भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Consultation paper on providing flexibilities to Large Value Funds for Accredited Investors (“LVFs”) under SEBI (AIF) Regulations

Objective

1. The objective of this consultation paper is to seek comments/views/suggestions on the following proposals:

   I. Provide below mentioned relaxations / flexibilities to LVFs:

      a. Reduction of the minimum investment amount from INR 70 crores to INR 25 crore.
      b. Exemption from (i) following the standard template of PPM (ii) mandatory requirement of annual audit of the terms of PPM (iii) responsibility of members of investment committee set up by Manager of AIF to approve decisions of AIF and (iv) NISM certification requirement for key investment team of Manager.
      c. Removal of restriction on maximum number of investors in LVFs.

   II. Providing option to existing AIF schemes to avail the benefits available to the LVFs, and converting themselves as LVF schemes, subject to meeting conditions specified by SEBI including appropriate investor consent.

Background

2. LVFs are Alternative Investment Funds (“AIFs”) or schemes of an AIF in which each investor (other than Manager, Sponsor, employees or directors of AIF or employees or directors of the Manager) is an Accredited Investor (“AI”) and invests not less than INR 70 crore. Details of LVF schemes as on June 30, 2025 are tabulated below:

No. of LVF schemes	**No. of investors**		**Commitment Raised (INR crore)**	**Funds Raised (INR crore)**	**Investments Made (INR crore)**
	Domestic Investors	**Foreign Investors**			
62	78	25	1,34,752	60,788	58,963

3. Accredited Investors is a class of investors who are perceived to take informed decisions regarding their investments, to have ability to hire expert managers/ advisors and are well informed with sufficient financial acumen. In terms of clause 12.2 of Chapter-12: “Framework for Accredited Investors” of SEBI Master Circular for AIFs dated May 7, 2024 (“AIF Master Circular”), Accredited Investors are required to provide following undertaking while availing services of an investment provider (AIFs, Portfolio Managers and Investment Advisers):

   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 accredited investors 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.

4. Considering the above and that only accredited investors can be on-boarded by LVFs, and that too with a minimum investment amount of INR 70 crores each, below mentioned relaxations have been provided to the LVFs under SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"):

 a. LVFs are exempt from filing their PPM with SEBI through Merchant Banker.

 b. LVF schemes can be launched under intimation to SEBI by filing the PPM with SEBI before the launch of the scheme i.e. without waiting for the comments of SEBI.

 c. Portfolio diversification requirement are relaxed for LVFs such that, LVFs of Category I and II may invest up to 50% (in place of 25%) of the investable funds in a single investee company and LVFs of Category III may invest up to 20% (in place of 10%) of the investable funds in a single investee company.

 d. Regulation 13(5) of AIF Regulations permits close ended AIFs to extend its tenure up to two years with the approval of two-third of its unit holders by value of their investment in the said AIF, while the proviso to the said Regulation permits LVF to extend up to five years.

 e. LVFs are exempted from the requirement of maintaining pari-passu rights among investors' subject to obtaining waiver from the accredited investor in this regard.

5. Based on industry feedback and internal deliberations, it is felt that more flexibilities may be extended to LVFs to make them an attractive option for investment.

Issues highlighted by Working Group on Ease of Doing Business by AIFs:

6. SEBI set up Ease of Doing Business Working Group ("EoDB WG") to review compliance requirements under AIF Regulations and provide recommendations with the objective to simplify AIF Regulations and to reduce cost of compliance to AIF industry.

7. In respect of extant LVF framework, EoDB WG highlighted the following issues:

 a. LVF threshold of INR 70 crore is too high and many investors, including some institutional investors, have limitations on the quantum of investment (due to internal risk requirements mandating diversification across multiple AIF products). This makes LVFs a product open mostly for large global institutions, crowding out domestic investors, who are equally sophisticated but have a lower investment threshold per AIF.

b. There is inconsistency in the minimum investment threshold for LVFs under AIF Regulations and the SEBI (Portfolio Management Services) Regulations, 2012 ("PMS Regulations") as mentioned below:
   i. The minimum investment for LVFs under AIF Regulations is INR 70 crores.
   ii. While under PMS Regulations minimum investment for LVFs is INR 10 crores, with the ability to invest 100% of their portfolio in unlisted securities.

c. Insurance companies are a significant source of domestic institutional capital to AIFs. As per the limits prescribed by Insurance Regulatory and Development Authority, insurance companies-both Life and General-face strict exposure limits to AIFs/Venture Funds (e.g., LIC: 3% of fund; GIC: 5% of assets; with single-fund caps). Lowering the threshold would substantially increase the number of insurance companies eligible to invest in LVFs.

Recommendations of the EoDB Working Group

8. To address the afore mentioned issues, EoDB WG, *inter alia,* recommended the following:

   a. The minimum ticket size in LVFs be reduced, ideally to INR 10 crore to align with the definition of Large Value Accredited Investors under regulation 2(1)(Ia) of the PMS Regulations.

   b. If, for any reason the minimum investment cannot be reduced, then SEBI may clarify that the INR 70 crores threshold can be computed on a 'group' basis i.e. collectively between the investor plus their relatives (if the investors are individuals), associates and related parties (where investors are non-individuals), as applicable.

