

FAQ on Conversion of AIF Units from Physical to Demat

SEBI vide its circular SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 specified that all schemes of AIFs shall dematerialize their units in the following time frame:

Particulars	Schemes of AIFs with corpus* \geq Rs 500 Crore	Schemes of AIFs with corpus* $<$ Rs 500 Crore
Dematerialization of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialized form	November 01, 2023, onwards	May 01, 2024, onwards

Pursuant to SEBI directions about Issuance of units of AIFs in dematerialised form, Depositories have released the standard operating procedure for conversion of existing Alternative Investment Fund (AIF) units represented by Statement of Account (SoA) into dematerialised form through Alternative Investment Fund (AIF), Investment Manager (IM) / Registrar and Transfer Agent (RTA).

To facilitate the process and simplify the process understanding from AIF perspective, following FAQs are specified:

Q) SEBI Circular issued for Dematerialization of AIF units is applicable to whom?

Dematerialization of AIF units is applicable and mandatory for All schemes of AIFs as follows:*

- Schemes AIFs with corpus \geq Rs 500 Crore - Latest by October 31, 2023
- Schemes of AIFs with corpus $<$ Rs 500 Crore - Latest by April 30, 2024

*Excludes existing schemes whose tenure (excluding permissible extensions in tenure) ends on or before April 30, 2024.

Q) What are the routes for Dematerialization of AIF Units?

There are two routes for the dematerialization of the AIF Units:

1. Dematerialization of Units by the AIF via Corporate Action
2. Dematerialization of Units by the Investors in the AIF by submitting a request through Depository Participant (DP).

The Depository has worked with AIF Industry Associations on the process of dematerialization of AIF Units, with the AIFs being mandated to dematerialize all their units as per the stated timelines and SEBI notifications. All investors should reach out to the AIFs in which they have invested for dematerialization of their Units.

For Dematerialisation of units by the AIF via Corporate Action

AIF shall instruct its Registrar & Transfer Agent (RTA) for conversion of Physical units into demat through corporate action mechanism at Depositories for all the Funds which are eligible for compulsory demat as per SEBI circular SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023

AIF seeking conversion of Physical units into demat through corporate action mechanism at Depositories shall need to submit the following documents:

- Corporate action request form/details as prescribed by Depositories.
- Stamp Duty Declaration.
- Applicable fees.
- Board resolution/List of signatories for AIF/IM authorizing operational activities related to demat of AIF units.
- Request form for Restricted transfer facility.

Process to be followed at AIF's end:

Receipt of conversion request from the investor

- a) AIF shall ensure that the units which the investor intends to convert belong to the list of units available for dematerialization in Depositories.
- b) AIF/RTA shall verify details viz., DP ID, Client ID, Name(s) of the investor(s) and holding pattern (mentioned on CRF) with the CMR of the beneficial owner account submitted by the investor or from the data services/bendem report obtained.

Corporate action after successful validation and verification of data/request

- a) AIF shall record the conversion of units, represented by SoA, as requested by the investor(s) in its records, upon successful validation and verification.
- b) AIF shall request the depository to credit the units by corporate action process to the beneficial owner account of the unit holder(s).

All Investors in AIFs are recommended to reach out to their AIFs for details on dematerialization of their Units and submit information to allow the AIFs to undertake dematerialization of the Units via corporate action.

Q) How can investor submit requests for conversion of Physical units into demat units?

Investor can submit request for conversion of their existing (AIF) physical units represented by Statement of Account (SoA) into demat form through:

1. Request for conversion to AIF OR
2. Raise a dematerialization request through Depository Participant (DP).

Q) What documents are required to be submitted by Investors to AIF?

For request for conversion through AIF the investor shall submit.

- a. Conversion Request Form (CRF) as prescribed by IM/AIF
- b. A copy of Client Master Report (CMR) issued by its Depository Participant (DP) duly certified by the DP (If required by AIF/IM)
- c. A copy of latest SoA containing information of the holding units (If required by AIF/IM)

For dematerialization request through DP shall submit.

- a. Instructions/Demat request Form as prescribed by DP.
- b. A copy of latest SoA containing information of the holding units desired to be converted into demat.

Q) Does AIF have to provide the CMR copy collected from Investors while executing Corporate Action Conversion process to Depository?

No, CMR copy is not required for execution of corporate action at depositories.

Q) How investors can identify successful conversion of their physical units.

Post execution of corporate action, the credit of the converted units will be reflected in the Transaction Statement of unitholders which can be obtained from the respective DP.