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COMMUNIQUE TO REGISTRAR & TRANSFER AGENTS

CDSL/OPS/RTA/POLCY/2024/12

January 15, 2024

SEBI CIR – GUIDELINES FOR AIF WITH RESPECT TO HOLDING THEIR INVESTMENTS IN DEMATERIALISED FORM

Issuer / RTAs are advised to refer to the **SEBI Circular no. SEBI/HO/AFD/PoD/CIR/2024/5** dated **January 12, 2024**, regarding **Guidelines for AIFs with respect to holding their investments in dematerialised form and appointment of custodian [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/PoD/CIR/2024/5

January 12, 2024

To,

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

Sir / Madam,

Sub: Guidelines for AIFs with respect to holding their investments in dematerialised form and appointment of custodian

1. SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") have been amended and notified on January 05, 2024, with respect to AIFs holding their investments in dematerialised form and appointment of custodian. Copy of the notification is available at [link](#).

A. Holding investments of AIFs in dematerialised form

2. In terms of Regulation 15(1)(i) of AIF Regulations, AIFs shall hold their investments in dematerialised form, subject to such conditions as may be specified by the Board from time to time. The said requirement does not apply, *inter-alia*, to such investments by AIFs and such schemes of AIFs as may be specified by the Board from time to time.
3. In this regard, the following is specified:
 - 3.1. Any investment made by an AIF on or after October 01, 2024 shall be held in dematerialised form only, irrespective of whether the investment is made directly in the investee company or is acquired from another entity.
 - 3.2. The investments made by an AIF prior to October 01, 2024 are exempted from the requirement of being held in dematerialised form, except in the following cases:
 - 3.2.1. Investee company of the AIF has been mandated under applicable law to facilitate dematerialisation of its securities;
 - 3.2.2. The AIF, on its own, or along with other SEBI registered intermediaries/entities which are mandated to hold their investments in dematerialised form, exercises control over the investee company.

For the purpose of the aforesaid clause, the definition of 'control' shall be construed with reference to Regulation 2(1)(f) of AIF Regulations.

- 3.3. The investments made by an AIF prior to October 01, 2024 which are covered under conditions as specified in paras 3.2.1 and 3.2.2 above, shall be held in dematerialised form by the AIF on or before January 31, 2025.
- 3.4. The aforesaid requirement of holding investments in dematerialised form shall not be applicable to:
- 3.4.1. Scheme of an AIF whose tenure (not including permissible extension of tenure) ends on or before January 31, 2025;
- 3.4.2. Scheme of an AIF which is in extended tenure as on date of this circular.

B. Appointment of custodian for AIFs

4. In terms of Regulation 20(11) of AIF Regulations, the Sponsor or Manager of the AIF shall appoint a custodian registered with the Board for safekeeping of the securities of the AIF, in the manner as may be specified by the Board from time to time.
5. Further, in terms of Regulation 20(11A) of AIF Regulations, a custodian which is an associate of the Sponsor or Manager of an AIF may act as a custodian for that AIF only when the conditions specified in the said Regulations are met.
6. In this regard, the following is specified:
- 6.1. The custodian for a scheme of an AIF shall be appointed prior to the date of first investment of the scheme.
- 6.2. Existing schemes of Category I and II AIFs having corpus less than or equal to INR 500 crore and holding at least one investment as on date of this circular shall appoint custodian on or before January 31, 2025.
- 6.3. In case of AIFs with custodians that are associates of their manager or sponsor, managers of such AIFs shall ensure compliance with Regulation 20(11A) of AIF Regulations on or before January 31, 2025.

C. Reporting of investments of AIFs under custody

7. In terms of Regulation 20(11) of AIF Regulations, the custodian shall report or disclose such information regarding investments of the AIF in such manner as may be specified by the Board from time to time.
8. In this regard, the following is specified:
- 8.1. The pilot Standard Setting Forum for AIFs ('SFA'), in consultation with SEBI, shall formulate implementation standards for reporting data on investments

of AIFs that are under custody with the custodian. Such standards shall specify the format and modalities of reporting of data by the manager of AIF to the custodian and subsequently, by the custodian to SEBI.

- 8.2. Managers of AIFs and custodians shall adopt and adhere to such implementation standards, formulated by the SFA in consultation with SEBI. Such standards shall be published on websites of the industry associations which are part of the SFA, i.e., Indian Venture and Alternate Capital Association (IVCA), PE VC CFO Association and Trustee Association of India, within 60 days of issuance of this circular.
9. The trustee/sponsor of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager in terms of para 15.2 of SEBI Master Circular No. SEBI/HO/AFD/PoD1/P/CIR/2023/130 dated July 31, 2023, includes compliance with the provisions of this circular.
10. The information necessary to ascertain compliance with the provisions of this circular shall be incorporated in the format for quarterly reporting by AIFs in SEBI Intermediary Portal (www.siportal.sebi.gov.in). The manager of AIF shall provide the requisite information accordingly while submitting the quarterly report to SEBI.
11. This circular is issued with the approval of the competent authority.
12. 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.
13. 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,

Sanjay Singh Bhati
Deputy General Manager
Tel no.: +91-22-26449222
ssbhati@sebi.gov.in