

Alternative Investment Funds (AIFs)

Key amendments in regulations vide 19 June 2014 circular



This note is meant for internal discussion purpose and not for further circulation

Amendments in Regulations



Disclosures in placement memorandum

Incorporate in PPM - a detailed tabular example how the management fees shall be charged including the distribution waterfall

Disclosure of disciplinary history of AIF, sponsor, manager and their directors / partners / promoters and associates (in case AIF is a trust, trustees / trustee company and its directors)

Existing AIFs - to send the disciplinary history to all their investors as an addendum to the existing placement memorandum within 30 days of the circular

Amendments in Regulations

Changes to PPM

At the time of final approval, application must contain a clear list of changes to PPM from the erstwhile draft submitted to SEBI

Exiting AIFs to intimate change in PPM to all existing investors within 7 days of change (simultaneous intimation to SEBI)

Where AIF is open ended

- dissenting investors to be given exit via buyout of units or redemption from sale of underlying assets
- valuation as per market value of asset

Where AIF is close ended

- dissenting investors to be given exit via buyout of units
- value to be not less than average value determined by 2 independent valuers

Entire process to be completed within 3 months from last date of the offer of dissent

All expenses to be borne by Investment Manager / sponsor

Clarifications to the Regulations

If corpus of open ended AIF fall below Rs. 20 Crore:

- intimate SEBI within 2 days
- reinstate the AIF size to Rs. 20 Crore within 3 months
- if reinstatement fails, redeem all the outstanding units

Limit of Rs 1 Crore per investor not to apply to employees of the Manager with respect to profit-sharing units of AIF

Mandatory sharing of losses between sponsor / manager and other unit holders in the ratio of their investment

Specified Joint investors now allowed to make investment in AIF

Clarifications to the Regulations

AIFs cannot invest into another AIF (except where it is fund of AIFs)

AIF investing in Real estate / Infrastructure projects can only invest in an operating SPV

Category II AIF must have more investment in unlisted securities

All Category III AIFs to report to the custodian, the amount of leverage at the end of the next working day (as against the same day reporting requirement)

Compliance Test Report (CTR)

Manager to prepare CTR within 30 days from the end of the financial year and give it to Trustee / Sponsor



Trustee / Sponsor to review and provide observations / comments on CTR within 30 days to Manager



Manager to make necessary changes in CTR with 15 days



In case of non compliance, Trustee to intimate to the SEBI

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