भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

MASTER CIRCULAR

HO/19/34/11(6)2025-AFD-POD1/I/12928/2026 ***Issued on:*** June 03, 2026

Last updated on: November 05, 2026

To,

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

Dear Sir/Madam,

Sub: Master Circular for Alternative Investment Funds (AIFs)

1. For effective regulation of Alternative Investment Funds (AIFs), the Securities and Exchange Board of India (SEBI) has been issuing various circulars from time to time. In order to enable AIFs and other market stakeholders to have access to all applicable Circulars in the subject matter at one place, SEBI's Master Circular No. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39 for AIFs dated May 07, 2024 was issued as a compilation of such relevant circulars issued under SEBI (Alternative Investment Funds) Regulations, 2012 up to March 31, 2024.

2. Subsequently, various circulars have been issued by SEBI under SEBI (Alternative Investment Funds) Regulations, 2012. The provisions of such circulars issued till May 31, 2026 have been incorporated in this Master Circular, which supersedes the Master Circular for AIFs dated May 07, 2024.

3. Further, this Master Circular has been updated to incorporate the provisions of the following circulars –

S. No.	Date of circular	Circular No.	Subject of circular
I.	Jun 16, 2026	HO/19/34/11(2)2026-AFD-POD1/I/13764/2026	Guidelines for winding up of AIFs with respect to retention of proceeds and 'Inoperative Fund' status
II.	Jul 30, 2026	HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026	Green-Channel: AIF Rollout Upon Document Acknowledgement (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI
III.	Sep 07, 2026	HO/19/34/11(7)2025-AFD-POD1/I/20626/2026	Relaxation in timeline with respect to Accredited Investor mandate for Angel Funds

S. No.	Date of circular	Circular No.	Subject of circular
IV.	November 05, 2026	HO/19/34/11(6)2026-AFD-POD1/I/25244/ 2026	Review of the framework for Accredited Investors

4. With the issuance of this Master Circular, all directions/instructions contained in the circulars listed out in **Annexure 24** to this Master Circular shall stand rescinded to the extent they relate to AIFs.

5. Notwithstanding such rescission:

   a) anything done or any action taken or purported to have been done or taken under the rescinded circulars, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;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; and

   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 not be affected by such rescission and shall be enforceable as if the rescinded circulars had continued to be in force.

6. The trustee / sponsor / manager of AIF, as the case may be, shall ensure that the 'Compliance Test Report' prepared by the manager of the AIF, in terms of para **21.2** of this Master Circular, includes compliance with the provisions of all chapters of this Master Circular.

7. This Master 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.

8. This Master Circular is available on SEBI website at www.sebi.gov.in in the path "Legal → Master Circulars" and "Info for → Alternative Investment Funds".

Yours sincerely,

Anshul Goyal
Deputy General Manager
Tel no.: +91-22-2644 9389
anshulg@sebi.gov.in

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

INDEX

LIST OF ABBREVIATIONS 6

A. REGISTRATION AND LAUNCH OF AIF SCHEMES

Chapter 1 - Requirements and clarifications pertaining to registration of AIFs 7

Chapter 2 - Filing of PPM for launch of AIF scheme 10

B. FUND RAISING BY AIFs

Chapter 3 - On-boarding of investors by AIFs 17

C. INVESTMENTS BY AIFs

Chapter 4 - Investment instrument/security specific conditions for AIFs 20

Chapter 5 - Guidelines for overseas investments by AIFs and related reporting..... 24

Chapter 6 - Framework for AIFs to make co-investment within the AIF structure 27

D. INVESTMENT CONDITIONS AND OTHER NORMS FOR SPECIFIC CATEGORIES / SUB-CATEGORIES OF AIFs

Chapter 7 - Operational and prudential norms for Category III AIFs..... 29

Chapter 8 - Operational and prudential norms for Angel Funds 34

Chapter 9 - Norms for Special Situation Funds..... 38

E. ACCREDITATION OF INVESTORS

Chapter 10 - Framework for Accreditation of Investors 39

F. OPERATIONAL MODALITIES

Chapter 11 - Dematerialisation of units and investments of AIFs and collection of stamp duty on units of AIFs ……..47

Chapter 12 - Timeline for first close and calculation of tenure of AIFs..... 52

Chapter 13 - Material change and change in Sponsor or Manager of AIFs 54

Chapter 14 - Guidelines for Category I and II AIFs on borrowing and creation of encumbrance on equity of investee companies..... 57

Chapter 15 - Guidelines with respect to excusing or excluding an investor from an investment of AIF ……...60

Chapter 16 - Direct plan for schemes of AIFs and trail model for distribution commission in AIFs ……..61

G. GOVERNANCE NORMS AND OBLIGATIONS

Chapter 17 - Obligations of manager, sponsor, investment committee and trustee of AIFs..... 62

Chapter 18 - Standardised approach to valuation of investment portfolio of AIFs 65

Chapter 19 - Pro-rata and pari-passu rights of investors of AIFs 68

Chapter 20 - Specific due diligence of investors and investments of AIFs 72

H. REPORTING AND DISCLOSURE REQUIREMENTS FOR AIFs

Chapter 21 - Periodic reporting requirements for AIFs 76

Chapter 22 - Performance Benchmarking of AIFs 80

I. WINDING UP OF SCHEMES AND FACILITIES FOR DEALING WITH UNLIQUIDATED INVESTMENTS

Chapter 23 - Flexibility to AIFs and their investors to deal with unliquidated investments of their schemes 84

Chapter 24 - Modalities for migration of Venture Capital Funds to AIF Regulations 92

Chapter 25 - Guidelines for winding up of AIFs with respect to retention of proceeds 94

and 'Inoperative Fund' status 94

ANNEXURES

Annexure 1 - Template for PPM for Category I and Category II AIFs 97

Annexure 2 - Template for PPM for Category III AIFs 98

Annexure 3 - Template for waiver of compliance with SEBI prescribed template of PPM and audit compliance with the terms of PPM 99

Annexure 4 - Investor Charter for Alternative Investment Funds 100

Annexure 5 - Complaints Data to be displayed by AIFs for each scheme 105

Annexure 6 - Format for Due Diligence Certificate to be submitted at the time of filing PPM with SEBI 106

Annexure 7 - Format for undertaking to be submitted for filing PPM of AI only funds or LVFs or Angel Funds with SEBI 115

Annexure 8 - Information to be submitted while filing application for allocation of overseas investment limit 119

Annexure 9 – Information with respect to sale/divestment of overseas investment 122

Annexure 10 - Template for shelf placement memorandum to be filed for CIV schemes 123

Annexure 11 - List of Documents to be submitted for accreditation 124

Annexure 12 - Format of waiver to be provided by investors in respect of responsibility of investment committee members 125

Annexure 13 - Stewardship Code 126

Annexure 14 - Format of Compliance Test Report (CTR) 130

Annexure 15 - Format for Due Diligence Certificate to be submitted while intimating changes in terms of PPM to SEBI 133

Annexure 16 - Terms of PPM for which changes are not required to be filed through Merchant Banker and may be filed directly with SEBI 134

Annexure 17 - Format for filing changes in terms of PPM of AI only funds or LVFs or Angel Funds to SEBI 135

Annexure 18 - Format for information memorandum to be filed with SEBI for availing dissolution period 136

Annexure 19 - Format for Due Diligence Certificate to be submitted along with Information Memorandum to SEBI for availing dissolution period ..... 137_Toc239756580

Annexure 20 - Applicability of chapters and provisions of the Master circular for AIFs to Migrated VCFs 140

Annexure 21 - Information to be submitted while filing application for 'Inoperative Fund' status.. 147

Annexure 22 - Exemption from certain regulatory requirements for Inoperative Fund..... 150

Annexure 23 - Format for Annual Retention Status Report..... 151

Annexure 24 - List of Rescinded Circulars..... 153

LIST OF ABBREVIATIONS

Alternative Investment Fund	AIF
Accredited Investor	AI
Accredited Investors only fund	AI only fund
Credit Default Swap	CDS
Compliance Test Report	CTR
Financial Action Task Force	FATF
Foreign Exchange Management Act	FEMA
Hindu Undivided Family	HUF
International Organization of Securities Commissions	IOSCO
Know Your Client	KYC
Large Value Fund for Accredited Investors	LVF
Multilateral Memorandum of Understanding	MMOU
Net Asset Value	NAV
Permanent Account Number	PAN
Prevention of Money Laundering Act	PMLA
Private Placement Memorandum	PPM
Qualified Institutional Buyer	QIB
Reserve Bank of India	RBI
Securities and Exchange Board of India	SEBI
Securities and Exchange Board of India Act, 1992	SEBI Act
SEBI Intermediary portal	SI portal
Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012	AIF Regulations
Standard Setting Forum for AIFs	SFA
Special Situation Fund	SSF

A. REGISTRATION AND LAUNCH OF AIF SCHEMES

Chapter 1 - Requirements and clarifications pertaining to registration of AIFs

1.1. Online Filing System for AIFs[1] -

1.1.1. 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.

1.1.2. 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.

1.2. Certification requirement for key investment team of manager of AIF[2] -

1.2.1. In terms of Regulation 4(g)(i) of AIF Regulations, the key investment team of the Manager of an AIF shall have at least one key personnel with relevant certification as may be specified by SEBI from time to time, as an eligibility criterion for obtaining certification of registration as an AIF.

1.2.2. In this regard, vide Gazette Notification No. SEBI/LAD-NRO/GN/2025/249 dated June 25, 2025, the following was, *inter-alia*, notified under the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 –

"In terms of Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with sub-clause (i) of clause (g) of regulation 4 of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, the Board hereby notifies that:

(i) at least one key personnel, amongst the associated persons functioning in the key investment team of the Manager of Category I Alternative Investment Fund or Category II Alternative Investment Fund or Category I and II Alternative Investment Fund, shall obtain certification from the National Institute of Securities Market by passing either the NISM Series-XIX-C: Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-C: Alternative Investment Fund Managers/2024/01 dated January 10, 2024 or the NISM Series-XIX-D: Category I and II Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No.

[1] SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2017/87 dated July 31, 2017
[2] SEBI Circular No. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/42 dated May 13, 2024 and SEBI Circular No. SEBI/HO/AFD/AFD-PoD-1/P/CIR/2025/066 dated May 13, 2025

NISM/ Certification/ Series-XIX-D: Category I and II Alternative Investment Fund Managers/2025/01 dated April 29, 2025, issued by the National Institute of Securities Market.

(ii) at least one key personnel, amongst the associated persons functioning in the key investment team of the Manager of Category III Alternative Investment Fund, shall obtain certification from the National Institute of Securities Market by passing either the NISM Series-XIX-C: Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-C: Alternative Investment Fund Managers/ 2024/01 dated January 10, 2024 or the NISM Series-XIX-E: Category III Alternative Investment Fund Managers Certification Examination as mentioned in the communiqué No. NISM/ Certification/ Series-XIX-E: Category III Alternative Investment Fund Managers/2025/02 dated April 29, 2025, issued by the National Institute of Securities Market."

1.2.3. The requirement for at least one key personnel of the key investment team of manager of AIF to obtain the aforesaid certification, shall be applicable as an eligibility criterion to all the applications for registration of AIFs and launch of schemes by AIFs.

1.3. In-principle approval[3]

1.3.1. 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.

1.4. Change in category of AIF[4]

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:

1.4.1. 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] SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014
[4] SEBI circular No. CIR/IMD/DF/12/2013 dated August 07, 2013

1.4.2. Any AIF proposing to change its category shall make an application to SEBI for the same along with an application fees of INR 1 lakh. 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.

1.4.3. 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.

1.4.4. The AIF shall not make any investments other than in liquid funds/ banks deposits until approval for change in category is granted by SEBI.

1.4.5. 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.

1.5. Classification of Corporate Debt Market Development Fund as Category I AIF[5]

1.5.1. Corporate Debt Market Development Fund (hereinafter referred to as 'CDMDF') has been set-up under Chapter III-C of AIF Regulations to act as a Backstop Facility for purchase of investment grade corporate debt securities, to instill confidence amongst the participants in the Corporate Debt Market during times of stress and to generally enhance secondary market liquidity by creating a permanent institutional framework for activation in times of market stress.

1.5.2. While a separate framework has been laid down for CDMDF under chapter III-C of Regulation 19 of AIF Regulations, the fund has been set-up with the broader economic objective of development of corporate bond market, *inter-alia*, to act as a Backstop facility during times of market stress.

1.5.3. In view of the above, it is clarified that CDMDF falls under Category I AIF in terms of Regulation 3(4)(a) of AIF Regulations.

[5] SEBI circular No. SEBI/HO/IMD/PoD2/P/CIR/2024/174 dated December 13, 2024

Chapter 2 - Filing of PPM for launch of AIF scheme

2.1. Template(s) for PPM[6]

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. The requirement of following aforesaid template for filing PPM with SEBI 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 INR 70 crore (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, in the manner provided at **Annexure 3**.

(iii) Large Value Funds for Accredited Investors as defined in AIF Regulations, without the requirement of obtaining specific waiver from investors[7].

2.2. Disclosure of distribution waterfall and disciplinary history in PPM[8]

2.2.1. 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.

2.2.2. 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:

[6] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020
[7] SEBI Circular No. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated December 08, 2025
[8] 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

(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.

b) Any disciplinary action taken by SEBI 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.

2.2.3. With respect to disclosure of disciplinary history as per para **2.2.2** 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 INR 5 lakh. 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.

2.3. Disclosure of Investor Charter and Investor complaints in PPM[9]

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:

2.3.1. 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.

2.3.2. In this regard, all AIFs shall take necessary steps to bring the Investor Charter, as per **Annexure 4**, to the notice of their investors by disclosing Investor Charter in the PPM.

[9] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF9/P/CIR/2021/682 dated December 10, 2021

2.3.3. 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 5,** as a separate chapter in the PPM.

2.3.4. For effective monitoring, AIFs shall maintain data on investor complaints as per **Annexure 5**, which shall be compiled latest within 7 days from the end of quarter.

2.3.5. 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.

2.4. Modalities for filing of PPM and launch of Regular schemes[10]:

2.4.1. In terms of Regulation 12 of the AIF Regulations, AIFs may launch scheme(s) subject to filing of PPM with SEBI through a SEBI registered Merchant Banker. In this context, the following is specified with respect to Regular schemes[11]:

2.4.1.1. AIFs can proceed with launch of their new scheme after 10 working days of filing of application with SEBI, unless otherwise advised. However, AIFs can proceed with launch of their first schemes from the date of grant of SEBI registration (or) after 10 working days of filing of application with SEBI, whichever is later.

2.4.1.2. PPM of Regular schemes shall be filed, at the time of registration or prior to launch of new scheme, on SEBI Intermediary portal along with the following documents in addition to payment of applicable (scheme) fee:

(i) Duly signed Merchant Banker Due Diligence Certificate in the format as given at **Annexure 6**.

(ii) Duly signed Fit and Proper declarations with respect to the AIF, Sponsor, Manager of the AIF as specified in Schedule II of SEBI (Intermediaries) Regulations, 2008;

(iii) Sponsor / Manager declarations with respect to minimum continuing interest commitment in AIF/scheme;

(iv) Copies of PANs of AIF, its scheme (if available), Sponsor, Manager, Trustee, directors/ partners of Sponsor, Manager & Trustee, key investment team members. Excel/ word/ PDF file containing names and PANs of these entities/ individuals shall also be provided.

[10] SEBI Circular No. SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021; SEBI Circular no. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026 dated April 30, 2026
[11] Modified vide SEBI Circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026

2.4.1.3. 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 the due diligence certificate. The Merchant Banker appointed for filing of PPM shall not be an associate of the AIF, its sponsor, manager or trustee.

2.4.1.4. The details of the Merchant Banker shall be disclosed in the PPM. The following disclaimer clause shall be included in the PPMs of all Regular schemes:

"1. Merchant Banker viz., <Name of Merchant Banker> has independently exercised due-diligence regarding the information given in the placement memorandum, including the veracity and adequacy of disclosures made therein. Merchant Banker has certified in its Due-Diligence Certificate dated _____ <Date of Certificate> submitted to SEBI that the disclosures made in the placement memorandum are true, fair and adequate to enable the investors to make an informed decision with respect to the investment in the proposed Scheme/Fund 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.

2. The Manager and Merchant Banker confirm that the provisions/clauses of the placement memorandum are in compliance with applicable SEBI laws, rules, regulations, circulars and guidelines, and do not override or conflict with any regulatory requirements.

3. It is to be distinctly understood that submission of the PPM to SEBI should not in any way be deemed or construed that the same has been approved by SEBI. SEBI does not assume any responsibility for the accuracy and correctness of disclosures, facts and claims made in the PPM and for the capability and performance of the Manager.

4. The Manager and Merchant Banker are responsible for ensuring that the information contained in the PPM is true and accurate in all material respects and in compliance with SEBI (Alternative Investment Funds) Regulations, 2012 and other applicable laws and that there are no material facts, the omission of which would make any statement in this memorandum, whether of fact or opinion, misleading."

2.4.1.5. The Merchant Banker and the Manager of the AIF shall be responsible for ensuring the accuracy and completeness of all disclosures made in the PPMs of Regular schemes, as well as in declarations submitted by them. In case of any irregularity or lapse in the PPM, concerned entities shall be liable for action.

2.5. Modalities for filing of PPM and launch of schemes of AI only Funds, LVFs and Angel Funds [12]:

2.5.1. Pursuant to introduction of framework for "Accredited Investors" in the securities market, AIF Regulations have been amended to provide certain relaxations from regulatory requirements to – (i) AIF schemes limited exclusively to Accredited Investors only (AI only funds) and (ii) 'Large Value Fund for Accredited Investors' (LVF), an AI only fund, where each investor invests not less than INR 25 crore.

2.5.2. With respect to launch of schemes of AI only Funds, LVFs and Angel Funds, the following is specified [13]–

2.5.2.1. AI only funds and LVFs:

2.5.2.1.1. In terms of proviso to Regulation 12(3A) of AIF Regulations, AI only funds and LVFs are exempt from filing their PPM with SEBI through Merchant Banker and incorporating comments of SEBI in their PPM i.e. AI only funds and LVFs can launch their scheme immediately upon filing of PPM with SEBI. However, first schemes of AI only funds and/ or LVFs can be launched from the date of grant of SEBI registration.

2.5.2.2. Angel Funds:

2.5.2.2.1. Pursuant to amendment of AIF Regulations vide SEBI (AIF) (Second Amendment) Regulations, 2026, Angel Funds are exempt from filing their PPM with SEBI through Merchant Banker and incorporating comments of SEBI in their PPM.

2.5.2.2.2. Accordingly, Angel Funds can proceed with circulation of the PPM to their investors for soliciting funds from the date of grant of SEBI registration.

2.5.2.3. In addition to payment of applicable (scheme/ registration) fee, PPM of AI only funds or LVFs or Angel Funds shall be filed on SEBI intermediary portal along with 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 in the format specified at **Annexure 7**.

[12] SEBI Circular No. SEBI/HO/AFD/RAC/CIR/2022/088 dated June 24, 2022; SEBI Circular No. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated December 08, 2025
[13] Modified vide SEBI Circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026

2.5.2.4. The following disclaimer clause shall be included in the PPMs of all AI only funds, LVFs and Angel Funds:

"1. The Manager of the AIF viz., <Name of the Manager of the AIF> has independently exercised due-diligence regarding the information given in the placement memorandum, including the veracity and adequacy of disclosures made therein. 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 have certified in their undertaking dated _____ <Date of undertaking> submitted to SEBI that the disclosures made in the placement memorandum are true, fair and adequate to enable the investors to make an informed decision with respect to the investment in the proposed Scheme/Fund 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.

2. It is confirmed that the provisions/clauses of the placement memorandum are in compliance with applicable SEBI laws, rules, regulations, circulars and guidelines, and do not override or conflict with any regulatory requirements.

3. It is to be distinctly understood that submission of the PPM to SEBI should not in any way be deemed or construed that the same has been approved by SEBI. SEBI does not assume any responsibility for the accuracy and correctness of disclosures, facts and claims made in the PPM and for the capability and performance of the Manager.

4. The Manager is responsible for ensuring that the information contained in the PPM is true and accurate in all material respects and in compliance with SEBI (Alternative Investment Funds) Regulations, 2012 and other applicable laws and that there are no material facts, the omission of which would make any statement in this memorandum, whether of fact or opinion, misleading."

2.5.2.5. The Manager of the AIF shall be responsible for ensuring the accuracy and completeness of all disclosures made in the PPMs and declarations submitted by them. In case of any irregularity or lapse in the PPM, concerned entities shall be liable for action.

2.5.2.6. Any new scheme proposed to be launched as an AI only scheme shall have the words 'AI only fund' or 'AIOF' added to the scheme name at the end (For example, 'Xyz AI only fund' or 'Xyz AIOF')[14].

[14] SEBI Circular No. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated December 08, 2025

2.5.2.7. Any new scheme proposed to be launched as an LVF shall have the word 'LVF' added to the scheme name at the end (For example, 'Abc LVF').

