



# **FAQs on Alternative Investment Funds**

## FAQs on Alternative Investment Funds (AIFs)

### Background

1. Is conversion of AIF units from physical to demat mandatory?

**Ans:** Yes, as per the SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023, <https://www.sebi.gov.in/legal/circulars/jun-2023/issuance-of-units-of-aifs-in-dematerialised-form-72921.html>. Also, with effect from 1<sup>st</sup> November 2023 all the New Issuance of AIF units only in dematerialized form.

2. Have the required regulatory amendments been made with regards to demat of AIFs?

**Ans:** SEBI vide its Gazette Notification dated 15<sup>th</sup> June 2023 has amended Regulation 23 & same shall be effective from 1<sup>st</sup> November 2023.

3. What are the advantages of dematerialization of AIF units?

**Ans:** Demat of units of AIFs makes the segment more investor friendly, reduce risk, quick transfer and it brings transparency to the system at low cost.

### Admission of Securities

4. What is the admission process of the AIF units?

**Ans:** SEBI registered AIF Trust will be admitted in CDSL and subsequently scheme, or class wise ISIN(s) will be admitted in CDSL.

5. How can CDSL help in the admission process?

**Ans:** CDSL has a dedicated team for providing guidance to any AIF wishing to admit its units with us. Our team will share the ready reckoner for AIF admission, explain the admission process in detail over a call or meeting. and clarify doubts. CDSL will hand hold AIFs during pre as well as post admission and help in resolving all your queries.

6. What are the documents required by CDSL for admission of units?

**Ans:** If an AIF is admitting its Schemes with CDSL for the first time, the following documents will have to be submitted:

- Letter of Intent cum Master Creation Form [MCF] Part-A and Part-B (duly filled, signed and stamped on every page of MCF).

- Softcopy of the MCF Part-B in excel format.
- Certified copy of Memorandum and Articles of Association.
- Certification of registration of Alternative Investment Fund issued by SEBI.
- Certified copy of Board Resolution [BR] for admission of Alternative Investment Fund with CDSL.
- Certified true copy of Private Placement Memorandum [PPM].
- Certified true copy of Trust Deed (if any).
- Certified true copy of Annual Financial Statement (if any)

Tri-Partite Agreement. Tri-partite (for franking and e-stamping / on stamp paper) Agreement should be executed with CDSL in triplicates with one original and two copies of the original agreement with ORIGINAL SIGNATURES AND RUBBER STAMP on it. Stamp duty payable on agreements will be Rs.600/- if executed in the state of Maharashtra. You may also provide a digitally signed agreement wherever possible.

**For Admission of subsequent Alternative Investment Fund schemes with CDSL.**

The list of documents to be submitted is as provided below:

- Master Creation Form [MCF] Part-B (duly filled, signed and stamped on every page of MCF).
- Softcopy of the MCF Part-B in excel format.
- Certified copy of Board Resolution [BR] for admission of Alternative Investment Fund with CDSL.
- Certified true copy of Private Placement Memorandum [PPM]

You may use the below link to get the enlisted documents:

<https://issuercentre.cdslindia.com/Issuerstatic/Pages/AdmitYourCompany.html>

7. What is the time taken for admission of units in CDSL?

**Ans:** ISIN will be activated within 2 working days from the date of receipt of the documents, given all the documents and information provided is complete in all respect and requisite payment has been received.

8. What are the costs involved for admission of units?

**Ans:** Please refer to the following Tariff information for admission of AIF:

- Document Processing - Document processing fees of Rs 15,000/-
- Annual charges for Issuers @Rs.11 per folio (\*) ISIN position subject to a minimum as mentioned below:

Nominal Value of Admitted securities	Annual Custodial charges levied to AMC payable to CDSL (Rs.)
Upto 2.5 crore	5,000/-
Above 2.5 crore and up to 5 crore	9,000/-
Above 5 crore and up to 10 crore	22,500/-
Above 10 crore and up to 20 crore	45,000/-
Above 20 crores	75,000/-

9. Do I have to admit the units in CDSL only or with both depositories?

**Ans:** If the investors demat accounts are only with CDSL then the ISIN for the AIF units may be admitted with CDSL and vice versa. However, for the benefit of the investors at large, it is advised to have the ISIN of the AIF units available at both the depositories.

10. Can the AIF choose any RTA of their choice??

**Ans:** The AIF can appoint any RTA of its choice which is providing its services to AIFs for admission of its schemes into the depository system.

## ISIN Creation

11. Whether scheme wise ISIN has to be created. (each scheme, each class of investors, different fee model etc.).

**Ans:** Yes, Scheme/Class wise ISIN(s) can be created for admission of the AIF units into the depository system.

12. Is there any simplified documentation/process if there are multiple schemes of an AIF with multiple underline classes.

**Ans:** With a view to facilitate ease in providing information for admission of multiple AIF schemes/classes, CDSL has prescribed a spread sheet (Master Creation Form B) for submitting the details.

