



# Central Depository Services (India) Limited

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## COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

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CDSL/OPS/DP/POLCY/2023/451

August 03, 2023

### **SEBI – MASTER CIRCULAR FOR ALTERNATIVE INVESTMENT FUNDS (AIFs)**

DPs are advised to refer to the SEBI Circular viz. **SEBI/HO/AFD/PoD1/P/CIR/2023/130** dated **July 31, 2023**, regarding **Master Circular for Alternative Investment Funds (AIFs)** [refer Annexure].

DPs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: **CDSL – Helpdesk** Emails may be sent to: [helpdesk@cdslindia.com](mailto:helpdesk@cdslindia.com) and telephone number 08069144800.

sd/-

**Nilesh Shah**  
**Asst. Vice President – Operations**

**MASTER CIRCULAR**

SEBI/HO/AFD/PoD1/P/CIR/2023/130

July 31, 2023

To,

**All Alternative Investment Funds  
All Custodians  
All Depositories  
All Registrar to an Issue and Share Transfer Agents**

Sir/Madam,

**Sub: Master Circular for Alternative Investment Funds (AIFs)**

1. With an objective to ensure an effective regulatory framework for AIFs, Securities and Exchange Board of India (SEBI) has been issuing various circulars from time to time. The provisions of the aforesaid circulars issued by SEBI up to March 31, 2023, which are operational as on date, have been incorporated in this Master Circular for AIFs.
2. Circulars providing temporary relaxations with regard to certain compliance requirements for AIFs have not been included in the Master Circular.
3. In addition to the requirements specified under this Master Circular, the AIFs shall be required to independently comply with the other requirements specified by SEBI for market intermediaries such as the 'Levy of Goods & Services Tax (GST) on the fees payable to SEBI', 'Approach to securities market data access and terms of usage of data provided by data sources in Indian securities market', 'Digital mode of payment', 'Information regarding Grievance Redressal Mechanism' and 'Guidelines on Outsourcing of Activities by Intermediaries', etc.
4. With respect to any other directions or guidance issued by SEBI, as specifically applicable to AIFs, the same shall continue to remain in force in addition to the provisions of this Master Circular or any other law for the time being in force.
5. This Master Circular shall come into force from the date of its issuance. The circulars mentioned in [Annexure 19](#) of this Master Circular shall stand rescinded with the issuance of the Master Circular.
6. Notwithstanding such rescission:
  - a) anything done or any action taken or purported to have been done or taken under the rescinded circulars, including registrations or approvals granted, fees collected, registration suspended or cancelled, any inspection or investigation or enquiry or adjudication commenced or show cause notice issued prior to such

rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;

- b) any application made to SEBI under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;
  - c) the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded.
7. This circular is issued with the approval of the competent authority.
8. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
9. The circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal framework – Master Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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**Abbreviations:**

Alternative Investment Fund	AIF
Compliance Test Report	CTR
Financial Action Task Force	FATF
Foreign Exchange Management Act	FEMA
Hindu Undivided Family	HUF
International Organization of Securities Commission	IOSCO
Know Your Client	KYC
Multilateral Memorandum of Understanding	MMOU
Net Asset Value	NAV
Permanent Account Number	PAN
Prevention of Money Laundering Act	PMLA
Private Placement Memorandum	PPM
Reserve Bank of India	RBI
Securities and Exchange Board of India	SEBI
Securities and Exchange Board of India, 1992	SEBI Act
SEBI Intermediary portal	SI portal
Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012	AIF Regulations

### **Chapter 1 – Online Filing System for AIFs<sup>1</sup>**

- 1.1. All applicants desirous of seeking registration as an Alternative Investment Fund ('AIF') are required to submit their applications only online, through the SEBI Intermediary Portal at <https://siportal.sebi.gov.in>. Further, all SEBI registered AIFs are required to file their compliance reports and submit applications for any request under the provisions of AIF Regulations and circulars issued thereunder, only through the SEBI Intermediary Portal.
- 1.2. In case of any queries and clarifications, users may refer to the manual provided in the SEBI Intermediary Portal or contact the Portal Helpline as specified in the manual.

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<sup>1</sup> SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2017/87 dated July 31, 2017

## **Chapter 2 – Filing of Private Placement Memorandum ('PPM') and related compliance requirements**

### **2.1. Template(s) for PPM<sup>2</sup> and disclosures in PPM<sup>3</sup>**

- 2.1.1. Private Placement Memorandum ('PPM') is a primary document in which all the necessary information about the AIF is disclosed to prospective investors. To ensure that a minimum standard of disclosure is made available in the PPM, a template has been mandated for the PPM, providing certain minimum level of information in a simple and comparable format. AIFs are also permitted to provide additional information in their PPM.
- 2.1.2. Thus, the template for PPM shall have two parts *viz.*  
Part A – section for minimum disclosures, and  
Part B – supplementary section to allow full flexibility to the Fund in order to provide any additional information, which it deems fit.
- 2.1.3. The template for PPM of AIFs raising funds under Category I and Category II is provided at [Annexure 1](#). The template for PPM of AIFs raising funds under Category III is provided at [Annexure 2](#).
- 2.1.4. Every AIF shall, in its PPM provide a detailed tabular example of how the fees and charges shall be applicable to the investor including the distribution waterfall.
- 2.1.5. Regulation 11(2) of the AIF Regulations requires that an AIF shall include history of disciplinary actions in its PPM. In this regard, it is clarified that all AIFs shall include in their PPM, disciplinary history of:
- (i) AIF, sponsor, manager and their directors/partners/promoters and associates;
  - (ii) If applicant is a trust, trustees or trustee company and its directors.

Such disciplinary history shall, inter alia, include:

- a) Details of outstanding/pending and past cases (where the person has been found guilty) of litigations, criminal or civil prosecution, disputes, non-payment of statutory dues, overdue to/defaults against banks or financial institutions, contingent liabilities not provided for, proceedings initiated for economic offences or civil offences, adverse findings with respect to compliance with securities laws, penalties levied, disputed tax liabilities, etc.

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<sup>2</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020

<sup>3</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014 and SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014

- b) Any disciplinary action taken by the Board or any other regulatory authority.

In case of operational actions such as administrative warnings/deficiency letters, the same may be grouped together and summarized. However, if the investor seeks details of the summarized portion, the same shall be provided by the AIF to the investor.

Any further litigations/cases, etc. as may arise in the course of the activities of the AIF shall be appropriately incorporated in the PPM and intimated to the investors.

- 2.1.6. With respect to disclosure of disciplinary history as per para 2.1.5 above, the same shall be applicable for the last 5 years and where monetary penalty is involved, in all cases where such penalty is greater than 5 lakh rupees. With respect to disputed tax liabilities, the same shall not apply to liabilities in personal capacity of an individual. Contingent liabilities shall be as disclosed in books of accounts of the entity.

## 2.2. Modalities for filing of PPM through a Merchant Banker<sup>4</sup>

In terms of Regulation 12(2) of the AIF Regulations, AIFs shall launch scheme(s) subject to filing of PPM with SEBI through a SEBI registered Merchant Banker. In this context, the following is specified:

- 2.2.1. The Merchant Banker shall independently exercise due diligence of all the disclosures in the PPM, satisfy itself with respect to veracity and adequacy of the disclosures and provide a due diligence certificate. The format of due diligence certificate is given at [Annexure 3](#).
- 2.2.2. While filing draft PPM at the time of registration or prior to launch of new scheme on the SEBI intermediary portal, the due diligence certificate provided by the Merchant Banker shall also be submitted, along with other necessary documents.
- 2.2.3. The details of the Merchant Banker shall be disclosed in the PPM.
- 2.2.4. The Merchant Banker appointed for filing of PPM shall not be an associate of the AIF, its sponsor, manager or trustee.

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<sup>4</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021

### 2.3. **Validity of PPM - Timeline for declaration of First Close of schemes of AIFs<sup>5</sup>**

In terms of Regulation 12(4) of AIF Regulations, the first close of the scheme shall be declared by an AIF in the manner as may be specified by SEBI from time to time. In this regard, the following is specified:

- 2.3.1. The First Close of a scheme shall be declared not later than 12 months from the date of SEBI communication for taking the PPM of the scheme on record.
- 2.3.2. In case of open ended schemes of Category III AIFs, the First Close shall refer to the close of their Initial Offer Period.
- 2.3.3. Corpus of the scheme at the time of declaring its First Close shall not be less than the minimum corpus specified in AIF Regulations for the respective category/sub-category of the AIF.
- 2.3.4. The commitment provided by sponsor or manager at the time of declaration of First Close, to the extent to meet the aforesaid minimum corpus requirement, shall not be reduced or withdrawn or transferred, post First Close.
- 2.3.5. Schemes of AIFs, who had not declared their First Close as on November 17, 2022, shall declare their First Close not later than November 16, 2023.
- 2.3.6. Schemes of AIFs as on November 17, 2022, whose PPMs were taken on record prior to November 17, 2021, and had not declared their First Close by November 17, 2022, shall submit updated PPM with SEBI in the format specified at para 2.1.3 above, through a SEBI registered merchant banker along with due diligence certificate from the merchant banker as specified in [Annexure 3](#) as provided in para 2.2.1 above and such updated PPM shall be circulated to investors before declaration of First Close.
- 2.3.7. The First Close of Large Value Fund for Accredited Investors (“LVF”) scheme shall be declared not later than 12 months from the date of grant of registration of the AIF or date of filing of PPM of scheme with SEBI, whichever is later.
- 2.3.8. LVF schemes as on November 17, 2022, shall declare their First Close not later than November 16, 2023.

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<sup>5</sup> SEBI circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022

2.3.9. In case the First Close of a scheme is not declared within the timeline specified above, the AIF shall file a fresh application for launch of the said scheme as per applicable provisions of AIF Regulations by paying requisite fee to SEBI.

#### 2.4. Audit of terms of PPM<sup>6</sup>

2.4.1. In order to ensure compliance with the terms of PPM, it is mandatory for AIFs to carry out an annual audit of such compliance. The audit shall be carried out either by an internal or external auditor/legal professional. However, audit of sections of PPM relating to 'Risk Factors', 'Legal, Regulatory and Tax Considerations' and 'Track Record of First Time Managers' shall be optional.

2.4.2. Audit of compliance with terms of PPM, shall be conducted at the end of each Financial Year and the findings of audit along with corrective steps, if any, shall be communicated to the Trustee or Board of Directors or Designated Partners of the AIF, Board of directors or Designated Partners of the Manager and SEBI, within 6 months from the end of the Financial Year.

2.4.3. The requirement of audit of compliance with terms of PPM shall not apply to AIFs which have not raised any funds from their investors. However, such AIFs shall submit a Certificate from a Chartered Accountant to the effect that no funds have been raised, within 6 months from the end of the Financial Year.

2.4.4. The requirements as mentioned at para 2.1.1, 2.1.3 and 2.4.1 above shall not apply to the following:

(i) Angel Funds as defined in AIF Regulations.

(ii) AIFs/Schemes in which each investor commits to a minimum capital contribution of 70 crore rupees (USD 10 million or equivalent, in case of capital commitment in non-INR currency) and also provides a waiver to the fund from the requirement of PPM in the SEBI specified template and annual audit of terms of PPM, in the manner provided at [Annexure 4](#).

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<sup>6</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020 and SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/99 dated June 12, 2020

## 2.5. Changes in PPM<sup>7</sup>

- 2.5.1. At the time of submission of final placement memorandum to SEBI, any changes which have been made *vis-à-vis* the draft placement memorandum submitted to SEBI at the time of application shall be listed clearly in the covering letter. Further, the changes shall also be highlighted in the copy of the final placement memorandum.
- 2.5.2. Any changes in terms of PPM and in the documents of the fund/scheme shall be intimated to investors and SEBI on a consolidated basis, within 1 month of the end of each financial year. Such intimation shall specifically mention the changes carried-out in the PPM and the documents of the fund/scheme, along with the relevant pages of revised sections/clauses<sup>8</sup>.
- 2.5.3. Such intimation to SEBI for changes in terms of PPM shall be submitted through a Merchant Banker, along with the due diligence certificate provided by the Merchant Banker. The format of due diligence certificate for intimating the changes in the placement memorandum is given at [Annexure 5](#). The Merchant Banker appointed for filing of PPM shall not be an associate of the AIF, its sponsor, manager or trustee<sup>9</sup>.
- 2.5.4. 'Material changes' may be construed as changes in the fundamental attributes of the fund/scheme. In case of material changes significantly influencing the decision of the investor to continue to be invested in the AIF, the process as mentioned hereunder shall be complied with. Such changes shall include, but not be limited to the following:
- (a) Change in sponsor/manager (not including an internal restructuring within the group),
  - (b) Change in control of sponsor/manager,
  - (c) Change in fee structure or hurdle rate which may result in higher fees being charged to the unit holders.

The following process shall be followed by the AIF:

- (i) Existing unit holders who do not wish to continue post the change shall be provided an exit option. The unit holders shall be provided not less than one month for expressing their dissent.
- (ii) In case of open-ended schemes of the AIF, the exit option may be provided by either of the following:

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<sup>7</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014, SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014

<sup>8</sup> SEBI circular No. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021

<sup>9</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021

- A. Buying out of units of the dissenting investors by the manager/ any other person as may be arranged by the manager, valuation of which shall be based on market price of underlying assets.
  - B. Redemption of units of the investors through sale of underlying assets.
- (iii) In case of close-ended schemes of the AIF, the exit option may be provided as under:
- A. The exit option shall be provided by buying out of units of the dissenting investors by the manager/ any other person as may be arranged by the manager.
  - B. Prior to buying out of such units, valuation of the units shall be undertaken by two independent valuers and the exit shall be at value not less than average of the two valuations.
- (iv) The responsibility to provide exit to the dissenting investors shall be on the manager. The expenses for the entire process shall be borne by the manager/sponsor/proposed new manager or sponsor and shall not be charged to the unit holders.
- (v) The entire process of exit to dissenting investors shall be completed within 3 months from the date of expiry of last date of the offer for dissent.
- (vi) The trustee of AIF (in case AIF is a trust)/ sponsor (in case of any other AIF) shall be responsible for overseeing the process, ensuring compliance and regularly updating SEBI on the developments.
- 2.5.5. With respect to para 2.5.4 above, the process for exit under the clause shall not apply in cases where the AIF has approval of not less than 75% of unit holders by value of their investment in the AIF with respect to sub-clauses (a) and (b).

### **Chapter 3 – Registration related clarifications**

#### **3.1. In-principle approval<sup>10</sup>**

With respect to an in-principle approval granted to an applicant, in case the registered trust deed or duly filed partnership deed is not submitted within the specified time period, the applicant shall file a fresh application for registration under the AIF Regulations.

#### **3.2. Change in category of AIF<sup>11</sup>**

Regulation 7(2) of AIF Regulations specifies as under:

"An Alternative Investment Fund which has been granted registration under a particular category cannot change its category subsequent to registration, except with the approval of the Board." In this regard, it is specified as under:

- 3.2.1. Only AIFs who have not made any investments under the category in which they were registered earlier shall be allowed to make application for change in category.
- 3.2.2. Any AIF proposing to change its category shall make an application to SEBI for the same along with an application fees of 1 lakh rupees. The application shall include the updated Form A (Refer First Schedule to the AIF Regulations), other updated supporting documents, if any and rationale for the proposed change. Registration fees shall not apply for such applications.
- 3.2.3. If the AIF has received commitments/ raised funds prior to application for change in category, the AIF shall be required to send letters/emails to all its investors providing them the option to withdraw their commitments/ funds raised without any penalties/charges. Any fees collected from investors seeking to withdraw commitments/ funds shall be returned to them. Partial withdrawal may be allowed subject to compliance with the minimum investment amount required under the AIF Regulations.
- 3.2.4. The AIF shall not make any investments other than in liquid funds/ banks deposits until approval for change in category is granted by SEBI.
- 3.2.5. On approval of the request from SEBI, the AIF shall send a copy of the revised PPM and other relevant information to all its investors.

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<sup>10</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

<sup>11</sup> SEBI circular No. CIR/IMD/DF/12/2013 dated August 07, 2013

#### Chapter 4 - Investment in AIFs<sup>12</sup>

4.1. In terms of Regulation 10(a) of AIF Regulations, AIFs may raise funds from any investor whether Indian, foreign or non-resident Indians, by way of issue of units. At the time of on-boarding investors, the manager of an AIF shall ensure the following<sup>13</sup>:

4.1.1. Foreign investor of the AIF is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatory) or a signatory to the bilateral Memorandum of Understanding with SEBI.

For the purpose of the aforesaid clause, "Bilateral Memorandum of Understanding with SEBI" shall mean a bilateral Memorandum of Understanding between SEBI and any authority outside India that provides for information sharing arrangement as specified under clause (ib) of sub-section (2) of Section 11 of the Securities and Exchange Board of India Act, 1992.

AIFs may accept commitment from an investor being Government or Government related investor, who does not meet the aforesaid condition, if the investor is a resident in the country as may be approved by the Government of India.