2.6. Modalities for conversion into AI only schemes[15] -

In terms of Regulation 2(1)(ac) & 2(1)(pa) of AIF Regulations, an AIF or a scheme of an AIF may be permitted to convert to an AI-only scheme or LVF scheme, subject to the conditions as may be specified by SEBI. In this regard, the following is specified -

2.6.1. Existing eligible AIFs/Schemes of AIFs may convert/ migrate to AI only schemes/ LVF schemes subject to obtaining positive consent from all the investors and meeting the respective conditions. Upon conversion, the manager of the AIF shall ensure that –

a. the name of the converted scheme is changed to incorporate 'AI only fund' or 'AIOF' or 'LVF' as the case may be;

b. such conversion and change in name of the scheme is reported to SEBI by emailing to aifreporting@sebi.gov.in within 15 days of the conversion; and,

c. such change in name of the scheme is reported to depositories for carrying out necessary changes in their system within 15 days of the conversion.

2.6.2. In respect of the AI status of an investor, if an investor is an AI at the time of on-boarding into an AIF scheme, he/ she shall be reckoned as an AI through the life of the scheme, even if he/ she were to lose such status in the interim.

2.6.3. In terms of Regulation 13(5) of AIF Regulations, it may be noted that maximum extension permissible for AI only schemes shall be of five years, inclusive of tenure extended, if any, prior to conversion to AI-only scheme / LVF scheme.

2.7. Explanation -For the purpose of the aforementioned paragraphs 2.4 to 2.6[16]:

- 'Regular schemes' shall mean schemes other than Large Value Fund for Accredited Investors (LVF), Accredited Investor Only Fund ('AI only fund') and Angel Funds.
- 'Launch' of scheme or fund shall mean circulation of its Private Placement Memorandum (PPM) to the investors for soliciting funds.
- 'Working days' shall mean all days, excluding Saturdays, Sundays, and public holidays on which concerned SEBI Office is closed for business, as published on SEBI website.

[15] SEBI Circular No. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated December 08, 2025
[16] SEBI Circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026

B. FUND RAISING BY AIFs

Chapter 3 - On-boarding of investors by AIFs

3.1. Eligibility for on-boarding investors to AIFs[17]

3.1.1. 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:

(a) Foreign investor of the AIF is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commissions 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 SEBI 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.

(b) The investor, or its beneficial owner as determined in terms of sub-rule (3) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, 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.

[17] SEBI circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/171 dated December 09, 2022 and SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2024/2 dated January 11, 2024

(c) The provisions specified at para **3.1.1 (a)** and **(b)** above shall not be applicable to on-boarding of 'Single Window Automatic and Generalised Access for Trusted Foreign Investor' or 'SWAGAT-FI' as defined in regulation 2(1)(r) of SEBI (Foreign Portfolio Investors) Regulations, 2019.

3.1.2. In case an investor who has been on-boarded to scheme of an AIF, subsequently does not meet the conditions specified at para **3.1.1** 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.

3.2. Conditions for fund raising by AIFs[18]

3.2.1. 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[19].

3.2.2. Managers of AIFs shall 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[20].

3.2.3. The AIF, manager, trustee and sponsor shall not offer any assured returns to any prospective investors/unitholders[21].

3.2.4. 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[22].

3.2.5. 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

[18] 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
[19] SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013
[20] SEBI Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015
[21] SEBI Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015
[22] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020

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.

3.2.6. 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.

3.2.7. 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.

C. INVESTMENTS BY AIFs

Chapter 4 - Investment instrument/security specific conditions for AIFs

4.1. Investment in units of AIFs[23]

4.1.1. 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.

4.1.2. AIFs, which propose to invest in units of other AIFs, shall provide, *inter-alia*, the following information in their PPMs:

(a) Proposed allocation of investment in units of other AIFs;

(b) 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;

(c) 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;

(d) 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.

4.1.3. AIFs, which had not proposed investment in units of AIFs in PPM at the time of launch of scheme, 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.

4.1.4. 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[24].

4.2. Participation of AIFs in Credit Default Swaps[25]

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

[23] SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021
[24] SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014
[25] SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2023/15 dated January 12, 2023

Conditions applicable to Category I, II and III AIFs for buying CDS -

4.2.1. Category I AIFs and Category II AIFs may buy CDS on underlying investment in debt securities, only for the purpose of hedging.

4.2.2. Category III AIFs may buy CDS for the purpose of hedging or otherwise, within permissible leverage as specified in para **7.2** of this Master Circular.

Conditions applicable to Category II and III AIFs for selling CDS -

4.2.3. Category III AIFs may sell CDS, subject to the condition that effective leverage undertaken is within the permissible limits as specified in para **7.2** of this Master Circular.

4.2.4. 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.

4.2.5. Total exposure to an investee company, including exposure through CDS, shall be within the limit of applicable concentration norm as specified in AIF Regulations.

Other conditions applicable for transacting in CDS -

4.2.6. AIFs shall report details of CDS transaction to the custodian, by the next working day, in the manner as specified by the custodian.

4.2.7. 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 **4.2.1** to para **4.2.5** above.

4.2.8. 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 **7.3.2** and para **7.3.3** of this Master Circular.

4.2.9. Further, for Category II AIFs and Category III AIFs which sell CDS by earmarking securities in the manner as mentioned at para **4.2.4** above, in case the amount of earmarked securities falls below CDS exposure:

a. The AIF shall send a report to custodian on the same day of the breach.

b. 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.

c. 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.

4.2.10. 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.

4.2.11. All CDS transactions shall be on a platform regulated by SEBI or RBI, to enhance transparency and disclosure.

4.2.12. 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.

4.3. Transaction in Corporate Bonds through Request for Quote (RFQ) platform[26]

4.3.1. 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.

4.3.2. 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 October 15, 2025, 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.

4.4. Clarifications related to investments by AIFs[27]

4.4.1. 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.

4.4.2. 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

[26] SEBI Circular No. SEBI/HO/AFD/PoD/P/CIR/2023/017 dated February 01, 2023
[27] 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

securities and/or listed debt securities (including securitised debt instruments) which are rated 'A' or below by a credit rating agency registered with SEBI, as against the aggregate of other investments.

Chapter 5 - Guidelines for overseas investments by AIFs and related reporting[28]

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:

5.1. Investment conditions

5.1.1. 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).

5.1.2. 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.

5.1.3. Such investments shall not exceed 25% of the investable funds of the scheme of the AIF.

5.1.4. 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 Commissions Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to the bilateral Memorandum of Understanding with SEBI.

5.1.5. 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:

(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.

5.1.6. These investments would be subject to Foreign Exchange Management (Overseas Investment) Rules, 2022, Foreign Exchange Management (Overseas Investment) Regulations, 2022 and Master Direction – Overseas Investment' dated July 24, 2024, including amendments thereof and related directions issued by RBI from time

[28] 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

to time. Further, AIFs shall adhere to FEMA, 1999, its Rules, Regulations and Directions issued by the Government/ RBI from time to time.

5.1.7. AIFs shall not invest in Joint venture/Wholly Owned Subsidiary while making overseas investments.

5.1.8. 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.

5.1.9. 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 FEMA, 1999, including under Foreign Exchange Management (Overseas Investment) Rules, 2022.

5.2. Allocation of overseas investment limit

5.2.1. AIFs shall file an application to SEBI for allocation of overseas investment limit in the format specified at **Annexure 8**. The Trustee/Board/Designated Partners of the AIFs shall submit an undertaking to SEBI as specified at **Annexure 8** with respect to the proposed overseas investment.

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

5.2.2. 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.

5.2.3. 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.

5.2.4. The AIF shall have a time limit of four[29] 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.

5.2.5. 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.

[29] SEBI circular no. SEBI/HO/AFD/PoD/CIR/P/2023/137 dated August 04, 2023

5.3. Reporting of overseas investments

5.3.1. AIFs shall report the utilization of the overseas limits within 5 working days of such utilization on SEBI Intermediary portal.

5.3.2. AIFs shall also report the following through SEBI intermediary portal:

(a) In case an AIF has not utilized the overseas limit granted to them within a period of four months[30] 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;

(b) 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;

(c) 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.

5.3.3. AIFs shall furnish the sale/divestment details of the overseas investments to SEBI in the format given at **Annexure 9** within 3 working days of the divestment, by emailing to aifreporting@sebi.gov.in, for updating the overall limit available for overseas investment by AIFs.

[30] SEBI circular no. SEBI/HO/AFD/PoD/CIR/P/2023/137 dated August 04, 2023

Chapter 6 - Framework for AIFs to make co-investment within the AIF structure [31]

AIF Regulations permit Category I and Category II AIFs to offer co-investment facility to Accredited Investors by launching a separate co-investment scheme ("CIV scheme") within AIF Regulations. This is in addition to the co-investment facilitated to investors of AIFs through Co-investment Portfolio Managers under SEBI (Portfolio Managers) Regulations, 2020 ("PMS route").

6.1. In terms of sub-regulation 7 of regulation 17A of AIF Regulations, co-investment through a CIV scheme shall be carried out by manager of Category I or Category II AIFs in the manner and subject to the conditions as may be specified by SEBI from time to time. In this regard, below mentioned operational modalities are being specified:

6.1.1. Managers of AIFs shall make co-investment for an investor in an investee company either through PMS route or CIV scheme route.

6.1.2. In terms of regulation 17A(2), manager of AIF shall file a shelf placement memorandum (template available at **Annexure 10**), that *inter alia* includes, principal terms relating to co-investments, governance structure, and regulatory framework for co-investment, etc.

6.1.3. Each CIV scheme shall have separate bank account and demat account and assets of each CIV scheme shall be ring fenced from assets of the other schemes.

6.1.4. Co-investments of an investor in an investee company across CIV schemes shall not exceed three times of the contribution made by such investor in the total investment made in the said investee company through the scheme of the AIF to which aforesaid CIV schemes are affiliated.

However, the aforesaid restriction shall not apply to the following types of investors (i.e. these investors may invest any amount in an investee company through CIV schemes):

(a) Multilateral or Bilateral Development Financial Institutions;

(b) State Industrial Development Corporations;

(c) Entities established or owned or controlled by the Central Government or a State Government or the Government of a foreign country, including Central Banks and Sovereign Wealth Funds.

6.1.5. In case an investor of a scheme of an AIF excused / excluded or has defaulted in contributing to the investment made in an investee company by such scheme of AIF, such investor shall not be allowed to co-invest in the said investee company.

[31] SEBI circular SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/126 dated September 09, 2025

6.1.6. The manager shall ensure that the CIV scheme does not make any investment:

(a) that would lead to its investors acquiring or holding an interest/exposure in an investee company indirectly, that they cannot acquire or hold directly,

(b) that would necessitate additional regulatory disclosure if they had invested directly,

(c) where the investee company cannot receive investments from such investor directly.

6.1.7. CIV Scheme shall not borrow funds directly or indirectly or engage in any kind of leverage.

6.1.8. Investors of a CIV scheme shall have rights in the investment of the CIV scheme and in the distribution of proceeds of the investment, pro-rata to their contribution to the CIV scheme, except to the extent carried interest (or additional return or whatever name it is called) is shared with the sponsor or manager of the AIF or employees/directors/partners of the manager of AIF.

6.1.9. Any expenses associated with co-investment, shall be shared proportionately between the scheme of AIF and CIV scheme in the ratio of their investments.

6.1.10. CIV scheme shall be subject to implementation standards, if any, formulated by Standard Setting Forum of AIF ('SFA'), in consultation with SEBI, to ensure that the investment by CIV scheme are made for *bona-fide* purposes and that the flexibility extended in this regard is not misused.

6.2. The implementation standards, if any, formulated by SFA in consultation with SEBI, shall be adopted by AIFs, Managers of AIFs and their Key Management Personnel for compliance with the provisions of this chapter. Such implementation 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.

D. INVESTMENT CONDITIONS AND OTHER NORMS FOR SPECIFIC CATEGORIES / SUB-CATEGORIES OF AIFs

Chapter 7 - Operational and prudential norms for Category III AIFs

7.1. Calculation of investment concentration norm for Category III AIFs[32]

Regulation 15(1)(d) of AIF Regulations provides flexibility to Category III AIFs, including LVFs 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:

7.1.1. All Category III AIFs shall disclose the basis for calculation of investment concentration norm in the PPM of their schemes.

7.1.2. The basis for calculating investment concentration norm shall not be changed during the term of the scheme.

7.1.3. Category III AIFs which choose to calculate investment concentration norm based on NAV, shall comply with the following[33]:

(a) 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.

(b) 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.

(c) 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.

7.2. Prudential requirements with respect to leverage[34]

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:

7.2.1. 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.

[32] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2022/0000000037 dated March 28, 2022
[33] SEBI Circular No. SEBI/HO/IMD/IMD-I/DOF6/P/CIR/2021/663 dated Nov 22, 2021
[34] SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

7.2.2. Leverage shall be calculated as under:

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

7.2.3. 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 INR 100 crore, its exposure (Longs + shorts) after offsetting positions as permitted shall not exceed INR 200 crore.

7.2.4. 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[35].

Calculation of exposure and NAV

7.2.5. 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.

7.2.6. 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.

7.2.7. 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.

7.2.8. Offsetting of positions shall be allowed for calculation of leverage for transactions entered into for hedging and portfolio rebalancing as provided in para 13.18 of SEBI Master Circular No. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026 dated March 20, 2026 for Mutual Funds.

[35] SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2021/584 dated June 25, 2021

7.2.9. 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'.

7.2.10. 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.

7.2.11. All the above restrictions/limits shall apply at the scheme-level.

7.3. **Breach of leverage limits**[36]

7.3.1. 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.

7.3.2. 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[37].

7.3.3. 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 investors 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 investors 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.

[36] SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013
[37] 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.

7.4. **Risk Management and Compliance**[38]

All Category III AIFs which employ leverage shall:

7.4.1. have a comprehensive risk management framework supported by an independent risk management function, appropriate to the size, complexity and risk profile of the fund.

7.4.2. 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.

7.4.3. maintain appropriate records of the trades/transactions performed and such information should be available to SEBI, whenever sought.

7.4.4. 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.

7.5. **Redemption norms for open ended schemes of Category III AIFs** [39]

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

7.5.2. The Manager of such AIFs/schemes of 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.

7.5.3. 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.

[38] SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013
[39] SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013

7.5.4. The Manager of such AIFs shall clearly disclose the possibility of suspension of redemptions in exceptional circumstances to investors, in the PPM.

7.5.5. Suspension of redemptions by the Manager shall be justified only:

(a) in exceptional circumstances provided that such suspension is exclusively in the best interest of investors of the AIF, or

(b) if the suspension is required under the AIF regulations or required by SEBI.

7.5.6. 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.

7.5.7. 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.

7.5.8. 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.

7.5.9. 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.

7.6. Breach in corpus of open ended schemes of Category III AIFs[40]

For the purpose of Regulation 10(b) of AIF Regulations, in case the corpus of an open-ended scheme falls below INR 20 crore:

7.6.1. The AIF shall intimate to SEBI within 2 working days of receiving request for redemption from the client.

7.6.2. The AIF shall take necessary action to bring back the scheme size to INR 20 Crore within 3 months from the date of such breach.

7.6.3. 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.

7.6.4. In case of repeated violations by the AIF, SEBI may take action against the AIF, as may be appropriate.

[40] SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

Chapter 8 - Operational and prudential norms for Angel Funds[41]

AIF Regulations have been amended and notified on September 09, 2025, to prescribe the revised regulatory framework for Angel Funds under Chapter III-A of the AIF Regulations. In this context, the specific conditions and modalities with respect to various provisions pertaining to Angel Funds are prescribed in this chapter.

Fund raising by Angel Funds –

8.1. In terms of Regulation 19D(1) of AIF Regulations, Angel Funds shall raise funds only from Accredited Investors by way of issue of units, in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –

8.1.1. Angel Funds which are granted registration by SEBI post September 10, 2025, shall on-board and offer investment opportunities to Accredited Investors only.

8.1.2. Angel Funds registered with SEBI on or before September 10, 2025 shall comply with the following –

(a) Such Angel Funds shall implement the aforesaid mandate on or before [42][March 31, 2027] and shall not offer investment opportunity to more than 200 non-Accredited Investors during this period.

(b) Such Angel Funds shall not accept contribution for investment in an investee company from non-Accredited Investors, post [43][March 31, 2027].

(c) Existing investors of such Angel Funds shall continue to hold their investments already made in the Angel Fund as per the terms of the PPM and/or fund documents of the Angel Fund.

8.1.3. Managers of Angel Funds shall ensure that, at the time of accepting contribution for investment in an investee company, the investor providing contribution qualifies as an Accredited Investor, either by holding a valid accreditation certificate or a confirmation of accreditation by the manager, or by meeting the criteria for deemed Accredited Investor as specified in Regulation 2(1)(ab) of AIF Regulations.

8.2. In terms of Regulation 19D(6) of AIF Regulations, an Angel Fund shall on-board at least five Accredited Investors before declaring its first close in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –

---

[41] SEBI circular SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128 dated September 10, 2025 and SEBI circular SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/136 dated October 15, 2025

[42] Substituted with the issuance of SEBI circular HO/19/34/11(7)2025-AFD-POD1/I/20626/2026 dated September 07, 2026. Prior to its substitution, it read as "*September 08, 2026"*

[43] Substituted with the issuance of SEBI circular HO/19/34/11(7)2025-AFD-POD1/I/20626/2026 dated September 07, 2026. Prior to its substitution, it read as "*September 08, 2026"*

8.2.1. The first close of an Angel Fund shall be declared not later than 12 months from the date on which the AIF becomes eligible to launch its scheme as stated at para **2.5.2.2.2**[44] of this Master circular[45].

8.2.2. Existing Angel Funds as on September 10, 2025, which have not yet declared first close, shall do so on or before September 08, 2026.

8.2.3. In case the first close of an Angel Fund is not declared within the timeline specified above, the Angel Fund shall refile the PPM with SEBI as per applicable provisions of AIF Regulations by paying requisite fee to SEBI.

Investments by Angel Funds –

8.3. In terms of Regulation 19E of AIF Regulations, an Angel Fund shall not launch any schemes for soliciting funds from angel investors or making any investments. Accordingly, the following is specified –

8.3.1. Investments in investee companies shall be made directly by Angel Funds, without the requirement of launching a scheme for this purpose.

Consequently, the provisions of AIF Regulations which are applicable to a scheme of an AIF, shall be applicable to the Angel Fund at fund level, unless stated otherwise.

8.3.2. The requirement of filing term sheet with SEBI for launching scheme and making investment has been discontinued with. However, Angel Funds shall maintain records of term sheets for each investment, including the list of investors who participate in that investment and their contribution to the investment.

8.4. In terms of proviso to Regulation 19F(1) of AIF Regulations, Angel Funds may make additional investments in their existing investee companies which are no longer start-ups ('follow-on investments'), subject to the conditions as may be specified by SEBI from time to time. In this regard, the following conditions are specified –

8.4.1. Follow-on investment shall be allowed to the extent the post-issue shareholding percentage of the Angel Fund in the investee company does not exceed the pre-issue shareholding percentage.

8.4.2. The total investment in an investee company by an Angel Fund, including follow-on investments, shall not exceed INR 25 Crore.

8.4.3. Angel Funds shall accept contribution for follow-on investment only from the investors who had contributed to the existing investment in the investee company and pro-rata to their contribution in the existing investment. However, in case an

[44] SEBI circular No. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026 dated April 30, 2026
[45] Modified vide SEBI circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026

investor opts not to participate in the follow-on investment to the extent of its pro-rata rights, the same may be offered to the remaining investors who had contributed to the existing investment.

8.5. In terms of Regulation 19F(3) of AIF Regulations, investment by an Angel Fund in an investee company shall be subject to lock-in period as may be specified by SEBI. In this regard, the following is specified –

8.5.1. Investment by an Angel Fund in an investee company shall be locked-in for a period of one year.

8.5.2. The aforesaid lock-in requirement shall be for a period of six months if the exit from the investment by Angel Fund is by way of sale to a third party, that is, excluding buy-back by the investee company or purchase by its promoters or their associates. Any such sale shall be subject to terms of Articles of Association of the investee company.

8.6. In terms of Regulation 19F(7) of AIF Regulations, Angel Funds may invest in the securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and SEBI from time to time. In this regard, the following is specified –

8.6.1. For the purpose of overseas investments, the 25% limit as prescribed under para **5.1.3** of this Master Circular shall be calculated based on the total investments (at cost) held by the Angel Fund as on date of the application to SEBI for overseas investment.

8.6.2. All other conditions and modalities specified under **Chapter 5 -**of this Master Circular continue to remain applicable to Angel Funds.

Offering and allocation of investment opportunities by Angel Funds -

8.7. In terms of Regulation 19G(4) of AIF Regulations, the manager shall disclose a defined methodology in the PPM of the Angel Fund for the purpose of allocating the investment among angel investors who provide approval for such investment, in the manner as may be specified by SEBI from time to time. In this regard, the following is specified –

8.7.1. The manager of Angel Fund shall strictly adhere to the such methodology for allocating the investment among consenting investors.

8.7.2. The methodology for allocation disclosed in the PPM shall not provide any discretion to manager for allocation of investment on case-to-case basis.

8.8. In terms of Regulation 19G(6) of AIF Regulations, the investors of an Angel Fund shall have rights in an investment of the Angel Fund and in the distribution of proceeds of the

investment, pro-rata to their contribution to such investment, except in cases as may be specified by the Board from time to time.

In this regard, it is specified that the requirement of maintaining pro-rata rights of investors in distribution of proceeds of investments of a scheme, shall not be applicable to the extent returns or profit on the investments is shared by an investor with the manager or sponsor of the AIF or the employees/directors/partners of the manager of AIF (by whatever name it is called, such as carried interest/additional return), in terms of contribution agreement executed between them.