13. What is the intimation that needs to be given to investors once ISIN is created?

**Ans:** Once the AIF schemes are admitted with CDSL, the AIF can share the ISIN details with its unit holders and recommend dematerialization of existing units in their demat accounts.

14. What are the charges for having multiple ISINs under one AIF?

**Ans:** CDSL levies admission charge to the SEBI registered AIF Trust and not on the underlying schemes/classes for which multiple ISINs are allotted.

15. What is the Unit allocation process in case of additional allotment on new investment?

**Ans:** Additional allotment of AIF units will happen through Corporate Action mechanism.

## **Demat of Units**

16. What is the process of demat of units by the investor?

**Ans:** Currently, the demat process will be handled through the traditional method of Investor submitting the Demat Request Form (DRF) along with the Statement of Account to Depository Participants (DP).

17. How will the Investors convert their existing Physical AIF units into demat form?

**Ans:** Investor needs to obtain the Demat Request Form (for AIF units) from DPs for the conversion of existing AIF units.

18. Is there a common conversion format which is acceptable to all the DPs?

**Ans:** CDSL has prescribed a common DRF format which is available with its Depository Participant. Investor needs to approach Depository Participant (DP) for conversion of AIF units from physical to electronic.

19. What is the timeline to demat the units once the RTA receives the signed and certified DRF from DP to convert the units in demat?

**Ans:** The standard timelines for demat of other securities shall apply for AIF units also.

20. Can the investor open demat accounts with a Regular DP or does he have to approach a Custodian DP?

**Ans:** Investor can open demat account with any registered DP of CDSL.

21. How will the demat of units happen in case of an NRI investor?

**Ans:** Demat of AIF units for NRI investor will be similar to individual resident investor.

22. For how many years should the AIF/registrar store the demat request forms and cancelled SOAs received from DPs.

**Ans:** As per the SEBI regulations, the demat request forms and cancelled SOAs have to be stored for 5 years.

## Transfer of Units

23. Will off market Transfers be allowed as in normal securities?

**Ans:** No, Transfers are allowed only through Corporate Action Mechanism.

24. If AIF is Open ended, kindly elaborate the process for transfer of AIF units through Off market.

**Ans:** Transfers are allowed only through the Corporate Action Mechanism.

25. In the case of AIF units, same may be transferred only after confirmation of the fund manager, in case of demat how this may be managed.

**Ans:** The Fund Manager/Investment Manager shall approve the transfer and provide confirmation to RTA. RTA will approach the depository through Corporate Action Mechanism for transfers.

26. Whether there will be any option provided to fund managers to restrict the off market.

**Ans:** All transfer requests will be received by the Investment Manager and the same will be approved and shared with RTAs. Subsequently, RTA will upload the Corporate Action request to depository for transfer.

27. What is the process of transfer between NRI and RI and vice versa?

**Ans:** Transfer process for NRI and RI is identical and will be handled using Corporate Action Mechanism.

## Others

28. How will new AIF unit allotment happen for closed ended and open-ended schemes?

**Ans:** All new allotment will happen through Corporate Action Mechanism with effect from 1<sup>st</sup> November 2023.

29. Is there any specific requirement for closed ended schemes which may have subsequent subscription every month?

**Ans:** Subsequent subscription will happen through the corporate action mechanism in demat form.

30. Is there a need for AIFs back office for integration with CDSL?

**Ans:** There is no requirement for the AIF to integrate their back office with CDSL.

31. Whether NAVs to be provided to depositories on daily basis.

**Ans:** AIFs are not required to provide the NAVs to the depositories.

32. Will the depositories provide AIF holdings to the funds on a regular basis?

**Ans:** Yes, Beneficiary Positions (Benpos) will be provided to RTA on weekly basis and on month ends.

33. Is there any facility where nominee details for AIF units is different from that of equity when held in demat?

**Ans:** Nominee details will be captured in demat account for all type of holdings (i.e., shares, debentures, bond, G-Sec, Mutual Fund Units, AIF units, etc.)

34. What is the maximum number of nominees that an investor can appoint?

**Ans:** As per the regulation, in demat account maximum 3 Nominees can be appointed.

35. Whether drawdown summary (Contribution amt, Total drawdown, Balance drawdown) can be provided in the unit statement. Can the details such as name of scheme, class, nominee details and drawdown summary to be provided?

**Ans:** Currently, the depository is not providing Contribution amount, Total Drawdown, balance drawn in the Statement. Depository provides:

- ISIN, ISIN description, Holding balances & transaction details in the transaction statement.
- Nominee details provided in the Client Master Report.

36. How will the switchover from one class to another be managed? Mostly investors switch from class D to class E.

**Ans:** Switchover can be handled through corporate action mechanism.

37. What is the process in case of gifting of units?

**Ans:** In the case of gifting of AIF units, units will be transferred from one account to another account using the corporate action mechanism.