

In practice, many MFDs do create informal 'plans' as a relationship-building tool. However, these carry no regulatory backing or accountability. If the advice goes wrong, you have limited recourse against an MFD for unregulated advice.

**Key Takeaway :** An RIA's advice is regulated and accountable. An MFD's informal 'guidance' is not. For significant financial decisions, this difference matters enormously .



**SECTION 04**  
**ACCOUNTABILITY**  
**&**  
**GRIEVANCES**

## IF SOMETHING GOES WRONG, WHO IS RESPONSIBLE ?

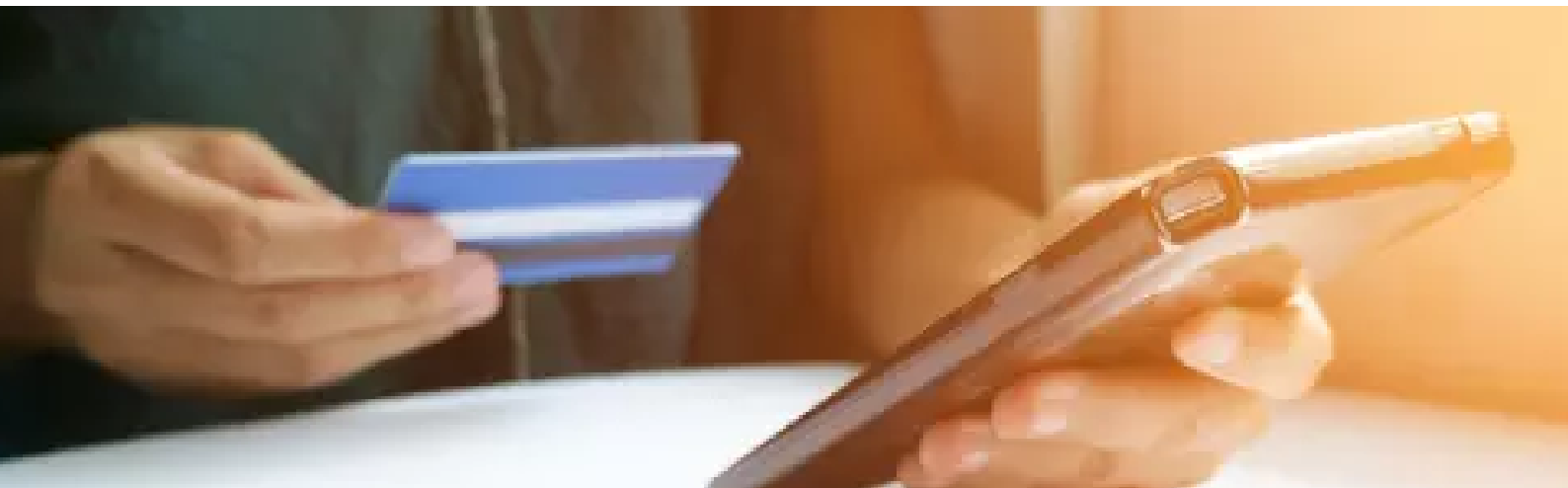
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### **Q10 What happens if my RIA gives me bad advice? Can I complain ?**

Yes. RIAs operate under a strong regulatory framework. If you suffer losses due to negligent or fraudulent advice, you can :

- File a complaint on SEBI SCORES ([scores.sebi.gov.in](https://scores.sebi.gov.in))
- Approach the Securities Appellate Tribunal (SAT)
- Lodge a complaint directly with SEBI's grievance cell
- Initiate civil legal proceedings for breach of fiduciary duty

RIAs are required to maintain client agreements, risk profiling documents, advice rationale records, and suitability assessments. These serve as an audit trail that protects you.