4.1.2. The investor, or its underlying investors contributing twenty-five percent or more in the corpus of the investor or identified on the basis of control, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as—

- (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
- (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

For the purpose of the aforesaid clause, "control" includes the right to appoint majority of the directors or to control the management or policy

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<sup>12</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014 and SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014

<sup>13</sup> SEBI circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/171 dated December 09, 2022

decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

- 4.2. In case an investor who has been on-boarded to scheme of an AIF, subsequently does not meet the conditions specified at para 4.1 above, the manager of the AIF shall not drawdown any further capital contribution from such investor for making investment, until the investor again meets the said conditions.
- 4.3. All AIFs shall ensure that all marketing documents of the fund/scheme, if any, are distributed only on a private basis to its proposed investors and are in accordance with the PPM of the fund/scheme<sup>14</sup>.
- 4.4. The terms of contribution or subscription agreement (by any name as it may be called), shall be aligned with the terms of the PPM and shall not go beyond the terms of the PPM<sup>15</sup>.
- 4.5. With respect to Regulation 10(c) of AIF Regulations, an AIF may accept the following as joint investors for the purpose of investment of not less than the minimum investment amount as specified in AIF Regulations for respective category/sub-category of AIF:
- i. An investor and his/her spouse
  - ii. An investor and his/her parent
  - iii. An investor and his/her daughter/son
- With respect to the above investors, not more than 2 persons shall act as joint-investors in an AIF. In case of any other investors acting as joint-investors, for every investor, the minimum investment amount, as specified in AIF Regulations for respective category/sub-category of AIF, shall apply. Each of the joint investor shall contribute towards the AIF/scheme of AIF.
- 4.6. With respect to units of AIF issued to the employees of the manager of the AIF for profit-sharing, Regulation 10(c) of AIF Regulations shall not be applicable in cases where such units do not entail any contribution/investment from the employees.
- 4.7. In case of an open-ended scheme of AIF, the first single lump-sum investment amount received from the investor should not be less than the minimum investment amount. Further, in case of request for partial redemption of units by an investor in an open-ended scheme of AIF, the AIF shall ensure that after such redemption, the amount of investment retained by the investor in the fund

<sup>14</sup> SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

<sup>15</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020

does not fall below the specified minimum limit as provided under the AIF Regulations.

## **Chapter 5 - Operational and prudential norms for Category III AIFs**

### **5.1. Calculation of investment concentration norm for Category III AIFs<sup>16</sup>**

Regulation 15(1)(d) of AIF Regulations provides flexibility to Category III AIFs, including large value funds for accredited investors of Category III AIFs, to calculate investment concentration norm based either on investable funds or net asset value ('NAV') of the scheme while investing in listed equity of an investee company, subject to the conditions specified by SEBI from time to time. In this regard, the following is specified:

- 5.1.1. All Category III AIFs shall disclose the basis for calculation of investment concentration norm in the PPM of their schemes.
- 5.1.2. The basis for calculating investment concentration norm shall not be changed during the term of the scheme.
- 5.1.3. Category III AIFs which choose to calculate investment concentration norm based on NAV, shall comply with the following<sup>17</sup>:
  - (i) The limit for investment in listed equity shall be calculated based on the NAV of the fund on the business day immediately preceding the date on which the Category III AIF makes such investment.
  - (ii) NAV of the AIF shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.
  - (iii) Passive breach of concentration norm, i.e. when the market value of the investment of Category III AIF in listed equity of an investee company exceeds the investment limit as specified under Regulation 15(1)(d) of AIF Regulations, shall be rectified within 30 days from the date of the breach.

### **5.2. Prudential requirements with respect to leverage<sup>18</sup>**

All Category III AIFs which undertake leverage, whether through investment in derivatives or by borrowing or by any other means shall comply with the following prudential requirements:

- 5.2.1. For the purpose of arriving at leverage undertaken by an AIF, leverage shall be calculated as the ratio of the exposure to the NAV of the AIF.

<sup>16</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2022/0000000037 dated March 28, 2022

<sup>17</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2021/663 dated Nov 22, 2021

<sup>18</sup> SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

5.2.2. Leverage shall be calculated as under:

$$\text{Leverage} = \frac{\text{Total exposure \{Longs+Shorts (after offsetting as permitted)\}}}{\text{Net Asset Value (NAV)}}$$

5.2.3. The leverage of a Category III AIF shall not exceed 2 times of the NAV of the fund. i.e. If an AIF's NAV is 100 crore rupees, its exposure (Longs + shorts) after offsetting positions as permitted shall not exceed 200 crore rupees.

5.2.4. Category III AIFs investing in units of other AIFs may undertake leverage not exceeding two times of the value of portfolio (NAV) after excluding the value of investment in units of other AIFs<sup>19</sup>.

#### **Calculation of exposure and NAV**

5.2.5. The total exposure of the fund for the purpose of computing leverage shall be the sum of the market value of all the securities/ contracts held by the fund. The total exposure at any point of time will be a sum of exposure through instruments in both the spot market and the derivative market.

5.2.6. Exposure shall be calculated as below:

- (i) Futures (long and short) = Futures Price \* Lot Size \* Number of Contracts
- (ii) Options bought = Option Premium Paid \* Lot Size \* Number of Contracts
- (iii) Options sold = Market price of underlying \* Lot size \* Number of contracts
- (iv) In case of any other derivative exposure, the exposure is proposed to be calculated as the notional market value of the contract.

5.2.7. Idle cash and cash equivalents shall not be included in the calculation of total exposure. Long put positions shall be considered as short exposure and short put positions shall be considered as long exposure. Short selling of a stock through Securities Lending and Borrowing Mechanism ('SLBM') shall be treated as short exposure. Temporary borrowing arrangements which relate to and are fully covered by capital commitments from investors need not be included in calculation of leverage.

5.2.8. Offsetting of positions shall be allowed for calculation of leverage for transactions entered into for hedging and portfolio rebalancing as provided in para 12.25 of Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 for Mutual Funds dated May 19, 2023.

<sup>19</sup> SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021

- 5.2.9. Sum of all exposures without offsetting transactions for hedging and portfolio rebalancing shall be termed as 'gross exposure' and the ratio of such gross exposure and NAV shall be termed as 'gross leverage'.
- 5.2.10. NAV of the AIF shall be the sum of value of all securities adjusted for mark to market gains/losses (including cash and cash equivalents). The NAV shall exclude any funds borrowed by the AIF.
- 5.2.11. All the above restrictions/limits shall apply at the scheme-level.

#### **Breach of leverage limits**

- 5.2.12. All Category III AIFs shall have adequate systems in place to monitor their exposures. It shall be responsibility of the AIFs to ensure that the leverage shall not exceed the specified limit at all times.
- 5.2.13. All Category III AIFs shall report to the custodian the amount of leverage at the end of the day (based on closing prices), by the end of next working day<sup>20</sup>.
- 5.2.14. In case of a breach in limit:

##### a. Obligation of AIF:

- (i) The AIF shall send a report to the custodian in case there has been any breach of limit during the day, by the end of the same day.
- (ii) The AIF shall send a report to all its clients before 10 a.m. on the next working day stating that there is a breach in the limit along with reasons for the same.
- (iii) The AIF shall square off the excess exposure and bring back the leverage within the specified limit by end of next working day. This shall however not prejudice any action that may be taken by SEBI against the AIF under AIF Regulations or the SEBI Act.
- (iv) A confirmation of squaring off of the excess exposure shall be sent to all the clients by the AIF by end of the day on which the exposure was squared off.

##### b. Obligation of custodian:

- (i) The custodian shall report to SEBI providing name of the fund, the extent of breach and reasons for the same before 10 a.m. on the next working day.

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<sup>20</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

- (ii) A confirmation of squaring off of the excess exposure shall be sent to SEBI by the custodian by end of the day on which the exposure was squared off.

### 5.3. Risk Management and Compliance<sup>21</sup>

All Category III AIFs which employ leverage shall:

- 5.3.1. have a comprehensive risk management framework supported by an independent risk management function, appropriate to the size, complexity and risk profile of the fund.
- 5.3.2. have a strong and independent compliance function appropriate to the size, complexity and risk profile of the fund supported by sound and controlled operations and infrastructure, adequate resources and checks and balances in operations.
- 5.3.3. maintain appropriate records of the trades/transactions performed and such information should be available to SEBI, whenever sought.
- 5.3.4. provide full disclosure and transparency about conflicts of interest and how they manage them from time to time, to investors, in accordance with Regulation 21 of the AIF Regulations and any other guidelines as may be specified by SEBI from time to time. Such conflicts shall be disclosed to the investors in the placement memorandum and by separate correspondences as and when such conflicts may arise. Such information shall also be disclosed to SEBI as and when required by SEBI.

### 5.4. Redemption norms<sup>22</sup>

- 5.4.1. These norms shall apply to open ended schemes of Category III AIFs.
- 5.4.2. The Manager of such AIFs shall ensure adequate and sufficient degree of liquidity of the scheme/ fund in order to allow it, in general, to meet redemption obligations and other liabilities.
- 5.4.3. The Manager shall establish, implement and maintain an appropriate liquidity management policy and process to ensure that the liquidity of the various underlying assets is consistent with the overall liquidity profile of the fund/scheme while making any investment.
- 5.4.4. The Manager of such AIFs shall clearly disclose the possibility of suspension of redemptions in exceptional circumstances to investors, in the PPM.

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<sup>21</sup> SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

<sup>22</sup> SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

- 5.4.5. Suspension of redemptions by the Manager shall be justified only:
- (i) in exceptional circumstances provided that such suspension is exclusively in the best interest of investors of the AIF, or
  - (ii) if the suspension is required under the AIF regulations or required by SEBI.
- 5.4.6. The Manager of such AIFs shall build the operational capability to suspend redemptions in an orderly and efficient manner. During the suspension of the redemptions, the Manager shall not accept new subscriptions.
- 5.4.7. The decision by the Manager to suspend redemptions, in particular the reasons for the suspension and the planned actions shall be appropriately documented and communicated to SEBI and to the investors.
- 5.4.8. The suspension shall be regularly reviewed by the Manager. The Manager shall take all necessary steps in order to resume normal operations as soon as possible having regard to the best interest of investors.
- 5.4.9. The Manager of such AIFs shall keep SEBI and investors informed about the actions undertaken by the manager throughout the period of suspension. The decision to resume normal operations shall also be communicated to SEBI and the investors as soon as possible.

**5.5. Breach in corpus of open ended scheme<sup>23</sup>**

For the purpose of Regulation 10(b) of AIF Regulations, in case the corpus of an open-ended scheme falls below twenty crore rupees:

- 5.5.1. The AIF shall intimate to SEBI within 2 days of receiving request for redemption from the client.
- 5.5.2. The AIF shall take necessary action to bring back the scheme size to twenty crore rupees within 3 months from the date of such breach.
- 5.5.3. In case the AIF fails to bring back the corpus within the specified period, it shall redeem entire units of all investors and wind up the scheme in terms of Regulation 29 of AIF Regulations.
- 5.5.4. In case of repeated violations by the AIF, SEBI may take action against the AIF, as may be appropriate.

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<sup>23</sup> SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

**Chapter 6 – Norms for Special Situation Funds (SSF)**<sup>24</sup>

- 6.1. Each scheme of SSF shall have a corpus of at least one hundred crore rupees.
- 6.2. SSF shall accept an investment of value not less than ten crore rupees from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than five crore rupees. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be twenty-five lakh rupees.
- 6.3. SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder.
- 6.4. Further, in respect of SSF acquiring stressed loan in terms of Clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 ('RBI Master Direction'), the following is specified:
  - 6.4.1. SSF may acquire stressed loan in terms of clause 58 of RBI Master Direction upon inclusion of SSF in the respective Annex of the RBI Master Direction.
  - 6.4.2. Stressed loan acquired by SSF in terms of clause 58 of the RBI Master Direction shall be subject to a minimum lock-in period of six months. The lock in period shall not be applicable in case of recovery of the stressed loan from the borrower.
  - 6.4.3. SSF acquiring stressed loans in terms of the RBI Master Direction shall comply with the same initial and continuous due diligence requirements for its investors, as those mandated by RBI for investors in Asset Reconstruction Companies.

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<sup>24</sup> SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2022/009 dated Jan 27, 2022

## **Chapter 7 - Guidelines for overseas investments by AIFs and related reporting<sup>25</sup>**

In terms of Regulation 15(1)(a) of AIF Regulations, AIFs may invest in securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the RBI and SEBI from time to time. In this regard, the following is specified:

### **7.1. Investment conditions**

- 7.1.1. AIFs may invest in equity and equity linked instruments only of off-shore venture capital undertakings, subject to overall limit of USD 1500 million (combined limit for AIFs and Venture Capital Funds registered under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996).
- 7.1.2. For the purpose of such investment, it is clarified that “Offshore Venture Capital Undertakings” means a foreign company whose shares are not listed on any of the recognized stock exchange in India or abroad.
- 7.1.3. Such investments shall not exceed 25% of the investable funds of the scheme of the AIF.
- 7.1.4. AIFs shall invest in an overseas investee company, which is incorporated in a country whose securities market regulator is a signatory to the International Organization of Securities Commission’s Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to the bilateral Memorandum of Understanding with SEBI.
- 7.1.5. AIFs shall not invest in an overseas investee company, which is incorporated in a country identified in the public statement of Financial Action Task Force (FATF) as:
  - (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  - (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.
- 7.1.6. These investments would be subject to Foreign Exchange Management (Overseas Investment) Regulations, 2022, including amendments thereof and related directions issued by RBI from time to time.

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<sup>25</sup> SEBI Circular No. SEBI/HO/AFD-1/PoD/CIR/P/2022/108 dated August 17, 2022, SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2018/103/2018 dated July 03, 2018 and SEBI Circular No. CIR/IMD/DF/7/2015 dated October 1, 2015

- 7.1.7. AIFs shall not invest in Joint venture/Wholly Owned Subsidiary while making overseas investments.
- 7.1.8. AIFs shall adhere to FEMA, 1999, its Rules, Regulations and Directions issued by the Government/ RBI from time to time.
- 7.1.9. AIFs shall comply with all requirements under RBI guidelines on opening of branches/subsidiaries/Joint Venture /undertaking investment abroad by NBFCs, where more than 50% of the funds of the AIF has been contributed by a single NBFC.
- 7.1.10. AIFs shall transfer/sell the investment in overseas investee company only to the entities eligible to make overseas investments, as per the extant guidelines issued under the FEMA, 1999.

## 7.2. Allocation of overseas investment limit

- 7.2.1. AIFs shall file an application to SEBI for allocation of overseas investment limit in the format specified at [Annexure 6](#). The Trustee/Board/Designated Partners of the AIFs shall submit an undertaking to SEBI as specified at [Annexure 6](#) with respect to the proposed overseas investment.

It is clarified that no separate permission from RBI is necessary in this regard.

- 7.2.2. The allocation of investment limits would be done on 'first come- first serve' basis, depending on the availability in the overall limit of USD 1500 million.
- 7.2.3. In case an AIF who is allocated certain investment limit, wishes to apply for allocation of further investment limit, the fresh application shall be dealt with on the basis of the date of its receipt and no preference shall be granted to it in fresh allocation of investment limit.
- 7.2.4. The AIF shall have a time limit of 6 months from the date of approval from SEBI for making allocated investments in offshore venture capital undertakings. In case the applicant does not utilize the limits allocated within the stipulated period, SEBI may allocate such unutilized limit to other applicants.
- 7.2.5. If an AIF liquidates investment made in an overseas investee company previously, the sale proceeds received from such liquidation, to the extent of investment made in the said overseas investee company, shall be available to all AIFs (including the selling AIF) for reinvestment.

### 7.3. Reporting of overseas investments

- 7.3.1. AIFs shall report the utilization of the overseas limits within 5 working days of such utilization on SEBI intermediary portal at <https://siportal.sebi.gov.in>.
- 7.3.2. AIFs shall also report the following through SEBI intermediary portal:
- (i) In case an AIF has not utilized the overseas limit granted to them within a period of 6 months from the date of SEBI approval (hereinafter referred to as 'validity period'), the same shall be reported within 2 working days after expiry of the validity period;
  - (ii) In case an AIF has not utilized a part of the overseas limit within the validity period, the same shall be reported within 2 working days after expiry of the validity period;
  - (iii) In case an AIF/ VCF wishes to surrender the overseas limit at any point of time within the validity period, the same shall be reported within 2 working days from the date of decision to surrender the limit.
- 7.3.3. AIFs shall furnish the sale/divestment details of the overseas investments to SEBI in the format given at [Annexure 7](#) within 3 working days of the divestment, by emailing to [aifreporting@sebi.gov.in](mailto:aifreporting@sebi.gov.in), for updating the overall limit available for overseas investment by AIFs.

### Chapter 8 – Investment in units of AIFs<sup>26</sup>

- 8.1. In terms of Regulation 15(1) (c) and (d) of the AIF Regulations, AIFs may invest in an investee company up to a specified limit, directly or through investment in the units of other AIFs. AIFs may invest in units of other AIFs without labelling themselves as a Fund of AIFs.
- 8.2. Existing AIFs may also invest simultaneously in securities of investee companies and in units of other AIFs, subject to appropriate disclosures in the PPM and with the consent of at least two-thirds of unit holders by value of their investment in the AIF in terms of Regulation 9(2) of the AIF Regulations.
- 8.3. AIFs which propose to invest in units of other AIFs shall provide, *inter-alia*, the following information in their PPMs:
- (i) Proposed allocation of investment in units of other AIFs;
  - (ii) Out of total fees and expenses charged to investors of the AIF, portion of fees and expenses which may be attributed to investment in units of other AIFs;
  - (iii) Process to be followed by the Manager to ensure compliance with investment conditions as specified in Regulation 15 and Regulation 16 or 17 or 18 (as applicable) of AIF Regulations;
  - (iv) Whether any investments are proposed to be made in units of other AIFs managed/ sponsored by the same Manager/ Sponsor or associates of the Manager/ Sponsor and details thereof, including allocation, fees, expenses, etc.
- 8.4. Pooling vehicles shall not be created solely for the purpose of investing in an AIF unless the pooling vehicles are registered with SEBI as AIFs<sup>27</sup>.

<sup>26</sup> SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021

<sup>27</sup> SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

## **Chapter 9 – Participation of AIFs in Credit Default Swaps<sup>28</sup>**

Regulations 16(1)(aa), 17(da), 18(ab) and 20(11) of AIF Regulations enable AIFs to participate in CDS in terms of the conditions as may be specified by SEBI from time to time. In this regard, the following is specified:

### **9.1. Conditions applicable to Category I, II and III AIFs for buying CDS**

- 9.1.1. Category I AIFs and Category II AIFs may buy CDS on underlying investment in debt securities, only for the purpose of hedging.
- 9.1.2. Category III AIFs may buy CDS for the purpose of hedging or otherwise, within permissible leverage as specified in para 5.2 of this Master Circular.