Other obligations -

8.9. All existing Angel Funds shall be considered to be registered as Category I AIF – Angel Funds, instead of being a sub-category under Category I AIF – Venture Capital Funds.

8.10. The requirement of carrying out annual audit of compliance with terms of PPM, as per the norms prescribed in para **21.3** of this Master circular, shall be applicable to Angel Funds that have made total investments (at cost) exceeding INR 100 crore.

8.11. Angel Funds shall report necessary information including investment wise valuation and cash flow data to the benchmarking agencies, for the purposes of performance benchmarking as per the norms prescribed in **Chapter 22 -**of this Master Circular. In the PPM as well as in any marketing or promotional or other material, where past performance of the Angel Fund is mentioned, the performance versus benchmark report provided by the benchmarking agencies for such fund shall also be provided.

8.12. The requirements of carrying out PPM audit as given at para **8.10** above and reporting information to benchmarking agencies as given at para **8.11** above shall be applicable to Angel Funds from Financial Year 2025-26 onwards.

8.13. Unless specified otherwise, any limit/condition applicable to Angel Funds under AIF Regulations and circulars issued thereunder and calculated based on corpus/ investable funds, shall be calculated based on the total investments made by the Angel Fund (at cost).

8.14. In this regard, with respect to **Chapter 20 -**of this Master Circular on *'Specific due-diligence of investors and investments of AIFs'*, it is further clarified that the thresholds specified in para **20.3.2(a)**, **20.4.2(a)**, **20.5.1(a)** and **20.7.2(a)** of the said chapter shall be calculated at each investment level, based on contribution of investors to a particular investment (instead of calculating based on corpus at fund level).

Chapter 9 - Norms for Special Situation Funds[46]

Chapter III-B of Regulation 19 of AIF Regulations prescribes the framework for Special Situation Fund ('SSF'), a sub-category under Category I AIF, which shall invest in 'special situation assets'. In this regard, the following is specified:

9.1. Each scheme of SSF shall have a corpus of at least INR 100 crore.

9.2. SSF shall accept an investment of value not less than INR 10 crore from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than INR 5 crore. 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 INR 25 lakh.

9.3. SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder.

9.4. Further, in respect of SSF acquiring stressed loan in terms of Clause 64 of Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Directions, 2025, Clause 62 of Reserve Bank of India (Non-Banking Financial Companies - Transfer and Distribution of Credit Risk) Directions, 2025, Clause 62 of Reserve Bank of India (All India Financial Institutions - Transfer and Distribution of Credit Risk) Directions, 2025 and Clause 62 of Reserve Bank of India (Small Finance Banks – Transfer and Distribution of Credit Risk) Directions, 2025 (collectively referred as 'RBI Directions for Transfer and Distribution of Credit Risk), the following is specified:

9.4.1. SSF may acquire stressed loan in terms of the RBI Directions for Transfer and Distribution of Credit Risk upon inclusion of SSF in the class of entities to which lenders are permitted to transfer stressed loan exposures as given in the said Directions.

9.4.2. Stressed loan acquired by SSF in terms of the RBI Directions for Transfer and Distribution of Credit Risk 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.

9.4.3. SSF acquiring stressed loans in terms of the RBI Directions for Transfer and Distribution of Credit Risk 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.

[46] SEBI Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2022/009 dated Jan 27, 2022

E. ACCREDITATION OF INVESTORS

Chapter 10 - Framework for Accreditation of Investors[47]

Under the framework for Accredited Investors (AIs), 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 (Mutual Funds) Regulations, 2026, SEBI (Portfolio Managers) Regulations, 2026, SEBI (Investment Advisers) Regulations, 2013, and SEBI (Research Analysts) Regulations, 2014. The framework and modalities for accreditation are given in this chapter.

10.1. **Accreditation Agency**

10.1.1. Persons desirous of being reckoned as AIs shall approach an Accreditation Agency for accreditation. Accreditation Agencies shall be responsible for:

a) Verification of documents submitted by applicants for accreditation,

b) Timely processing of applications for accreditation and issuance of accreditation certificate,

c) Maintaining data of accredited investors,

d) Verification of accreditation status,

e) Maintaining confidentiality of investor information at all times, and

f) Any other responsibilities as may be specified by SEBI from time to time.

10.1.2. Accreditation Agencies shall have the requisite infrastructure including systems and manpower to fulfill their responsibilities as specified under para **10.1.1** above.

10.1.3. The following entities are eligible to carry out the accreditation process:

(a) Subsidiaries of recognized Stock Exchanges, provided the Stock Exchange meets the following criteria:

(i) Minimum 20 years presence in Indian securities market,

(ii) Minimum net worth of INR 200 crore,

(iii) Presence of nation-wide terminals,

(iv) Having Investor grievance redressal mechanisms in place, including arbitration,

(v) Presence of Investor Service Centers (ISCs) in at least 20 cities, and

[47] SEBI Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021, SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/189 dated December 18, 2023 and SEBI circular no. HO/19/34/11(6)2026-AFD-POD1/I/25244/2026 dated November 05, 2026.

(vi) Any other criteria as specified by SEBI from time to time.

(b) Subsidiaries of Depositories.

10.1.4. The framework for AIs shall be made available on the websites of accreditation agencies.

10.1.5. Accreditation Agencies, which are also KYC Registration Agencies (KRAs), may access Know Your Customer (KYC) documents of applicants available with them in capacity of KRA and may also access the same from the database of other KRAs, for the purpose of accreditation.

10.1.6. The Accreditation agencies shall grant accreditation solely based on the KYC and the financial information of the applicants.

10.1.7. To this effect, the accreditation certificate issued by accreditation agencies shall include the following disclaimer:

"the assessment of the applicant for accreditation is solely based on the applicant's KYC and financial information and does not in any manner exempt market intermediaries and pooled investment vehicles from carrying out necessary due diligence of the accredited investors at the time of on-boarding them as their clients."

10.2. Manager Led accreditation

10.2.1. A Manager may determine and record an investor's accredited status at onboarding or during the tenure of a scheme, after verifying that the investor meets an eligibility criterion under the AIF Regulations and this circular. For the purpose of accreditation, "Manager" means the manager of an AIF, the asset management company of a Specialized Investment Fund (SIF) (as defined under SEBI (Mutual Funds) Regulations 2026 or a portfolio manager (as defined under SEBI (Portfolio Managers) Regulations, 2026, as applicable.

10.2.2. A determination made by a Manager shall be recognised across Managers of the same Group for AIFs, SIFs and portfolio management services during the validity period. "Group" has the meaning assigned to "corporate group" under Explanation I to Regulation 19F(1) of the AIF Regulations.

10.2.3. An Investment Adviser (IA) or Research Analyst (RA) shall not determine accredited status of an investor independently, but may rely on a valid determination made by a Manager in its Group.

10.2.4. The manager shall record the accreditation status of an investor and shall confirm the same in writing to the investor. The Manager shall inform the investor of the date of accreditation and the validity period.

10.2.5. Manager led accreditation is an additional and optional route. The Accreditation Agency route shall continue to be available. When an investor furnishes a valid certificate of accreditation from a recognised Accreditation Agency, the Manager shall rely on it and shall not conduct fresh determination during its validity.

10.3. **Eligibility Criteria for Accredited Investors**

10.3.1. The following persons shall be eligible to be considered as Accredited Investor ('AI'):

(a) Individuals, HUFs, Family Trusts and Sole Proprietorships, which meet the criteria as under:

(i) Annual income of at least two crore rupees; or

(ii) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or

(iii) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets; or

(iv) securities market exposure of at least five crore rupees,

(b) in case of a limited liability partnership set up under the Limited Liability Partnership Act, 2008, has net worth of at least fifty crore rupees or securities market exposure of at least twenty crore rupees, or each partner independently meets the eligibility criteria for accreditation as on the date of determination. Where a partner is itself a body corporate, including another LLP, a firm or a trust, that partner shall independently satisfy the eligibility criteria applicable to it.

(c) in case of a body corporate other than a limited liability partnership, has net worth of at least fifty crore rupees or securities market exposure of at least twenty crore rupees.

(d) in case of a trust other than family trust, has net worth of at least fifty crore rupees or securities market exposure of at least twenty crore rupees.

(e) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation, applicable to that partner as on the date of determination.

10.3.2. The Central Government and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central Government or the State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, multilateral agencies,

Persons Resident Outside India (PROI) as defined under Foreign Exchange Management Act, 1999 shall be deemed to be an accredited investor.

10.3.3. 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.

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

(a) Where the joint holders are parent(s) & child(ren), at least one person should independently fulfil the eligibility criteria for AI.

(b) Where the joint holders are spouses, their combined income/ net worth should meet the eligibility criteria for AI.

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

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

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

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

10.3.7. The following shall qualify as securities market exposure:

(a) Securities held in dematerialised form;

(b) Mutual fund investment held through mutual fund folios;

(c) Unlisted securities held in dematerialised form;

(d) Investment in the overseas securities market; and

(e) Investments under the National Pension System.

10.3.8. For deemed accreditation to PROIs, the Manager shall record the basis on which the investor has been identified as a Person Resident Outside India. Deemed Accredited Investor status shall not dilute the obligations of an AIF and its Manager, as reporting entities under the Prevention of Money-laundering Act, 2002 and the rules framed thereunder, to conduct client due diligence, identify beneficial owners and comply with applicable requirements relating to source of funds.

10.4. **Procedure for Accreditation**

10.4.1. For accreditation, the prospective AI ("Applicant") shall make an application to the Accreditation Agency or the Manager, in the manner specified by the Accreditation Agency or the Manager. Detailed documentation required for accreditation is provided at **Annexure 11**.

10.4.2. The Accreditation Agency shall issue the Accreditation Certificate to the Applicant. Each Accreditation Certificate shall have a unique accreditation number, name of the Accreditation Agency, PAN of the Applicant, validity of accreditation (start date and end date).

10.4.3. The manager shall record the accreditation status of an investor and shall confirm the same in writing to the investor. The Manager shall inform the investor of the date of accreditation and the validity period.

10.5. **Validity of Accreditation**

10.5.1. Accreditation determined by a Manager shall be valid for a period of three years from the date of accreditation.

10.5.2. Accreditation shall be determined afresh each time an investor is onboarded by a Manager who is not of the same Group.

10.5.3. A certificate of accreditation issued by a recognised Accreditation Agency shall be valid for three years from the date of accreditation.

10.5.4. An investor who is an Accredited Investor at the time of onboarding into a scheme shall continue to be reckoned as an Accredited Investor for the remaining life of that scheme.

10.5.5. A certificate of accreditation issued before November 05, 2026 shall remain valid for its unexpired period of validity.

10.6. **Safeguards for Manager led accreditation**

10.6.1. Accountability: A Manager undertaking accreditation shall be responsible for ensuring compliance with the prescribed eligibility criteria and with the requirements of this Master Circular.

10.6.2. Maintenance of records: A Manager shall maintain all records, supporting documents and verification evidence relied upon for the determining accredited status, for at least five years from the date of accreditation or until five years after the investor ceases to be an investor in any scheme managed by the Manager,

whichever is later. The records shall be made available for inspection as and when sought.

10.6.3. Audit: Periodic internal audit and compliance review of the accreditation process shall be carried out as part of any existing audit undertaken by the Manager.

10.6.4. Accreditation policy: Every Manager undertaking accreditation shall adopt an accreditation policy specifying:

10.6.4.1. conflict of interest controls, including separation of the accreditation function from the business development and distribution function;
10.6.4.2. an escalation and grievance redressal process for resolving investor concerns arising from the determination of accredited status; and
10.6.4.3. record retention infrastructure, covering inter alia data privacy and cybersecurity, so that the confidentiality of the information submitted by investors is protected.

10.6.5. The Manager shall document the accreditation decision, the eligibility criterion relied upon and the supporting verification in a manner that enables the decision to be independently reviewed.

10.7. **Procedure to avail benefits linked to accreditation**

10.7.1. Prospective investors shall, *inter-alia*, *submit a copy of the Accreditation Certificate or a confirmation of accreditation by the Manager* and an undertaking to the investment service provider to the effect that:

(a) The prospective investor 'consents' to avail benefits under the AI framework.

(b) The prospective investor has the necessary knowledge and means to understand the features of the investment Product/service eligible for AIs, including the risks associated with the investment.

(c) The prospective investor is aware that investments by AIs may not be subject to the same regulatory oversight as applicable to investment by other investors.

(d) The prospective investor has the ability to bear the financial risks associated with the investment.

10.7.2. The investment service provider shall independently verify the status of accreditation of the prospective investor. Further, investment service providers may obtain additional undertakings from prospective investors, provided they do not dilute or contravene the undertakings in terms of para **10.7.1** above.

10.7.3. Prior to entering into a client agreement with an AI, the investment service provider shall disclose to the AI, details of the relevant conditions and regulatory

concessions available for the proposed investment, applicable under the AI framework.

10.7.4. The client agreement between the investment service provider and AI shall, *inter-alia*, provide the following:

(a) details of regulatory concessions agreed upon between the investor and the investment service provider, and the conditions for availing the same, and

(b) consequences, if any, in the event of the investor becoming ineligible to be an AI during the tenure of the said agreement.

10.7.5. Pending receipt of certificate from an accreditation agency, based on the manager's assessment of the investor's eligibility criteria, the manager of an AIF may finalise/execute the contribution agreement, and initiate related operational procedures, subject to the following conditions[48]:

(a) Any commitment made by such investor shall not be included in calculation of corpus of the scheme until such investor obtains accreditation certificate from an accreditation agency. This is to maintain sanctity of several prudential norms for AIFs which are based on corpus.

(b) Schemes of AIFs shall receive funds from such investors only after they obtain accreditation certificate from an accreditation agency.

10.8. **Flexibility to investors to withdraw 'Consent'**

10.8.1. Accredited 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 regulatory framework applicable to investors other than AIs.

10.8.2. 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.

[48] SEBI circular no. HO/19/34/11(9)2025-AFD-POD1/I/2286/2026 dated January 09, 2026

10.8.3. The client agreement between the investment service provider and AI shall, inter-alia, provide the modalities for withdrawal of ‘Consent’ and consequences of the investor withdrawing the ‘Consent’.

F. OPERATIONAL MODALITIES

Chapter 11 - Dematerialisation of units and investments of AIFs and collection of stamp duty on units of AIFs

11.1. **Issuance of units of AIFs in dematerialised form[49]:**

In terms of Regulation 10(aa) of AIF Regulations, AIFs shall issue units in dematerialised form subject to the conditions specified by SEBI from time to time. In this regard, it is specified that the terms of transfer of units of AIF held by an investor in dematerialised form shall continue to be governed by the terms of PPM, agreements entered between the AIF and the investors and any other fund documents.

11.2. **Credit of units of AIFs in dematerialised form[50]:**

11.2.1. The following timeline and requirement was mandated with respect to issuance and credit of units of AIFs in demat form, for AIFs/schemes of AIFs as on December 11, 2023:

Details	**Schemes with corpus ≥ 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**
Investors who have provided their demat account details	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.
Investors who have not provided their demat account details	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.
Completion of credit of demat units to *a) demat accounts of investors who*	Latest by Jan 31, 2024	Latest by May 10, 2024

[49] SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023
[50] SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2023/186 dated December 11, 2023

Details	Schemes with corpus ≥ 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
have provided demat account details and *b) Aggregate Escrow Demat Account, for those who have not provided demat account details*		

11.2.2. In cases where investors had not provided demat account details to AIFs within the timeline given above, the process to be followed for dematerialising/crediting the units issued, is specified as under -

(a) Managers of AIFs shall continue to reach out to such 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 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.

(b) Units already issued by schemes of AIFs to such 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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 Chapter. 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.

(g) Managers of AIFs shall adhere to such implementation standards formulated by the SFA in consultation with SEBI. Such standards are 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.

11.3. **Reporting of value of units of AIFs to Depositories[51]:**

To leverage the depository infrastructure for enhancing transparency and operational efficiency, and to facilitate system readiness of AIFs, Registrars and Transfer Agents (RTAs) and Depositories, the following is specified:

11.3.1. AIFs, through their RTAs, shall upload the latest available NAV corresponding to each ISIN of units of the AIF in the depository system within 30 days from the date of valuation of the investment portfolio.

11.3.2. For the purpose of aforesaid mandate, the valuation date shall be considered as under:

(a) In case the valuation is carried out by independent valuers –Date of valuation report.

(b) In case the valuation is carried out by an Internal valuers – Date on which the valuation is documented in the internal records of the fund.

[51] SEBI Circular no. HO/19/34/11(8)2025-AFD-POD1/I/4335/2026 dated February 06, 2026

11.3.3. The manager of the AIF shall be responsible for ensuring timely and accurate uploading of NAV.

11.4. **Directions to depositories[52]:**

The Depositories have been directed to:

11.4.1. make necessary amendments to the relevant Bye-laws, Rules and Regulations for the implementation of the provisions of this chapter, including facilitation of Aggregate Escrow Demat Account for AIFs;

11.4.2. put in place a system to facilitate that any transfer of units of AIF held in dematerialised form, which requires approval of the AIF/manager of AIF in terms of PPM or agreements entered between the AIF and the investors or any other fund documents, is carried out accordingly i.e. only after approval of AIF/manager of the AIF;

11.4.3. build necessary infrastructure for uploading of NAV by RTAs and for reflection of the same in the depository system;

11.4.4. incorporate the following disclaimer wherever AIF NAV is being displayed:

"Net Asset Value (NAV) being shown is on the basis of valuation methodology and accounting practice followed by your respective AIF. This is an indicative NAV. For more details, please refer to your statement of accounts and fund documents."

11.4.5. bring the provisions of this chapter to the notice of their members / participants and also disseminate the same on their websites.

11.5. **Collection of stamp duty on issue, transfer and sale of units of AIFs[53]**

11.5.1. Government vide Gazette notification S.O.116(E) dated January 08, 2020 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.

11.5.2. 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

[52] SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023, SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2023/186 dated December 11, 2023 and SEBI Circular no. HO/19/34/11(8)2025-AFD-POD1/I/4335/2026 dated February 06, 2026
[53] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/113 dated June 30, 2020

of stamp duty on sale, transfer and issue of units of AIFs with effect from July 01, 2020.

11.5.3. RTA appointed by AIFs shall collect the stamp duty on issue, transfer and sale of units of AIFs as stated in para **11.5.1** and **11.5.2** above, in compliance with the applicable provisions of the Indian Stamp Act, 1899 and the Rules made thereunder.

11.5.4. 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.

11.6. **Holding investments of AIFs in dematerialised form**[54]

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 SEBI from time to time. In this regard, the following is specified:

11.6.1. Any investment made by an AIF on or after July 01, 2025 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.

11.6.2. The investments made by an AIF prior to July 01, 2025 are exempted from the requirement of being held in dematerialised form, except in the following cases:

(a) Investee company of the AIF has been mandated under applicable law to facilitate dematerialisation of its securities;

(b) 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.

[54] SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2024/5 dated January 12, 2024 and SEBI circular no. SEBI/HO/AFD/PoD-1/P/CIR/2025/17 dated February 14, 2025

Chapter 12 - Timeline for first close and calculation of tenure of AIFs

12.1. Timeline for declaration of First Close of schemes of AIFs (Validity of PPM)[55]

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:

12.1.1. The First Close of a scheme shall be declared not later than 12 months from the date on which the AIF becomes eligible to launch its scheme as stated at paras **2.4.1.1** and **2.5.2.1.1**[56] of this Master circular[57].

12.1.2. In case of open ended schemes of Category III AIFs, the First Close shall refer to the close of their Initial Offer Period.

12.1.3. 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.

12.1.4. 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.

12.1.5. The First Close of 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.

12.1.6. 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.

12.2. Calculation of tenure of close-ended schemes of AIFs[58]:

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:

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

[55] SEBI circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022
[56] SEBI circular No. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026 dated April 30, 2026
[57] Modified vide SEBI circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026
[58] SEBI Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022

12.2.2. 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.

12.2.3. Schemes of AIFs which had 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.

Chapter 13 - Material change and change in Sponsor or Manager of AIFs

13.1. Procedure for 'Material Change' including change in control of manager/sponsor or change in manager/sponsor of AIFs[59] –

13.1.1. '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:
   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.

[59] SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014, SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014

(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.

13.1.2. With respect to para **13.1.1** 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).

13.2. **Fee for change in control of manager/sponsor or change in manager/sponsor of AIFs[60]:**

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:

13.2.1. 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.

13.2.2. 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.

13.2.3. 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.

13.2.4. The aforesaid fee shall be paid within 15 days of effecting the proposed change in manager/sponsor or change in control of manager/sponsor.

13.2.5. 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.

13.3. **Change in control of Sponsor and/or Manager of AIF involving scheme of arrangement under Companies Act, 2013**[61]

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:

[60] SEBI circular no. SEBI/HO/AFD-1/PoD/P/CIR/2022/155 dated November 17, 2022
[61] SEBI Circular No. SEBI/HO/IMD-1/DF9/CIR/2022/032 dated March 23, 2022

13.3.1. 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;

13.3.2. Upon being satisfied with compliance of the applicable regulatory requirements, in-principle approval will be granted by SEBI;

13.3.3. 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;

13.3.4. 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.

