

CIRCULAR

SEBI/HO/IMD-I/DF6/P/CIR/2021/584

June 25, 2021

To,

All Alternative Investment Funds (AIFs)

Sir/ Madam,

Sub: Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

1. SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), have been amended and notified on May 05, 2021. Copy of the notification is available at [link](#).
2. **Framework for AIFs to invest simultaneously in units of other AIFs and directly in securities of investee companies**
 - 2.1. 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.
 - (i) In partial modification to Paragraph 3.f. of SEBI Circular No. CIR/IMD/DF/14/2014 dated June 19, 2014, AIFs may invest in units of other AIFs without labelling themselves as a Fund of AIFs.
 - (ii) Existing AIFs may also invest simultaneously in securities of investee companies and in units of other AIFs, subject to appropriate disclosures in the Private Placement Memorandum (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.
 - (iii) 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, 17 or 18 (as applicable) of the 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.

2.2. In partial modification to Paragraph 3.4. (iii) of the SEBI Circular No. CIR/IMD/DF/10/2013 dated July 29, 2013, 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.

3. **Applicability of Code of Conduct on key management personnel**

3.1. In terms of Regulation 20(1), the key management personnel of the AIF and the Manager shall abide by the Code of Conduct as specified in the Fourth Schedule of the AIF Regulations. For the purpose of this Regulation, 'key management personnel' shall mean:

- (i) members of key investment team of the Manager, as disclosed in the PPM of the fund;
- (ii) 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;
- (iii) 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 a key management personnel.

3.2. AIFs shall disclose the names of all the key management personnel of the AIF and Manager as specified in Paragraph 3.1 above, in their PPMs. Any change in key management personnel shall be intimated to the investors and the Board.

4. **Clarifications with respect to Investment Committee**

4.1. 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. The format for waiver to be furnished by the investors in this regard is specified in [Annexure I](#).

4.2. 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



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(who represent the sponsor, sponsor group, manager group or investors, in their official capacity), in the investment committee set up by the Manager.

5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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