### **9.2. Conditions applicable to Category II and III AIFs for selling CDS**

- 9.2.1. Category III AIFs may sell CDS, subject to the condition that effective leverage undertaken is within the permissible limits as specified in para 5.2 of this Master Circular.
- 9.2.2. Further, Category II AIFs and Category III AIFs may sell CDS, by earmarking unencumbered Government bonds/Treasury bills equal to the amount of the said CDS exposure. Such earmarked securities may also be used for maintaining applicable margin requirements for the said CDS exposure. Exposure to CDS undertaken in the aforesaid manner shall not tantamount to leverage.
- 9.2.3. Total exposure to an investee company, including exposure through CDS, shall be within the limit of applicable concentration norm as specified in AIF Regulations.

### **9.3. Other conditions applicable for transacting in CDS**

- 9.3.1. AIFs shall report details of CDS transaction to the custodian, by the next working day, in the manner as specified by the custodian.
- 9.3.2. Custodian shall put in place a mechanism to collect necessary details from AIFs transacting in CDS, to monitor the compliance with conditions specified at para 9.1 and para 9.2 above.
- 9.3.3. The obligation of manager/AIF and custodian in case of breach of leverage limits due to transactions in CDS by Category III AIFs, shall be as specified in para 5.2.13 and para 5.2.14 of this Master Circular.

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<sup>28</sup> SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2023/15 dated January 12, 2023

- 9.3.4. Further, for Category II AIFs and Category III AIFs which sell CDS by earmarking securities in the manner as mentioned at para 9.2.2 above, in case the amount of earmarked securities falls below CDS exposure:
- The AIF shall send a report to custodian on the same day of the breach.
  - The AIF shall bring the amount of earmarked securities equal to CDS exposure and report details regarding rectification of breach to custodian, by the end of next trading day.
  - In case the AIF fails to rectify the breach in the manner as specified above, the custodian shall report details of the breach to SEBI, on the next working day.
- 9.3.5. Any unhedged position, which shall result in gross unhedged positions across all CDS transactions exceeding twenty-five percent of investable funds of the scheme of an AIF, shall be taken only after intimating to all unit holders of the scheme.
- 9.3.6. In terms of Regulations 16(1)(c) and 17(c) of AIF Regulations, Category I and II AIFs shall not borrow funds directly or indirectly and engage in leverage except for meeting temporary funding requirements for not more than thirty days, not more than four occasions in a year and not more than ten percent of the investable funds. In this regard, Category I and Category II AIFs which transact in CDS, shall maintain thirty days cooling off period between the two periods of borrowing or engaging in leverage.
- 9.3.7. All CDS transactions shall be on a platform regulated by SEBI or RBI, to enhance transparency and disclosure.
- 9.3.8. AIFs transacting in CDS, shall also ensure compliance with applicable provisions of RBI notification on 'Master Direction - Reserve Bank of India (Credit Derivatives) Directions, 2022', dated February 10, 2022 and other directives issued by RBI in this regard from time to time.

**Chapter 10 – Transaction in Corporate Bonds through Request for Quote (RFQ) platform by AIFs<sup>29</sup>**

- 10.1. AIFs shall undertake at least 10% of their total secondary market trades in Corporate Bonds by value in a month by placing/seeking quotes on the RFQ platform.
- 10.2. Further, in terms of Chapter XXII of Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated July 07, 2023 quotes on RFQ platform can be placed to an identified counterparty (i.e. 'one-to-one' mode) or to all the participants (i.e. 'one-to-many' mode). In this regard, it is clarified that all transactions in Corporate Bonds wherein AIF(s) is on both sides of the trade shall be executed through RFQ platform in 'one-to-one' mode. However, any transaction entered by an AIF in Corporate Bonds in 'one-to-many' mode which gets executed with another AIF, shall be counted in 'one-to-many' mode and not in 'one-to-one' mode.
- 10.3. The aforesaid requirement came into force with effect from April 01, 2023.

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<sup>29</sup> SEBI Circular No. SEBI/HO/AFD/PoD/P/CIR/2023/017 dated February 01, 2023

## **Chapter 11 - Other prudential and operational norms and related clarifications**

### **11.1. Clarifications related to investments<sup>30</sup>:**

- 11.1.1. With respect to investment by the sponsor/manager in the AIF, the sharing of loss by the sponsor/manager shall not be less than pro rata to their holding in the AIF vis-à-vis other unit holders.
- 11.1.2. For the purpose of maintaining continuing interest under Regulation 10(d) of the AIF Regulations, such interest shall be maintained pro-rata to the amount of funds raised (net) from other investors in the AIF.
- 11.1.3. For the purpose of Regulation 15(1)(c) of AIF Regulations, in case the AIF proposes to invest into real estate or infrastructure projects, every such investee company shall hold or propose to hold not less than one project, directly or indirectly.
- 11.1.4. For the purpose of Regulation 15(1)(e) of AIF Regulations, prior to every investment in an associate or in units of an AIF managed or sponsored by Manager, Sponsor or associates of Manager or Sponsor, approval of the investors as specified shall be obtained.
- 11.1.5. With respect to Regulation 17(a) of the AIF Regulations, it is clarified that the term 'primarily' is indicative of where the main thrust of Category II AIFs ought to be. The investment portfolio of a Category II AIF ought to be more in unlisted securities as against the aggregate of other investments.
- 11.1.6. The requirement of appointment of custodian, as provided under Regulation 20(11) of AIF Regulations, shall be applicable if the sum of corpus of the AIF and the value of the Co-investment managed by the Manager of the AIF as Co-investment Portfolio Manager is more than five hundred crore rupees<sup>31</sup>.

### **11.2. Schemes of AIFs which have adopted priority in distribution among investors<sup>32</sup>:**

- 11.2.1. As per AIF Regulations, “Alternative Investment Fund” is a privately pooled investment vehicle, which collects funds from investors, for investing it in accordance with a defined investment policy for the benefit of its investors.

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<sup>30</sup> SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014 and SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014

<sup>31</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2021/663 dated Nov 22, 2021

<sup>32</sup> SEBI Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022

11.2.2. As per para 11.1.1 of this Master Circular, with respect to investment by the sponsor/manager in the AIF, the sharing of loss by the sponsor/manager shall not be less than pro rata to their holding in the AIF vis-à-vis other unit holders. While it has not been explicitly restricted in AIF Regulations that the sharing of loss by a class of investors shall not be less than pro rata to their holding in the AIF vis-à-vis other classes of investors/unit holders, it was brought to SEBI's attention that certain schemes of AIFs have adopted a distribution waterfall in such a way that one class of investors (other than sponsor/manager) share loss more than pro rata to their holding in the AIF vis-à-vis other classes of investors/unit holders, since the latter has priority in distribution over former ('priority distribution model').

11.2.3. The aforesaid matter is being examined by SEBI in consultation with Alternative Investment Policy Advisory Committee, AIF industry associations and other stakeholders. Meanwhile, it is decided that schemes of AIFs which have adopted aforesaid priority distribution model, shall not accept any fresh commitment or make investment in a new investee company, till a view is taken by SEBI in this regard.

11.2.4. This provision under para 11.2.3 came into force from November 23, 2022.

### 11.3. **Calculation of tenure of close-ended schemes of AIFs<sup>33</sup>:**

In terms of Regulation 13(4) of AIF Regulations, the manner of calculating the tenure of a close ended scheme of an AIF, including the manner of modification of the tenure, may be specified by SEBI from time to time. In this regard, the following is specified:

11.3.1. The tenure of close ended schemes of AIFs shall be calculated from the date of declaration of the First Close.

11.3.2. AIF may modify the tenure of a scheme at any time before declaration of its First Close. Prior to declaration of the First Close, the investor may withdraw or reduce commitment provided to such scheme of an AIF.

11.3.3. Schemes of AIFs which have declared their First Close as on November 17, 2022, may continue to calculate their tenure from the date of Final Close. Such existing schemes of AIFs, which are yet to declare Final Close, shall declare their Final Close as per the timeline provided in the PPM of the scheme and the AIF/manager shall not have any discretion to extend the said timeline provided in the PPM.

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<sup>33</sup> SEBI Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022

## **Chapter 12 – Framework for Accredited Investors**<sup>34</sup>

- 12.1. Pursuant to public consultation and approval of the SEBI Board, the framework for “Accredited Investors” (AIs) has been introduced in the securities market.
- 12.2. Under the aforesaid framework, AIs may avail flexibility in minimum investment amount (“Lower ticket size”) or concessions from specific regulatory requirements applicable to investment products, subject to conditions applicable for specific products/ services under SEBI (Alternative Investment Funds) Regulations, 2012, SEBI (Portfolio Managers) Regulations, 2020 and SEBI (Investment Advisers) Regulations, 2013. The modalities of accreditation are provided in [Annexure 8](#).

### **Accreditation Agency**

- 12.3. Persons desirous of being reckoned as AIs shall approach an Accreditation Agency for accreditation. Accreditation Agencies shall be responsible for:
- Verification of documents submitted by applicants for accreditation,
  - Timely processing of applications for accreditation and issuance of accreditation certificate,
  - Maintaining data of accredited investors,
  - Verification of accreditation status,
  - Maintaining confidentiality of investor information at all times, and
  - Any other responsibilities as may be specified by SEBI from time to time.
- 12.4. Accreditation Agencies shall have the requisite infrastructure including systems and manpower to fulfill their responsibilities as specified under para 12.3 above.
- 12.5. The following entities are eligible to carry out the accreditation process:
- Subsidiaries of recognized Stock Exchanges, provided the Stock Exchange meets the following criteria:
    - Minimum 20 years presence in Indian securities market,
    - Minimum net worth of 200 crore rupees,
    - Presence of nation-wide terminals,
    - Having Investor grievance redressal mechanisms in place, including arbitration,
    - Presence of Investor Service Centers (ISCs) in at least 20 cities, and
    - Any other criteria as specified by SEBI from time to time.
  - Subsidiaries of Depositories.
- 12.6. The framework for AIs shall be made available on the websites of accreditation agencies.

<sup>34</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021

### **Filing of LVF Schemes with SEBI<sup>35</sup>**

- 12.7. Pursuant to introduction of framework for “Accredited Investors” in the securities market, AIF Regulations were amended to provide certain relaxations from regulatory requirements to ‘Large Value Fund for Accredited Investors’ (LVF).
- 12.8. In terms of proviso to Regulation 12 of AIF Regulations, LVFs are exempt from filing their placement memorandum with SEBI through Merchant Banker and incorporate comments of SEBI, if any, in their placement memorandum i.e. LVFs can launch their scheme under intimation to SEBI.
- 12.9. While filing the placement memorandum for LVF schemes with SEBI, a duly signed and stamped undertaking by Chief Executive Officer of the Manager of the AIF (or person holding equivalent role or position depending on the legal structure of Manager) and Compliance Officer of Manager of the AIF shall be submitted in the format as mentioned at [Annexure 9](#).

### **Extension of tenure beyond two years<sup>36</sup>**

- 12.10. Regulation 13(5) of AIF Regulations permits close ended AIFs to extend its tenure up to two years with the approval of two-third of its unit holders by value of their investment in the said AIF, while the proviso to Regulation 13 (4) of AIF Regulations permits LVF to extend its tenure beyond two years, subject to terms of the contribution agreement, other fund documents and such conditions as may be specified by the Board from time to time. In this regard, it is specified as under:
- 12.10.1. In order to enable the investors to take an informed decision, the placement memorandum, contribution agreement or other fund documents of LVF shall lay down terms and conditions for extension of the tenure beyond two years.
- 12.10.2. LVF shall be required to obtain approval from its Trustee/Board of Directors/Designated Partners (depending upon the legal structure of the LVF) for extending the tenure beyond two years, at least one month before expiration of the fund tenure or extended tenure.
- 12.10.3. In case requisite conditions specified in the placement memorandum, contribution agreement or other fund documents of LVF for extension of tenure beyond two years are not fulfilled, LVF shall liquidate and wind up in accordance with AIF Regulations and Circulars issued thereunder.

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<sup>35</sup> SEBI Circular No. SEBI/HO/AFD/RAC/CIR/2022/088 dated June 24, 2022

<sup>36</sup> SEBI Circular No. SEBI/HO/AFD/RAC/CIR/2022/088 dated June 24, 2022

## **Chapter 13 – Obligations of manager, sponsor and trustee of AIFs**

### **13.1. Appointment and designation of personnel of AIF and manager<sup>37</sup>**

13.1.1. AIFs shall ensure that Manager of AIF designates an employee or director as Compliance Officer who shall be a person other than Chief Executive Officer of the Manager or such equivalent role or position depending on the legal structure of Manager. The compliance officer shall be responsible for monitoring compliance with the provisions of the SEBI Act, AIF Regulations and circulars issued thereunder.

13.1.2. For the purpose of provisions of AIF Regulations, 'key management personnel' shall mean:

1. members of key investment team of the Manager, as disclosed in the PPM of the fund;
2. employees who are involved in decision making on behalf of the AIF, including but not limited to, members of senior management team at the level of Managing Director, Chief Executive Officer, Chief Investment Officer, Whole Time Directors, or such equivalent role or position;
3. any other person whom the AIF (through the Trustee, Board of Directors or Designated Partners, as the case may be) or Manager may declare as key management personnel.

13.1.3. AIFs shall disclose the names of all the key management personnel of the AIF and Manager as specified in para 13.1.2 above, in their PPMs. Any change in key management personnel shall be intimated to the investors and the Board.

### **13.2. Code of conduct<sup>38</sup>**

13.2.1. All managers shall:

- (i) organise, operate and manage the AIFs and its schemes in the interest of unitholders of the AIF/scheme.
- (ii) carry out all the activities of the AIF in accordance with the placement memorandum circulated to all unit holders and as amended from time to time in accordance with AIF Regulations and circulars issued by SEBI.

<sup>37</sup> SEBI Circular No. SEBI/HO/AFD/RAC/CIR/2022/088 dated June 24, 2022 and SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021

<sup>38</sup> SEBI Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015

- (iii) ensure that the placement memorandum is provided to the investors prior to providing commitment or making the investment in the AIF and ensure that an appropriate acknowledgement is received from the investor for such receipt.
- (iv) ensure scheme-wise segregation of bank accounts and securities accounts.
- (v) not make any exaggerated statement, whether oral or written, either about their qualifications or capability to render investment management services or their achievements.

13.2.2. The AIF, manager, trustee and sponsor shall:

- (i) act in the interest of unitholders of the AIF/scheme and not take any action which is prejudicial to the interest of the unitholders and not place the interest of the sponsor/manager/trustee of the AIF or any of their associates above the interest of the unitholders of the scheme/AIF.
- (ii) maintain high standards of integrity and fairness in all their dealings and in the conduct of the business and render at all times high standards of service, exercise due diligence and exercise independent professional judgment.
- (iii) not offer any assured returns to any prospective investors/unitholders.

13.3. **Stewardship Code**<sup>39</sup>

All categories of AIFs shall mandatorily follow the Stewardship Code as placed at [Annexure 10](#), in relation to their investment in listed equities.

13.4. **Other obligations**<sup>40</sup>

All circulars/guidelines as may be issued by SEBI with respect to KYC requirements, Anti-Money Laundering and Outsourcing of activities shall be applicable to AIFs and the manager of the AIF shall be responsible for compliance with such circulars/guidelines.

<sup>39</sup> SEBI Circular No. CIR/CFD/CMD1/168/2019 dated Dec 24, 2019

<sup>40</sup> SEBI circular no. CIR/IMD/DF/14/2014 dated June 19, 2014

#### **Chapter 14 – Constitution of investment committee<sup>41</sup>**

- 14.1. In terms of Regulation 20(7) of AIF Regulations, Manager may constitute Investment Committee (by whatever name it may be called) to approve decisions of the AIF, subject to certain conditions. In terms of proviso to Regulation 20(8) of AIF Regulations, there is a requirement to furnish a waiver to AIF in respect of compliance with the said Regulation pertaining to responsibility of members of Investment Committee. The format for waiver to be furnished by the investors in this regard is specified in [Annexure 11](#).
- 14.2. For the purpose of Regulation 20(10) of AIF Regulations, consent of the investors of the AIF or scheme may not be required for change in ex-officio external members (who represent the sponsor, sponsor group, manager group or investors, in their official capacity), in the investment committee set up by the Manager.
- 14.3. While processing applications for registration of AIFs and launch of new schemes, it has been observed that the Manager of AIF often proposes to set up an Investment Committee with the mandate to provide investment recommendations or advice to the Manager. In some applications, the Investment Committee is mandated to approve the investment decisions of the AIF. Such Investment Committees may consist of internal members (employees, directors or partners of the Manager) and/ or external members. In this regard, SEBI has written to Government and RBI seeking clarity on the applicability of clause (4) of Schedule VIII under Foreign Exchange Management (Non-debt Instruments) Rules, 2019, to investment made by an AIF whose Investment Committee approves investment decisions and consists of external members who are not 'resident Indian citizens'.
- 14.4. Pending clarification as mentioned at Para 14.3 above, the applications for registration of AIFs and launch of new schemes shall be dealt with as under:
- (i) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF includes external members who are 'resident Indian citizens', shall be duly processed.
  - (ii) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF includes external members who are not 'resident Indian citizens', shall be considered only after receipt of clarification as stated in Para 14.3 above.