Chapter 14 - Guidelines for Category I and II AIFs on borrowing and creation of encumbrance on equity of investee companies

14.1. Borrowing by Category I and II AIFs[62] -

14.1.1. In terms of Regulation 16(1)(c) and Regulation 17(c) of AIF Regulations, Category I and Category II AIFs shall not borrow funds directly or indirectly or engage in any leverage for the purpose of making investments or otherwise, except for borrowing funds to meet temporary funding requirements and day-to-day operational requirements for not more than thirty days, on not more than four occasions in a year and not more than ten percent of the investable funds and subject to such conditions as may be specified by SEBI from time to time.

14.1.2. In this regard, in order to facilitate ease of doing business and provide operational flexibility, Category I and Category II AIFs have been allowed to borrow for the purpose of meeting temporary shortfall in amount called from investors for making investments in investee companies (*'drawdown amount'*).

14.1.3. Category I and Category II AIFs may borrow for the purpose of meeting shortfall in drawdown amount, subject to the following additional conditions:

(a) If AIF intends to borrow funds for meeting shortfall in drawdown amount, the same shall be disclosed in the PPM of the scheme.

(b) Such borrowing shall be done only in case of emergency and as a last recourse, when the investment opportunity is imminent to be closed and the drawdown amount from investor(s) has not been received by the AIF before the date of investment, in spite of best efforts by manager to obtain the drawdown amount from the delaying investor(s).

(c) The amount borrowed shall not exceed twenty per cent of the investment proposed to be made in the investee company, or ten per cent of the investable funds of the scheme of AIF, or the commitment pending to be drawn down from investors other than the investor(s) who has failed to provide the drawdown amount, whichever is lower.

(d) The cost of such borrowing shall be charged only to investor(s) who failed to provide the drawdown amount for making investments.

(e) The flexibility of borrowing to meet shortfall in drawdown amount shall not be used as a means to provide different drawdown timelines to investors.

[62] SEBI Circular No. SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/112 dated August 19, 2024

(f) The manager shall disclose the details with respect to amount borrowed, terms of borrowing and repayment to all the investors of the AIF/scheme, on a periodic basis as per the terms of agreement with the investors of the AIF.

14.1.4. Further, all Category I and Category II AIFs shall maintain thirty days cooling off period between two periods of borrowing as permissible under AIF Regulations. The cooling off period of thirty days shall be calculated from the date of repayment of previous borrowing.

14.2. **Framework for Category I and II AIFs to create encumbrance on their holding of equity of investee companies**[63]

14.2.1. In terms of provisos to Regulation 16(1)(c) and 17(c) of AIF Regulations, Category I and Category II AIFs may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by SEBI from time to time.

14.2.2. In this regard, the following conditions are specified:

(a) Schemes of Category I or Category II AIFs may create encumbrance on equity of investee company for the purpose of borrowing of the said investee company as specified above, subject to explicit disclosure with respect to creation of such encumbrance in this regard and disclosure of associated risks in their PPMs.

(b) Category I or Category II AIFs shall ensure that the borrowings made by the investee company against the equity investments encumbered by the AIFs are utilised only for the purpose of development, operation or management of investee company as stated in para **14.2.1** above, and not utilised otherwise including to invest in another company. The aforesaid limitation on usage of borrowing shall be included as one of the terms of the investment agreement entered between the AIF and the investee company.

(c) The duration of encumbrance created on the equity investments shall not be greater than the residual tenure of the scheme of the Category I or Category II AIF.

(d) Any Category I or Category II AIF with more than 50% foreign investment or with foreign sponsor/ manager or with persons other than resident Indian citizens as external members in its investment committee which is set up to

[63] SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2024/027 dated April 26, 2024

approve its decisions, shall ensure compliance with para 7.11.2 of RBI Master Direction dated January 04, 2018 on 'Foreign Investments in India', as though the AIF is a person resident outside India.

(e) In case of default by the borrower investee company, Category I or Category II AIF shall ensure that the fund or its investors are not subject to any liability over and above the equity of the borrower investee company encumbered by the AIF.

(f) The aforesaid flexibility of creating encumbrance on equity investment shall not be interpreted as allowing schemes of Category I and II AIFs to extend any form of guarantee for investee company.

(g) Schemes of Category I or Category II AIFs shall not create encumbrance on their investments in foreign investee companies.

14.2.3. The SFA, in consultation with SEBI, shall formulate implementation standards to ensure that the encumbrance created on equity of investee company by Category I or Category II AIFs, is only utilized for facilitation of debt raising at the infrastructure sector investee company as stated in para **14.2.1** above. Managers of such AIFs shall adopt and adhere to such implementation standards. 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.

Chapter 15 - Guidelines with respect to excusing or excluding an investor from an investment of AIF[64]

15.1. An AIF may excuse its investor from participating in a particular investment in the following circumstances:

15.1.1. If the investor, based on the opinion of a legal professional/legal advisor, confirms that its participation in the investment opportunity would be in violation of an applicable law or regulation; or,

15.1.2. If the investor, as part of contribution agreement or any other agreement signed with the AIF, had disclosed to the manager that, participation of the investor in such investment opportunity would be in contravention to the internal policy of the investor. Manager shall ensure that terms of such agreement with the investor include reporting of any change in the disclosed internal policy, to the AIF, within 15 days of such change.

15.2. Further, an AIF may exclude an investor from participating in a particular investment opportunity, if the manager of the AIF is satisfied that the participation of such investor in the investment opportunity would lead to the scheme of the AIF being in violation of applicable law or regulation or would result in material adverse effect on the scheme of the AIF. The manager shall record the rationale for such exclusion, along with the documents relied upon, if any.

15.3. If the investor of an AIF is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity. The manager of AIF shall record the rationale for such excuse or exclusion along with the supporting documents, if any.

[64] SEBI Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2023/053 dated April 10, 2023

Chapter 16 - Direct plan for schemes of AIFs and trail model for distribution commission in AIFs[65]

The PPM templates, as given in **Annexure 1** and **Annexure 2**, *inter-alia*, provide for disclosure with respect to Direct Plan for investors, and constituents of fees that may be charged by the AIF/scheme of AIF, including distribution fee/placement fee. In this context, to provide flexibility to investors for investing in AIFs, bring transparency in expenses and curb mis-selling, following is specified:

16.1. Direct Plan for schemes of AIFs

16.1.1. Schemes of AIFs shall have an option of 'Direct Plan' for investors. Such Direct Plan shall not entail any distribution fee/placement fee.

16.1.2. AIFs shall ensure that investors who approach the AIF through a SEBI registered intermediary which is separately charging the investor any fee (such as advisory fee or portfolio management fee), are on-boarded via Direct Plan only.

16.2. Trail model for distribution commission in AIFs

16.2.1. AIFs shall disclose distribution fee/placement fee, if any, to the investors of AIF/scheme of AIF at the time of on-boarding, irrespective of the manner of charging such distribution fee.

16.2.2. Category III AIFs shall charge distribution fee/placement fee, if any, to investors only on equal trail basis i.e. no upfront distribution fee/ placement fee shall be charged by Category III AIFs directly or indirectly to their investors. Further, any distribution fee/ placement fee paid shall be only from the management fee received by the managers of such Category III AIFs.

16.2.3. Category I AIFs and Category II AIFs may pay up to one-third of the total distribution fee/placement fee to the distributors on upfront basis, and the remaining distribution fee/ placement fee shall be paid to the distributors on equal trail basis over the tenure of the fund.

[65] SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2023/054 dated April 10, 2023

G. GOVERNANCE NORMS AND OBLIGATIONS

Chapter 17 - Obligations of manager, sponsor, investment committee and trustee of AIFs

17.1. **Appointment and designation of personnel of AIF and manager**[66]

17.1.1. In terms of Regulation 20(17) of AIF Regulations, the Manager shall appoint a Compliance Officer who shall be responsible for monitoring compliance with the provisions of the SEBI Act, 1992, rules, regulations, notifications, circulars, guidelines, instructions or any other directives issued by SEBI. Further in terms of Regulation 20(18) of AIF Regulations, the Compliance Officer shall satisfy the eligibility criteria as may be specified by SEBI from time to time. In this regard, the following is specified -

(a) 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.

(b) The Compliance Officer of Manager of an AIF shall obtain certification from the National Institute of Securities Market by passing the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination as mentioned in the communique No. NISM/Certification/Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination /2025/01/November 20, 2025 issued by the National Institute of Securities Market.

(c) Managers of AIFs shall ensure that, with effect from January 01, 2027, only those persons who have obtained the aforesaid certification shall be appointed as or shall continue to act as compliance officer of managers of AIFs.

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

(a) members of key investment team of the Manager, as disclosed in the PPM of the fund;

(b) 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;

(c) 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.

[66] SEBI Circular No. HO/19/(8)2025-AFD-POD1/I/1266/2025 dated December 30, 2025, 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

17.1.3. AIFs shall disclose the names of all the key management personnel of the AIF and Manager as specified in para **17.1.2** above, in their PPMs. Any change in key management personnel shall be intimated to the investors and the Board.

17.2. Appointment of custodian for AIFs [67]

17.2.1. 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.

17.2.2. In this regard, it is specified that the custodian for a scheme of an AIF shall be appointed prior to the date of first investment of the scheme.

17.3. Constitution of Investment Committee[68]

17.3.1. 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 12**.

17.3.2. 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.

17.3.3. Investment Committees set up to approve the investment decisions of the AIF 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’.

17.3.4. Pending clarification as mentioned at para **17.3.3** above, the applications for registration of AIFs and launch of new schemes shall be dealt with as under:

[67] SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2024/5 dated January 12, 2024
[68] 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

(a) 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.

(b) 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 **17.3.3** above.

17.4. **Code of conduct**[69]

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

(a) 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.

(b) 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.

17.5. **Stewardship Code**[70]

All categories of AIFs shall mandatorily follow the Stewardship Code as placed at **Annexure 13**, in relation to their investment in listed equities.

17.6. **Other obligations**[71]

17.6.1. 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.

17.6.2. 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.

17.6.3. 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.

[69] SEBI Circular No. CIR/IMD/DF/7/2015 dated October 01, 2015
[70] SEBI Circular No. CIR/CFD/CMD1/168/2019 dated Dec 24, 2019
[71] SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

Chapter 18 - Standardised approach to valuation of investment portfolio of AIFs[72]

18.1. Manner of valuation of AIF's investments

In terms of Regulation 23(1) of AIF Regulations, AIFs are *inter-alia* required to carry out valuation of their investments in the manner specified by SEBI from time to time. In this regard, following is specified:

18.1.1. Valuation of securities, other than unlisted securities and listed securities which are non-traded and thinly traded, for which valuation norms have been prescribed under SEBI (Mutual Funds) Regulations,1996 ('MF Regulations'), shall be carried out as per the norms prescribed under MF Regulations.

18.1.2. Valuation of securities which are not covered in para **18.1.1** above, shall be carried out as per valuation guidelines endorsed by any AIF industry association, which in terms of membership represents at least 33% of the number of SEBI registered AIFs. The eligible AIF industry association shall endorse appropriate valuation guidelines after taking into account recommendations of Alternative Investment Policy Advisory Committee of SEBI.

In this context, an eligible AIF industry association meeting the aforesaid criteria, endorsed the International Private Equity and Venture Capital Valuation (IPEV) Guidelines for valuation of investment portfolio of AIFs in terms of the aforesaid provision.

18.1.3. With respect to thinly traded and non-traded securities, it is envisaged to harmonize the valuation norms across entities within SEBI's regulatory purview in a time bound manner so as to facilitate applicability of the same for valuation of investment portfolios of AIFs.

18.1.4. The manager shall also disclose in PPM, the details of the valuation methodology and approach adopted under the stipulated guidelines for each asset class of the scheme of the AIF.

18.2. Responsibility of manager of AIF with regard to valuation of investments of AIF

In terms of Regulation 23(5) of AIF Regulations, the Manager and the key management personnel of manager shall ensure that the independent valuer computes and carries out valuation of the investments of the scheme of the AIF in the manner as specified by the Board from time to time.

Further, in terms of Regulation 23(6) of AIF Regulations, Manager shall be responsible for true and fair valuation of the investments of the scheme of the AIF. In terms of proviso to

[72] SEBI circular no. SEBI/HO/AFD/PoD/CIR/2023/97 dated June 21, 2023 and SEBI circular no. SEBI/HO/AFD/PoD-1/P/CIR/2024/123 dated September 19, 2024

aforesaid Regulation, in case the established policies and procedures of valuation do not result in fair and appropriate valuation, the Manager shall deviate from the established policies and procedures in order to value the assets or securities at a fair value and document the rationale for such deviation.

In this regard, following is specified:

18.2.1. At each asset level, in case there is a deviation of more than 20% between two consecutive valuations or a deviation of more than 33% in a financial year, the manager shall inform the investors the reasons/factors for the same, both generic and specific, including but not limited to changes in accounting practices/policies, assumptions/projections, valuation methodology and approach, etc. and reasons thereof.

18.2.2. Change in valuation methodology/approach to comply with para **18.1** of this Master Circular, shall not be construed as 'Material Change'.

18.2.3. Change in methodology/approach within the valuation guidelines / valuation norms prescribed for AIFs, shall not be construed as a 'Material Change'. However, upon such change, the valuation of the investment carried out based on valuation methodologies / approaches, both old and new, shall be disclosed to the investors to ensure transparency.

18.2.4. The manager shall disclose the following as part of changes in PPM to be submitted annually to SEBI and investors:

(a) Details of changes in the valuation methodology and approach, if any, for valuation of each asset class of the scheme of the AIF;

(b) Details of changes in accounting practices/policies, if any, of the investee company and the scheme of the AIF; and

(c) Details of impact of the aforesaid changes in terms of valuation of the investments of the scheme of the AIF.

18.3. **Eligibility criteria for Independent Valuer**

In terms of Regulation 23(4) of AIF Regulations, the Manager shall ensure that the AIF appoints an independent valuer, which satisfies the criteria specified by SEBI from time to time, for valuing investment portfolio of AIFs. In this regard, the following is specified:

18.3.1. The independent valuer shall not be an associate of manager or sponsor or trustee of the AIF.

18.3.2. The independent valuer shall have at least three years of experience in valuation of unlisted securities.

18.3.3. The independent valuer shall fulfil one of the following criteria:

(a) The independent valuer is a valuer registered with Insolvency and Bankruptcy Board of India and has membership of Institute of Chartered Accountants of India or Institute of Company Secretaries of India or Institute of Cost Accountants of India or CFA Institute; or

(b) The independent valuer is a holding company or subsidiary of a Credit Rating Agency registered with SEBI; or

(c) Any other criteria as may be specified by SEBI from time to time.

18.3.4. For the purpose of meeting conditions specified at para **18.3.3(a)**, a valuer set up in the form of a partnership entity or a company, shall fulfil criteria given as under –

(a) Such entity or company shall be a 'Registered Valuer Entity' registered with Insolvency and Bankruptcy Board of India; and,

(b) the deputed/authorized person(s) of such 'Registered Valuer Entity', who undertake(s) the valuation of investment portfolio of AIFs, shall have a membership of ICAI or ICSI or ICMAI or a CFA Charter from the CFA Institute.

Chapter 19 - Pro-rata and pari-passu rights of investors of AIFs[73]

19.1. Pro-rata rights of investors of AIFs –

19.1.1. Regulation 20(21) of AIF Regulations states as under –

"The investors of a scheme of an Alternative Investment Fund shall have rights, pro-rata to their commitment to the scheme, in each investment of the scheme and in the distribution of proceeds of such investment, except as may be specified by the Board from time to time:

Provided that the rights of the investors of a scheme of Alternative Investment Fund issued prior to the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2024, which are not pro-rata to their commitment to the scheme and not exempted by the Board, shall be dealt with in the manner specified by the Board."

19.1.2. In this regard, it is specified that the requirement of maintaining investors' rights pro-rata to their commitment to the scheme, shall not be applicable in an investment of a scheme and distribution of proceeds of the investment to the extent –

(a) an investor has been excused or excluded from participating in the said investment; or,

(b) an investor has defaulted on providing his/her pro-rata contribution for the said investment.

19.1.3. Further, the requirement of maintaining pro-rata rights of investors in distribution of proceeds of investments of a scheme, shall not be applicable to the extent returns or profit on the investments is shared by an investor with the manager or sponsor of the AIF (by whatever name it is called, such as carried interest/additional return), in terms of contribution agreement executed between them.

19.1.4. Additionally, to provide flexibility in fund raising from investors with varied risk appetite, the following entities may accept returns lesser or share losses more than their pro-rata rights in investments of an AIF/scheme of an AIF, i.e., may subscribe to classes of units which are junior/subordinate to other class(es) of units of the AIF/scheme of AIF -

(a) Manager or sponsor of the AIF;

(b) Multilateral or Bilateral Development Financial Institutions;

(c) State Industrial Development Corporations;

[73] SEBI Circular No.: SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175 dated December 13, 2024 and SEBI Circular No. SEBI/HO/AFD-1/PoD/P/CIR/2022/157 dated November 23, 2022

(d) Entities established or owned or controlled by the Central Government or a State Government or the Government of a foreign country, including Central Banks and Sovereign Wealth Funds.

19.1.5. 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.

19.1.6. In case manager or sponsor of an AIF subscribes to junior / subordinate class(es) of units of the AIF/scheme of the AIF, it shall be ensured that the amount invested by the AIF/scheme of the AIF is not utilized by an investee company, directly or indirectly, to repay any of its obligations or liabilities towards the manager or sponsor of the AIF or their associates.

Applicability on existing AIFs/schemes of AIFs -

19.1.7. In terms of proviso to Regulation 20(21) of AIF Regulations, as referred at para **19.1.1** above, rights of investors of AIFs/schemes of AIFs issued prior to the date of notification of the aforesaid amendment to AIF Regulations (i.e., November 18, 2024), that are not pro-rata to their commitment to the AIF/scheme and not exempted by SEBI, shall be dealt with in the manner specified by SEBI.

19.1.8. Accordingly, it is hereby specified that existing AIFs/schemes of AIFs as on November 18, 2024, that have adopted priority distribution model (i.e., schemes that issued senior and junior/subordinate classes of units) and not falling under the exemption at para **19.1.4** above, shall neither accept any fresh commitment nor make investment in a new investee company, directly or indirectly.

19.1.9. As a consequence of compliance with the clause at para **19.1.8** above or the SEBI circular dated November 23, 2022 on the said subject, if the investment limits specified under AIF Regulations are breached by any AIF/scheme of AIF, such breach may not be considered as non-compliance with applicable provisions of AIF Regulations or circulars issued thereunder, to that extent. However, the same shall be recorded in writing in the 'Compliance Test Report' prepared by the manager in terms of para **21.2** of the SEBI Master Circular for AIFs.

19.2. **Pari-passu rights of investors of AIFs –**

19.2.1. Regulation 20(22) of AIF Regulations states as under –

"The rights of investors of a scheme of an Alternative Investment Fund, other than that specified in sub-regulation (21) of this regulation, shall be pari-passu in all aspects:

Provided that differential rights may be offered to select investors of a scheme of an Alternative Investment Fund, in the manner as may be specified by the Board, without affecting the interest of other investors of the scheme:

Provided further that the requirement under sub-regulation (22) of this regulation shall not apply to Accredited Investors only fund:

Provided further that any differential right already issued by an Alternative Investment Fund prior to the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Fifth Amendment) Regulations, 2024, not falling within the first proviso of sub-regulation (22) of this regulation, shall be dealt with in the manner as specified by the Board."

19.2.2. Accordingly, in terms of first proviso to Regulation 20(22) of AIF Regulations, it is specified that differential rights may be offered by AIFs to select investors without affecting the rights of other investors, based on the following guiding principles:

(a) Any such right shall not result in any investor bearing liability accrued or accruing to other investors of the AIF/scheme of AIF;

(b) Any such right with respect to non-monetary / non-commercial terms shall not provide control to an investor on the decision making of the AIF/scheme of AIF, except in cases where investor/its nominee is part of any committee set up in terms of Regulation 20 (7) of AIF Regulations;

(c) Any such right shall not alter the right(s) available to other investors under their respective agreements with the AIF/manager; and,

(d) Any such right and eligibility to avail the same shall be transparently disclosed in the PPM of the AIF/scheme of the AIF.

19.2.3. In this regard, the SFA shall, in consultation with SEBI, formulate the implementation standards for compliance with the aforesaid provision, prescribing the positive list of specific differential rights that may be offered by AIFs. Such list may be reviewed and updated by SFA, whenever necessary, in consultation with SEBI.

19.2.4. The implementation standards formulated by SFA shall be published on the websites of the industry associations which are part of SFA, i.e., Indian Venture and Alternate Capital Association (IVCA), PE VC CFO Association and Trustee Association of India.

19.2.5. AIFs, Managers of AIFs and their Key Management Personnel shall ensure the following while issuing differential rights to select investors –

(a) The differential rights shall be provided only in accordance with the implementation standards formulated by SFA.

(b) The following shall be disclosed in the PPM -

(i) Eligibility criteria for an investor to avail each differential right; and,

(ii) Any investor meeting the specified eligibility criteria for a differential right may opt to avail such right.

Applicability on existing AIFs/schemes of AIFs -

19.2.6. In terms of standard template for PPMs prescribed by SEBI vide its circular dated February 05, 2020 (subsumed in **Chapter 2** -of this Master Circular for AIFs), AIFs are required to disclose to investors in their PPM that any differential right offered to an investor(s), through separate classes of units or side letters/agreements, shall not have any adverse impact on the economic rights or any other rights of other investors.