### **Q11 What recourse do I have if an MFD misguides me ?**

For MFD-related complaints, you can approach :

- AMFI — complaints against ARN holders via [amfiindia.com](http://amfiindia.com)
- The AMC directly — if the MFD mis-sold their fund
- SEBI SCORES — for serious violations
- Consumer Forums — for mis-selling disputes

**⚠ Important :** If the MFD gave informal 'advice' outside of actual MF transactions, your legal recourse is weaker because that advice was never regulated to begin with.



**Q12 Are there client protection requirements that RIAs must follow ?**

Requirement	RIA	MFD
Written Client Agreement (mandatory)	✓ Yes	⚠ Partial
Documented Risk Profiling	✓ Yes	⚠ Required for MF
Written Advice / Rationale	✓ Yes	✗ Not required
Disclosure of Conflicts of Interest	✓ Yes	⚠ Limited
Annual Compliance Report to SEBI	✓ Yes	✗ No
Segregated Client Accounts	✓ Yes	✗ Not applicable
Continuing Education Requirement	✓ Yes	✓ Yes (NISM renewal)
Continuing Education Requirement	✓ Yes	✓ Yes (NISM renewal)



**SECTION 05**  
**PRACTICAL INVESTOR**  
**DECISIONS**

## REAL SITUATIONS — WHOM SHOULD YOU APPROACH ?

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### Q13 I want to start a SIP. Should I go to an RIA or MFD ?


- It depends on your situation and what you want :

#### Go to an RIA if :

- You want to know which fund suits your goals, risk & timeline
- You want a full financial plan
- You want unbiased fund selection (Direct Plans)
- Your SIP amount is significant (Rs. 20,000+/month)

#### Go to an MFD if :

- You already know which fund you want
- You need help with KYC and paperwork
- You prefer a convenient, guided transaction process
- You're comfortable with Regular Plan costs

 **Tip :** A third option: use Direct Plan platforms (Groww, Zerodha Coin, Kuvera, MF Central) without any intermediary if you're confident in your fund selection.



#### **Q14 I'm planning retirement. I have Rs. 50 lakhs to invest. Who should I approach ?**

For a significant corpus and a life-goal like retirement, you almost certainly need a SEBI RIA. Here's why :

- Retirement planning involves multiple asset classes (equity, debt, gold, NPS, annuities), not just mutual funds
- You need withdrawal strategy planning, not just accumulation
- Tax efficiency, inflation adjustment, and estate planning require holistic advice
- With Rs. 50 lakhs, a 1% commission drag costs Rs. 50,000 annually — compounding to crores over time

**Key Takeaway :** Engage a SEBI RIA for a comprehensive retirement plan. The fee you pay (Rs. 25,000–75,000/year) is a fraction of the value created through better allocation and lower costs.



**Q15 My agent has been investing for me for 15 years. Do I still need an RIA ?**

Trust and competence are two different things. A long-standing MFD relationship is valuable — but it has structural limitations you should be aware of :

- Your MFD cannot advise you on stocks, bonds, PMS, NPS, or create a formal financial plan
- You may be in Regular Plans when Direct Plans would save you significantly
- There is no regulatory obligation for your MFD to flag if your portfolio is underperforming

You can continue the relationship with your trusted MFD for transaction execution while separately engaging an RIA for holistic advice and review. Many investors use this dual approach effectively.

**⚠ Important :** Loyalty to a relationship should not prevent you from asking :  
**'Is my money really working for me?'**



**Q16 I want to invest in stocks as well as mutual funds. Who can help ?**

Only a SEBI RIA can advise you on both. An MFD's scope is limited to mutual funds only. If you want direct equity (stock) advice, you need an adviser who is either :

- A SEBI RIA — who can advise on all securities
- A SEBI-registered Research Analyst — for research reports (not personalised advice)
- A SEBI-registered Portfolio Manager — for PMS (usually Rs. 50 lakh minimum)

Entity	Can Advise On
SEBI RIA	Stocks + Mutual Funds + Bonds + ETFs + PMS + comprehensive planning
MFD	Mutual Funds ONLY
Research Analyst	Stock/sector research reports (not personalised advice)
Portfolio Manager	Discretionary stock portfolios (min. Rs. 50 lakhs)