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<sup>41</sup> SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021 and SEBI circular No. SEBI/HO/IMD/DF6/CIR/P/2020/209 dated October 22, 2020

## Chapter 15 – Reporting by AIFs

### 15.1. Reporting of investment activities by AIFs<sup>42</sup>

Under Regulation 28 of AIF Regulations, the Board may at any time call upon the Alternative Investment Fund to file such reports, as the Board may desire, with respect to the activities carried on by the Alternative Investment Fund. In this regard, the following reporting requirement is specified:

15.1.1. All AIFs shall submit report on their activity as an AIF to SEBI on quarterly basis within 10 calendar days from the end of each quarter in the formats as specified in [Annexure 12](#). Further, Category III AIFs shall also submit report on leverage undertaken, on quarterly basis in the formats as specified in [Annexure 13](#).

15.1.2. AIFs shall submit these reports online through SEBI intermediary Portal.

### 15.2. Compliance Test Report (CTR)<sup>43</sup>

15.2.1. At end of financial year, the manager of an AIF shall prepare a compliance test report on compliance with AIF Regulations and circulars issued thereunder in the format as specified in the [Annexure 14](#).

15.2.2. The CTR shall be submitted within 30 days from the end of the financial year, to

- (i) the trustee and sponsor, in case the AIF is a trust;
- (ii) the sponsor, in case of AIF set up in the form other than a trust.

15.2.3. In case of any observations/comments on the CTR, the trustee/sponsor shall intimate the same to the manager within 30 days from the receipt of the CTR. Within 15 days from the date of receipt of such observations/comments, the manager shall make necessary changes in the CTR, as may be required, and submit its reply to the trustee/sponsor.

15.2.4. In case any violation of AIF Regulations or circulars issued thereunder is observed by the trustee/sponsor, the same shall be intimated to SEBI as soon as possible.

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<sup>42</sup> SEBI circular No. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021.

<sup>43</sup> SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

### 15.3. Term Sheet - Angel Funds<sup>44</sup>

15.3.1. Angel funds may launch schemes subject to filing of a Term Sheet in the format as specified in [Annexure 15](#).

15.3.2. Such Term Sheet shall contain material information regarding the scheme.

15.3.3. Such Term Sheet shall be filed with the Board within ten days of launching the scheme.

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<sup>44</sup> SEBI Circular No. CIR/IMD/DF1/102/2018 dated June 29, 2018

## **Chapter 16 – Performance Benchmarking of AIFs**<sup>45</sup>

- 16.1. Based on the request of the industry, it was considered appropriate that an industry benchmark be developed to compare the performance of AIF industry against other investment avenues, as well as global investment opportunities.
- 16.2. As the industry needs the flexibility to showcase its performance based on different criteria and benchmarking of performance of AIFs will help investors in assessing the performance of the AIF industry, it was decided to introduce:
- a) Mandatory benchmarking of the performance of AIFs (including Venture Capital Funds) and the AIF industry.
  - b) A framework for facilitating the use of data collected by Benchmarking Agencies to provide customized performance reports.
- 16.3. In this regard, the following is mandated:
- 16.3.1. Any association of AIFs (“Association”), which in terms of membership, represents at least 33% of the number of AIFs, may notify one or more Benchmarking Agencies, with whom each AIF shall enter into an agreement for carrying out the benchmarking process.<sup>46</sup> Association will appoint Benchmarking Agencies and thereafter will set timeline for reporting of requisite data to Benchmarking Agencies by all the registered AIFs.
- 16.3.2. The agreement between the Benchmarking Agencies and AIFs shall cover the mode and manner of data reporting, specific data that needs to be reported, terms including confidentiality in the manner in which the data received by the Benchmarking Agencies may be used, etc.
- 16.3.3. AIFs, for all their schemes which have completed at least one year from the date of ‘First Close’, shall report all the necessary information including scheme-wise valuation and cash flow data to the Benchmarking Agencies in a timely manner.
- 16.3.4. The form and format of reporting shall be mutually decided by the Association and the Benchmarking Agencies.
- 16.3.5. If an applicant claims a track-record on the basis of India performance of funds incorporated overseas, it shall also provide the data of the investments of the said funds in Indian companies to the Benchmarking Agencies, when they seek registration as AIF.
- 16.3.6. In the PPM, as well as in any marketing or promotional or other material, where past performance of the AIF is mentioned, the performance versus

<sup>45</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated Feb 05, 2020

<sup>46</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/99 dated June 12, 2020

benchmark report provided by the benchmarking agencies for such AIF/Scheme shall also be provided.

16.3.7. In any reporting to the existing investors, if performance of the AIF/Scheme is compared to any benchmark, a copy of the performance versus benchmark report provided by the Benchmarking Agency shall also be provided for such AIF/scheme.

16.4. The operational guidelines for performance benchmarking are provided at [Annexure 16](#).

16.5. In addition to the standard benchmark report prepared by the Benchmarking Agencies, if any, AIF seeks customized performance reports in a particular manner, the same may be generated by the Benchmarking Agencies, subject to:

- (i) Consent of the AIFs, whose data needs to be considered for generation of the customized performance report.
- (ii) Terms and conditions, including fees, decided mutually between the Benchmarking Agencies and the AIF.

16.6. The requirements as mentioned at para no.16.2 to 16.5 above shall not apply to Angel Funds registered under sub-category of Venture Capital Fund under Category I - AIF.

## **Chapter 17 – Investor Charter and Disclosure of complaints by AIFs<sup>47</sup>**

With a view to providing relevant information to investors about the various activities pertaining to AIFs, an Investor Charter has been prepared by SEBI. In this regard, it is specified as under:

- 17.1. The Investor Charter is a brief document containing details of services provided to investors, details of grievance redressal mechanism, responsibilities of the investors etc., at one single place, in lucid language for ease of reference.
- 17.2. In this regard, all AIFs shall take necessary steps to bring the Investor Charter, as per [Annexure 17](#), to the notice of their investors by disclosing Investor Charter in the Private Placement Memorandum (PPM).
- 17.3. Additionally, in order to bring about further transparency in the Investor Grievance Redressal Mechanism, data on investor complaints received against AIFs and each of their schemes and redressal status thereof shall be disclosed by all AIFs as per format at [Annexure 18](#), as a separate chapter in the PPM.
- 17.4. For effective monitoring, AIFs shall maintain data on investor complaints as per Annexure 18, which shall be compiled latest within 7 days from the end of quarter.
- 17.5. These disclosure requirements are in addition to the existing requirements pertaining to the investor grievance handling mechanism under various Regulations, circulars and directions, issued by SEBI.

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<sup>47</sup> SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF9/P/CIR/2021/682 dated December 10, 2021

**Chapter 18 - Collection of stamp duty on issue, transfer  
and sale of units of AIFs<sup>48</sup>**

- 18.1. Government vide Gazette notification S.O.116(E) dated January 08, 2020 has notified the “Registrars to an Issue and/or Share Transfer Agents” (RTA) registered under the Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 as a “depository” for the limited purposes of acting as a “collecting agent” under the Indian Stamp Act, 1899 and the Rules made thereunder, only in case of instruments of transaction otherwise than through a recognized stock exchange or depository.
- 18.2. In this regard, AIFs have been mandated to comply with the applicable provisions of the Indian Stamp Act, 1899 and the Rules made thereunder regarding collection of stamp duty on sale, transfer and issue of units of AIFs with effect from July 01, 2020.
- 18.3. RTA appointed by AIFs shall collect the stamp duty on issue, transfer and sale of units of AIFs as stated in para 18.1 and 18.2 above, in compliance with the applicable provisions of the Indian Stamp Act, 1899 and the Rules made thereunder.
- 18.4. As regards transactions (issue, transfer and sale of units of AIFs in demat mode) through recognized Stock Exchange or Depository as defined under Securities Contract (Regulation) Act, 1956 and Depositories Act, 1996 respectively, the respective Stock Exchange/authorized Clearing Corporation or a Depository is empowered to collect stamp duty as per the amended Indian Stamp Act, 1899 and the Rules made thereunder.

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<sup>48</sup> SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/113 dated June 30, 2020

**Chapter 19 – Change in Sponsor and/or Manager or Change in control of Sponsor and/or Manager of AIF**

**19.1. Fee for change in control of manager/sponsor or change in manager/sponsor of AIFs<sup>49</sup>:**

In terms of Regulation 20(13) of AIF Regulations, in case of change of Sponsor or Manager, or change in control of the AIF, Sponsor or Manager, prior approval from the Board shall be taken by the AIF, subject to levy of fees and any other conditions as may be specified by SEBI from time to time. In this regard, the following is specified:

- 19.1.1. A fee equivalent to the registration fee applicable to the respective category / sub-category of the AIF, shall be levied in case of change in control of manager/sponsor and in case of change in manager/sponsor. The cost paid towards such fee by manager/sponsor shall not be passed on to the investors of the AIF in any manner.
- 19.1.2. In case change in control of manager/change of manager and change in control of sponsor/change of sponsor of an AIF is proposed simultaneously, aforesaid fee equivalent to single registration fee shall be levied.
- 19.1.3. The aforesaid fee shall not be levied in the following cases for change in sponsor or change in control of sponsor:
  - (i) The manager is acquiring control in or replacing the sponsor and
  - (ii) Exit of sponsor(s) in case of AIF having multiple sponsors.
- 19.1.4. The aforesaid fee shall be paid within 15 days of effecting the proposed change in manager/sponsor or change in control of manager/sponsor.
- 19.1.5. In case of the applications pending with SEBI as on November 17, 2022, for change in control of manager/sponsor or change in manager/sponsor, the requirement of fee shall be applicable only in those applications where none of the schemes of AIFs managed/sponsored by manager/sponsor had declared their First Close.
- 19.1.6. The prior approval granted by SEBI in this regard shall be valid for a period of 6 months from the date of SEBI communication for the approval.
- 19.1.7. Any change in control of manager/sponsor or change in manager/sponsor shall be carried out in compliance with provisions specified at para 2.5.4 and 2.5.5 above.

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<sup>49</sup> SEBI circular no. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022

**19.2. Change in control of Sponsor and/or Manager of AIF involving scheme of arrangement under Companies Act, 2013<sup>50</sup>**

To streamline the process of providing approval to the proposed change in control of the Sponsor and/or Manager of the AIF involving scheme of arrangement which needs sanction of National Company Law Tribunal (“NCLT”) in terms of the provisions of the Companies Act, 2013, following is specified:

- 19.2.1. The application seeking approval for the proposed change in control of the Sponsor and/or Manager of the AIF under Regulation 20(13) of AIF Regulations shall be filed with SEBI prior to filing the application with the NCLT;
- 19.2.2. Upon being satisfied with compliance of the applicable regulatory requirements, in-principle approval will be granted by SEBI;
- 19.2.3. The validity of such in-principle approval shall be three months from the date of issuance, within which the relevant application shall be made to NCLT;
- 19.2.4. Within 15 days from the date of order of NCLT, applicant shall submit the following documents to SEBI for final approval:
- (i) Application for the final approval;
  - (ii) Copy of the NCLT Order approving the scheme;
  - (iii) Copy of the approved scheme;
  - (iv) Statement explaining modifications, if any, in the approved scheme vis-à-vis the draft scheme and the reasons for the same; and
  - (v) Details of compliance with the conditions/ observations mentioned in the in-principle approval provided by SEBI.

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<sup>50</sup> SEBI Circular No. SEBI/HO/IMD-1/DF9/CIR/2022/032 dated March 23, 2022

**Template for PPM of AIFs raising funds under Category I and Category II**

The template for PPM of AIFs raising funds under Category I and Category II is provided at [Annexure 1](#) here.

**Annexure 2**

**Template for PPM of AIFs raising funds under Category III**

The template for PPM of AIFs raising funds under Category III is provided at [Annexure 2](#) here.

**Format for Due Diligence Certificate to be submitted at the time of filing  
Placement Memorandum with SEBI**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

**Sub.: Filing of draft placement memorandum of (name of scheme), scheme  
of (name of AIF/proposed AIF)**

On the basis of examination of draft placement memorandum and supporting documents submitted by AIF/proposed AIF, discussion with AIF/proposed AIF, its manager, sponsor, trustee, etc., we confirm that:

1. We have independently exercised due-diligence regarding information given in the placement memorandum, including the veracity and adequacy of disclosure made therein.
2. The AIF, its sponsor and manager are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. None of the intermediaries named in the placement memorandum have been debarred from functioning by any regulatory authority.
3. All the material disclosures in respect of the fund raising, investment by the scheme and management thereof have been made in the placement memorandum and are based on latest available information.
4. We have satisfied ourselves that the proposed activities of the scheme are bona fide, fall within the objectives of the fund as specified in the Articles of Association or Trust Deed or Partnership Deed of the AIF and are to meet the stated investment objective.
5. The disclosures made in the placement memorandum are true, fair and necessary to enable the investors to make an informed decision with respect to the investment in the proposed scheme and such disclosures are in accordance with the requirements of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012,

circulars, guidelines issued thereunder and other applicable legal requirements.

6. We have satisfied ourselves about the capability of the sponsor or manager to fulfil the requirement of maintaining continuing interest in the scheme as per Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

**PLACE:**

**DATE:**

Signature of authorised signatory of Merchant Banker

Name/designation of the authorised signatory, Name of Merchant Banker

**Enclosed:**

1. *Annexure A - Details of disclosures in the placement memorandum with respect to compliance with provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, applicable to the proposed scheme*
2. *Annexure B - Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate*

**Annexure A - Details of disclosures in the placement memorandum with respect to compliance with provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, applicable to the proposed scheme**

<b>S. No.</b>	<b>Regulation Number</b>	<b>Contents of the Regulation</b>	<b>Section/subsection (along with page number) of the placement memorandum where the Regulation has been complied with.</b>
1.	---		
2.	----		

**Note:**

Regulations which are not applicable to a particular category of AIF may not be included.

**Annexure B - Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
1.	Whether the information submitted in the placement memorandum is consistent with the information submitted in Form A as specified under First schedule of AIF Regulations		
2.	Whether adequate disclosures are made in all sections and subsections of the placement memorandum in line with template placement memorandum provided in para 2.1.3 of SEBI Master Circular for AIFs		
3.	Whether the scheme seeks waiver (as per para 2.4.4 of SEBI Master Circular for AIFs) from requirement of placement memorandum as per template prescribed in para 2.1.3 of SEBI Master Circular for AIFs		If yes, confirm whether it is disclosed that each investor shall commit a minimum capital contribution of 70 crore rupees and provide a waiver from the requirement of placement memorandum in prescribed template.
4.	Whether it is verified that information provided for a particular term is consistent across different sections of the placement memorandum		
5.	Whether there are any clauses in the placement memorandum which affect the pro-rata rights of each investor in each investment of the scheme		If yes, also highlight such clauses
6.	Whether the investor(s) has/have any role in approving investment decisions of the scheme		
7.	Whether it is provided that the scheme does not propose to engage in lending activity, or extending guarantee for investee company		

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
8.	Whether the sections 'Investment objective, strategy and process', 'Governance structure' and 'principal terms of the fund/scheme' contain all material information		
9.	Whether it is provided in the placement memorandum that terms of contribution/ subscription agreement shall be in line with the terms of the placement memorandum		
10.	<p>Whether type of instruments proposed for temporary deployment of funds is in line with applicable provision of AIF Regulations</p> <p>Whether the scheme proposes to invest in such instruments as part of primary investment objective of the scheme also</p> <p>In case of Category III AIFs, whether the scheme proposes to invest in such instruments also to provide applicable margin to recognized stock exchanges</p>		If yes, provide the list of instruments proposed for temporary deployment of funds
11.	Whether maximum duration for such temporary deployment of funds is disclosed		If yes, mention the duration
12.	Whether the scheme intends to invest in units of AIFs		If yes, confirm whether necessary disclosures have been made in line with Chapter 8 of SEBI Master Circular for AIFs
13.	Whether names of key management personnel are disclosed in the placement memorandum in line with para 13.1.2 and 13.1.3 of SEBI Master Circular for AIFs		
14.	Whether it is verified that all members of key investment team are employees or partners or directors (as applicable) of the manager		

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
15.	Whether it is verified that the key investment team satisfies the experience and professional qualification criteria provided under AIF Regulations		Name(s) of qualifying member(s) to be provided
16.	Whether the manager has constituted or proposes to constitute an investment committee (by whatever name called) to approve decisions of the scheme		If no, also inform whether any committee has been set up to provide non-binding recommendations on investment proposals
17.	If the investment committee (as specified in Regulation 20(7) of AIF Regulations) is approving authority, whether: (a) it is stated that the functioning of the investment committee shall be in compliance with applicable provisions of AIF Regulations. (b) the terms of reference of the investment committee are disclosed in the placement memorandum		
18.	Whether it is disclosed that delegation/outsourcing of any activity of the AIF to a third party will be in compliance with SEBI circular no. CIR/MIRSD/24/2011 dated Dec 15, 2011		
19.	Under section 'Track Record of Manager', whether there is provision for disclosure of performance benchmark disseminated by a benchmarking agency in terms of Chapter 16 of SEBI Master Circular for AIFs		
20.	Whether the eligibility criteria for each class of unit is clearly specified and differentiated		
21.	Whether specific instances are disclosed, under which an investor may be excluded or excused from a particular investment		

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
22.	Whether the list of commercial and non-commercial terms, on which differential rights may be offered through side letter arrangement or issuance of additional class of units, is disclosed		If yes, provide the list of terms
23.	Whether it is disclosed that the differential rights, if any, attached to any classes of units or given through side letters, shall not have any adverse impact on the economic or any other rights of other investors		
24.	Whether timelines for making warehoused investment and transferring such investment are disclosed		If yes, state the timelines for warehousing and transferring of the warehoused investment
25.	Whether timelines for intimation regarding warehoused investments to existing and prospective investors, are disclosed		If yes, state the timelines for such intimation
26.	Whether it is provided that a defaulter, i.e., investor who defaults in bringing drawdown amount within the timeline specified, can no longer participate in subsequent investments of the scheme till the default is cured and that there are clauses providing steps to be taken against the defaulting investor		
27.	Whether specific instances are disclosed under which in-specie distribution / distribution in kind may be made		
28.	Whether it is disclosed that co-investment by investors of AIF shall be made in compliance with applicable provisions of AIF Regulations and PMS Regulations		
29.	Whether it is disclosed that the manager will establish written down conflict management policy and whether timeline for adopting such policy has been provided		

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
30.	Whether the distribution waterfall illustrations have been provided for different scenarios		If yes, whether it is verified that the illustrations are accurate and complete
31.	Whether necessary disclosure has been made regarding the disciplinary history in terms of para 2.1.5 and 2.1.6 of SEBI Master Circular for AIFs		Specify pending enforcement proceedings initiated by SEBI, if any

**Note:**

- (i) If any of the points above is not applicable to the proposed scheme, it may be mentioned as “not applicable”.
- (ii) Merchant banker may also provide, in similar format, additional material information which is not covered in the above table and any other information which is necessary to be highlighted or requires specific attention.

