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CDSL/OPS/RTA/POLCY/2023/264

December 12, 2023

SEBI CIR – CREDIT OF UNITS OF AIFS IN DEMATERIALISED FORM

Issuer / RTAs are advised to refer to the SEBI Circular no. **SEBI/HO/AFD/PoD1/CIR/2023/186** dated **December 11, 2023, Credit of units of AIFs in dematerialised form [refer Annexure]**.

Issuer / RTAs 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 and telephone number 08069144800.

sd/-

Nilesh Shah
Asst. Vice President – Operations



CIRCULAR

SEBI/HO/AFD/PoD1/CIR/2023/186

December 11, 2023

To,

**All Alternative Investment Funds
All Depositories
All Custodians**

Sir / Madam,

Sub: Credit of units of AIFs in dematerialised form

1. In terms of para 3.1 of SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 on 'Issuance of units of AIFs in dematerialised form', all schemes of Alternative Investment Funds ('AIFs') were mandated to dematerialise their units as per the following timeline:

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

2. As per the timeline given at para 1 above, schemes of AIFs with corpus $\geq$ INR 500 Crore have created International Securities Identification Numbers (ISINs) for their units issued, and have commenced crediting the units to the investors' demat accounts. Based on feedback received from the stakeholders, it has been decided to specify the process to be followed for dematerialising/ crediting the units issued, in cases where investors are yet to provide demat account details to AIFs.
3. Managers of AIFs shall continue to reach out to existing investors to obtain their demat account details and credit the units issued to them to their respective demat accounts. Depositories shall also aid in this process as advised by SEBI. In this regard, AIF industry and depositories shall adopt implementation standards as formulated by the pilot Standard Setting Forum for AIFs ('SFA'), along with the two depositories, in consultation with SEBI. The standards shall detail steps to be taken by AIF managers and depositories to reach out to investors and facilitate conversion and credit of their units in demat form.



4. Units already issued by schemes of AIFs to existing investors who have not provided their demat account details, shall be credited to a separate demat account named "*Aggregate Escrow Demat Account*". This account shall be opened by AIFs for the sole purpose of holding demat units of AIFs on behalf of such investors. New units to be issued in demat form shall be allotted to such investors and credited to the Aggregate Escrow Demat Account.
5. As and when such investors provide their demat account details to the AIF, their units held in Aggregate Escrow Demat Account shall be transferred to the respective investors' demat accounts within 5 working days. No transfer of units of AIFs from/within Aggregate Escrow Demat Account shall be allowed, other than for the aforesaid purpose.
6. Schemes of AIFs with corpus $\geq$ INR 500 Crore shall credit units already issued to existing investors (on-boarded prior to November 01, 2023) who have not provided their demat account details, into Aggregate Escrow Demat Account latest by January 31, 2024. Units already issued by such schemes to existing investors who have provided demat account details shall be credited to respective investors' demat accounts at the earliest, but not later than January 31, 2024.
7. Schemes of AIFs with corpus $<$ INR 500 Crore shall credit units issued to their investors who have not provided their demat account details by April 30, 2024, into Aggregate Escrow Demat Account latest by May 10, 2024. Units issued by such schemes as on April 30, 2024, to investors who have provided demat account details shall be credited to respective investors' demat accounts at the earliest, but not later than May 10, 2024.
8. Accordingly, the following is clarified with respect to issuance and credit of units of AIFs in demat form:

Details	Schemes with corpus $\geq$ INR 500 crore as on Oct 31, 2023	Schemes with corpus $<$ INR 500 crore as on Oct 31, 2023 and schemes launched after Oct 31, 2023 irrespective of corpus
<i>Investors who have provided their demat account details</i>	Units issued after Oct 31, 2023, shall be in demat form and credited only to investors demat accounts.	Units issued after Apr 30, 2024, shall be in demat form and credited only to investors demat accounts.



Details	Schemes with corpus $\geq$ INR 500 crore as on Oct 31, 2023	Schemes with corpus < INR 500 crore as on Oct 31, 2023 and schemes launched after Oct 31, 2023 irrespective of corpus
<i>Investors who have not provided their demat account details</i>	For investors on-boarded prior to Nov 01, 2023, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details.	For investors on-boarded prior to May 01, 2024, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details.
<i>Completion of credit of demat units to a) demat accounts of investors who have provided demat account details and b) Aggregate Escrow Demat Account, for those who have not provided demat account details</i>	Latest by Jan 31, 2024	Latest by May 10, 2024

9. Units of AIFs held in Aggregate Escrow Demat Account can be redeemed and proceeds shall be distributed to respective investors' bank accounts with full audit trail of the same.
10. Managers of AIFs shall maintain investor-wise KYC details of units held in Aggregate Escrow Demat Account, including name, PAN and bank account details, along with audit trail of the transactions. The same shall also be reported to Depositories and Custodians on a monthly basis.
11. For this purpose, AIF industry shall adopt implementation standards as formulated by the SFA and depositories jointly, in consultation with SEBI, for compliance with the provisions of this circular. Such standards shall, *inter-alia*, include formats for information/ records to be maintained by managers of AIFs with respect to investor-wise holding/ transactions in the Aggregate Escrow Demat Account and reporting of the same to Depositories and Custodians.



12. Managers of AIFs shall adhere to such implementation standards formulated by the SFA, in consultation with SEBI. Such standards shall be published on websites of Depositories and the industry associations which are part of the SFA, i.e., Indian Venture and Alternate Capital Association (IVCA), PEVC CFO Association and Trustee Association of India, within 45 days of issuance of this circular.
13. Further, Depositories are directed to –
 - 13.1. make necessary amendments to their relevant Bye-laws, Rules and Regulations for the implementation of the above provisions, including facilitation of Aggregate Escrow Demat Account for AIFs; and,
 - 13.2. bring the provisions of this circular to the notice of their members / participants and also disseminate the same on their websites.
14. The circular shall come into force with immediate effect.
15. This circular is issued with the approval of the competent authority.
16. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 10(aa) of SEBI (Alternative Investment Funds) Regulations, 2012, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
17. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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