

SEBI releases operating guidelines for Alternative Investment Funds in International Financial Service Centres

Securities and Exchange Board of India (SEBI) has issued SEBI (International Financial Services Centre) Guidelines, 2015 (hereinafter referred to as 'IFSC Guidelines') on March 27, 2015 for facilitating and regulating financial services relating to securities market in an IFSC set up under section 18(1) of Special Economic Zones Act, 2005. The IFSC Guidelines provide for broad framework for setting up of Alternatives Investment Funds (hereinafter referred to as 'AIF') in IFSC. Based on the deliberations in Alternative Investment Policy Advisory Committee (AIPAC) and in consultation with other stakeholders, it has been decided by SEBI in place 'Operating Guidelines for Alternatives Investment Funds in IFSC'.

Operating Guidelines for Alternative Investment Funds in International Financial Services Centres (IFSC)

REGISTRATION OF ALTERNATIVE INVESTMENT FUNDS FOR OPERATING IN IFSC

1. For registration as Alternative Investment Funds (AIFs) for operating in IFSC, any fund established or incorporated in IFSC in the form of a trust or a company or a limited liability partnership or a body corporate, can seek registration under the provisions of SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations') under the categories mentioned therein.
2. An application for grant of certificate shall be made in accordance with the provisions of Chapter II of AIF Regulations, accompanied by a non-refundable application fee as stated in para 15 of the Annexure (details enclosed)

3. The Board may grant certificate under any specific category of AIF, if it is satisfied that the applicant fulfills the requirements as specified in AIF Regulations.

COMPLIANCE REQUIREMENTS, CONDITIONS AND RESTRICTIONS

4. Any person as specified in sub-clause (1) of clause 22 of SEBI IFSC Guidelines may invest in AIFs operating in IFSC.

5. An AIF operating in IFSC is permitted to make investment in terms of sub-clause (3) of clause 22 of SEBI IFSC Guidelines and circulars issued in this regard by SEBI from time to time. Earlier, such AIFs were permitted to invest in India through the Foreign Portfolio Investment route in terms of SEBI circular dated May 23, 2017 governing permissible investments by AIFs operating in IFSC. Now, such AIFs may invest in India through the Foreign Venture Capital Investor or Foreign Direct Investment (FDI) route also, in accordance with applicable FDI policy/ guidelines issued by Government of India and RBI in this regard.

6. Each scheme of the AIF shall have corpus of at least USD three million;

7. The AIF shall accept from an investor, an investment of value not less than USD one hundred and fifty thousand:

Sponsors and Managers of AIF

- a) A Sponsor / Manager of an existing AIF in India may act as a Sponsor / Manager of an AIF set up in the IFSC by :
 - i) setting up a branch in the IFSC; or
 - ii) incorporating a company or limited liability partnership in the IFSC
- b) However, Sponsor / Manager to be set up in IFSC shall need to incorporate a company or limited liability partnership in the IFSC.

Custodian

- a) The Sponsor or Manager of an AIF (Category I and II) shall appoint a custodian registered with the Board for safekeeping of securities if the corpus of the AIF is more than USD seventy million.
- b) It will be mandatory for Category III AIF to appoint a custodian.

Angel Funds

- a. An angel fund shall have a corpus of at least USD seven hundred and fifty thousand.

Investment in angel funds

For the purpose of investment in an Angel Fund set-up in IFSC, an "angel investor" shall satisfy the following financial criteria :

- i) An individual investor shall have net tangible assets of at least USD three hundred thousand excluding value of his principal residence,
- ii) A body corporate shall have a net worth of at least USD one million five hundred thousand.

Please find enclosed the detailed release on operating guidelines for Alternative Investment Funds in International Financial Service Centres by SEBI for your kind reference

Please contact for any query related to this mail to Ms. Surbhi Sharma, Associate Economist at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in of PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma
Chief Economist

PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016
Ph.: + 91-11-26863801-04, 49545454
Fax: +91- 26855450, 49545451
Email: spsharma@phdcci.in
Website: www.phdcci.in



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