19.2.7. Vide SEBI Circular No.: SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175 dated December 13, 2024, a one-time reporting requirement was mandated for AIFs/schemes of AIFs whose PPMs were filed with SEBI on or after March 01, 2020, and have issued differential right(s) which do not fall under the implementation standards formulated by SFA[74].

Out of the rights reported to SEBI as per the aforesaid direction, it was directed that the manager should immediately, post reporting, terminate/discontinue those differential rights which are ascertained to be affecting the rights of other investors.

19.2.8. Further, LVFs whose PPMs are filed with SEBI for launch of scheme post December 13, 2024 and AI only funds, may avail exemption from the requirement of maintaining pari-passu rights among investors, subject to the following -

(i) Making appropriate disclosure in the PPM of the scheme; and,

(ii) Obtaining undertaking from accredited investor at the time of on-boarding to LVF or AI only fund in terms of para **10.7.1.** of this SEBI Master Circular for AIFs, with the following clause inserted for waiver to this effect –

"The prospective investor is aware that LVF/AI only fund may avail exemption from the requirement of maintaining pari-passu rights among investors and therefore, may offer differential rights to select investors which might affect interest of others investors of the LVF/AI only fund."

19.2.9. Existing LVFs as on December 13, 2024, may avail exemption from the requirement of maintaining pari-passu rights among investors, subject to each investor of the scheme specifically providing the waiver to this effect as mentioned in para **19.2.8** above.

[74] SEBI Circular No.: SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175 dated December 13, 2024 and SEBI circular no. SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/29 dated March 03, 2025

Chapter 20 - Specific due diligence of investors and investments of AIFs

20.1. In terms of Regulation 20(20) of AIF Regulations, every AIF, Manager of the AIF and Key Management Personnel of the Manager and the AIF shall exercise specific due diligence, with respect to investors and investments of the AIF, to prevent facilitation of circumvention of such laws, as may be specified by SEBI from time to time.

20.2. In this regard, the specific due diligence to be carried out by AIFs, managers of AIFs and their Key Management Personnel, with respect to investors and investments of the AIF, to prevent facilitation of circumvention of the following regulatory frameworks, are being specified in this chapter -

I. Provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('ICDR Regulations'), and other regulations of SEBI wherein benefits or relaxations have been provided to entities designated as Qualified Institutional Buyers (QIBs).

II. Provisions of the 'Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002' (SARFAESI Act) wherein benefits are provided to entities designated as Qualified Buyers (QBs).

III. Prudential norms specified by Reserve Bank of India (RBI) for regulated lenders with respect to Income Recognition, Asset Classification, Provisioning and restructuring of stressed assets.

IV. Rule 6 of Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules) for investment from countries sharing land border with India (read with Press Note 3 dated April 17, 2020 of FDI Policy 2020).

20.3. **Investors availing benefits designated for QIBs through AIFs:**

20.3.1. AIFs have been designated as QIBs in terms of Regulation 2(1)(ss) of ICDR Regulations. There are certain benefits available to QIBs under ICDR Regulations and other SEBI Regulations.

20.3.2. In order to prevent AIFs from facilitating investors who are otherwise ineligible for QIB status on their own, in availing benefits designated for QIBs, the following is specified –

(a) For every scheme of AIFs having an investor, or investors belonging to the same group, who contribute(s) 50 percent or more to the corpus of the scheme, necessary due diligence as per the implementation standards formulated by SFA, shall be carried out prior to availing benefits available to QIBs under ICDR Regulations and other SEBI Regulations.

20.4. **Investors availing benefits designated for Qualified Buyers (QBs) through AIFs:**

20.4.1. AIFs have been notified as QBs in terms of clause (u) of sub-section (1) of section 2 of SARFAESI Act, and therefore, are eligible to subscribe to Security Receipts (SRs) issued by an Asset Reconstruction Company (ARC).

20.4.2. In order to prevent AIFs from facilitating investors who are otherwise ineligible for QB status on their own, in availing benefits designated for QBs the following is specified:

(a) For every scheme of AIFs having an investor, or investors belonging to the same group, who contribute(s) 50 percent or more to the corpus of the scheme, necessary due diligence as per the implementation standards formulated by SFA, shall be carried out prior to making any investments in SRs issued by ARCs or availing benefits designated for QBs under the SARFAESI Act.

20.5. **RBI regulated lenders/entities ever-greening their stressed loans/assets through AIFs:**

20.5.1. To address the issue of ever-greening of stressed loans/assets of RBI regulated lenders/entities through AIFs and to prevent circumvention of norms with respect to Income Recognition, Asset Classification, Provisioning and Restructuring of stressed loans/assets specified by RBI for its regulated lenders, the following is specified –

(a) For every scheme of an AIF:

(i) whose manager or sponsor is an entity regulated by RBI; or,

(ii) that has investor(s) regulated by RBI who:

I. individually or along with investors of the same group contribute(s) 25 percent or more to the corpus of the scheme; or,

II. is an associate of the manager/sponsor of the AIF; or,

III. by itself, or through its representative(s)/nominee(s), has majority or veto power in voting over decisions of the investment committee set up by the manager to approve investment decisions of the scheme;

necessary due diligence as per the implementation standards formulated by SFA, shall be carried out. If an investor of the scheme is an AIF, or a fund set up outside India or in International Financial Services Centres in India, then the criteria check for investor(s) regulated by RBI shall be carried out on a look through basis.

(b) For schemes falling under the ambit of provision at para **20.5.1(a)** above, the manager shall ensure that the scheme does not make any investment that

would lead to the RBI regulated lender/entity acquiring or holding an interest/exposure in the investee company indirectly (that is, through investment in a scheme of an AIF), that they are not permitted to acquire or hold directly.

20.6. Schemes of AIFs falling under the ambit of provisions at para **20.3.2(a)**, **20.4.2(a)** and **20.5.1(a)** above, shall proceed with the proposed investment in accordance with the respective implementation standards as formulated by SFA. If the proposed investment does not satisfy the due diligence checks specified by SFA for making investment:

26.1.1. either such investor or investors of same group as referred at para **20.3.2(a)**, **20.4.2(a)** and **20.5.1(a)** above shall be excluded from the investment, subject to necessary disclosure in the PPM for exclusion of investors; or,

26.1.2. the investment shall not be made.

20.7. **Investment from countries sharing land border with India through AIFs:**

20.7.1. In terms of Rule 6(a) of NDI Rules, a person resident outside India may subscribe, purchase or sell equity instruments of an Indian company in the manner and subject to the terms and conditions specified in Schedule I of NDI rules, provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the approval of the Government.

20.7.2. To ascertain whether investors from countries sharing land border with India are investing in Indian companies through AIFs, the following is specified -

(a) For every scheme of AIFs where 50 percent or more of the corpus of the scheme is contributed by investors –

(i) who are citizens of/are from/are situated in a country which shares land border with India, or,

(ii) whose beneficial owners, as determined in terms of sub-rule (3) of Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, are citizens of/are from/are situated in a country which shares land border with India,

necessary due diligence as per the implementation standards formulated by SFA, shall be carried out prior to making any investment.

(b) Upon carrying out the necessary due diligence, such scheme shall report details of its investment, which would result in the scheme holding 10 percent or more of equity/equity-linked securities issued by an investee company (on a fully-diluted basis), to its custodian within 30 days of investment, in the format as may be specified by SFA. Custodians shall compile such

information received from AIFs on a monthly basis and report to SEBI within 10 working days from the end of the month.

20.8. For the purpose of the provisions of this circular, 'same group' shall mean 'related parties' and 'relatives' as defined in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

20.9. The implementation standards as mentioned in this chapter, formulated by SFA in consultation with SEBI, shall be adopted by AIFs, Managers of AIFs and their Key Management Personnel for compliance with the provisions of this chapter. Such implementation 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.

H. REPORTING AND DISCLOSURE REQUIREMENTS FOR AIFs

Chapter 21 - Periodic reporting requirements for AIFs

21.1. **Reporting of investment activities by AIFs**[75]

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

21.1.1. AIFs shall submit a comprehensive Annual Activity Report at the end of March of each financial year. The Annual Activity Report shall be submitted by all AIFs online on the SEBI Intermediary Portal (SI Portal) within 30 calendar days from the end of March of every financial year.

21.1.2. A limited Quarterly Activity Report shall be submitted by all AIFs online on the SI Portal in prescribed format within 15 calendar days from the end of each such quarter. The first such report shall be submitted for the quarter ending June 2026. No separate submission of Quarterly Activity Report will be required for quarter ending March of every year as the Annual Activity Report includes the data points of the Quarterly Activity Report.

21.1.3. The aforesaid reporting formats are hosted by AIF Industry Association, Indian Venture and Alternate Capital Association (IVCA), on its website. The industry association shall assist all AIFs in understanding the reporting requirements and in clarifying or resolving any issues which may arise in connection with reporting, to ensure accurate and timely reporting.

21.1.4. To keep pace with the fast-changing landscape of AIF industry and for policy and supervision purposes, the aforesaid reporting format shall be reviewed periodically by SFA, in consultation with SEBI. In case of any revisions in the reporting format, revised format shall be made available on websites of industry associations which are part of SFA, at least 1 month prior to end of the quarter.

21.2. **Compliance Test Report (CTR)**[76]

21.2.1. 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**.

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

[75] SEBI circular No. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021, SEBI circular no. SEBI/HO/AFD/SEC-1/P/CIR/2023/0155 dated September 14, 2023 and SEBI circular no. HO/19/28/(1)2026-AFD-SEC3/I/6176/2026 dated March 04, 2026

[76] SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014

(a) the trustee and sponsor, in case the AIF is a trust;

(b) the sponsor, in case of AIF set up in the form other than a trust.

21.2.3. 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.

21.2.4. 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.

21.2.5. The requirements as specified at para **21.2.2** and **21.2.3** shall not be applicable to AI only funds. The manager of such funds shall prepare CTR and in case of observation of any violation of AIF Regulations or circulars issued thereunder, intimate the same to SEBI as soon as possible.

21.3. **Audit of terms of PPM**[77]

21.3.1. 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.

21.3.2. 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.

21.3.3. In order to have uniform compliance standards and for ease of compliance reporting, standard reporting format for PPM Audit Report applicable to various categories of AIFs, has been prepared in consultation with SFA and published on websites of AIF industry associations which are part of SFA i.e., Indian Venture and Alternate Capital Association (IVCA), PE VC CFO Association.

21.3.4. The PPM audit reports shall be submitted by AIFs to SEBI online through SI Portal as per the aforesaid format. The AIF industry associations shall assist all AIFs in understanding the reporting requirements and in clarifying or resolving any issues that may arise in connection with reporting to ensure accurate and timely reporting.

[77] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/99 dated June 12, 2020 and SEBI/HO/AFD/SEC-1/P/CIR/2024/22 dated April 18, 2024

21.3.5. To keep pace with the fast-changing landscape of AIF industry and for policy and supervision purposes, the aforesaid reporting format shall be reviewed periodically by SFA in consultation with SEBI. In case of any revisions in the reporting format, the revised format shall be made available on websites of the associations which are part of SFA.

21.3.6. The audit of sections of PPM relating to 'Risk Factors', 'Legal, Regulatory and Tax Considerations', 'Track Record of First Time Managers', 'Illustration of Fees and Expenses' and 'Glossary and Terms' shall be optional.

21.3.7. 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.

21.3.8. The requirement of audit of terms of PPM shall not apply to the following:

(a) Angel Funds that have made total investments (at cost) less than or equal to INR 100 Crore, as on end of that financial year[78].

(b) AIFs/Schemes in which each investor commits to a minimum capital contribution of INR 70 crore (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 annual audit of terms of PPM, in the manner provided at **Annexure 3.**

(c) LVFs as defined in AIF Regulations, without the requirement of obtaining specific waiver from investors[79].

21.4. Changes in PPM[80]

21.4.1. 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[81].

21.4.2. 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

[78] SEBI circular dated SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128 dated September 10, 2025
[79] SEBI Circular No. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated December 08, 2025
[80] SEBI circular No. CIR/IMD/DF/14/2014 dated June 19, 2014, SEBI Circular No. CIR/IMD/DF/16/2014 dated July 18, 2014 and SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2024/028 dated April 29, 2024
[81] SEBI circular No. SEBI/HO/IMD/IMD-I/DOF6/CIR/2021/549 dated April 07, 2021

Banker. The format of due diligence certificate for intimating the changes in the placement memorandum is given at **Annexure 15**. The Merchant Banker appointed for filing of PPM shall not be an associate of the AIF, its sponsor, manager or trustee[82].

21.4.3. The changes in such terms of PPM, as mentioned in **Annexure 16,** may not be required to be submitted through a merchant banker, and may be filed directly with SEBI.

21.4.4. Further, AI only funds, LVFs and Angel Funds are exempt from the requirement of intimating any changes in the terms of PPM through a merchant banker. AI only funds, LVFs and Angel Funds directly file any changes in the terms of PPM with SEBI, along with a duly signed and stamped undertaking by CEO 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, in a format as specified at **Annexure 17**[83].

21.5. **Reporting of investments of AIFs under custody**[84]

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 SEBI from time to time. In this regard, the following is specified:

21.5.1. The 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.

21.5.2. Managers of AIFs and custodians shall adopt and adhere to such implementation standards, formulated by the SFA in consultation with SEBI. Such standards are to 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.

[82] SEBI Circular No. SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645 dated October 21, 2021
[83] Modified vide SEBI circular No. HO/19/19/11(2)2026-AFD-RAC2/I/17617/2026 dated July 30, 2026
[84] SEBI Circular No. SEBI/HO/AFD/PoD/CIR/2024/5 dated January 12, 2024

Chapter 22 - Performance Benchmarking of AIFs[85]

22.1. 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.

22.2. 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.

22.3. **Benchmarking Agency and dissemination of performance benchmarks:**

22.3.1. 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.[86] Association will appoint Benchmarking Agencies and thereafter will set timeline for reporting of requisite data to Benchmarking Agencies by all the registered AIFs.

22.3.2. 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.

22.3.3. 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. The form and format of reporting shall be mutually decided by the Association and the Benchmarking Agencies.

22.3.4. Performance Benchmarking shall be done on a half yearly basis based on the data as on September 30 and March 31 of each year.

22.3.5. 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

[85] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated Feb 05, 2020
[86] SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/99 dated June 12, 2020

performance benchmarks will be disseminated in a manner that is accessible to the public.

22.3.6. Considering the diverse investment strategies and investment avenues that can be deployed by an AIF within the same category of AIFs, additional performance benchmarks may be created, based on certain other parameters (besides those covered under para **22.3.5** 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.

22.3.7. Benchmarking Agencies shall provide a Performance Benchmark Report to the individual AIFs/ Schemes vis-à-vis the industry benchmarks. 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.

22.4. **Operational guidelines for reporting by AIFs to Benchmarking Agencies:**

22.4.1. AIFs/ Schemes that have completed at least one year from First Close, shall provide all the necessary information/data to the Benchmarking Agencies.

22.4.2. 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 September 30 and within 7 months from the end of every half-year ending on March 31. The format of data reporting shall mandatorily include details of valuation principles and the name of the Valuation Agency appointed by the AIF.

22.4.3. Data provided for March 31 of every year shall be audited data and for September 30 may be unaudited data.

22.4.4. To ensure timely and appropriate reporting of valuation of investment portfolio of AIF to performance benchmarking agencies, the following is specified[87]:

(a) Manager of AIF shall ensure that a specific timeframe for providing audited accounts by the investee company to the AIF is included as one of the terms in subscription agreement / investment agreement with the investee company, so as to enable AIFs to report valuation based on audited data of investee companies as on March 31 to performance benchmarking agencies within the specified timeline of seven months, i.e., by October 31 of each year.

(b) Manager of AIF shall ensure that valuation based on audited data of investee company is reported to performance benchmarking agencies only after the

[87] SEBI circular no. SEBI/HO/AFD/PoD/CIR/2023/97 dated June 21, 2023 and SEBI circular no. SEBI/HO/AFD/PoD-1/P/CIR/2024/123 dated September 19, 2024

audit of books of accounts of the AIF in terms of Regulation 20(14) of AIF Regulations, within the stipulated timelines.

22.4.5. Periodicity of valuation of investments shall be as provided in the AIF Regulations.

22.4.6. 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.

22.4.7. Assets under Management (AUM) for the purpose of reporting and benchmarking shall be the value of total capital drawn down under the Scheme.

22.4.8. The performance reporting and benchmarking shall be carried out on pre-tax Net Asset Value (NAV) of the Scheme.

22.4.9. The performance data and benchmarks shall be reported in both INR and USD terms.

22.5. **Disclosure of performance benchmarks:**

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

22.5.2. 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.

22.5.3. 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.

22.6. **Customized Performance Reports:**

22.6.1. 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:

(a) Consent of the AIFs, whose data needs to be considered for generation of the customized performance report.

(b) Terms and conditions, including fees, decided mutually between the Benchmarking Agencies and the AIF.

22.6.2. Benchmarking Agencies may create customized Performance Reports, at the specific request of an AIF/ Scheme, in the following manner:

(a) Identification of the set of AIFs that meet the particular criteria on which customized performance report is to be generated.

(b) Such identification may be either on the basis of self-attestation by the relevant AIFs or by independent verification by Benchmarking Agencies.

(c) Receipt of express consent of the AIFs whose data is needed for creating such report.

(d) Preparation of customized performance reports may be a fee-based service, as decided mutually between the AIFs and the Benchmarking Agencies.

(e) 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.

I. WINDING UP OF SCHEMES AND FACILITIES FOR DEALING WITH UNLIQUIDATED INVESTMENTS

Chapter 23 - Flexibility to AIFs and their investors to deal with unliquidated investments of their schemes

Regulation 2(1) (ia) of AIF Regulations states as under –

> *""dissolution period" means the period following the expiry of the liquidation period of the scheme for the purpose of liquidating the unliquidated investments of the scheme of the Alternative Investment Fund."*

Regulation 29(9) of AIF Regulations states as follows –

> *"Notwithstanding anything contained in sub-regulation (7), during liquidation period of a scheme, an Alternative Investment Fund may distribute investments of a scheme which are not sold due to lack of liquidity, in-specie to the investors or enter into the dissolution period, after obtaining approval of at least seventy five percent of the investors by value of their investment in the scheme of the Alternative Investment Fund, in the manner and subject to conditions specified by the Board from time to time.*
>
> *Provided that in the absence of consent of unit holders for exercising the options under sub-regulation (9) during liquidation period, such investments of the scheme of the Alternative Investment Fund shall be dealt with in the manner as may be specified by the Board from time to time."*

In this regard, the following conditions are specified –

23.1. **Dissolution period**[88]:

23.1.1. Before seeking the requisite investor consent for entering into the dissolution period, the AIF / manager shall arrange bid for a minimum of 25% of the value of its unliquidated investments. The bid shall be arranged for units representing consolidated value of all unliquidated investments of the scheme's investment portfolio. The manager may arrange bids from multiple bidders in this regard.

23.1.2. The AIF / manager shall disclose the following to investors prior to seeking their consent –

(a) The proposed tenure of the Dissolution Period, details of unliquidated investments, value recognition of the unliquidated investments for reporting to Performance Benchmarking Agencies, etc.

(b) An indicative range of bid value, along with the valuation of the unliquidated investments carried out by two independent valuers.

[88] SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024

23.1.3. Prior to expiry of the Liquidation Period, the AIF / manager shall intimate SEBI about obtaining the investor consent and the investors' decision to enter into Dissolution Period.

23.1.4. If the AIF / manager successfully arranges bid for a minimum of 25% of the value of unliquidated investments of the scheme, the dissenting investors of the scheme shall be offered an option to fully exit the scheme out of the 25% bid arranged by the AIF. After exercising the exit option by aforesaid dissenting investors, any unsubscribed portion of the bid may be used to provide pro-rata exit to non-dissenting investors should they opt for the same.

23.1.5. If the AIF / manager fails to arrange bid for a minimum of 25% of the value of unliquidated investments of the scheme, the AIF can still opt for Dissolution Period, provided that it obtains consent of at least 75% of the investors by value of their investment in the scheme of the AIF.

23.1.6. If the bidder or its related parties are investor(s) in the scheme, such investor(s) shall not be provided exit from the scheme out of the bid.

"Related party" shall have the same meaning as provided in Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

23.1.7. At the time of entering into Dissolution Period, for appropriately capturing the track record of performance of the manager and for reporting the same to Performance Benchmarking Agencies, the value of such unliquidated investments of the scheme shall be calculated in the following manner –

(a) Based on bid value, if the AIF / manager arranges bid for a minimum of 25% of the value of unliquidated investments of the scheme; or

(b) One Rupee, if the AIF / manager fails to arrange bid for a minimum of 25% of the value of unliquidated investments of the scheme.

23.1.8. The performance of the manager during the Dissolution Period shall be captured separately and reported to Performance Benchmarking Agencies, distinct from the performance of the scheme before entering into Dissolution Period.

23.1.9. If the scheme of the AIF fails to sell the unliquidated investments during the Dissolution Period, such investments shall be mandatorily distributed in-specie to the investors. It is clarified that no further extension or Liquidation Period shall be available to these schemes after the expiry of Dissolution Period.

23.1.10. The manager of the AIF shall not charge management fee during the Dissolution Period.

23.2. **Information Memorandum for schemes of AIFs entering into Dissolution Period[89]:**

In terms of Regulation 29B(2) of SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), scheme of an AIF entering into dissolution period shall file an information memorandum with SEBI through a merchant banker in the manner as may be specified by SEBI. In this regard, the following is specified –

23.2.1. The information memorandum for a scheme of an AIF entering into dissolution period shall be submitted to SEBI before expiry of the liquidation period or additional liquidation period of the scheme, as the case may be.