**Template for waiver of compliance with SEBI prescribed template of PPM and audit compliance with the terms of PPM**

To

(Name of Manager)

Manager of (Name of AIF/ Scheme)

**Sub: Waiver of compliance with SEBI template for PPM and waiver of audit of compliance with the terms of PPM**

We are considering to invest in (Name of the AIF/Scheme) managed by (Name of the Manager). We understand that (Name of the AIF) is registered with Securities and Exchange Board of India (SEBI) and as such is required to provide a Private Placement Memorandum in the template prescribed by SEBI, which has two parts viz.:

Part A – Standard section for minimum disclosure

Part B – Supplementary section to allow flexibility to the Fund in order to provide any additional information

Further, SEBI also prescribes an audit of compliance of the AIF with the terms of PPM, as specified by SEBI from time to time.

We confirm that we have the independent ability and mechanism to carry out due diligence of our investments, as well as to monitor the operations and compliance with the terms of PPM of the Funds in which we invest; including (Name of the AIF/ Scheme), to the extent required by us.

Accordingly, in terms of para 2.4.4 of the Master Circular for AIFs, we hereby grant waiver to (name of the AIF) from the requirement of providing PPM in the template format as prescribed by SEBI and also grant waiver to (Name of the AIF/ Scheme) from the requirement of conducting an annual audit of compliance with the terms of the PPM furnished to us.

Notwithstanding the waiver granted herein, we understand that (name of the AIF/Scheme) is not permitted, under SEBI Regulations, to sign a Contribution agreement/ Subscription agreement (by any name as it may be called) that is, in any way, in contradiction with the terms of the PPM or goes beyond the terms of the PPM furnished to us.

(Signed by two authorized signatories of the investor)

\*\*\*\*

**Format for Due Diligence Certificate to be submitted while intimating changes in terms of Placement Memorandum to SEBI**

To,  
SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

**Sub.: Intimating changes in terms of placement memorandum of (name of scheme), scheme of (name of AIF) for FY 20\_\_-\_\_**

On the basis of examination of updated placement memorandum and supporting documents submitted by AIF, discussion with AIF, its manager, sponsor and trustee etc., we confirm that:

1. We have independently exercised due-diligence regarding changes carried out in the placement memorandum during the FY 20\_\_-\_\_, including the veracity and adequacy of disclosure in the respective sections of the placement memorandum wherein the changes have been carried out.
2. All changes carried out in the placement memorandum are based on latest available information and are in compliance with Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.
3. We confirm that, with respect to the changes made in the placement memorandum, wherever applicable, the fund has complied with provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.
4. The disclosures in the respective sections of the placement memorandum wherein the changes have been carried out are true, fair and adequate and such disclosures are in accordance with the requirements of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, circulars, guidelines issued thereunder and other applicable legal requirements.

**PLACE:**

**DATE:**

Signature of authorised signatory of Merchant Banker

Name/designation of the authorised signatory, Name of Merchant Banker

**Information to be submitted while filing application  
for allocation of overseas investment limit**

**A. Details of the proposed overseas investment:**

<b>Sr. No.</b>	<b>Information related to</b>	<b>Particulars</b>	<b>Details</b>
1	Applicant and its scheme	a) Name of the Alternative Investment Fund (AIF)	
		b) Category of the AIF	
		c) Registration number	
		d) Name of the scheme	
		e) Name and Address of the branch of the bank through which Foreign Currency Transaction are proposed to made	
		f) Date of filing of periodic investment report on SI Portal for last quarter	
2	Overseas investee company	a) Name of the overseas investee company	
		b) Country of the overseas investee company	
		c) Date of Incorporation of the overseas investee company (also enclose copy of incorporation certificate/document of the overseas investee company)	
		d) Whether any investor of the AIF is a connected person of the overseas investee company. If yes, provide details of the investor and also the said investor's pro-rata share in the proposed investment.	
		e) In case of Angel Fund, the number of investors participating in the proposed overseas investment	
3	Details of investment	a) Type of instrument(s) in which the investment is proposed	
		b) Nature of investment	(Primary subscription, secondary purchase, etc.)

Sr. No.	Information related to	Particulars	Details
		c) Amount proposed to be invested (in USD)	
		d) Amount invested in previous overseas investments (in USD)	
		e) Investable corpus of the scheme of the AIF (in INR)	

**B. Details of overseas investments made by the Scheme in the past:**

S. No.	Name of overseas investee company	Date of SEBI communication	Amount allocated by SEBI (in USD)	Amount invested (in USD)	Date of investment	Date of reporting of investment to SEBI	Amount surrendered (in USD)	Date of reporting of the amount surrendered to SEBI	Whether the investment is sold/divested	If yes,		
										Amount received (in USD)	Date of sale/divestment	Date of reporting of the sale/divestment

**C. Undertaking to be submitted by the Trustee/Board/Designated Partners of the AIF (as applicable depending on the form of AIF):**

We have carried out independent due diligence with respect to the proposed investment in [name of the overseas investee company] by [name of the scheme and the AIF] and we are satisfied that –

- the proposed overseas investment transaction is bona fide in nature,
- the proposed overseas investment is consistent with the investment objective of the scheme,
- the proposed overseas investment is in compliance with the regulatory frameworks for overseas investment by AIFs.

**D. Undertaking to be submitted by the Manager of the AIF:**

- The manager has exercised due diligence with respect to the investment decision.

2. The proposed investment is in [name of instrument], which is an equity/equity linked instrument.
3. [name of the overseas investee company] is an offshore venture capital undertaking i.e. it is a foreign company whose shares are not listed on any of the recognized stock exchange in India or abroad.
4. [name of the overseas investee company] is incorporated in a country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to the bilateral Memorandum of Understanding with SEBI.
5. [name of the overseas investee company] is not incorporated in a country identified in the public statement of Financial Action Task Force (FATF) as –
  - (a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
  - (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies.
6. The AIF shall not invest in Joint venture/Wholly Owned Subsidiary while making overseas investments.
7. The AIF shall adhere to to FEMA, 1999, its Rules, Regulations and Directions issued by the Government/ RBI from time to time
8. The AIF shall comply with all requirements under RBI guidelines on opening of branches/subsidiaries/Joint venture /undertaking investment abroad by NBFCs, where more than 50% of the funds of the AIF has been contributed by a single NBFC.
9. In case the AIF transfers/sells the invested stake in [name of the overseas investee company] to any entity, it shall be ensured that the entity is eligible to make overseas investments, as per the extant FEMA guidelines.

**Annexure 7**
**Information with respect to sale/divestment of overseas investment**

<b>Sr. No.</b>	<b>Information related to</b>	<b>Particulars</b>	<b>Details</b>
1	Details of AIF	a) Name of the AIF	
		b) Category of the AIF	
		c) Registration number	
2	Details of Investment which has been sold/divested	a) Date of filing of application with SEBI for allocation of overseas investment limit for the said investment	
		b) Application number provided in SEBI Intermediary portal	
		c) Name of the overseas investee company and country of incorporation	
		d) Date of investment	
		e) Type of securities/instruments purchased	
		f) Amount invested in the overseas investee company (in USD Million)	
3	Details of sale/divestment	a) Date of receipt of sale/divestment proceeds	
		b) Amount received (in USD Million)	
		c) Proportionate cost of investment in case of partial sale/divestment (in USD Million)	

**Modalities of Accreditation**

**1. Eligibility Criteria for Accredited Investors**

1.1. The following persons shall be eligible to be considered as Accredited Investors:

- (i) Individuals, HUFs, Family Trusts and Sole Proprietorships, which meet the criteria as under:
  - (a) Annual Income  $\geq$  2 Crore rupees; OR
  - (b) Net Worth  $\geq$  7.5 Crore rupees, out of which at least 3.75 Crore rupees is in the form of financial assets; OR
  - (c) Annual Income  $\geq$  1 Crore rupees + Net Worth  $\geq$  5 Crore rupees, out of which at least 2.5 Crore rupees is in the form of financial assets;
- (ii) Partnership Firms set up under the Indian Partnership Act, 1932 in which each partner independently meets the criteria for accreditation.
- (iii) Trusts (other than family trusts) with net worth greater than or equal to 50 Crore rupees.
- (iv) Body Corporates with net worth greater than or equal to 50 Crore rupees.

1.2. For the purpose of accreditation, eligibility criteria shall be reckoned based on the documents as specified in **Annexure A** given below.

1.3. In case of accreditation of individual investors, HUFs and Sole Proprietorships, the value of the primary residence of the individual, Karta of HUF and the Sole Proprietor respectively, shall not be considered for calculation of net worth.

1.4. In case of investments held jointly by more than one individual, the following conditions shall apply for eligibility as AI:

- (i) Where the joint holders are parent(s) & child(ren), at least one person should independently fulfill the eligibility criteria for AI.
- (ii) Where the joint holders are spouses, their combined income/ net worth should meet the eligibility criteria for AI.

1.5. For the purpose of reckoning eligibility criteria, net worth of Body Corporates shall be calculated as under:

$$\text{Net worth} = (\text{Capital} + \text{free reserves}) - (\text{Accumulated losses} + \text{deferred expenditure not written off})$$

1.6. For the purpose of reckoning eligibility criteria, net worth of Trusts shall be calculated as under:

*Net worth = (Book value of all assets, other than intangible assets) - (Book value of total liabilities)*

- 1.7. For Body Corporates and Trusts, eligibility criteria for accreditation shall be considered on the basis of the following:
- (a) Financial information as per statutory audit; or
  - (b) Financial information as per audit by the statutory auditor as on a date during the financial year in which application is made (if furnished).
- 1.8. The eligibility of foreign investors to be accredited shall be determined on the basis of the rupee equivalent of their income and/ or net worth as applicable.

## **2. Procedure for Accreditation**

- 2.1. For accreditation, the prospective AI (“Applicant”) shall make an application to the Accreditation Agency in the manner specified by the Accreditation Agency. Detailed documentation required for accreditation is provided at **Annexure A** given below.
- 2.2. Accreditation Agency shall verify that, at the time of accreditation, the Applicant is ‘fit and proper’ to participate in the securities market, including absence of any convictions or restraint orders, not being a wilful defaulter, etc.
- 2.3. The Accreditation Agency shall issue a certificate to the Applicant as an AI (“Accreditation Certificate”). Each Accreditation Certificate shall have a unique accreditation number, name of the Accreditation Agency, PAN of the Applicant and validity of accreditation (start date and end date).

## **3. Validity of Accreditation**

- 3.1. If the Applicant meets the eligibility criteria as under para 1 above for accreditation for preceding one year, the accreditation shall be valid for a period of one year from the date of such accreditation.
- 3.2. If the Applicant consistently meets the said eligibility criteria for accreditation in each of the preceding three years, the accreditation shall be valid for a period of two years from the date of such accreditation.

## **4. Procedure to avail benefits linked to accreditation**

- 4.1. Prospective investors shall, *inter-alia*, submit a copy of the Accreditation Certificate and an undertaking to the investment provider (i.e. provider of securities market product or service) to the effect that:

- (a) The prospective investor wishes to avail benefits under the AI framework (“Consent”).
- (b) The prospective investor has the ability to bear the financial risks associated with the investment.
- (c) The prospective investor has the necessary knowledge and means to understand the features of the Investment Product, including the risks associated with the investment.
- (d) The prospective investor is aware that the investment product is meant for AIs and may not be subject to the same regulatory oversight as over investment products meant for investors other than AI.

4.2. The Investment provider shall independently verify the status of accreditation of the prospective investor from the concerned Accreditation Agency. Further, investment providers may obtain additional undertakings from prospective investors, provided they do not dilute or contravene the undertakings in terms of Para 4.1 above.

4.3. Prior to entering into a client agreement with an AI, the investment provider shall disclose to the AI, details of regulatory concessions available for the proposed investment, and the relevant conditions applicable under the AI framework.

4.4. The client agreement shall, *inter-alia*, provide the following:

- (i) details of regulatory concessions agreed upon between the investor and the investment provider, and the conditions for availing the same, and
- (ii) consequences, if any, in the event of the investor becoming ineligible to be an AI during the tenure of the said agreement.

## **5. Flexibility to investors to withdraw ‘Consent’**

5.1. Investors shall have the flexibility to withdraw their ‘Consent’ and discontinue benefits of accreditation, subject to the following:

- (a) An investor who withdraws ‘Consent’ after availing the benefit of lower ticket size shall be required to increase the investment to the minimum amount that is stipulated under the applicable regulatory framework for the particular investment product, within the timeframe specified in the client agreement.
- (b) If an investor who has availed concessions to the regulatory framework withdraws the ‘Consent’ furnished to the investment provider before the expiry of the client agreement, the investments already made shall be ‘grandfathered’ i.e. such investments shall continue to be reckoned as investments by an AI. With effect from the date of withdrawal of consent, any further transaction shall be in accordance with the applicable regulatory framework.

5.2. Investors in pooled investment products which are launched exclusively for AIs, in which concessions to regulatory framework have been availed, shall not have the flexibility to withdraw their Consent.

5.3. The client agreement shall, *inter-alia*, provide the modalities for withdrawal of 'Consent' and consequences of the investor withdrawing the 'Consent'.

### **Annexure A - List of Documents to be submitted by Applicant for accreditation**

The Applicant shall furnish self-certified copies of the following documents:

<b>Information</b>	<b>Documents to be submitted</b>
<b><i>In case of Individual / HUF</i></b>	
Proof of Identity	(a) Copy of PAN Card. (b) Copy of Aadhaar Card or Copy of Valid Passport.
Proof of financial information  <i>(Number of years for which financial information is provided shall determine the validity of the accreditation)</i>	(a) Copies of Income Tax Return(s) of preceding one or three financial years, depending on desired validity of accreditation (b) Certificate from practicing chartered accountant stating net worth as on March 31 of one or three financial years preceding the date of application (c) Certificate from practicing chartered accountant stating net worth as on the date of application. (optional)  <i>(Calculation of Net worth to be given as an Annexure to the certificate.)</i>
Proof of basis of valuation of assets  (as applicable)	(a) Proof of 'ready reckoner rate' applicable to real estate assets considered for calculation of net worth. (b) Copy of demat account statement (c) Any other document as required.
Undertakings	Declaration from Applicant that:  (a) The Applicant is not a wilful defaulter. (b) The Applicant is not a fugitive economic offender. (c) The Applicant is not debarred from the securities market as on the date of application. (d) In case of a Non Resident Indian or foreign investor, confirmation that he or she has not been restricted

Information	Documents to be submitted
	<p>from accessing securities market by the country of jurisdiction where he or she resides.</p> <p>(e) The submissions made to the Accreditation Agency are true and correct and if found incorrect, the Accreditation Agency reserves the right to reject the application or withdraw the accreditation, as applicable.</p>
Other Documents	Any other document as specified by the Accreditation Agency
<b><i>In case of Body Corporates</i></b>	
Authorization to seek accreditation	(a) Certified copy of Board Resolution to apply for accreditation
Proof of Identity	(a) Copy of PAN card (b) Document of Incorporation
<p>Proof of financial information</p> <p><i>(Number of years for which financial information is provided shall determine the validity of the accreditation)</i></p>	<p>(a) Copies of Income tax return(s) of one or three financial years preceding the date of application.</p> <p>(b) Copies of audited Financial Statements of one or three financial years preceding the date of application.</p> <p>(c) Certificate from practicing chartered accountant stating net worth as on March 31 of one or three financial years preceding the date of application. <i>(Working of Net worth to be given as Annexure to the certificate)</i></p> <p>(d) Audited financial statements prepared by the statutory auditor for the current date/ period <i>(optional)</i></p> <p>(e) Certificate from practicing chartered accountant stating net worth as on the date of application. <i>(optional)</i></p>
<p>Undertakings</p> <p><i>(To be provided by Managing Director/ Designated Partner/ authorized person)</i></p>	<p>Declaration that:</p> <p>(a) The Applicant or its promoters/partners or directors are not wilful defaulters.</p> <p>(b) The promoters/partners or directors of the Applicant are not fugitive economic offenders.</p> <p>(c) The Applicant is not debarred from the securities market as on the date of application.</p> <p>(d) In case of a foreign investor, confirmation that it has not been restricted from accessing securities</p>