Consultation with Stakeholders

9. Accordingly, after internal deliberations, agenda to *inter alia* provide below mentioned flexibilities to LVFs were placed before the SEBI’s Alternative Investment Policy Advisory Committee (AIPAC) in its meetings:

   a. Reduction of the minimum investment amount from INR 70 crores to INR 25 crores.
   b. Exemption from (i) following the standard template of PPM (ii) mandatory requirement of annual audit of the terms of PPM (iii) responsibility of members of investment committee set up by Manager of AIF to approve decisions of AIF and (iv) NISM certification requirement for key investment team of Manager.
   c. Removal of restriction for maximum no. of investors stipulated on an AIF scheme.

10. AIPAC noted that accredited investors in LVF schemes are perceived to be capable of conducting independent and adequate due diligence, including the assessment of credentials and track record of the manager and its key investment team. Accordingly, AIPAC agreed with the proposals mentioned above.

Issues for consideration and proposals:

11. **Reduction of minimum investment amount in LVFs from INR 70 crore to INR 25 crore**

a. Accredited investors are considered sophisticated enough to understand the risks associated with investment products and also have the ability to negotiate the necessary risk mitigation norms with the investment provider in their client agreements.

b. It is observed from the data related to LVF schemes as stated in para 2 above that, the traction in LVF has improved ever since its introduction in August 2021. However, to further facilitate channelizing long term & sizable investments particularly in unlisted securities, reduction in the threshold of investment merits consideration.

c. The accredited investors that are institutional in form, have substantial assets under management and have professional investment teams capable of due diligence and risk assessment. Therefore, lowering the minimum threshold to INR 25 crore for LVF scheme is expected to broaden the investor base without compromising on the level of investor sophistication. Further, lower entry barriers would facilitate improved fund raising for AIFs.

d. AIPAC recommended for reducing the minimum investment amount in LVFs from INR 70 crore to INR 25 crore.

Proposals for consideration:	
Proposal 1.	Whether minimum investment amount in LVFs should be reduced from INR 70 crores to INR 25 crores?

12. **Exemption from NISM Certification**

a. In terms of Regulation 4(g)(i) of AIF Regulations, the key investment team of the Manager of AIFs are mandated to 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.

b. Since LVF schemes are meant for accredited investors who are perceived to be capable of conducting independent and adequate due diligence while investing in AIFs, including the assessment of credentials and track record of the manager and its key investment team, it is felt that NISM certification criteria for such AIFs having only LVFs scheme, may not be required.

c. AIPAC recommended that LVFs may be exempted from the requirement of having at least one key personnel with relevant certification in the key investment team of Manager.

Proposals for consideration:	
Proposal 2.	Whether NISM certification criteria as mentioned in Regulation 4(g)(i) of AIF Regulations may be relaxed for AIFs which have only LVFs schemes?

13. **Exemption from requirements to follow standard template of PPM and annual audit of the terms of PPM, without requirement of specific waivers from investors.**

    a. As per clause 2.4.4 of AIF Master Circular, AIFs/ Schemes in which each investor commits to a minimum capital contribution of INR 70 crore and provides a waiver to the fund is, *inter-alia,* exempted from the requirement of PPM in the SEBI specified template and from annual audit of terms of PPM.

    b. Since LVF's investors also commit a large amount (presently stipulated as minimum commitment of INR 70 crore, proposed to be reduced to INR 25 crore in the proposal at para 11 above), and are also accredited investors, they are perceived to be sophisticated investors, they have professional investment teams capable of due diligence and risk assessment on their behalf. Therefore, it is felt that the aforesaid exemptions may be extended to LVFs. Further, since the investors in LVFs already provide an undertaking as mentioned in the para 3 above, LVFs may also be exempted to obtain a specific waiver from investors for this purpose. EoDB WG also recommended the same.

    c. AIPAC recommended that LVFs can be exempted from the requirement to follow template PPM as specified by SEBI and from requirement for annual audit of terms of PPM.

Proposals for consideration:	
Proposal 3.	Whether LVFs may be exempted from the requirement to follow template PPM as specified by SEBI and from requirement for annual audit of terms of PPM?

14. **Exemption from responsibility cast on members of Investment Committee set up to approve decisions of AIF, without requirement of specific waivers from investors.**

    a. In terms of Regulation 20(8) of AIF Regulations, AIFs/Schemes in which each investor other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager, commit to a minimum capital contribution of INR 70 crore and also provides a waiver to the fund, the members of the investment committee of such scheme(s) of AIF(s) are not responsible for ensuring that the decisions of the investment committee are in compliance with the laid down policies and procedures. Consequently, in such cases, responsibility for investment decisions are of the AIF, manager of AIF and their KMPs.

    b. Considering the rationale mentioned at para 13(b) above, it is felt that the aforesaid exemption may also be provided to LVFs. Further, since the investors in LVFs already provide an undertaking as mentioned in the para 3 above, LVFs may also be exempted to obtain a specific waiver from investors for this purpose. EoDB WG also recommended the same.

    c. AIPAC recommended that members of investment committee of LVFs can be exempted from the requirement as specified in Regulation 20(8) of the AIF Regulations and condition of obtaining waiver from investors may also be waived for LVFs.