23.2.2. The format for information memorandum to be submitted by the scheme of AIF entering into dissolution period is given at **Annexure 18**.

23.2.3. The format for Due Diligence Certificate by Merchant Banker to be submitted along with the aforesaid information memorandum to SEBI is given at **Annexure 19**.

23.3. **In-specie distribution of unliquidated investments of a scheme[90]**

23.3.1. During the Liquidation Period of a Scheme of an AIF, if the AIF decides to distribute unliquidated investments in-specie, the AIF shall obtain consent of 75% of investors by value of their investment in the scheme.

23.3.2. Upon obtaining the requisite investor consent for in-specie distribution of unliquidated investments, the AIF shall arrange bid for a minimum of 25% of the value of the unliquidated investments. The bid shall be arranged for units representing consolidated value of each unliquidated investment of the scheme's investment portfolio.

23.3.3. The AIF shall disclose the bid value along with the valuation of the unliquidated investments carried out by two independent valuers to all the investors of the scheme.

23.3.4. The dissenting investors of the scheme who did not consent to in-specie distribution, shall be offered an option to fully exit the scheme out of the 25% bid arranged by the AIF/ manager. After exercise of the exit option by aforesaid dissenting investors, any unsubscribed portion of the bid shall be used to provide pro-rata exit to non- dissenting investors.

23.3.5. If the bidder or its related parties are investors in the scheme, they shall not be provided exit from the scheme out of the bid.

[89] SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/100 dated July 09, 2024
[90] SEBI Circular No.: SEBI/HO/AFD/PoD1/CIR/2023/098 dated June 21, 2023 and SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024

Related party shall have same meaning as provided in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

23.3.6. Subsequently, the unliquidated investments shall be distributed in-specie. For capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies, the value of such in-specie distribution shall be –

(a) Bid value, if the AIF/ manager arranges bid for a minimum of 25% of the value of unliquidated investments of the scheme.

(b) One Rupee, if the AIF/ manager fails to arrange bid for a minimum of 25% of the value of unliquidated investments of the scheme.

23.3.7. The in-specie distribution shall be carried out and the scheme shall be wound up, prior to the expiry of the Liquidation Period of the scheme.

23.3.8. While obtaining the requisite investor consent, manager shall disclose to the investors that the value of the unliquidated investments distributed in-specie shall be in the manner given at para **23.3.6** above, for capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies.

23.4. **Mandatory in-specie distribution of unliquidated investments[91]:**

With regard to the proviso of Regulation 29(9) of AIF Regulations, the following is specified –

23.4.1. During the Liquidation Period, if the AIF fails to obtain requisite investor consent for entering into Dissolution Period or in-specie distribution, then the unliquidated investments shall be mandatorily distributed to investors in-specie, without requirement of obtaining consent of 75% of investors by value of their investment in the scheme of the AIF.

23.4.2. The value of such investments distributed in-specie shall be recognised at One Rupee for capturing the track record of performance of the manager and for reporting to Performance Benchmarking Agencies.

23.4.3. In case any investor is not willing to take the in-specie distribution of unliquidated investments, such investments shall be written off.

[91] SEBI Circular No.: SEBI/HO/AFD/PoD1/CIR/2023/098 dated June 21, 2023 and SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024

23.5. **In-specie distribution of investments of AIFs under Regulation 29(8) of AIF Regulations[92] -**

With respect to carrying out in specie distribution of investments of a scheme of an AIF in terms of Regulation 29(8) of AIF Regulations, it is clarified that such in specie distribution (other than the aforesaid mandatory in specie distribution), shall be carried out after obtaining approval of at least seventy-five percent of the investors by value of their investment in the scheme of the AIF.

23.6. **One-time flexibility to schemes of AIFs whose Liquidation Period has expired, to deal with unliquidated investments, by availing additional liquidation period[93] -**

Regulation 29(9A) of AIF Regulations states as under –

"If the liquidation period for a scheme of an Alternative Investment Fund has expired or is expiring within three months from the date of notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024, such schemes may be granted an additional liquidation period, subject to such conditions and in the manner as may be specified by the Board.

Provided that the additional liquidation period granted under sub-regulation (9A) shall be without prejudice to the issuance of any direction or measures in accordance with the provision of the Act and regulations framed thereunder."

In this regard, the following is specified -

23.6.1. During the additional Liquidation Period, the scheme shall fully liquidate its investments, or distribute the investments in-specie or opt for the Dissolution Period.

23.7. **Liquidation Scheme[94] -**

Regulation 29A(8) of AIF Regulations inserted vide SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024, states as under –

"No Alternative Investment Fund shall launch any new liquidation scheme under this regulation after the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024:

Provided that any liquidation scheme launched by an Alternative Investment Fund prior to the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024 shall continue to be

[92] SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/100 dated July 09, 2024
[93] SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024
[94] SEBI Circular No.: SEBI/HO/AFD/PoD1/CIR/2023/098 dated June 21, 2023 and SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024

governed by regulation 29A and the other provisions of these regulations till such schemes are wound up."

In this regard, any Liquidation Scheme launched by an AIF prior to April 25, 2024 [i.e. the date of notification of Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024] shall continue to be governed by the following provisions, till such schemes are wound up –

23.7.1. During the Liquidation Period of a scheme of an AIF ('Original Scheme'), if the AIF decides to launch Liquidation Scheme, the AIF shall obtain consent of 75% of investors by value of their investment in the Original Scheme.

23.7.2. The scheme launched by the AIF for this purpose shall contain the words 'Liquidation Scheme' in its name.

23.7.3. Upon obtaining the requisite investor consent for launching Liquidation Scheme, the AIF shall arrange bid for a minimum of 25% of the value of the unliquidated investments. The bid shall be arranged for units representing consolidated value of each unliquidated investment of the Original Scheme's investment portfolio.

23.7.4. The AIF shall disclose the bid value, along with the valuation of the unliquidated investments carried out by two independent valuers, to all the investors of the Original Scheme.

23.7.5. The dissenting investors of the Original Scheme who did not consent to sell the unliquidated investments to the Liquidation Scheme, shall be offered an option to fully exit the Original Scheme out of the 25% bid arranged by the AIF/ manager. After exercising the exit option by aforesaid dissenting investors, any unsubscribed portion of the bid shall be used to provide pro-rata exit to non-dissenting investors.

23.7.6. If the bidder or its related parties are investors in the Original Scheme, they shall not be provided exit from the Original Scheme out of the bid.

Related party shall have same meaning as provided in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

23.7.7. Subsequently, the unliquidated investments of the Original Scheme shall be sold to the Liquidation Scheme. For capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies, the value of such sale shall be –

(a) Bid value, if the AIF/ manager arranges bid for a minimum of 25% of the value of unliquidated investments of the Original Scheme.

(b) One Rupee, if the AIF/ manager fails to arrange bid for a minimum of 25% of the value of unliquidated investments of the Original Scheme.

23.7.8. Liquidation Scheme shall allot its units to the Original Scheme for purchasing investments from Original Scheme in the manner specified above.

23.7.9. Upon receipt of units of Liquidation Scheme, the Original Scheme shall mandatorily distribute such units of Liquidation Scheme in-specie in lieu of its units issued to investors.

23.7.10. The Liquidation Scheme shall be launched and Original Scheme shall be wound up, prior to the expiry of the Liquidation Period of the Original Scheme.

23.7.11. In terms of Regulation 29A(2) of AIF Regulations, Liquidation Scheme has been provided exemption, *inter alia*, from the requirement of obtaining SEBI's comments on the PPM. Accordingly, the tenure of the Liquidation Scheme shall be calculated from the date of filing of PPM with SEBI and such tenure shall not be more than the tenure of the Original Scheme excluding any permissible extension.

23.7.12. Liquidation Scheme shall not extend its tenure or sell its investments to another Liquidation Scheme. Further, Liquidation Period, as defined in Regulation 2(1)(pb) of AIF Regulations, shall not be available to Liquidation Scheme.

23.7.13. If an AIF (viz. A1) has invested in units of another AIF (viz. A2) and the investee AIF (i.e. A2) has launched a Liquidation Scheme, then the investor AIF (i.e. A1) upon expiry of its tenure or extended tenure, shall mandatorily distribute the units of Liquidation Scheme held by it, in-specie to its investors (i.e. investors of A1).

23.7.14. Performance of Liquidation Scheme shall also be reported to Performance Benchmarking Agencies, in terms of **Chapter 22** -of this Master Circular.

23.7.15. While obtaining the requisite investor consent, manager shall disclose to the investors that the value of the unliquidated investments sold to the Liquidation Scheme shall be in the manner given at para **23.7.7** above, for capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies.

23.8. **Responsibility for compliance[95]:**

23.8.1. The manager, trustee and key management personnel of AIF and manager shall be responsible for compliance with the provisions and procedure prescribed above.

23.8.2. The manager of AIF, upon exercising any of the options mentioned above, shall submit report on compliance with the provisions of this circular on SEBI

[95] SEBI Circular No.: SEBI/HO/AFD/PoD1/CIR/2023/098 dated June 21, 2023, SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/026 dated April 26, 2024 and SEBI Circular No.: SEBI/HO/AFD/PoD-I/P/CIR/2024/100 dated July 09, 2024

Intermediary Portal in the format as specified therein and/or as part of quarterly regulatory reporting to SEBI, as the case may be.

23.8.3. The manager of AIF shall report the value, as specified above, with regard to sale of unliquidated investments to Liquidation Scheme or at the time of entering into dissolution period or distribution of unliquidated investments in-specie, to Performance Benchmarking Agencies in a timely manner for the purpose of performance benchmarking. The manager shall also make suitable disclosure with regard to the same in the PPMs of subsequent schemes.

Chapter 24 - Modalities for migration of Venture Capital Funds to AIF Regulations[96]

24.1. Vide notification dated July 20, 2024, AIF Regulations have been amended to provide flexibility to Venture Capital Funds ('VCFs') registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations"), for migrating to AIF Regulations and to, *inter-alia*, avail the facility of dealing with unliquidated investments of their schemes upon expiry of tenure.

24.2. In terms of Regulation 19V(1) of AIF Regulations, "Migrated Venture Capital Fund" means a fund that was previously registered as a Venture Capital Fund under the VCF Regulations and subsequently registered under AIF Regulations as a sub-category of Venture Capital Fund under Category I - Alternative Investment Fund, in accordance with the provisions of Chapter III - D of AIF Regulations.

24.3. **Modalities and conditions for migration to AIF Regulations:**

24.3.1. While opting for migration to AIF Regulations, VCFs having only schemes whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has not expired, shall be subject to the following conditions -

(a) The facility of migration to AIF Regulations shall be available till July 19, 2025.

(b) The tenure of scheme(s) of the Migrated VCF, upon migration, shall be determined in the following manner:

(i) In case a definite tenure was disclosed in the PPM of the scheme(s) under the VCF Regulations, such scheme(s) shall continue with the same tenure upon migration.

(ii) In case a definite tenure was not disclosed in the PPM of the scheme(s), the residual tenure of the scheme(s) of the Migrated VCF shall be determined prior to the application for migration, with the approval of 75 percent of investors by value of their investment in the scheme(s).

24.3.2. While opting for migration to AIF Regulations, VCFs having at least one scheme which has not been wound up post expiry of its liquidation period (in terms of Regulation 24(2) of VCF Regulations), shall be subject to the following conditions -

(a) Such VCFs may apply for registration as Migrated VCF on or before July 19, 2025, only if the VCF or any of its scheme(s) do not have any pending investor complaint with regard to non-receipt of funds / securities as on the date of the application.

[96] SEBI Circular No. SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/111 dated August 19, 2024

(b) In terms of Regulation 19AF(4) of AIF Regulations, a one-time additional liquidation period of one year from the date of notification of amendment to AIF Regulation i.e., period till July 19, 2026[97], shall be available to scheme of the migrated VCF, whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has expired and is not wound up.

(c) If the VCF also has scheme(s) other than the scheme(s) stated in para **24.3.2(b)** above, i.e., scheme(s) whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has not expired, the tenure of such scheme(s) of the Migrated VCF shall be determined as per provision at para **24.3.1(b)** above upon migration.

24.3.3. Upon migration to AIF Regulations, the investors on-boarded, investments held and units issued by the VCF or scheme(s) of the VCF registered under VCF Regulations, shall be deemed to be that of the Migrated VCF or its scheme(s), under the AIF Regulations.

24.3.4. The applicability of provisions of this SEBI Master Circular for AIFs to Migrated VCFs are given at **Annexure 20**.

24.4. Further, with respect to VCFs registered under VCF Regulations that do not opt for migration to AIF Regulations, the following is specified –

24.4.1. Scheme(s) of VCFs, whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has not expired, shall be subject to enhanced regulatory reporting as may be prescribed by SEBI in line with the regulatory reporting applicable to AIFs under AIF Regulations.

24.4.2. VCFs having at least one scheme whose liquidation period (in terms of Regulation 24(2) of VCF Regulations) has expired shall be subject to appropriate regulatory action for continuing beyond the expiry of their original liquidation period.

24.5. The flexibility to opt for migration to AIF Regulations shall not be available to VCFs wherein –

24.5.1. All the schemes of the VCF have been wound up; and/or,

24.5.2. No investment has been made by schemes of the VCF which have not been wound up.

Such VCFs shall submit an application to SEBI for surrender of their registration on or before March 31, 2025, failing which appropriate action shall be initiated to cancel the certification of registration.

24.6. The manager, trustee and key management personnel of the VCF/Migrated VCF and manager shall be responsible for compliance with the provisions of this circular.

[97] SEBI Circular no. SEBI/HO/AFD/SEC-3/P/CIR2025/85 dated June 06, 2025

Chapter 25 - Guidelines for winding up of AIFs with respect to retention of proceeds and 'Inoperative Fund' status[98]

25.1. Regulation 29 of AIF Regulations states, *inter-alia*, the following with respect to winding up –

25.1.1. Regulation 29(7) - Within the liquidation period, the assets shall be liquidated, and the proceeds accruing to investors in the AIF or the scheme of the AIF shall be distributed to them after satisfying all liabilities, subject to conditions as may be specified by SEBI from time to time.

25.1.2. Regulation 29(10A) - An AIF may be tagged as an inoperative fund, in such manner and subject to conditions as may be specified by SEBI from time to time.

25.1.3. Regulation 29(11) - Upon winding up of the AIF, the certificate of registration shall be surrendered to SEBI.

The conditions and modalities with respect to retention of proceeds beyond permissible fund life, tagging as 'Inoperative Fund' and surrender of registration are being specified in this chapter.

25.2. **Retention of proceeds beyond permissible fund life -**

25.2.1. AIFs/schemes of AIFs may retain liquidation proceeds beyond the liquidation period or dissolution period (*beyond "permissible fund life"*), as applicable, subject to satisfying at least one of the following conditions –

(a) Demonstrable receipt of a litigation notice or demand by the AIF/scheme of AIF, which includes any official written communication from a tax authority, regulatory authority, law enforcement agency, court of law, or from an investor or counterparty in relation to litigation, which indicates a potential tax, regulatory or legal liability. This shall include show-cause notices, re-assessment notices, investigation summons, or similar communications and shall not be restricted to crystallised demand notices;

(b) Consent obtained from at least seventy-five percent of the investors by value of their investment in the scheme, in cases where proceeds are proposed to be retained on account of anticipated liabilities arising due to a possible/probable litigation or tax demand;

(c) Substantiation of amounts retained for meeting residual winding up related operational expenses, through invoices, supporting documents or records of comparable expenses incurred in previous years.

25.2.2. In cases where monies are being retained on account of anticipated liabilities as specified in paragraph **25.2.1(b)** above, the manager of AIF shall disclose the

[98] Inserted with the issuance of SEBI circular no. HO/19/34/11(2)2026-AFD-POD1/I/13764/2026 dated June 16, 2026

amount being retained and estimated time period for which it is proposed to be retained to the investors of the fund while seeking their consent for retention.

25.2.3. In cases where monies are being retained for meeting residual winding up related operational expenses as specified in paragraph **25.2.1(c)** above, the time period for such retention shall not exceed three years from the end of permissible fund life of the AIF/scheme of AIF. Further, the implementation standards for standardising the operational heads under which monies may be retained, shall be formulated by SFA, in consultation with SEBI.

25.2.4. All monies retained in line with conditions at paragraph **25.2.1** above shall be invested in accordance with Regulation 15(1)(f) of the AIF Regulations.

25.2.5. Once the liabilities are satisfied and the pending retained monies are distributed to the investors of the fund, the scheme shall be wound up in terms of Regulation 29 of AIF Regulations.

25.3. **Application for 'Inoperative Fund' status**

25.3.1. An AIF having one or more schemes with retained monies as specified in paragraph **25.2.1** above and intending to surrender its registration, may apply for obtaining the 'Inoperative Fund' status. The application shall be submitted to SEBI in the format as specified in **Annexure 21**, by emailing to inoperativeaif@sebi.gov.in.

25.3.2. An AIF whose scheme(s) have not retained any monies beyond the permissible fund life, but intending to continue with the registration solely in anticipation of a favourable outcome of a pending litigation, may also apply for obtaining the 'Inoperative Fund' status.

25.3.3. Upon approval of the aforesaid application, the applicant AIF will be tagged as 'Inoperative Fund'.

25.3.4. Such Inoperative Fund shall apply to SEBI for surrender of its certificate of registration only after the liabilities are satisfied and the pending retained monies are distributed to the investors in all its schemes.

25.4. **Regulatory framework applicable to 'Inoperative funds'**

25.4.1. An AIF tagged as 'Inoperative Fund' shall be subject to the following conditions, with effect from the date of obtaining the tag –

(a) The monies retained by scheme(s) of such AIF in terms of Paragraph 3 above, shall be invested in accordance with Regulation 15(1)(f) of the AIF Regulations;

(b) No new scheme shall be launched under the AIF; and,

(c) No management fees shall be charged in respect of any of its scheme(s).

25.4.2. The regulatory requirements as specified in **Annexure 22** shall not be applicable to AIFs tagged as 'Inoperative Funds'.

25.4.3. AIFs having schemes which have retained monies in terms of paragraph **25.2.1** above and AIFs tagged as 'Inoperative Funds' shall submit an annual status report on retained monies and outstanding liabilities to SEBI and to investors of the relevant scheme(s), in the format as given at **Annexure 23** of this circular. The report shall be submitted on SEBI Intermediary portal within 30 calendar days from the end of March of every financial year.

25.5. **Applicability to erstwhile Venture Capital Funds**

25.5.1. The aforesaid facility of retention of proceeds beyond permissible fund life and availing Inoperative Fund status shall also be applicable to Venture Capital Funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996. The regulatory framework applicable to such VCFs tagged as 'Inoperative Funds' shall be the same as applicable to AIFs, stated in para **25.4** above.

***

ANNEXURES

Annexure 1 - Template for PPM for Category I and Category II AIFs

The template for PPM of AIFs raising funds under Category I and Category II is provided here.

Annexure 2- Template for PPM for Category III AIFs

The template for PPM of AIFs raising funds under Category III is provided here.

Annexure 3 - 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 **2.1.4** and/or para **21.3.8** 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/or 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)

****

[Note: The template for waiver may be suitably modified if waiver is sought with respect to only one of the two requirements i.e., for providing PPM in the template format or for conducting an annual audit of compliance with the terms of the PPM.]

Annexure 4 - 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 such as Investment Strategy.
   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. <u>Timelines of the activity/services provided to investors:</u>

Sr. No.	**Description of activity/services provided by Alternative Investment Funds (AIFs) to its investors**	**Timeline for completion of activity**
1.	**<u>Valuation related disclosures:</u>**	
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.	**<u>Transparency related disclosures:</u>**	
a.	Disclosure of financial information of investee companies	

Sr. No.	Description of activity/services provided by Alternative Investment Funds (AIFs) to its investors	Timeline for completion of activity
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	• Category I and II - within 180 days from the year end or earlier as per the fund documents. • Category III - within 60 days from the end of the quarter end or earlier as per the fund documents.
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.	**Complaint handling related services:**	
a.	Response to complaint received from investors	Within 21 days from the date of receipt of complaint
b.	Redressal of investor complaint received from SEBI/ SCORES	Within 21 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. All claims, differences or disputes between investors and the Alternative Investment Fund or the Manager arising out of or in relation to the activities of the Alternative Investment Fund or the Manager in the securities market shall be submitted to a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration, in accordance with the procedure specified by SEBI.
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 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 5 - 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 > 3 months	Average Resolution time ^ (in days)
1	Directly from Investors						
2	SEBI (SCORES)						
3	Other Sources (if any)						
	Total						

^ 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	2023-24				
2	2024-25				
3	2025-26				
	Total				

***

Annexure 6 - Format for Due Diligence Certificate to be submitted at the time of filing PPM 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 6A*** *- 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 6B*** *- Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate*

Annexure 6A. - 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

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

Note:

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

Annexure 6B. - Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate

S. No.	***Particulars***	***Yes/ No***	***Remarks (Also provide the respective page number of placement memorandum wherever applicable)***
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 PAN has been obtained for the Scheme		If yes, PAN of the scheme may be provided
3.	Whether the manager and sponsor of the scheme are same as that of the AIF		
4.	Whether the manager or sponsor qualify as foreign owned or controlled entities? If yes, whether it is disclosed under Important notice section that the fund and its investments shall be subject to Foreign Exchange Management (Non-Debt instruments) Rules, 2019 and applicable reporting norms under the Foreign Exchange Management (Mode of Payment and Reporting of Non- Debt Instruments) Regulations, 2019.		
5.	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		
6.	Whether the scheme seeks waiver (as per para **2.1.4** 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 INR 70 crore and provide a waiver from the requirement of placement memorandum in prescribed template (Not applicable for LVF).