Information	Documents to be submitted
	<p>market by the country of jurisdiction where it is incorporated.</p> <p>(e) The submissions made to the Accreditation Agency are true and correct and if found incorrect, the Accreditation Agency reserves the right to reject the application or withdraw the accreditation, as applicable.</p>
Other Documents	Any other document as specified by the Accreditation Agency
<b><i>In case of Trusts</i></b>	
Proof of Identity	<p>(a) Copy of PAN card.</p> <p>(b) Copy of registered Trust Deed.</p>
<p>Proof of financial information</p> <p><i>(Number of years for which financial information is provided shall determine the validity of the accreditation)</i></p>	<p>(a) Copies of Income tax return(s) of one or three financial years, preceding the date of application.</p> <p>(b) Copies of audited Financial Statements of one or three financial years preceding the date of application.</p> <p>(c) Certificate from practicing chartered accountant stating net worth as on March 31 of one or three financial years preceding the date of application. <i>(Working of Net worth to be given as Annexure to the certificate)</i></p> <p>(d) Audited financial statements prepared by the statutory auditor for the current date/ period <i>(optional)</i></p> <p>(e) Certificate from practicing chartered accountant stating net worth as on the date of application. <i>(optional)</i></p>
<p>Proof of basis of valuation of assets</p> <p><i>(as applicable)</i></p>	<p>(a) Statement of assets and liabilities of the Trust for preceding one year or three years, depending on desired validity of accreditation</p> <p>(b) Proof of 'ready reckoner rate' applicable to real estate assets considered for calculation of net worth.</p> <p>(c) Copy of demat account statement</p> <p>(d) Any other document as required.</p>
<p>Undertakings</p> <p><i>(To be provided by Trustee/ Board of Trustees)</i></p>	<p>(a) The Applicant/its beneficiaries/Trustee(s) are not wilful defaulters.</p> <p>(b) The beneficiaries of the Applicant or its Trustee(s) are not fugitive economic offenders.</p>

Information	Documents to be submitted
	<p>(c) The Applicant is not debarred from the securities market as on the date of application.</p> <p>(d) In case of a foreign investor, confirmation that it has not been restricted from accessing securities market by the country of jurisdiction where it is incorporated.</p> <p>(e) The submissions made to the Accreditation Agency are true and correct and if found incorrect, the Accreditation Agency reserves the right to reject the application or withdraw the accreditation, as applicable.</p>
Other Documents	Any other document as specified by the Accreditation Agency

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**Format for undertaking to be submitted by CEO (or equivalent role or position depending on the legal structure) of the manager of AIF and compliance officer of manager of AIF**

To,  
Securities and Exchange Board of India

Dear Sir / Madam,

**Sub: Filing of draft placement memorandum of (name of LVF scheme),  
scheme of (name of AIF/proposed AIF)**

Based on the placement memorandum and supporting documents submitted by AIF/proposed AIF, we undertake that:

1. We have independently exercised due-diligence regarding information given in the placement memorandum, including the veracity and adequacy of disclosure made therein.
2. The AIF, its sponsor and manager are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. None of the intermediaries named in the placement memorandum have been debarred from functioning by any regulatory authority.
3. All the material disclosures in respect of the fund raising, investment by the scheme and management thereof have been made in the placement memorandum and are based on latest available information.
4. We have satisfied ourselves that the proposed activities of the scheme are bonafide, fall within the objectives of the fund as specified in the Articles of Association or Trust Deed or Partnership Deed of the AIF and are to meet the stated investment objective.
5. The disclosures made in the placement memorandum are true fair and necessary to enable the investors to make an informed decision with respect to the investment in the proposed scheme and such disclosures are in accordance with the requirements of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, circulars, guidelines issued thereunder and other applicable legal requirements.

6. We have satisfied ourselves about the capability of the sponsor or manager to fulfil the requirement of maintaining continuing interest in the scheme as per Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
7. We shall obtain copy of the Accreditation Certificate and an undertaking from the prospective investor to the effect that:
  - a) The prospective investor wishes to avail benefits under the AI framework.
  - b) The prospective investor has the ability to bear the financial risks associated with the investment.
  - c) The prospective investor has the necessary knowledge and means to understand the features of the Investment Product, including the risks associated with the investment.
  - d) The prospective investor is aware that the investment product is meant for AIs and would not be subject to the same regulatory oversight as over investment products meant for investors other than AI.

**Place:**

**Date:**

**Signature:** *{to be signed by CEO (or equivalent role or position depending on the legal structure) of the Manager of AIF and Compliance Officer of Manager of AIF}*

**Enclosed:**

1. *Annexure A - Details of disclosures in the placement memorandum with respect to compliance with provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, applicable to the proposed LVF scheme.*
2. *Annexure B - Information with respect to disclosures in the placement memorandum.*

**Annexure A**

**Details of disclosures in the placement memorandum with respect to compliance with provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as applicable, to the proposed LVF Scheme**

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
<b>1</b>	<b>Chapter II – Registration of Alternative Investment Funds</b>		
	<b>3</b>	<b>Registration of Alternative Investment Funds</b>	
	3(1)	New Fund registration	
	3(4)(a)	Category I AIF	
	3(4)(b)	Category II AIF	
	3(4)(c)	Category III AIF	
	<b>4</b>	<b>Eligibility Criteria</b>	
	4(a)	- Legal structure – Company; - Trust; - LLP	
	4(b)	Whether prohibited from making an invitation to public	
	4(c)	Whether Trust Deed is Registered	
	4(d)	Whether partnership in case of Limited Liability Partnership is duly incorporated and the deed is filed with Registrar	
	4(e)	Whether Body Corporate is set up or established under the laws of the Central or State Legislature and is permitted to carry activities on AIF	
	4(f)	AIF, Sponsor, Manager (Fit & Proper person)	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	4(g)	(i) Key Investment team of Manager of AIF – adequate experience	
		(ii) Professional qualification	
	4(h)	Necessary Infrastructure & Manpower	
	4(i)	<ul style="list-style-type: none"> <li>- Investment objective</li> <li>- Targeted investors</li> <li>- Proposed corpus</li> <li>- Investment style or strategy</li> <li>- Tenure of the fund or scheme</li> </ul>	
	4(j)	Refusal of registration by the Board, if any	
	7	Conditions of Certificate	
	8(3)	Implication when registration is refused	
<b>2</b>	<b>Chapter III – Investment Conditions And Restrictions</b>		
	9(1)	Investment Strategy	
	9(2)	Any material alteration to fund strategy	
	10	Investment in Alternative Investment Fund	
	10(a)	Raise funds by way of issue of units	
	10(b)	Minimum corpus	
	10(c)	Minimum investment Minimum investment of 1 crore to not apply to an accredited investor	
	10(d)	Continuing Interest	
	10(e)	Disclosure of investment made by Manager or Sponsor	
	10(f)	Maximum Investors	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	10(g)	To solicit or collect funds only by way of Private placement	
	11	Placement Memorandum	
	11(1)	- Placement Memorandum / Information Memorandum	
	11(2)	<ul style="list-style-type: none"> <li>- Information about</li> <li>a) AIF</li> <li>b) Manager</li> <li>c) Background of key investment team of Manager</li> <li>d) Targeted investors</li> <li>e) Fees &amp; all other expenses proposed to be charged</li> <li>f) Tenure of AIF/Scheme</li> <li>g) Condition/Limits on redemption</li> <li>h) Investment strategy</li> <li>i) Risk management tool &amp; parameters employed</li> <li>j) Key service providers</li> <li>k) Conflict of interest &amp; procedure to identify and address them</li> <li>l) Disciplinary history</li> <li>m) Terms &amp; conditions on which manager offers investment service</li> <li>n) Affiliation of Manager with other intermediaries</li> <li>o) Manner of winding up of AIF/Scheme</li> </ul>	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
		p) terms of reference of the committee constituted for approving the decisions of the Alternative Investment Fund	
		q) Other information for investors to take informed decision	
	12(1)	Filing of PPM for launch of scheme	
	12(4)	Timeline for declaring first close of scheme	
	13	Tenure	
	13(1)	- Category I & II AIF/scheme to be close ended	
	13(2)	- Category I & II AIF/Scheme to have minimum tenure of 3 years	
	13(3)	- Category III AIF/schemes - Whether open ended or close ended	
	13(4)	Calculation of tenure	
	13(5)	- Extension of tenure	
	13(6)	- Liquidation of AIF	
	14	Listing requirements, as and when made applicable	
	15	General Investment Conditions	
	15(1)(a)	- For Investment outside India	
	15(1)(b)	- Terms of Co-investment not more favourable than Manager /sponsor/co-investor than AIF	
	15(1)(c)	- Category I & II AIF	
		- Not more than 25% of investable funds in an Investee Company	

S. No.	Regulation	Contents of the Regulation	<i>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</i>
		- Large value fund for Accredited Investor may invest up to 50% of investable funds in an Investee Company	
	15(1)(d)	Category III AIF	
		- Not more than 10% of investable funds or NAV in an Investee Company	
		- Large value fund for Accredited Investor may invest up to 20% of investable funds or NAV in an Investee Company	
	15(1)(da)	AIF not to offer their units to other AIFs if they are investing in units of other AIFs	
	15(1)(e)	Approval of 75% of investors by value for investment in associate or units of AIF managed by Manager, sponsor or by Associates	
	15(1)(f)	Investment of un-invested portion of investable funds and divestment proceeds pending for distribution to investors as prescribed in Regulations	
	15(1)(g)	AIF to act as Nominated Investor	
	15(1)(h)	Investment by Category I and Category II Alternative Investment Funds in the shares of entities listed on institutional trading platform	
	<b>16</b>	<b>Conditions for Category I Alternative Investment Funds</b>	
	16(1)(a)	Investment by Category I AIF	

S. No.	Regulation	Contents of the Regulation	<i>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</i>
	16(1)(c)	Not borrow funds & shall not engage in leverage except for meeting temporary requirements	
	16(2)(a)	Venture Capital Fund to invest at least 75% of the investable funds in un-listed equity shares or equity linked instruments of VCU or in companies listed or proposed to be listed on SME exchange	
	16(2)(c)	Venture Capital Fund to enter an Agreement with Merchant Banker for purpose of market making	
	16(2)(d)	Exemption to Venture Capital funds from certain provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015	
	16(3)(a)	SME Fund investment – for at least 75% of investable funds	
	16(3)(b)	SME Fund to enter an Agreement with Merchant Banker for purpose of market making	
	16(3)(c)	Exemption to SME Fund from certain provisions of SEBI (PIT) Regulations, 2015	
	16(4)(a)	Social Venture Fund investment- 75% of investable funds in un-listed securities or partnership interest of social ventures or social enterprises	
	16(4)(b)	May accept grants not less than 25 lakh rupees	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<i>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</i>
		-Minimum amount of grant to not apply to accredited investors:	
		- no profits or gains to accrue to the provider of such grants	
	16(4)(c)	Grants to social ventures subject to disclosure	
	16(5)(a)	Infrastructure Funds investment - for at least 75% of investable funds	
	16(5)(b)	Permissible other investments	
	<b>17</b>	<b>Conditions for Category II Alternative Investment Funds</b>	
	17(a)	Category II AIFs to invest primarily in un-listed Companies or in units of Category I & II AIFs	
	17(c)	May not borrow funds & shall not engaged in leverage except for meeting temporary requirements	
	17(d)	May engage in hedging subject to guidelines as specified by the Board	
	17 (da)	May buy or sell credit default swaps in terms of the conditions specified by the SEBI.	
	17(e)	May enter into agreement with Merchant Banker for market making	
	17(f)	Exemption to Category II AIFs exemption from certain provision of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015	
	<b>18</b>	<b>Conditions for Category III Alternative Investment Funds</b>	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	18(a)	May invest in securities of listed or un-listed Investee Companies, derivatives, units of other Alternative Investment Funds or complex or structured products	
	18(aa)	May deal in goods received in delivery against physical settlement of commodity derivatives	
	18(ab)	May buy or sell credit default swaps in terms of the conditions specified by the SEBI	
	18(c)	May engage in leverage or borrow subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by the Board	
<b>3</b>	<b>Chapter III-A – Angel Funds</b>		
	19B (2)	Applicability to Angel Funds	
	19C	Registration of Angel Funds	
	19D	Investment in Angel Funds	
	19(D)(1)	To raise funds by way of issue of units	
	19(D)(2)	Minimum corpus	
	19(D)(3)	Maximum period for accepting funds from investor for making investment by Angel funds and Minimum investment by angel investor	
	19(D)(4)	To raise funds through private placement	
	19E(1)	Launch of scheme	
	19E(2)	Maximum number of investors	
	19F(1)	Investment by Angel Funds in startups	
	19F(2)	Minimum investment by Angel Fund	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	19F(3)	Investment by Angel Fund to be locked in for 1 year	
	19F(4)	Angel funds to not invest in associates	
	19F(5)	Angel funds to not invest more than 25% of the total investments under all its schemes in one venture capital undertaking	
	19F(6)	Conditions for Investment outside India	
	19G(1)	The sponsor to ensure that the angel investor satisfy conditions specified in sub regulation (2) of regulation 19A	
	19G(2)	Continuing interest	
	19(G)(3)	The manager of the angel fund shall obtain an undertaking from every Angel Investor	
	19H	Prohibition of Listing	
<b>4</b>	<b>Chapter III-B – Special Situation Funds</b>		
	19(J)	Applicability	
	19(K)	Registration of special situation funds	
	19(L)	Investment in special situation funds.	
	19(M)(1)	Special situation funds shall invest only in special situation assets and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016	
	19(M)(2)	Any investment by a special situation fund in the stressed loan acquired under clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 as amended from time to time shall be	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
		subject to lock-in period as may be specified by the Board	
<b>5</b>		<b>Chapter IV – General Obligations And Responsibilities And Transparency</b>	
	20	General Obligations	
	20(1)	AIF, KMPs of AIF, Trustee, Trustee company, Directors of Trustee Company, Designated Partners or directors of AIF, manager and KMP of manager to abide by Code of Conduct	
	20(2)	The Manager and either the trustee or trustee company or the Board of Directors or the designated partners of the Alternative Investment Fund to ensure compliances by AIF with code of conduct	
	20(3)	AIFs to have detailed policies and procedure to ensure that all the decisions of the AIF are in compliance with the provisions of these regulations, terms of the PPM, agreements made with investors, other fund documents and applicable laws	
	20(4)	AIFs to review policies and procedures on regular basis	
	20(5)	Manager shall be responsible for every decision of AIF	

S. No.	Regulation	Contents of the Regulation	<i>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</i>
	20(6)	Manager shall be responsible for ensuring that every decision of AIF is in compliance with policies and procedures laid down by AIF	
	20(7)	Manager may constitute an Investment Committee (by whatever name called), to approve the decisions of the Alternative Investment Fund and such constitution shall be subject to such conditions as specified by the Board from time to time	
	20(8)	Investment Committee shall be responsible for ensuring that decisions are in compliance with policies & procedure laid down in terms of sub regulation 20 (3) of this regulation (Not applicable in case the commitment to invest is not less than 70 crore rupees and has furnished a waiver to the AIF)	
	20(9)	Members of Investment Committee shall abide by Code of Conduct applicable to them	
	20(10)	External members of Investment Committee not disclosed in PPM or in Agreement shall be appointed to the Investment Committee only with the consent of at least 75% of the investors by value	

S. No.	Regulation	Contents of the Regulation	<i>Wherever applicable, mention Section/subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</i>
	20(11)	<p>-Sponsor/Manager to appoint registered custodian if the corpus of AIF is more than 500 crore rupees –Category III AIF to appoint custodian irrespective of the size.</p> <p>-The custodian appointed by Category III AIF shall keep the custody of the securities and goods received in delivery against the physical settlement of commodity derivatives</p>	
	20(12)	AIF to inform SEBI in case of any material change in information provided at the time of application.	
	20(13)	AIF to obtain prior approval from SEBI in case of change in control of AIF Sponsor or Manager or change of Sponsor or Manager	
	20(14)	The books of accounts of AIF to be audited annually by a qualified auditor	
	20(15)	Restriction on Manager to provide advisory services	
	20(16)	Assets and liabilities of each scheme of an AIF to be segregated and ring-fenced from other schemes and bank accounts and securities accounts of each scheme are segregated and ring-fenced	
	21	Conflict of Interest	
	21(1)	Sponsor & Manager of the AIF to act in fiduciary capacity towards its investors	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	21(2)	Manager to establish & implement written policies to mitigate conflict of interest	
	21(3)	Manager & Sponsor of AIF to abide by high level principles on avoidance of conflict of interest	
	22	Transparency: All AIFs to ensure transparency & disclosure of information to investors on the following	
	22(a)	financial, risk management, operational, portfolio, and transactional information regarding fund investments to be disclosed periodically to the investors	
	22(b)	any fees ascribed or charged	
	22(c)	Any enquiry /legal action as and when occurred	
	22(d)	Any material liability during the tenure of AIF	
	22(e)	Any breach of provisions of Placement Memorandum or Agreement	
	22(f)	Change in control of the Sponsor or Manager or Investee Company	
	22(g)	<p>To provide on annual basis (within 180 days from the yearend) report to investors including following information;</p> <p>A) Financial information of Investee Company</p> <p>B) different Material risk as prescribed in AIF Regulations &amp; how they are managed</p>	

<b>S. No.</b>	<b>Regulation</b>	<b>Contents of the Regulation</b>	<b>Wherever applicable, mention Section/ subsection along with page number of the placement memorandum where the Regulation has been complied with. Otherwise mention 'not applicable' or 'noted for compliance'</b>
	22(h)	Category III AIF to provide quarterly report in respect of regulation 22(g) within 60 days of end of the quarter	
	22(i)	Any significant change in key investment team to be intimated to investors	
	22(j)	AIF to provide SEBI information for systemic risk purposes	
	23(1)	AIF to provide valuation procedure and methodology to investors	
	23(2)	Category I & II AIFs to undertake valuation of investment as prescribed in the Regulations	
	23(3)	Category III AIFs to ensure calculation of NAV is independent from fund management function of AIF and disclosure of NAV as prescribed in the Regulations.	
	24	Obligation of Manager	
	25	Dispute Resolution- AIFs to lay down procedure for resolution of dispute between investors and AIFs	
	27	Obligation of manager to maintain record as prescribed in AIF Regulations	
	28	Timely Submission of Reports to the Board	
	29	Compliance to Winding up provisions	

**Note:** This annexure may be modified in line with any amendments notified under SEBI (AIF) Regulations, 2012 from time to time.