## **Q17 What questions should I ask before hiring an RIA or MFD ?**

### **Questions to ask an RIA :**

- What is your SEBI registration number? (Verify it yourself at [sebi.gov.in](http://sebi.gov.in))
- What are your qualifications and how long have you been practising ?
- What is your exact fee structure? Are there any hidden charges ?
- Do you earn any commissions from any products you recommend ?
- Will you provide me a written financial plan and written advice documents ?
- How do you handle situations where the best product for me pays you less ?



### **Questions to ask an MFD :**

- What is your ARN number? (Verify at [amfiindia.com](http://amfiindia.com))
- What commission do you earn from the funds you're recommending ?
- Why this fund over others in the same category ?
- Can you offer me Direct Plans? If not, why ?
- How will you support me after the investment is made?



### **Q18 Is paying an RIA fee worth it? What value do I actually get ?**

Research suggests that a good financial adviser adds approximately 1.5% to 3% of annual 'alpha' — not from market-beating returns, but from :

- Behavioural coaching — preventing panic selling in market crashes
- Asset allocation rebalancing — systematic buy-low/sell-high discipline
- Tax efficiency — harvesting losses, ELSS planning, correct product choice
- Direct Plans — saving 0.5%–1.5% annually in expense ratio
- Goal clarity — avoiding oversaving or undersaving relative to life goals

**Key Takeaway :** On a Rs. 1 crore portfolio, 1.5% adviser alpha = Rs. 1.5 lakh/year in value. An RIA fee of Rs. 50,000/year = net gain of Rs. 1 lakh annually. Over 20 years, this compounding difference can exceed Rs. 2–3 crores.

# QUICK REFERENCE CHEATSHEET

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Save this page for future reference.

<b>SEBI RIA — Go here for</b>	<b>MFD — Go here for</b>
<ul style="list-style-type: none"><li>• Full financial planning</li><li>• Goal-based investing (retirement, child education)</li><li>• Multi-asset advice (stocks, bonds, ETFs)</li><li>• Unbiased fund selection (Direct Plans)</li><li>• Tax-efficient portfolio planning</li><li>• Portfolio review &amp; rebalancing</li><li>• Holistic wealth management</li></ul>	<ul style="list-style-type: none"><li>• Mutual fund transaction support</li><li>• KYC &amp; account setup</li><li>• SIP start / stop / modify</li><li>• Fund switch assistance</li><li>• Nomination &amp; folio management</li><li>• Regular follow-ups &amp; reminders</li><li>• Convenient one-window MF service</li></ul>

**▶ Red Flags Watch Out For :**

- MFD calling themselves 'adviser' & charging fees
- RIA earning commissions from products they recommend
- No written agreement before you invest
- Pressure to invest quickly without time to think
- Guaranteed return promises of any kind
- Unable or unwilling to show registration proof

**✔ Always Verify :**

- RIA registration: [sebi.gov.in](http://sebi.gov.in) → Intermediaries
- MFD/ARN verification: [amfiindia.com](http://amfiindia.com)
- File complaints : [scores.sebi.gov.in](http://scores.sebi.gov.in)
- Fund performance : [mfcentral.com](http://mfcentral.com) or [valueresearchonline.com](http://valueresearchonline.com)
- Always ask for written advice / rationale
- Understand ALL fees before signing anything



# **DISCLAIMER**

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**This document is for investor education purposes only. It does not constitute investment advice or a recommendation to buy or sell any security. All regulatory details are based on SEBI (Investment Advisers) Regulations, 2013 and AMFI guidelines. Investors should verify all registrations independently and consult appropriate professionals for their specific financial needs.**



## **PRODUCTS CAN BE DISTRIBUTED. BUT WEALTH MUST BE ADVISED.**

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FREE, FIDUCIARY ADVICE,**

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