Proposals for consideration:	
Proposal 4.	Whether members of investment committee of LVFs may be exempted from the requirement as specified in Regulation 20(8) of the AIF Regulations and condition of obtaining waiver from investors may also be waived for LVFs?

15. **Removal of restriction on maximum no. of investors**

    a. The current regulatory framework for AIFs restricts the maximum number of investors in an AIF scheme (except for angel funds) to 1000 investors.

    b. Since investors in LVFs are only accredited investors and commit a large amount (presently stipulated as minimum commitment of INR 70 crore, proposed to be reduced to INR 25 crore in the proposal at para 11 above), the limit on numbers may not be relevant.

    c. AIPAC agreed to the proposal for removing the cap on no, of investors in LVFs.

Proposals for consideration:	
Proposal 5.	Whether cap on no. of investors should be removed for LVFs?

16. **Transition option to existing eligible AIFs**

    a. With a view to optimize the benefits of the above proposals, it is viewed that, existing AIF schemes whose investors meet the threshold for minimum commitment specified for LVFs, and are also accredited investors, may be permitted to avail the benefits available to LVFs, subject to consent obtained from all such investors in this regard.

    b. AIPAC recommended that existing AIF schemes may be given an option to convert themselves as LVF scheme to avail the benefits, provided each investors of existing schemes meets the minimum threshold amount specified for LVFs and are also accredited investors, subject to consent obtained from all the investors in this regard.

Proposals for consideration:	
Proposal 6.	Whether existing AIF schemes be given option to converting themselves as LVF schemes and avail the benefits available to the LVFs, provided each investors of existing schemes meets the minimum threshold amount specified for LVFs and are accredited investors, and subject to consent obtained from all the investors in this regard?

17. In view of the above proposals, draft amendments to be carried out to AIF Regulations is placed at Annexure A.

Proposals for consideration:	
Proposal 7.	Do you agree with the draft amendments to AIF Regulations placed at **Annexure A**?

Public comments

a. Considering the implications of the aforementioned matter on the market participants, public comments are invited on the Proposals 1 to 7 given above. The comments / suggestions shall be submitted on or before August 29, 2025, only via online web-based form through the following link:

https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes

b. In case of any technical issue in submitting your comment through web based public comments form, you may highlight the issues(s) to AGM, Sh. Dinesh Ghusinga (dineshg@sebi.gov.in) or afdconsultation@sebi.gov.in with the subject of the email as, *"Consultation paper on providing flexibilities to LVFs under SEBI (AIF) Regulations".*

Issued on: August 08, 2025

Annexure-A

A. <u>Draft amendments to SEBI (Alternative Investment Funds) Regulations, 2012</u>

1. Modify the provision of Regulation 2(1)(pa) as under:

   *"large value fund for accredited investors" means an Alternative Investment Fund or scheme of an Alternative Investment Fund in which each investor (other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager) is an accredited investor and invests not less than **twenty-five crore** rupees;]*

   Provided that schemes of alternative investment funds, launched prior to notification of Securities and Exchange Board of India (Alternative Investment Funds) (xx Amendment) Regulations, 2025, in which each investor other than the Manager, Sponsor, employees or directors of the Alternative Investment Fund or employees or directors of the Manager, has committed to invest not less than twenty-five crore rupees, may convert themselves to large value funds, subject to meeting eligibility conditions for large value funds and modalities as specified by the Board.

2. New proviso to be inserted to Regulation 4(g)(i) as under:

   Provided that the requirement specified in regulation 4(g)(i) shall not apply to large value funds for accredited investors.

3. New proviso to be inserted to Regulation 10(f) as under:

   Provided that the requirement specified in regulation 10(f) shall not apply to large value funds for accredited investors.

4. New proviso to be inserted to Regulation 20(8) as under:

   Provided further that sub-regulation (8) of this regulation shall not apply to large value funds for accredited investors.

B. <u>Circulars to be issued under AIF Regulations</u>

5. Amend para 8 of SEBI circular SEBI/HO/IMD/DF6/CIR/P/2020/24 date February 05, 2020, subsumed in para 2.4.4. in Chapter 2 ("Filing of Private Placement Memorandum and related compliance requirements") of AIF Master Circular. Insert below mentioned text as clause 2.4.4. (iii):

   (iii). Large Value Funds as defined in AIF Regulations

6. New circular may be issued to specify the following:
   The conversion to LVF scheme shall be subject to obtaining positive consent from all the investors and meeting the conditions to be an LVF.