**Annexure B**

**Information with respect to disclosures in the placement memorandum**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
1.	Whether it is stated in the placement memorandum that the LVF scheme shall be placed only before Accredited Investors having valid accreditation certificate from SEBI recognized Accreditation Agency or Deemed AIs as per SEBI AIF Regulations.		
2.	Whether the information submitted in the placement memorandum is consistent with the information submitted in Form A as specified under First schedule of AIF Regulations		
3.	Whether Sponsor and Manager of the scheme is same as Sponsor and Manager of AIF		
4.	Whether adequate disclosures are made in all sections and subsections of the placement memorandum in line with template placement memorandum provided in para 2.1.3 of SEBI Master Circular for AIFs		
5.	Whether the scheme seeks waiver (as per para 2.4.4 of SEBI Master Circular for AIFs) from requirement of placement memorandum as per template prescribed in para 2.1.3 of SEBI Master Circular for AIFs		If yes, confirm whether it is disclosed that each investor shall commit a minimum capital contribution of 70 crore rupees and provide a waiver from the requirement of placement memorandum in prescribed template.
6.	Whether it is verified that information provided for a particular term is consistent across different sections of the placement memorandum		If no, highlight the respective sections/ clauses

S. No.	Particulars	Yes/ No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
7.	Whether there are any clauses in the placement memorandum which affect the pro-rata rights of each investor in each investment of the scheme		If yes, also highlight such clauses
8.	Whether the investor(s) has/have any role in approving investment decisions of the scheme		
9.	Whether it is provided that the scheme proposes to engage in lending activity, or extending guarantee for investee company		
10.	Whether the sections 'Investment objective, strategy and process', 'Governance structure' and 'principal terms of the fund/scheme' contain all material information		
11.	Whether it is provided in the placement memorandum that terms of contribution/ subscription agreement shall be in line with the terms of the placement memorandum		
12.	<p>Whether type of instruments proposed for temporary deployment of funds is in line with applicable provision of AIF Regulations</p> <p>Whether the scheme proposes to invest in such instruments as part of primary investment objective of the scheme also</p> <p>In case of Category III AIFs, whether the scheme proposes to invest in such instruments also to provide applicable margin to recognized stock exchanges</p>		If yes, provide the list of instruments proposed for temporary deployment of funds
13.	Whether maximum duration for such temporary deployment of funds is disclosed		If yes, mention the duration
14.	Whether the scheme intends to invest in units of AIFs		If yes, whether necessary disclosures have been made in line with Chapter 8 of SEBI

S. No.	Particulars	Yes/ No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
			Master Circular for AIFs
15.	Whether names of key management personnel are disclosed in the placement memorandum in line with para 13.1.2 and 13.1.3 of SEBI Master Circular for AIFs		
16.	Whether it is verified that all members of key investment team are employees or partners or directors (as applicable) of the manager		
17.	Whether it is verified the key investment team satisfies the experience and professional qualification criteria provided under AIF Regulations		Name(s) of qualifying member(s) to be provided
18.	Whether the manager has constituted or proposes to constitute an investment committee (by whatever name called) to approve decisions of the scheme		If no, also inform whether any committee has been set up to provide non-binding recommendations on investment proposals
19.	If the investment committee (as specified in Regulation 20(7) of AIF Regulations) is approving authority, whether: (a) it is stated that the functioning of the investment committee shall be in compliance with applicable provisions of AIF Regulations. (b) the terms of reference of the investment committee are disclosed in the placement memorandum		
20.	Whether it is disclosed that delegation/outsourcing of any activity of the AIF to a third party will be in compliance with SEBI circular no. CIR/MIRSD/24/2011 dated Dec 15, 2011		

S. No.	Particulars	Yes/ No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
21.	Under section 'Track Record of Manager', whether there is provision for disclosure of performance benchmark disseminated by a benchmarking agency in terms of Chapter 16 of SEBI Master Circular for AIFs		
22.	Whether the eligibility criteria for each class of unit is clearly specified and differentiated		
23.	Whether specific instances are disclosed, under which an investor may be excluded or excused from a particular investment		
24.	Whether the list of commercial and non-commercial terms, on which differential rights may be offered through side letter arrangement or issuance of additional class of units, is disclosed		If yes, provide the list of terms
25.	Whether it is disclosed that the differential rights, if any, attached to any classes of units or given through side letters, shall not have any adverse impact on the economic or any other rights of other investors		
26.	Whether timelines for making warehoused investment and transferring such investment are disclosed		If yes, state the timelines for warehousing and transferring of the warehoused investment
27.	Whether timelines for intimation regarding warehoused investments to existing and prospective investors, are disclosed		If yes, state the timelines for such intimation
28.	Whether it is provided that a defaulter, i.e., investor who defaults in bringing drawdown amount within the timeline specified, can no longer participate in subsequent investments of the scheme till the default is cured and that there are clauses providing steps to be taken against the defaulting investor		

S. No.	Particulars	Yes/ No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
29.	Whether specific instances are disclosed under which in-specie distribution / distribution in kind may be made		
30.	Whether it is disclosed that co-investment by investors of AIF shall be made in compliance with applicable provisions of AIF Regulations and PMS Regulations		
31.	Whether it is disclosed that the manager will establish written down conflict management policy and whether timeline for adopting such policy has been provided		
32.	Whether the distribution waterfall illustrations have been provided for different scenarios		If yes, whether it is verified that the illustrations are accurate and complete
33.	Whether necessary disclosure has been made regarding the disciplinary history in terms of para 2.1.5 and 2.1.6 of SEBI Master Circular for AIFs		

**Note:**

- (i) If any of the points above is not applicable to the proposed scheme, it may be mentioned as “not applicable”.
- (ii) Additional material information, in similar format, may also be provided which is not covered in the above table and any other information which is necessary to be highlighted or requires specific attention.

## Stewardship Code

### **Principle 1**

*Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.*

#### **Guidance**

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

Every institutional investor should formulate a comprehensive policy on how it intends to fulfil the aforesaid stewardship responsibilities and disclose it publicly. In case any of the activities are outsourced, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised properly and diligently.

The policy should be reviewed and updated periodically and the updated policy should be publicly disclosed on the entity's website. A training policy for personnel involved on implementation of the principles is crucial and may form a part of the policy.

### **Principle 2**

*Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.*

#### **Guidance**

As a part of the aforesaid comprehensive policy, institutional investors should formulate a detailed policy for identifying and managing conflicts of interest. The policy shall be intended to ensure that the interest of the client/beneficiary is placed before the interest of the entity. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

The conflict of interest policy formulated shall, among other aspects, address the following:

1. Identifying possible situations where conflict of interest may arise. E.g. in case of investee companies being associates of the entity.
2. Procedures put in place by the entity in case such conflict of interest situations arise which may, *inter alia*, include:

- a. Blanket bans on investments in certain cases
  - b. Having a '*Conflict of Interest*' Committee to which such matters may be referred to.
  - c. Clear segregation of voting function and client relations/ sales functions.
  - d. Policy for persons to recuse from decision making in case of the person having any actual/ potential conflict of interest in the transaction.
  - e. Maintenance of records of minutes of decisions taken to address such conflicts.
3. Periodical review and update of such policy and public disclosure.

### **Principle 3**

*Institutional investors should monitor their investee companies.*

#### **Guidance**

As a part of the aforesaid comprehensive policy, institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important which shall include performance of the companies, corporate governance, strategy, risks etc.

The investors should identify the levels of monitoring for different investee companies, areas for monitoring, mechanism for monitoring etc. The investors may also specifically identify situations where they do not wish to be actively involved with the investee companies e.g. in case of small investments.

The investors should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring.

Accordingly, the institutional investors shall formulate a policy on monitoring specifying, inter-alia, the following:

1. Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis-à-vis companies where amount invested is insignificant from the point of view of its assets under management.
2. Areas of monitoring which shall, *inter-alia*, include:
  - a. Company strategy and performance - operational, financial etc.
  - b. Industry-level monitoring and possible impact on the investee companies.
  - c. Quality of company management, board, leadership etc.
  - d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.

- e. Risks, including Environmental, Social and Governance (ESG) risks
- f. Shareholder rights, their grievances etc.

- 3. Identification of situations which may trigger communication of insider information and the procedures adopted to ensure insider trading regulations are complied with in such cases.

#### **Principle 4**

Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

#### **Guidance**

Institutional investors should have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention. The policy should also involve regular assessment of the outcomes of such intervention. Intervention should be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.

Circumstances for intervention may, *inter alia*, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc. Various levels of intervention and circumstances in which escalation is required may be identified and disclosed. This may also include interaction with the companies through institutional investor associations (E.g. AMFI). A committee may also be formed to consider which mechanism to be opted, escalation of matters, etc. in specific cases.

#### **Principle 5**

Institutional investors should have a clear policy on voting and disclosure of voting activity.

#### **Guidance**

To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the investee companies, it is critical that the institutional investors take their own voting decisions in the investee company after in-depth analysis rather than blindly supporting the management decisions.

This requires a comprehensive voting policy to be framed by the institutional investors including details of mechanisms of voting, circumstances in which voting should be for/against/abstain, disclosure of voting, etc. The voting policy, voting decisions (including rationale for decision), use of proxy voting/voting advisory services, etc. should be publicly disclosed.

The voting policy shall, *inter-alia*, include the following:

1. Mechanisms to be used for voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)
2. Internal mechanisms for voting including:
  - a. Guidelines on how to assess the proposals and take decision thereon
  - b. Guidelines on how to vote on certain specific matters/ circumstances including list of such possible matters/circumstances and factors to be considered for a decision to vote for/ against/ abstain
  - c. Formulation of oversight committee as an escalation mechanism in certain cases
  - d. Use of proxy advisors
  - e. Policy for conflict of interest issues in the context of voting
3. Disclosure of voting including:
  - a. Periodicity of disclosure
  - b. Details of actual voting for every proposed resolution in investee companies i.e. *For, Against or Abstain*
  - c. Rationale for voting
  - d. Manner of disclosure — e.g. in annual report to investors, quarterly basis on website etc.
4. In case of use of proxy voting or other voting advisory services, disclosures on:
  - a. Scope of such services
  - b. Details of service providers
  - c. Extent to which the investors rely upon/use recommendations made by such services

### **Principle 6**

*Institutional investors should report periodically on their stewardship activities.*

### **Guidance**

Institutional investors shall report to their clients/ beneficiaries periodically on how they have fulfilled their stewardship responsibilities as per their policy in an easy-to-understand format.

However, it may be noted that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the institutional investor to sell a holding when it is in the best interest of clients or beneficiaries.

Institutional investors shall report periodically on their stewardship activities in the following manner:

1. A report may be placed on website on implementation of every principle. Different principles may also be disclosed with different periodicities. E.g. Voting may be disclosed on quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis. Any updation of policy may be disclosed as and when done.
2. The report may also be sent as a part of annual intimation to its clients/beneficiaries.

**Format of waiver to be provided by the investors**

To

(Name of Manager), Manager of (Name of AIF/ Scheme)

**Sub: Waiver in respect of compliance with Regulation 20(8) of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012**

1. We are considering to invest/ have invested in (Name of the AIF/Scheme) managed by (Name of the Manager).
2. We understand that (Name of the AIF) is registered with Securities and Exchange Board of India (SEBI) and as such is required to comply with Regulation 20(8) of SEBI (AIF) Regulations, 2012, which defines the responsibilities of members of investment committee (by whatever name called), constituted by the manager to approve decisions of the AIF.
3. We understand that (Name of Manager) has constituted/may constitute an investment committee to approve the decisions of (Name of the AIF/Scheme).
4. In this regard, we confirm that we have the independent ability and mechanism to carry out due diligence of our investments. Hence, in terms of para 14.1 of SEBI Master Circular for AIFs, we hereby grant waiver to (name of the AIF) from the requirement of compliance with Regulation 20(8) of SEBI (AIF) Regulations, 2012.
5. We understand that, by providing this waiver, the members of Investment Committee shall not be responsible for ensuring that the decisions of the Investment Committee are in compliance with the policies and procedures laid down in terms of Regulation 20(3) of SEBI (AIF) Regulations, 2012.
6. We also understand that (Name of Manager), the manager of (name of the AIF/Scheme) shall be responsible for ensuring that every decision of (Name of the AIF/Scheme) is in compliance with the policies and procedures laid down for the (Name of the AIF/Scheme) in terms of Regulation 20(3) of SEBI (AIF) Regulations, 2012, and other internal policies of the (name of the AIF/Scheme), as applicable.
7. Notwithstanding the waiver granted herein, if any contractual responsibility is cast on the members of investment committee in terms of the provisions of the fund documents, they shall not be absolved from such responsibilities.
8. Further, we understand that (Name of Manager), the manager of (name of the AIF/Scheme) shall at all times be responsible for ensuring that the investments of (name of the AIF/Scheme) are in compliance with the provisions of SEBI (AIF) Regulations, the terms of the placement memorandum, agreement with the undersigned, other fund documents and applicable laws.

(Signed by the investor or two authorized signatories of the investor)

**Format for submission of report on AIFs' activity to SEBI on a quarterly basis**

All AIFs shall submit report on their activity as an AIF to SEBI on quarterly basis within 10 calendar days from the end of each quarter in the formats as specified in [Annexure 12](#) here.

**Format for submission of report on leverage undertaken by Category III AIFs to SEBI on a quarterly basis**

Category III AIFs shall submit report on leverage undertaken, on quarterly basis in the format as specified in [Annexure 13](#) here.

**Format of Compliance Test Reports (CTRs)**

Name of the AIF:

Category:

CTR for the Year:

Contact details of the compliance officer:

Sr. No	Compliance with respect to	Details of compliance	Any other comments
1.	<b><u>Regulation 7(1)(c):</u></b> During the year, whether the AIF has informed the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted.		
2.	<b><u>Regulation 9(2):</u></b> Whether there has been any material alteration to the fund strategy during the year and in such case, whether consent of atleast two-thirds of unit holders by value of their investment in the AIF has been obtained.		
3.	<b><u>Regulation 10(b):</u></b> Whether each scheme of the AIF has corpus of atleast twenty crore rupees;		
4.	<b><u>Regulation 10(c):</u></b> Whether the AIF has added any new investors during the year. If yes, whether the AIF has accepted from an investor, an investment of value not less than one crore rupees.		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
5.	<p><b><u>Regulation 10(d):</u></b> Whether the Manager or Sponsor has a continuing interest in the AIF of not less than two and half percent of the corpus or five crore rupees, whichever is lower, in the form of investment in the AIF and such interest is not through the waiver of management fees.</p> <p>In case of Category III AIF, whether the continuing interest is not less than five percent of the corpus or ten crore rupees, whichever is lower.</p>		
6.	<p><b><u>Regulation 10(e):</u></b> Whether the Manager and Sponsor have disclosed their investments in the AIF to the investors of the AIF.</p>		
7.	<p><b><u>Regulation 10(f):</u></b> Whether each scheme of the AIF has not more than one thousand Investors.</p>		
8.	<p><b><u>Regulation 10(g):</u></b> Whether the AIF has solicited or collected funds only by way of private placement.</p>		
9.	<p><b><u>Regulation 11(2):</u></b> Whether the placement memorandum contains all information as specified in Regulation 11(2)</p>		
10.	<p><b><u>Regulation 12:</u></b> Whether the AIF has launched any new scheme during the year and in such case, whether the placement memorandum has been filed</p>		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
	with SEBI atleast thirty days prior to launch of scheme along with the scheme fees.		
11.	<p><b><u>Regulation 13(5) &amp; 13(6):</u></b> Whether there has been any extension of the tenure of the close ended AIF. If yes, whether the same is not more than two years and approved by two-thirds of the unit holders by value of their investment in the AIF. In the absence of consent of unit holders, whether the AIF has fully liquidated within one year following expiration of the fund tenure or extended tenure.</p>		
12.	<p><b><u>Regulation 14(1):</u></b> In case the units of the AIF are listed during the year, whether the listing is after final close of the fund or scheme.</p>		
13.	<p><b><u>Compliance with every clause of Regulation 15</u></b> <i>(Separate compliance for every clause shall be provided)</i></p>		
14.	<p><b><u>Compliance with every clause of Regulation 16/17/18/19, as applicable</u></b> <i>(Separate compliance for every clause shall be provided)</i></p>		
15.	<p><b><u>Compliance with every clause of Regulation 20</u></b> <i>(Separate compliance for every clause shall be provided)</i></p>		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
16.	<p><b><u>Regulation 21:</u></b> In case of any conflict of interests that have arose during the year, whether Regulation 21 has been complied with.</p>		
17.	<p><b><u>Regulation 22:</u></b> Whether the AIFs have disclosed information contained in the clauses under Regulation 22 to the investors.</p>		
18.	<p><b><u>Regulation 23:</u></b> <i>(Separate compliance for every clause shall be provided)</i></p>		
19.	<p><b><u>Regulation 25:</u></b> Whether the AIF, by itself or through the Manager or Sponsor, has laid down procedure for resolution of disputes between the investors, AIF, Manager or Sponsor through arbitration or any such mechanism as mutually decided between the investors and the AIF.</p>		
20.	<p><b><u>Regulation 28:</u></b> Whether reports to be submitted the SEBI during the year have been submitted in the manner as specified by SEBI.</p>		
21.	<p><b><u>Regulation 29:</u></b> In case the AIF has wound up during the year, whether Regulation 29 has been complied with.</p>		
22.	<p><b><u>Compliance with SEBI circular No. CIR/IMD/DF/10/2013 dated July 29, 2013 regarding Operational, Prudential and</u></b></p>		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
	<p><b><u>Reporting Norms for Alternative Investment Funds (AIFs):</u></b>            Compliance with respect to:</p> <ul style="list-style-type: none"> <li>• Risk management and compliance</li> <li>• Redemption norms</li> <li>• Prudential requirements</li> </ul>		
23.	<p><b><u>Compliance with circular No. CIR/IMD/DF/14/2014 dated June 19, 2014</u></b>            Compliance with respect to:</p> <ul style="list-style-type: none"> <li>• Disclosures in placement memorandum</li> </ul> <p>every clause under point (3) on 'Clarification on certain aspects of the AIF Regulations'.</p>		
24.	<p><b><u>Compliance with any other circular as issued/ may be issued by SEBI</u></b></p>		

**Term Sheet for Angel Funds**

**A. Investment and Investee Company Related Information**

1.	Name of the Angel Fund	
2.	SEBI Registration No.	
3.	Name of Scheme	
4.	Name of investee company	
5.	Investee Company profile and Product details/ services offered by the investee company	
6.	Business/ industry details of the Investee company	
7.	Present Investment size/ Amount of the offering	
8.	Investment highlights	
9.	Total Capital Commitment by investors	
10.	Capital drawn by the fund	
11.	Type of Securities (Equity Shares / Compulsorily Convertible Preference Shares / Compulsorily Convertible Debenture)	
12.	Number of securities along with description	
13.	Price per share/ unit of the security	
14.	Conversion Price and terms, in case convertible securities	
15.	Details of lock in for share/ unit of fund	
16.	Co-investment, if any	
17.	Details of Valuation of investee company	
18.	Fee and expenses details for the fund	
19.	Exit strategy for the Angel Fund - Termination of the investment / exit provisions	
20.	Distribution waterfall (distribution to the investors)	
21.	Exit/ transfer rights for investors	

**B. Compliance with SEBI (Alternative Investment Funds) Regulations, 2012**

1.	List of investors in the scheme and compliance with AIF regulations in this regard in detail {Regulation 19D(1)}	
2.	Whether the fund has a corpus of at least 5 crore rupees	
3.	Details of compliance of Regulation 19D(3)	
4.	Whether funds have been raised through private placement by issue of information memorandum or placement memorandum.	