S. No.	***Particulars***	***Yes/ No***	***Remarks (Also provide the respective page number of placement memorandum wherever applicable)***
7.	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
8.	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 and confirm whether the same is in compliance with para **19.1** of SEBI Master Circular for AIFs
9.	Whether the investor(s) has/have any role in approving investment decisions of the scheme		
10.	Whether it is provided that the scheme does not propose to engage in lending activity, or extending guarantee for investee company		
11.	Whether the sections 'Investment objective, strategy and process', 'Governance structure' and 'principal terms of the fund/scheme' contain all material information		
12.	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		
13.	Whether tenure of the scheme/fund is clearly disclosed and is calculated from first close of the scheme		
14.	Whether timeline for conducting first close is within 12 months from the date on which the AIF is eligible to launch the scheme as stated at para **2.4.1.1** of SEBI Master circular for AIFs		

S. No.	***Particulars***	***Yes/ No***	***Remarks (Also provide the respective page number of placement memorandum wherever applicable)***
15.	Whether type of instruments proposed for temporary deployment of funds is in line with applicable provision of AIF Regulations Whether the scheme proposes to invest in such instruments as part of primary investment objective of the scheme also In case of Category III AIFs, whether the scheme proposes to invest in such instruments also to provide applicable margin to recognized stock exchanges		If yes, provide the list of instruments proposed for temporary deployment of funds
16.	Whether maximum duration for such temporary deployment of funds is disclosed		If yes, mention the duration
17.	Whether the scheme intends to invest in units of AIFs		If yes, confirm whether necessary disclosures have been made in line with para **4.1** of SEBI Master Circular for AIFs
18.	Whether names of key management personnel are disclosed in the placement memorandum in line with para **17.1.2** and **17.1.3** of SEBI Master Circular for AIFs		
19.	Whether it is verified that all members of key investment team are employees or partners or directors (as applicable) of the manager		
20.	Whether it is verified that the key investment team satisfies the NISM certification requirement and professional qualification criteria provided under AIF Regulations		Name(s) of qualifying member(s) to be provided
21.	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

S. No.	*Particulars*	*Yes/ No*	*Remarks (Also provide the respective page number of placement memorandum wherever applicable)*
22.	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		
23.	If the Manager is owned or controlled by persons resident in India, then: (a) Whether any member of the proposed investment committee is a non-resident / a citizen of country other than India (b) If yes, whether such member is an employee, director or partner of the manager of AIF		If answer to question (a) is yes, details of such members to be provided
24.	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		
25.	Under section 'Track Record of Manager', whether there is provision for disclosure of performance benchmark disseminated by a benchmarking agency in terms of **Chapter 22 -** of SEBI Master Circular for AIFs		
26.	Whether the eligibility criteria for each class of unit is clearly specified and differentiated		
27.	Whether specific instances are disclosed, under which an investor may be excluded or excused from a particular investment		If yes, confirm whether such instances are in line with provisions under **Chapter 15** -of SEBI Master Circular for AIFs
28.	Whether the list of commercial and non-commercial terms, on which differential rights		If yes, provide and confirm whether such differential rights are in line with para

S. No.	*Particulars*	*Yes/ No*	*Remarks (Also provide the respective page number of placement memorandum wherever applicable)*
	may be offered through side letter arrangement or issuance of additional class of units, is disclosed		**19.2** of SEBI Master Circular for AIFs
29.	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		
30.	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
31.	Whether timelines for intimation regarding warehoused investments to existing and prospective investors, are disclosed		If yes, state the timelines for such intimation
32.	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		
33.	Whether specific instances are disclosed under which in-specie distribution / distribution in kind may be made If yes, whether the manager has systems to ensure that any investor, by virtue of receiving securities due to distribution in kind, will not breach/violate any applicable law		
34.	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		
35.	Whether the PPM has adequate disclosures pertaining to valuation of the portfolio of the AIF, in line with applicable provisions of AIF Regulations and **Chapter 18** -of SEBI Master Circular for AIFs		

S. No.	***Particulars***	***Yes/ No***	***Remarks (Also provide the respective page number of placement memorandum wherever applicable)***
36.	Whether the scheme has a direct plan option such that investors investing through direct plan are not required to pay any placement / distribution fees		
37.	Whether it is disclosed that the manager will establish written down conflict management policy and whether timeline for adopting such policy has been provided		
38.	Whether Investor Charter and data on investor complaints have been disclosed in terms of para **2.3** of SEBI Master Circular for AIFs		
39.	Whether the distribution waterfall illustrations have been provided for different scenarios		If yes, whether it is verified that the illustrations are accurate and complete
40.	Whether necessary disclosure has been made regarding the disciplinary history in terms of para **2.2.2** and **2.2.3** 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.

***

Annexure 7 - Format for undertaking to be submitted for filing PPM of AI only funds or LVFs or Angel Funds with SEBI

To,

Securities and Exchange Board of India

Dear Sir / Madam,

Sub: Filing of draft placement memorandum of (name of AI only scheme or LVF), 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 or a confirmation of accreditation by the manager; 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 7A*** *- 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 AI only fund/LVF scheme/Angel Fund.*
2. ***Annexure 7B*** *- Information with respect to disclosures in the placement memorandum.*

Note: In case of Angel Funds, name of scheme shall not be applicable.

Annexure 7A. - 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 scheme/fund

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

Note:

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

Annexure 7B. - Information with respect to disclosures in the placement memorandum

The format specified at **Annexure 6B** shall be applicable as is, along with additional query as under –

'Whether it is stated in the placement memorandum that the Angel Fund/AI Only Fund/LVF scheme shall be placed only before Accredited Investors having valid accreditation certificate from SEBI recognized Accreditation Agency or a confirmation of accreditation by the Manager or Deemed AIs as per SEBI AIF Regulations?'.

Note:

(i) If any of the points given in **Annexure 6B** 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.

***

Annexure 8 - Information to be submitted while filing application for allocation of overseas investment limit

A. Details of the proposed overseas investment:

Sr. No.	Information related to	Particulars	Details
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.)
		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 –

(a) the proposed overseas investment transaction is bona fide in nature,

(b) the proposed overseas investment is consistent with the investment objective of the scheme,

(c) 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:

1. 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 Commissions 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 9 – Information with respect to sale/divestment of overseas investment

Sr. No.	Information related to	Particulars	Details
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)	

Annexure 10 - Template for shelf placement memorandum to be filed for CIV schemes

The template for shelf placement memorandum to be filed for CIV schemes is provided here.

Annexure 11 - List of Documents to be submitted for accreditation

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

Information	Document to be submitted
Proof of Identity and Address	
In case of Individual/ HUF//Sole Proprietorship	(a) Copy of PAN Card (b) Copy of any 'Officially Valid Document'
In case of Body Corporates	(a) Copy of PAN card (b) Document of Incorporation
In case of Trusts	(a) Copy of PAN Card. (b) Copy of registered trust deed
Authorization to seek accreditation	
In case of body corporates/trusts	Letter from authorized signatory to apply for accreditation.
Proof of financial information	
For income: Latest Income Tax Return or ITR Acknowledgement; or a certificate from a practising Chartered Accountant certifying that the prescribed income threshold is met. For Net worth: Latest audited financial statements; or a net worth certificate from a practising chartered accountant, not older than six months. For Securities market exposure: An eCAS summary statement generated by a depository, not older than six months; or a certificate from a practising Chartered Accountant certifying that the prescribed securities market exposure threshold was met within the last six months. For securities held in dematerialised form, the value reflected in the eCAS statement as of the statement date shall be used. For unlisted securities and overseas securities market investments not valued in the eCAS statement, the applicant shall furnish a certificate from a practising Chartered Accountant. The certificate shall identify the nature of securities, valuation date, and value. It is optional for the chartered accountant to specify the actual net-worth in the net-worth certificate, while certifying whether it meets the specified threshold.	
Undertaking	
In case of Individual / HUF/ Sole Proprietorship/ Body Corporates/Trusts	Declaration from Applicant that: The submissions made are true and correct and if found incorrect, the application may be rejected.
Other Documents*	

**Accreditation Agency or the Manager may seek other documents to verify the genuineness of the information/documents submitted by the applicants and in cases where the information submitted by applicants appears to be contradicting/suspicious /fictitious.*

***

Annexure 12 - Format of waiver to be provided by investors in respect of responsibility of investment committee members

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 17.3.1 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)

Annexure 13- 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 in 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.

***

Annexure 14 - Format of Compliance Test Report (CTR)

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.	**Regulation 7(1)(c):** 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.	**Regulation 9(2):** Whether there has been any material alteration to the fund strategy during the year and in such case, whether consent of at least two-thirds of unit holders by value of their investment in the AIF has been obtained.		
3.	**Regulation 10(b):** Whether each scheme of the AIF has corpus of at least twenty crore rupees;		
4.	**Regulation 10(c):** 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.		
5.	**Regulation 10(d):** 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. 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.		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
6.	**Regulation 10(e):** Whether the Manager and Sponsor have disclosed their investments in the AIF to the investors of the AIF.		
7.	**Regulation 10(f):** Whether each scheme of the AIF has not more than one thousand Investors.		
8.	**Regulation 10(g):** Whether the AIF has solicited or collected funds only by way of private placement.		
9.	**Regulation 11(2):** Whether the placement memorandum contains all information as specified in Regulation 11(2)		
10.	**Regulation 12:** Whether the AIF has launched any new scheme during the year and in such case, whether the placement memorandum has been filed with SEBI prior to launch of scheme along with the scheme fees.		
11.	**Regulation 13(5) & 13(6):** 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.		
12.	**Compliance with every clause of Regulation 15** *(Separate compliance for every clause shall be provided)*		
13.	**Compliance with every clause of Regulation 16/17/18/19, as applicable** *(Separate compliance for every clause shall be provided)*		
14.	**Compliance with every clause of Regulation 20** *(Separate compliance for every clause shall be provided)*		

Sr. No	Compliance with respect to	Details of compliance	Any other comments
15.	**Regulation 21:** In case of any conflict of interests that have arose during the year, whether Regulation 21 has been complied with.		
16.	**Regulation 22:** Whether the AIFs have disclosed information contained in the clauses under Regulation 22 to the investors.		
17.	**Regulation 23:** *(Separate compliance for every clause shall be provided)*		
18.	**Regulation 28:** Whether reports to be submitted the SEBI during the year have been submitted in the manner as specified by SEBI.		
19.	**Regulation 29:** In case the AIF has wound up during the year, whether Regulation 29 has been complied with.		
20.	**Compliance with provisions of this Master Circular** *(Chapter-wise compliance shall be provided)*		
21.	**Compliance with any other relevant circular as issued/ may be issued by SEBI**		

[Note:

(i) The aforesaid list of regulations and circular is only an indicative list. It shall be ensured at the time of filing CTR that the same is updated to include compliance with provisions of latest amended AIF Regulations and circulars issued thereunder.

(ii) The CTR shall clearly provide compliance information for each scheme of the AIF separately]

***

Annexure 15 - Format for Due Diligence Certificate to be submitted while intimating changes in terms of PPM 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

***

Annexure 16 - Terms of PPM for which changes are not required to be filed through Merchant Banker and may be filed directly with SEBI

Table 1 - Sections of PPM where any change carried out is not required to be filed through Merchant Banker

S.No.	Particulars
1.	Write-up on Market Opportunity/ Indian Economy/ Industry Outlook (Section II of the template PPM)
2.	Track record of investment manager (Section VI of the template PPM)
3.	Risk factors (Section X of the template PPM)
4.	Legal regulatory and tax Consideration (Section XI of the template PPM)

Table 2 - Specific changes in PPM which are not required to be filed through Merchant Banker

S.No.	Particulars
1.	Change in contact details (address, phone number etc.) of AIF, sponsor, manager, trustee or custodian (except such changes for which regulatory approval is required or if the new contact details of sponsor or manager of AIF is of a foreign jurisdiction)
2.	Change of auditor, RTA, legal advisor or tax advisor
3.	Change in size of the Fund/Scheme
4.	Change in information related to Affiliates
5.	Change in commitment period
6.	Changes in Key Investment Team of the manager subject to at least one key personnel fulfilling the requirement mentioned under Regulation 4(g) of SEBI (AIF) Regulations, 2012 ('AIF Regulations')
7.	Changes in Key Management Personnel of AIF or the Manager (except if changes are due to change in control of manager or sponsor)
8.	Change in advisory board/advisory committee/investment committee or any other committee (except if such committees are set up to approve the decisions of the AIF)
9.	Reduction in any of the expense or fee or cost charged to fund/investors (including management fee)
10.	Inclusion of new disclosure or change in existing disclosure pursuant to a regulatory mandate, such as mandate to include investor charter in PPM, updation of investor complaints data for last three financial years, etc.
11.	Other factual and routine updates, such as change in designation or qualification of members/directors, compliance officer, operating partners, portfolio company advisor, glossary, etc.

Annexure 17 –Format for filing changes in terms of PPM of AI only funds or LVFs or Angel Funds to SEBI

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

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

With reference to intimating changes in the terms of placement memorandum of (name of scheme), scheme of (name of AIF) for FY 20_____, we hereby 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:

{to be signed by CEO 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}

***

Note: In case of Angel Funds, name of scheme shall not be applicable.

Annexure 18 - Format for information memorandum to be filed with SEBI for availing dissolution period

Sr. No	Particulars	Information
1.	Name of the AIF	
2.	Category of the AIF	
3.	Registration no. of the AIF	
4.	Name of the Trustee/Board of Directors/Designated Partners of the AIF (as per the legal structure of the AIF)	
5.	Name of the Sponsor	
6.	Name of the Manager	
7.	Name of the scheme of AIF availing the dissolution period	
8.	PAN No. of Scheme (if available)	
9.	Date of initial closing of the Scheme (in dd/mm/yyyy)	
10.	Date of final closing of the Scheme (in dd/mm/yyyy)	
11.	Tenure of the Scheme (in years)	
12.	Extension of tenure availed, if any (in years)	
13.	End date of tenure of the Scheme (including extension of tenure availed, if any) (in dd/mm/yyyy)	
14.	End date of liquidation period of the Scheme (in dd/mm/yyyy)	
15.	Cumulative investments made by the Scheme during its tenure (at Cost, in INR Crore)	
16.	Details of unliquidated investments held by scheme at the time of entering into dissolution period	
	- Number of investments held	
	- Cumulative (total) amount invested (at cost, in INR Crore)	
	- Total value of investments as per latest valuation (in INR Crore)	
17.	Tenure of the Dissolution Period (in years)	
18.	Percentage of investors consent/approval by value of investment, received to avail dissolution period	
19.	Date of intimation to SEBI about the aforesaid investor consent/approval and about opting for the Dissolution Period	
20.	Percentage of value of unliquidated investments of the scheme, for which bid has been arranged by the AIF/manager	

Annexure 19 - Format for Due Diligence Certificate to be submitted along with Information Memorandum to SEBI for availing dissolution period

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

Sub.: Filing of information memorandum for availing dissolution period for (name of scheme), scheme of (name of AIF)

On the basis of examination of information memorandum for availing dissolution period, private placement memorandum (PPM) of the scheme, supporting documents submitted by AIF and discussions held with AIF, its manager, sponsor, trustee, etc., we hereby confirm that:

1. We have independently exercised due-diligence regarding compliance of the AIF/aforesaid scheme of AIF with Regulation 29 of SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations') to exercise the option for entering into dissolution period, including the veracity and adequacy of disclosures made in the information memorandum.

2. The information provided by the AIF to verify compliance with Regulation 29 of AIF Regulations and disclosures made in the information memorandum are true, fair, based on latest available information and 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

Enclosed:

Annexure 19A *- Information with respect to compliance with Regulation 29 of AIF Regulations and disclosures in the information memorandum submitted for (name of scheme) availing dissolution period, to be submitted along with the due diligence certificate.*

Annexure 19A

Information with respect to compliance with Regulation 29 of AIF Regulations and disclosures in the information memorandum submitted for (name of scheme) availing dissolution period, to be submitted along with the due diligence certificate

S.No.	Particulars	Yes/No	Remarks
1.	Whether the AIF / manager has disclosed the following details to investors prior to seeking their consent for opting of dissolution period by the scheme of AIF – (i) Proposed tenure of the Dissolution Period, (ii) Details of unliquidated investments, (iii) An indicative range of bid value arranged for a minimum of 25% of the value of its unliquidated investments, (representing consolidated value of all unliquidated investments of the scheme's investment portfolio) (iv) Valuation of the unliquidated investments carried out by two independent valuers.		
2.	Whether investors of the scheme have been informed regarding the following before seeking consent for dissolution period – (i) After obtaining approval of at least seventy-five percent of the investors by value of their investment in the scheme for entering into dissolution period, in case the manager fails to arrange bid for a minimum of 25% of the value of its unliquidated investments, the scheme can still opt for dissolution period (ii) No further extension or Liquidation Period shall be available to the scheme after the expiry of Dissolution Period (iii) If the scheme of the AIF fails to sell the unliquidated investments during the Dissolution Period, such investments shall be mandatorily distributed in-specie to the investors (iv) The manager of the AIF shall not charge management fee during the Dissolution Period (v) The scheme of the AIF shall not accept any fresh commitment from any investor and shall not make any new investment during the Dissolution Period.		

S.No.	Particulars	Yes/No	Remarks
3.	Whether approval of at least seventy five percent of the investors by value of their investment in the scheme of the AIF has been obtained for entering into dissolution period?		
4.	Whether the AIF/manager intimated SEBI about obtaining investor consent and investors' decision to enter dissolution period prior to expiry of liquidation period of the scheme?		
5.	Whether the tenure of the dissolution period of the scheme more than original tenure of the scheme?		
6.	Whether the AIF/manager arranged bid for a minimum of 25% of value of unliquidated investments of the scheme?		
7.	Whether dissenting investors were offered option to exit the scheme out of the bid arranged?		
8.	Whether unsubscribed portion of the bid, if any, after offering exit to dissenting investors, has been used to provide pro-rata exit to non-dissenting investors, in case they opted for exit?		
9.	Whether the bidder or its related party, who are also investors of the scheme, have been provided exit out of the bid from the bidder?		
10.	In case the scheme availed additional liquidation period in terms of Regulation 29(9A) of AIF regulations, whether the scheme had any pending investor complaint w.r.t non-receipt of funds/securities at the time of availing additional/fresh liquidation period?		

Annexure 20 - Applicability of chapters and provisions of the Master circular for AIFs to Migrated VCFs

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 1.	**Requirements and clarifications pertaining to registration of AIFs** • Online Filing System for AIFs • Certification requirement for key investment team of manager of AIF • In-principle approval • Change in category of AIF • Classification of Corporate Debt Market Development Fund as Category I AIF	The application for migration to AIF Regulations shall be filed through SEBI Intermediary (SI) portal. No application or registration fee is applicable for migration to AIF Regulations. <u>Not applicable -</u> - Certification requirement for key investment team of manager of AIF - In-principle approval - Change in category of AIF - Classification of Corporate Debt Market Development Fund as Category I AIF
Chapter 2.	**Filing of PPM for launch of scheme** • Template(s) for PPM • Disclosure of distribution waterfall and disciplinary history in PPM • Disclosure of Investor Charter and Investor complaints in PPM • Modalities for filing of PPM and launch of non-LVF schemes • Modalities for filing of PPM and launch of LVF schemes • Modalities for conversion into AI only schemes	<u>Not applicable -</u> - Template for PPM and Disclosure of distribution waterfall and disciplinary history in PPM (However, the disclosures in PPM shall be in line with Regulation 19AC of AIF Regulations) - Modalities for filing of PPM and launch of Regular schemes - Modalities for filing of PPM and launch of schemes of AI only Funds, LVFs and Angel Funds - Modalities for conversion into AI only schemes <u>Applicable –</u> - Disclosure of Investor Charter and of Investor complaints in PPM

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 3.	**On-boarding of investors by AIFs** • Eligibility for on-boarding investors to AIFs • Conditions for fund raising by AIFs	Applicable - - Eligibility for on-boarding investors to AIFs - Para **3.2.1** to **3.2.3** under 'Conditions for fund raising by AIFs' Not applicable - - Para **3.2.4** to **3.2.7** under 'Conditions for fund raising by AIFs'
Chapter 4.	**Investment instrument/security specific conditions for AIFs** • Investment in units of AIFs • Participation of AIFs in Credit Default Swaps • Transaction in Corporate Bonds through Request for Quote (RFQ) platform • Clarifications related to investments by AIFs	Not applicable – - Investment in units of AIFs - Participation of AIFs in Credit Default Swaps - Clarifications related to investments by AIFs Applicable - - Transaction in Corporate Bonds through Request for Quote (RFQ) platform
Chapter 5.	**Guidelines for overseas investments by AIFs and related reporting** • Investment conditions • Allocation of overseas investment limit • Reporting of overseas investments	Applicable
Chapter 6.	**Framework for AIFs to make co-investment within the AIF structure**	Applicable
Chapter 7.	**Operational and prudential norms for Category III AIFs**	Not applicable
Chapter 8.	**Operational and prudential norms for Angel Funds**	Not applicable

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 9.	**Norms for Special Situation Funds**	Not Applicable
Chapter 10.	**Framework for Accreditation of Investors** • Accreditation Agency • Manager led accreditation • Eligibility Criteria for Accredited Investors • Procedure for Accreditation • Validity of Accreditation • Safeguards for Manager led accreditation • Procedure to avail benefits linked to accreditation • Flexibility to investors to withdraw 'Consent'	Not applicable
Chapter 11.	**Dematerialisation of units and investments of AIFs and collection of stamp duty on units of AIFs** • Issuance of units of AIFs in dematerialised form • Credit of units of AIFs in dematerialised form • Reporting of value of units of AIFs to depositories • Directions to depositories for dematerialisation of units of AIFs • Collection of stamp duty on issue, transfer and sale of units of AIFs • Holding investments of AIFs in dematerialised form	<u>Applicable –</u> - Issuance of units of AIFs in dematerialised form - applicable for fresh drawdowns - Collection of stamp duty on issue, transfer and sale of units of AIFs - Reporting of value of units of AIFs to depositories <u>Not applicable –</u> - Credit of units of AIFs in dematerialized form (Flexibility of crediting AIF units to aggregate escrow demat account not applicable for units issued against fresh drawdowns) - Holding investments of AIFs in dematerialised form

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 12.	**Timeline for first close and calculation of tenure of AIFs** • Timeline for declaration of First Close of schemes of AIFs (Validity of PPM) • Calculation of tenure of close-ended schemes of AIFs	Not Applicable
Chapter 13.	**Material change and change in Sponsor or Manager of AIFs** • Procedure for 'material change' including change in control of manager/sponsor or change in manager/sponsor of AIFs • Fee for change in control of manager/sponsor or change in manager/sponsor of AIFs • Change in control of Sponsor and/or Manager of AIF involving scheme of arrangement under Companies Act, 2013	Applicable
Chapter 14.	**Guidelines to Category I and II AIFs for borrowing and for creating encumbrance on their equity holding** • Borrowing by Category I and II AIFs • Framework for Category I and II AIFs to create encumbrance on their holding of equity of investee companies	Not applicable
Chapter 15.	**Guidelines with respect to excusing or excluding an investor from an investment of AIF**	Applicable

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 16.	**Direct plan for schemes of AIFs and trail model for distribution commission in AIFs** • Direct Plan for schemes of AIFs • Trail model for distribution commission in AIFs	Not applicable
Chapter 17.	**Obligations of manager, sponsor, investment committee and trustee of AIFs** • Appointment and designation of personnel of AIF and manager • Appointment of custodian for AIFs • Constitution of Investment Committee • Code of conduct • Stewardship Code • Other obligations	Applicable – • Para **17.1.2** and **17.1.3** under 'Appointment and designation of personnel of AIF and manager' • Constitution of Investment Committee • Code of conduct • Stewardship Code • Para **17.6.1** and **17.6.3** under 'Other obligations' Not applicable – • Para **17.1.1** under 'Appointment and designation of personnel of AIF and manager' • Appointment of custodian for AIFs • Para **17.6.2** under 'Other obligations'
Chapter 18.	**Standardised approach to valuation of investment portfolio of AIFs** • Manner of valuation of AIF's investments • Responsibility of manager of AIF with regard to valuation of investments of AIF • Eligibility criteria for Independent Valuer	Applicable – • Manner of valuation of AIF's investments • Responsibility of manager of AIF with regard to valuation of investments of AIF Not applicable – • Eligibility criteria for Independent Valuer

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
Chapter 19.	**Pro-rata and pari-passu rights of investors of AIFs** • Pro-rata rights of investors of AIFs • Pari-passu rights of investors of AIFs	Applicable
Chapter 20.	**Specific due diligence of investors and investments of AIFs** • Investors availing benefits designated for QIBs through AIFs • Investors availing benefits designated for Qualified Buyers (QBs) through AIFs • RBI regulated lenders/entities ever-greening their stressed loans/assets through AIFs • Investment from countries sharing land border with India through AIFs	Applicable
Chapter 21.	**Periodic reporting requirements for AIFs** • Reporting of investment activities by AIFs • Compliance Test Report (CTR) • Audit of terms of PPM • Changes in PPM • Reporting of investments of AIFs under custody	<u>Applicable</u> – • Reporting of investment activities by AIFs • Compliance Test Report (CTR) <u>Not applicable –</u> • Audit of terms of PPM • Changes in PPM • Reporting of investments of AIFs under custody
Chapter 22.	**Performance Benchmarking of AIFs** • Benchmarking Agency and dissemination of performance benchmarks	Applicable

Chapter no.	Title of Master Circular Chapters	Extent of applicability of the Chapter to Migrated VCFs
	• Operational guidelines for reporting by AIFs to Benchmarking Agencies • Disclosure of performance benchmarks • Customized Performance Reports	
Chapter 23.	**Flexibility to AIFs and their investors to deal with unliquidated investments of their schemes**[#] • Dissolution period • Information Memorandum for schemes of AIFs entering into Dissolution Period • In-specie distribution of unliquidated investments of a scheme • Mandatory in-specie distribution of unliquidated investments • In-specie distribution of investments of AIFs under Regulation 29(8) of AIF Regulations • Liquidation Scheme • Responsibility for compliance	Applicable
Chapter 24.	**Modalities for migration of Venture Capital Funds to AIF Regulations** Modalities and conditions for migration to AIF Regulations	Applicable
Chapter 25.	**Guidelines for winding up of AIFs with respect to retention of proceeds and 'Inoperative Fund' status**	Applicable

Annexure 21 - Information to be submitted while filing application for 'Inoperative Fund' status

S. No.	Particulars	Details
Part A - Details of AIF		
1.	Name of the AIF	
2.	Category of the AIF	
3.	Registration Number of the AIF	
4.	Name of the trustee	
5.	Name of the Sponsor	
6.	Name of the Manager	
7.	No. of schemes launched under the AIF	
8.	No. of schemes where proceeds have been retained to meet liabilities	
Part B - Details of schemes of AIF (Information shall be submitted at scheme level, separately for each scheme of the AIF)		
9.	Name of scheme	
10.	Date of initial closing of the fund (dd/mm/yyyy)	
11.	Date of final closing of the fund (dd/mm/yyyy)	
12.	Tenure of the fund (in years, as disclosed in PPM of the fund)	
13.	Extension of tenure availed, if any (in years)	
14.	Dissolution period availed, if any (from dd/mm/yyyy to dd/mm/yyyy)	
15.	End Date of permissible fund life (end of liquidation period or dissolution period as applicable in dd/mm/yyyy format)	
16.	Corpus of the scheme (in INR Crore)	
17.	Cumulative investments made by the scheme (at Cost, in INR Crore)	
18.	Date of liquidation of last investment of the scheme (in dd/mm/yyyy format)	
19.	Liquidation proceeds accrued to the fund (in INR Crore)	
20.	Liquidation proceeds distributed to the investors (in INR Crore)	
21.	Date of payment of last tranche of proceeds to investors (aside from proceeds retained) (in INR Crore)	

S. No.	Particulars	Details
22.	Liquidation proceeds retained by the fund (in INR Crore)	
23.	Winding up of the fund on account of -	a) Tenure of the fund as mentioned in PPM is over; or, b) Opinion of trustee that the fund be wound up in the interest of the investors c) Resolution for winding up, by seventy five percent of the investors by value of their investment in the fund
24.	Amounts retained/'Inoperative fund' status sought on account of -	a) Pending litigation or tax / regulatory demand (Demonstrable Receipt/Official communication to be enclosed) b) Anticipated litigation or tax demand (Document recording the details of investor consent obtained to be enclosed) c) Residual operational expenses (Supporting invoices / comparable expense statement from previous years to be enclosed) d) No retained monies; continuing with registration solely in anticipation of favourable litigation outcome (Supporting documents in form of notices/official communication to be enclosed)
25.	Expected timeline for resolution and distribution of any pending retained amount to investors (End date in form of dd/mm/yyyy)	
26.	Proposed instruments for investment of retained monies	
27.	Details of pending enforcement actions	

Part C - Undertaking to be submitted by the Manager of the AIF

1. The information supplied in this application for obtaining Inoperative Fund for [Name of AIF], including the attachment sheets, is complete and true. The Manager of the AIF [Name of AIF] has exercised due diligence with respect to the claims made in this application.
2. The scheme(s) [Names of scheme(s)] of the AIF has completed its investment activity and all the assets/investments of the scheme(s) have been liquidated.

S. No.	Particulars	Details

3. The monies retained are solely on account of [specify applicable ground(s): pending litigation/tax demand | anticipated litigation/tax demand with investor consent | residual operational expenses | anticipation of favourable litigation outcome], and supporting documentation is enclosed.
4. No new scheme shall be launched and no management fees shall be charged from the investors from the date of obtaining Inoperative Fund status.
5. The retained monies shall be invested only in accordance with Regulation 15(f) of the AIF Regulations.
6. An annual status report shall be submitted to SEBI and to the investors of the relevant scheme(s) until all liabilities are resolved and a NIL bank balance is achieved.
7. The retention proceeds pending after meeting the liabilities and any proceeds received pursuant to a favourable litigation outcome, shall be distributed to the investors of the fund in accordance with terms of its PPM.

For and on behalf of [Name of Manager], manager of [Name of AIF]

Authorized signatory

Part D - Undertaking to be submitted by the Trustee / Board of Directors/ Designated Partners of the AIF (as applicable depending on the form of AIF)

We, [Name of entity], trustee/Board of Directors/Designated Partners of the AIF, have reviewed the circumstances of [Name of the AIF] and we are satisfied that the application for 'Inoperative Fund' status is bona fide in nature and the amounts retained, if any, are solely on account of the ground(s) specified in the application.

For and on behalf of [Name of Entity], trustee/Board of Directors/Designated Partners of [Name of AIF]

Authorized signatory

Annexure 22 - Exemption from certain regulatory requirements for Inoperative Fund

S. No.	Regulatory requirements	Effective date of non-applicability
1.	Limited Quarterly Activity Report and Annual Activity Report (Para **21.1** under Chapter 21 of this Master Circular for AIFs)	Limited Quarterly Activity Report - From the quarter subsequent to the quarter in which the AIF is tagged as Inoperative Fund Annual Activity Report - From the Financial Year subsequent to the Financial Year in which the AIF is tagged as Inoperative Fund
2.	Audit of terms of PPM (Para **21.3** under Chapter 21 of this Master Circular)	From the Financial Year subsequent to the Financial Year in which the AIF is tagged as Inoperative Fund.
3.	Intimation of changes in PPM (Para **21.4** under Chapter 21 of this Master Circular)	
4.	Compliance Test Report (CTR) (Para **21.2** under Chapter 21 of this Master Circular)	
5.	Reporting of information, including scheme-wise valuation and cash flow data to the Benchmarking Agencies for performance benchmarking (**Chapter 22** -of this Master Circular)	
6.	NISM certification requirement for the key investment team of the fund (Regulation 4(g)(i) of AIF Regulations)	Date of obtaining Inoperative Fund status
7.	Requirement of custodian for safekeeping of securities of AIF (Regulation 20(11) of AIF Regulations)	Date of obtaining Inoperative Fund status
8.	Periodic disclosure to investors regarding fund investments in terms of Regulation 22(a) of AIF Regulations	Date of obtaining Inoperative Fund status
9.	Annual (Category I and II AIFs) /Quarterly reports (Category III AIFs) to investors in terms of Regulation 22(g) and 22(h) of AIF Regulations	From the Financial Year/Quarter subsequent to the Financial Year/Quarter in which the AIF is tagged as Inoperative Fund.
10.	Valuation of investments of AIFs (Regulation 23(2) and 23(3) of AIF Regulations)	Date of obtaining Inoperative Fund status – The valuation shall be reported to investors as part of annual retention status report and accordingly, the updated Net Asset Value of the AIF units shall also be reported to depositories within 30 calendar days from the end of March of every financial year.

Annexure 23 - Format for Annual Retention Status Report

(To be submitted to SEBI and investors within 30 calendar days from the end of March of every financial year)

Details of AIF and its scheme(s)

S. No.	Information related to	Particulars	Details
1.	Details of AIF	a) Name of the AIF	
		b) Category of the AIF	
		c) Registration Number	
		d) Date of obtaining 'Inoperative Fund' status (If applicable)	
2.	Details of scheme(s) with retained monies*	a) Name of the scheme(s)	
		b) End date of permissible fund life (end of liquidation period or dissolution period as applicable in dd/mm/yyyy format)	
		c) Reason(s) for non-winding up of scheme before end of permissible fund life (Provide specific reason for non-winding up/ retention of proceeds)	
		d) Amounts retained/'Inoperative fund' obtained on account of – (Choose one of the options given herein)	(i) Pending litigation or tax / regulatory demand (Demonstrable Receipt/Official communication to be enclosed) (ii) Anticipated litigation or tax demand (Document recording the details of investor consent obtained to be enclosed) iii) Residual operational expenses (Supporting invoices / comparable

S. No.	Information related to	Particulars	Details
			expense statement from previous years to be enclosed) iv) No retained monies; continuing with registration solely in anticipation of favourable litigation outcome
		e) Total amount retained (in INR)	
		f) Amount distributed as on date to investors out of the retained amount (in INR)	
		g) Amount retained as on reporting date (in INR)	
		h) Present status of the reason(s) mentioned at row (c) above	
		i) Expected timeline for resolution (in dd/mm/yyyy)	

*Note - *Scheme wise information to be provided separately.*

Details of investment made with monies retained in terms of regulation 15(f) of AIF Regulations

S. No.	Name of Scheme*	Name of Instrument/ Investee Company [Refer Note 1]	Cost of Holding as at the end of the reporting period (Rs. Cr) [Refer Note 2]	Latest Value of Holding as at the end of the reporting period (Rs. Cr) [Refer Note 3]	Type of Security [Refer Note 4]	Provide details, if Type of Security chosen is 'Others'

Note 1: Each Mutual Fund Scheme, T-bill, G-sec etc. should be stated separately.

Note 2: Cost of temporary investments held as at the end of the reporting period is to be provided

Note 3: Valuation considered for calculation of Scheme's latest NAV is to be provided.

Note 4: Liquid Mutual Fund, Other than Liquid Mutual Funds, Bank deposits, T-bills, TREPS, CPs, CDs and Others

Annexure 24 – List of Rescinded Circulars

S. No.	*Date of circular*	*Circular No.*	*Subject of circular*	*Rescission Status*
I.	Oct 01, 2015	CIR/IMD/DF/7/2015	Guidelines on overseas investments and other issues/clarifications for AIFs/VCFs	Partially rescinded to the extent they pertain to AIFs
II.	Jul 03, 2018	SEBI/HO/IMD/DF1/CIR/P/2018/103/2018	Overseas Investment by Alternative Investment Funds (AIFs) / Venture Capital Funds (VCFs)	
III.	May 21, 2021	SEBI/HO/IMD/DF6/CIR/P/2021/565	Enhancement of overall limit for overseas investment by Alternative Investment Funds (AIFs)/Venture Capital Funds (VCFs)	
IV.	Aug 17, 2022	SEBI/HO/AFD-1/PoD/CIR/P/2022/108	Guidelines for overseas investment by Alternative Investment Funds (AIFs) /Venture Capital Funds (VCFs)	
V.	Aug 04, 2023	SEBI/HO/AFD/PoD/CIR/P/2023/137	Validity period of approval granted by SEBI to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) for overseas investment	
VI.	May 07, 2024	SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39SEBI/HO/AFD/PoD1/P/CIR/2023/130	Master Circular for Alternative Investment Funds (AIFs)	Complete
VII.	Apr 18, 2024	SEBI/HO/AFD/SEC-1/P/CIR/2024/22SEBI/HO/AFD-1/PoD/P/CIR/2023/053	Circular on Standardization of the Private Placement Memorandum (PPM) Audit Report	Complete
VIII.	Apr 26, 2024	SEBI/HO/AFD/PoD-I/P/CIR/2024/026SEBI/HO/AFD/PoD/CIR/2023/054	Flexibility to Alternative Investment Funds (AIFs) and their investors to deal with unliquidated investments of their schemes	Complete

S. No.	*Date of circular*	*Circular No.*	*Subject of circular*	*Rescission Status*
IX.	Apr 26, 2024	SEBI/HO/AFD/PoD1/CIR/2024/027SEBI/HO/AFD/PoD1/CIR/2023/96	Framework for Category I and II Alternative Investment Funds (AIFs) to create encumbrance on their holding of equity of investee companies	Complete
X.	Apr 29, 2024	SEBI/HO/AFD/PoD/CIR/2024/028SEBI/HO/AFD/PoD/CIR/2023/97	Relaxation in requirement of intimation of changes in the terms of Private Placement Memorandum of Alternative Investment Funds through Merchant Banker	Complete
XI.	May 13, 2024	SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/42SEBI/HO/AFD/PoD-I/P/CIR/2023/098	Certification requirement for key investment team of manager of AIF	Complete
XII.	July 09, 2024	SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/100SEBI/HO/AFD/SEC-1/P/CIR/2023/0155	Information to be filed by schemes of AIFs availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs	Complete
XIII.	Aug 19, 2024	SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/111SEBI/HO/AFD/PoD/CIR/2023/054	Modalities for migration of Venture Capital Funds registered under erstwhile SEBI (Venture Capital Funds) Regulations, 1996 to SEBI (Alternative Investment Funds) Regulations, 2012	Partially rescinded to the extent it pertains to AIFs
XIV.	Aug 19, 2024	SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/112	Guidelines for borrowing by Category I and Category II AIFs and maximum permissible limit for extension of tenure by LVFs	Complete
XV.	Sept 19, 2024	SEBI/HO/AFD/PoD-1/P/CIR/2024/123	Modification in framework for valuation of investment portfolio of AIFs	Complete
XVI.	Oct 8, 2024	SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/135	Specific due diligence of investors and investments of AIFs	Complete

S. No.	*Date of circular*	*Circular No.*	*Subject of circular*	*Rescission Status*
XVII.	Dec 13, 2024	SEBI/HO/IMD/PoD2/P/CIR/2024/174	Classification of Corporate Debt Market Development Fund (CDMDF) as Category I Alternative Investment Fund	Complete
XVIII.	Dec 13, 2024	SEBI/HO/AFD/AFD-POD-1/P/CIR/2024/175SEBI/HO/AFD/PoD1/CIR/2024/2	Pro-rata and pari-passu rights of investors of AIFs	Complete
XIX.	Feb 14, 2025	SEBI/HO/AFD/PoD-1/P/CIR/2025/17SEBI/HO/AFD/PoD/CIR/2024/5	Relaxation in timelines for holding AIFs' investments in dematerialised form	Complete
XX.	Mar 03, 2025	SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/29	Relaxation in timeline for reporting of differential rights issued by AIFs	Complete
XXI.	May 13, 2025	SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/066	Extension of timeline for complying with the certification requirement for the key investment team of the Manager of AIF	Complete
XXII.	Jun 06, 2025	SEBI/HO/AFD/SEC-3/P/CIR/2025/85	Extension of timeline of additional liquidation period for VCFs migrating to SEBI (Alternative Investment Funds) Regulations, 2012	Complete
XXIII.	Sep 09, 2025	SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/126	Framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012	Complete
XXIV.	Sep 10, 2025	SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128	Revised regulatory framework for Angel Funds under AIF Regulations	Complete
XXV.	Oct 15, 2025	SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/136	Relaxation in timeline for disclosure of allocation methodology by Angel Funds	Complete
XXVI.	Dec 08, 2025	HO/19/34/11(5)2025-AFD-POD1/I/188/2025	Modalities for migration to AI only schemes and relaxations to Large Value Funds for Accredited Investors under	Complete

S. No.	*Date of circular*	*Circular No.*	*Subject of circular*	*Rescission Status*
			SEBI (Alternative Investment Funds) Regulations, 2012	
XXVII.	Dec 30, 2025	HO/19/(8)2025-AFD-POD1/I/1266/2025	Certification requirement for Compliance Officers of Managers of AIFs	Complete
XXVIII.	Jan 09, 2026	HO/19/34/11(9)2025-AFD-POD1/I/2286/2026	Simplification of requirements for grant of accreditation to investors	Complete
XXIX.	Feb 06, 2026	HO/19/34/11(8)2025-AFD-POD1/I/4335/2026	Reporting of value of units of Alternative Investment Funds (AIFs) to Depositories	Complete
XXX.	Mar 04, 2026	HO/19/28/(1)2026-AFD-SEC3/I/6176/2026	Regulatory Reporting by AIFs	Complete
XXXI.	Apr 30, 2026	HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026	Fast-Track Mechanism for Processing of Placement Memorandum of AIFs filed with SEBI	Complete
XXXII.	Jun 16, 2026	HO/19/34/11(2)2026-AFD-POD1/I/13764/ 2026	Guidelines for winding up of AIFs with respect to retention of proceeds and 'Inoperative Fund' status.	Partially rescinded to the extent it pertains to AIFs
XXXIII.	Jul 30, 2026	HO/19/19/11(2)2026-AFD-RAC2/I/17617/ 2026	'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI	Complete
XXXIV.	September 07, 2026	HO/19/34/11(7)2025-AFD-POD1/I/20626/2026	Relaxation in timeline with respect to Accredited Investor mandate for Angel Funds	Complete

***