5.	Details of compliance of Regulation 19(F) (1)	
6.	Investment by an angel fund in any venture capital undertaking shall not be less than twenty five lakh rupees and shall not exceed ten crore rupees.	
7.	Details of compliance of Regulation 19(F) (3)	
8.	Details of investment made in associates (as % of total investments), if any. Also provide reasons for such investments.	
9.	Whether investment of the Angel fund is more than twenty-five per cent of the total investments under all its schemes in one venture capital undertaking. If yes, provide detailed explanation.	
10.	Conditions or guidelines stipulated /issued by the RBI and the Board have been complied with, in case of investment in the securities of companies incorporated outside India	
11.	A declaration from sponsor w.r.t. the angel investors satisfying the conditions specified in sub-regulation (2) of regulation 19A.	
12.	A declaration that the manager/ sponsor have a continuing interest in the angel fund of not less than two and half percent of the corpus or fifty lakh rupees, whichever is lesser, and such interest is not through the waiver of management fees. {Regulation 19G(2)}	
13.	Whether undertaking received from every angel investor confirming approval for investment, prior to making such investment {Regulation 19G(3)}	

**C. Material changes**

Angel Fund shall submit details of material changes from the last PPM/ Term Sheet in the following tabular format:

<b>Provisions in the PPM / last Term sheet</b>	<b>Material change</b>	<b>Rationale for change</b>	<b>Date of intimation to SEBI / date of approval from SEBI</b>

## Operational Guidelines for implementation of Performance Benchmarking

### Section A:

- a) Performance Benchmarking shall be done on a half yearly basis based on the data as on September 30 and March 31 of each year.
- b) AIFs/ Schemes that have completed at least one year from First Close, shall provide all the necessary information/data to the Benchmarking Agencies.
- c) AIFs shall provide data on cash flows and valuation of their scheme-wise investments to the Benchmarking Agencies in the form and format required by each Benchmarking Agency, within 45 days from the end of every half-year ending on 30th September and within 6 months from the end of every half-year ending on 31st March. The format of data reporting shall mandatorily include details of valuation principles and the name of the Valuation Agency appointed by the AIF.
- d) Periodicity of valuation of investments shall be as provided in the AIF Regulations.
- e) Data provided for March 31 of every year shall be audited data and for September 30 may be unaudited data.
- f) Valuation of investments shall be in the manner provided in the specific Scheme's PPM or fund documents, as the case may be. Any change to valuation principle shall be informed to the Benchmarking Agencies in the immediate next data submission.
- g) Assets under Management (AUM) for the purpose of reporting and benchmarking shall be the value of total capital drawn down under the Scheme.
- h) The performance reporting and benchmarking shall be carried out on pre-tax Net Asset Value (NAV) of the Scheme.
- i) Benchmarking Agencies shall compile the data received from AIFs and create comparable industry performance benchmarks for the various categories of AIFs i.e. Category I, II and III, separately for each year since 2012. The industry performance benchmarks will be disseminated in a manner that is accessible to the public.

- j) Considering the diverse investment strategies and investment avenues that can be deployed by an AIF within the same category of AIF, additional performance benchmarks may be created, based on certain other parameters [besides those covered under (i) above]. Benchmarking Agency shall ensure that such performance benchmarking shall be based on objectively verifiable parameters like instrument of investment, tenure/vintage of the fund, focus sectors, etc.
- k) Benchmarking Agencies shall provide a Performance Benchmark Report to the individual AIFs/ Schemes vis-à-vis the industry benchmarks.
- l) Each Benchmarking Agency shall clearly provide the basis of benchmarking of individual AIFs/ Schemes as well as calculation of the industry benchmark, along with the Benchmark Report.
- m) The performance data and benchmarks shall be reported in both INR and USD terms.

**Section B:**

- n) Benchmarking Agencies may create customized Performance Reports, at the specific request of an AIF/ Scheme, in the following manner:
  - (i) Identification of the set of AIFs that meet the particular criteria on which customized performance report is to be generated.
  - (ii) Such identification may be either on the basis of self-attestation by the relevant AIFs or by independent verification by Benchmarking Agencies.
  - (iii) Receipt of express consent of the AIFs whose data is needed for creating such report.
  - (iv) Preparation of customized performance reports may be a fee-based service, as decided mutually between the AIFs and the Benchmarking Agencies.
  - (v) Customized performance reports thus generated shall be called “Performance Report” as against the nomenclature “Benchmark Report”, which shall be used for the standard benchmark reports generated based on SEBI mandate.

**Investor Charter for Alternative Investment Funds**

**A. Vision and Mission Statement:**

**Vision**

To develop the Alternative Investment Fund (“AIF”) industry on professional and ethical lines and maintain high standards of governance and transparency.

**Mission**

- Maintain high professional and ethical standards within the AIF industry.
- Comply with all applicable regulations and co-operate with the regulators in all aspects of the AIF activity.
- Act in a fiduciary capacity towards the investors.

**B. Details of business transacted by the organization with respect to the investors:**

- To raise capital from domestic and global investors.
- To invest in portfolio companies in accordance with investment strategy stated in Fund documents, with an objective to generate positive returns for the stakeholders including investors.
- To distribute returns to the investors as per the fund documents.

**C. Details of services provided to investors:**

**1. *On-boarding of investors.***

1.1. Sharing of Private Placement Memorandum (PPM).

1.2. Account opening with the AIF:

- Completing KYC of investors and registration of KYC with KRAs.
- Sharing of copies of fund documents with investors.
- Entering into contribution agreement with investor.

**2. *Obtaining investor consent for material changes to fund structure***

2.1. Change in the sponsor or the manager of the AIF.

2.2. Change in control of the sponsor or the manager of the AIF.

2.3. Material changes to terms of PPM

- Term of Fund.
- Investment Strategy.
- Increase in fees and charges.

2.4. Winding up of Fund/ Scheme prior to expiry of tenure.

**3. *Dissemination of financial information of Fund.***

- 3.1. Net Asset Value of Fund/ Scheme.
  - 3.2. Financial information of investee companies.
  - 3.3. Information on performance of scheme/fund.
4. **Disclosures with respect to material risks associated with the fund and its portfolio investments.**
- 4.1. Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction.
  - 4.2. Any material liability arising during the tenure of the fund.
  - 4.3. Any breach of a provision of the PPM or any other agreement made with the investor or any other fund documents.
  - 4.4. Intimation regarding any conflict of interest.
  - 4.5. Risks associated with the portfolio, such as concentration risk, foreign exchange risk, leverage risk, realization risk, strategy risk, reputation risk, extra-financial risks such as social and corporate governance risks etc. at fund and investee company level.
5. **Intimation of any non-material changes in the operations of the fund.**
- 5.1. Non-material changes such as
    - Bank account details
    - Address of AIF or its Manager or Sponsor
    - Contact details such as email-id, contact number, etc. of AIF or its Manager or Sponsor
6. **Grievance redressal**
- 6.1. Redressal of investor complaints received directly from investors and/ or from SEBI / SCORES.

**D. Timelines of the activity/services provided to investors:**

Sr. No.	Description of activity/services provided by Alternative Investment Funds (AIFs) to its investors	Timeline for completion of activity
1.	<b><u>Valuation related disclosures:</u></b>	
a.	Valuation of investment by Category I and II Alternative Investment Fund	At least once every six months. Can be extended to once a year with approval of 75% of its investors by value of investment.
b.	Disclosure of NAV of scheme(s) of the Category III Alternative Investment Fund	Close ended fund - quarterly basis
		Open ended fund -monthly basis

2.	<b><u>Transparency related disclosures:</u></b>	
a.	Disclosure of financial information of investee companies	<ul style="list-style-type: none"> <li>• Category I and II - within 180 days from the year end or earlier as per the fund documents.</li> <li>• Category III – within 60 days from the end of the quarter end or earlier as per the fund documents.</li> </ul>
b.	Disclosure of Material risks:  concentration risk, foreign exchange risk at fund level and leverage risk, realization risk, strategy risk, reputation risk at investee company level, extra-financial risks such as social and corporate governance risks etc. at fund and investee company level	
c.	Financial, risk management, operational, portfolio, and transactional information regarding fund investments	To be disclosed periodically to the investors
d.	Any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company	
e.	Any inquiries/ legal actions by legal or regulatory bodies in any jurisdiction	As and when occurred
f.	Any material liability arising during the Alternative Investment Fund's tenure	
g.	Any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents	
h.	Intimation regarding conflict of interest in any transaction	As and when they arise or seem likely to arise
i.	Any change in terms of Private Placement Memorandum /fund documents	On consolidated basis within one month of end of each financial year
3.	<b><u>Complaint handling related services:</u></b>	
a.	Response to complaint received from investors	Within 30 days from the date of receipt of complaint
b.	Redressal of investor complaint received from SEBI/ SCORES	Within 30 days from the date of receipt of complaint

**E. Details of grievance redressal mechanism and how to access it.**

1. Alternative Investment Funds are required to redress all investor complaints in timely manner.

2. An Alternative Investment Fund, by itself or through the Manager or Sponsor, are required to lay down procedure for resolution of disputes between the investors and AIF or Manager or Sponsor through arbitration or any such mechanism as mutually decided between the investors and the Alternative Investment Fund.
3. Investors can also approach SEBI for redressal of their complaints through SEBI SCORES platform. On receipt of complaints, SEBI takes up the matter with the concerned AIF.
4. Investors may send their complaints to: Office of Investor Assistance and Education, Securities and Exchange Board of India, SEBI Bhavan. Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

## **F. Responsibilities of investors**

### **1. Responsibility to inform and educate yourself**

- 1.1. Read thoroughly all fund documents including Private Placement Memorandum, Contribution Agreement, sales literature, newsletters and understand the product.
- 1.2. Carefully consider all investment risks, fees, and/or other factors detailed in these documents.
- 1.3. Ensure and make certain that the proposed investment in the Fund meets your investment objective and is in alignment with your risk appetite.
- 1.4. Review your portfolio holdings, account statements and transaction confirmation on regular basis to ensure that you are aware of all transactions and securities where you are invested.

### **2. Responsibility to timely update your KYC and information with the Intermediary**

- 2.1 Provide complete and accurate information in your KYC documents, including financial/ income status.
- 2.2 Timely updation of KYC information.

### **3. Responsibility to abide by the contribution agreement.**

- 3.1. The investor needs to read carefully and understand the agreement that he/she is entering into with the Alternative Investment Fund and abide by the terms thereof.
- 3.2. The investor should be aware that investment terms are not guarantee of future performance or returns of the Fund/ Scheme.

### **4. Responsibility to use right financial intermediaries, consultants and advisors.**

- 4.1. Carefully consider validity and reliability of investment information obtained from all sources, especially unsolicited information obtained over the Internet.

5. Responsibility to maintain confidentiality of information.

- 5.1. Investors shall not disclose any material non-public information that is received by virtue of being investors of the fund, except as may be guided by the terms of the fund documents.

**Annexure 18**
**Complaints Data to be displayed by AIFs for each scheme**
**1. Investor complaints data for the quarter ending March/June/September/December)**

S.No.	Investor Complaints received from	Pending as at the end of the last quarter	Received	Resolved	Total Pending at the end of the quarter	Pending complaints > 3months	Average Resolution time ^ (in days )
1	Directly from Investors						
2	SEBI (SCORES)						
3	Other Sources (if any)						
	<b>Total</b>						

^ Average Resolution time is the sum total of time taken to resolve each complaint in days in the current quarter divided by total number of complaints resolved in the current quarter.

**2. Investor complaints data for last three Financial Years (FY)**

S.No	FY	Carried forward from previous FY	Received	Resolved	Pending at the end of FY
1	2020-21				
2	2021-22				
3	2022-23				
	<b>Total</b>				

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**LIST OF RESCINDED CIRCULARS**

<b>S.No</b>	<b>Circular No.</b>	<b>Date of circular</b>	<b>Subject of circular</b>
I.	CIR/IMD/DF/10/2013	July 29, 2013	Operational, Prudential and Reporting Norms for Alternative Investment Funds (AIFs)
II.	CIR/IMD/DF/12/2013	August 07, 2013	Application for change in category of the Alternative Investment Fund
III.	CIR/IMD/DF/14/2014	June 19, 2014	Guidelines on disclosures, reporting and clarifications under AIF Regulations
IV.	CIR/IMD/DF/16/2014	July 18, 2014	Clarification and extension of deadline with respect to circular on 'Guidelines on disclosures, reporting and clarifications under AIF Regulations'
V.	SEBI/HO/IMD/DF1/CIR/P/2017/87	July 31, 2017	Online Filing System for Alternative Investment Funds
VI.	SEBI/HO/IMD/DF1/CIR/P/2017/110	September 29, 2017	Change in reporting norms for Category III Alternative Investment Funds ("AIFs") regarding investment in commodity derivatives market
VII.	CIR/IMD/DF1/102/2018	June 29, 2018	Filing of Term Sheet by Angel Funds
VIII.	SEBI/HO/IMD/DF6/CIR/P/2020/24	February 05, 2020	Disclosure Standards for Alternative Investment Funds (AIFs)
IX.	SEBI/HO/IMD/DF6/CIR/P/2020/99	June 12, 2020	Clarifications with respect to Circular dated February 05, 2020 on 'Disclosure Standards for Alternative Investment Funds (AIFs)'
X.	SEBI/HO/IMD/DF6/CIR/P/2020/113	June 30, 2020	Collection of stamp duty on issue, transfer and sale of units of AIFs
XI.	SEBI/HO/IMD/DF6/CIR/P/2020/209	October 22, 2020	Processing of applications for registrations of AIFs and launch of schemes
XII.	SEBI/HO/IMD/DF6/CIR/P/2021/004	January 08, 2021	Amendment to Regulation 20(6) of SEBI (AIF) Regulations, 2012
XIII.	SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549	April 07, 2021	Regulatory reporting by AIFs
XIV.	SEBI/HO/IMD-I/DF6/P/CIR/2021/584	June 25, 2021	Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

<b>S.No</b>	<b>Circular No.</b>	<b>Date of circular</b>	<b>Subject of circular</b>
XV.	SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645	October 21, 2021	Modalities for filing of placement memorandum through a Merchant Banker
XVI.	SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2021/663	November 22, 2021	Clarifications regarding amendment to SEBI (Alternative Investment Funds) Regulations, 2012
XVII.	SEBI/HO/IMD/IMD-I/DOF9/P/CIR/2021/682	December 10, 2021	Publishing Investor Charter and Disclosure of complaints by AIFs
XVIII.	SEBI/HO/IMD-I/DF6/P/CIR/2022/009	January 27, 2022	Introduction of Special Situation Funds as a sub-category under Category I AIFs
XIX.	SEBI/HO/IMD-1/DF9/CIR/2022/032	March 23, 2022	Change in control of Sponsor and/or Manager of Alternative Investment Fund involving scheme of arrangement under Companies Act, 2013
XX.	SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2022/037	March 28, 2022	Calculation of investment concentration norm for Category III AIFs
XXI.	SEBI/HO/AFD/RAC/CIR/2022/088	June 24, 2022	Guidelines for Large Value Fund for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012 and Requirement of Compliance Officer for Managers of all AIFs
XXII.	SEBI/HO/AFD-1/PoD/P/CIR/2022/155	November 17, 2022	Guidelines for AIFs for declaration of first close, calculation of tenure and change of sponsor/manager or change in control of sponsor/manager
XXIII.	SEBI/HO/AFD-1/PoD/P/CIR/2022/157	November 23, 2022	Schemes of AIFs which have adopted priority in distribution among investors
XXIV.	SEBI/HO/AFD-1/PoD/P/CIR/2022/171	December 09, 2022	Foreign investment in Alternative Investment Funds (AIFs)
XXV.	SEBI/HO/AFD/PoD/CIR/2023/15	January 12, 2023	Participation of AIFs in Credit Default Swaps
XXVI.	SEBI/HO/AFD/PoD/P/CIR/2023/017	February 01, 2023	Transaction in Corporate Bonds through Request for Quote (RFQ) platform by Alternative Investment Funds (AIFs)