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**SECURITIES AND EXCHANGE BOARD OF INDIA**

**NOTIFICATION**

**Mumbai, the 13th August, 2021**

# SECURITIES AND EXCHANGE BOARD OF INDIA (ALTERNATIVE INVESTMENT FUNDS) (FOURTH AMENDMENT) REGULATIONS, 2021

**No. SEBI/LAD-NRO/GN/2021/41**. ─ In exercise of the powers conferred by sub-section (1) of Section 30 read with sub-section (1) of Section 11, clause (ba) and clause (c) of sub-section (2) of section 11 and sub-section (1) and (1B) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 namely:–

1. These regulations may be called the Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations, 2021.

2. They shall come into force on the date of their publication in the Official Gazette:
   Provided that the amendments to regulation 12 shall come into force on the ninety first day from the date of publication of these regulations in the Official Gazette.

3. In the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012,-

I. In sub-regulation (1) of regulation 2,

i. clause (i), shall be substituted with the following, namely, -

*"(i) "debt fund" means an Alternative Investment Fund which invests primarily in debt securities of listed or unlisted investee companies or in securitized debt instruments as per the stated objectives of the Fund;"*

ii. clause (p) shall be substituted with the following, namely, -

*"(p) "investable funds" means corpus of the scheme of Alternative Investment Fund net of expenditure for administration and management of the fund estimated for the tenure of the fund.*

*Explanation: For the purpose of this clause, the expression "tenure" means the duration of scheme from the day of its launch till last day of the term as specified in the fund documents;"*

iii. clause (y) shall be substituted with the following, namely, -

*"(y)"unit" means beneficial interest of the investors in the Alternative Investment Fund or a scheme of the Alternative Investment Fund and may be fully or partly paid up.*

*Explanation: For the purpose of this clause, partly paid up units shall represent the portion of committed capital invested by the investor in Alternative Investment Fund or scheme of the Alternative Investment Fund;"*

II. In regulation 12,

i. in sub-regulation (2), after the words *"the Board"* and before the word *"atleast"*, the words and symbol *"through a merchant banker,"* shall be inserted.

ii. sub-regulation (3) shall be substituted with the following, namely, -

*"(3) The Board may communicate its comments, if any, to the merchant banker prior to launch of the scheme and the merchant banker shall ensure that the comments are incorporated in the placement memorandum prior to launch of the scheme."*

III. In sub-regulation (3) of regulation 13, before the words and symbol *"Category III"*, the words *"Schemes of"* shall be inserted.

IV. In sub-regulation (1) of regulation 15, clause (f) shall be substituted with the following, namely, -

*"(f) Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable;"*

V. In regulation 16,

i. in clause (a) of sub-regulation (1),

a. after the words *"limited liability partnerships"*, the word *"or"* shall be substituted with the symbol ","

b. after the words *"sub category"*, the words and symbol *"or in units of Category II Alternative Investment Funds as specified in this regulation*" shall be inserted.

ii. clause (a) of sub-regulation (2) shall be substituted with the following, namely, -

*"(a) at least seventy five percent of the investable funds shall be invested in unlisted equity shares or equity linked instruments of a venture capital undertaking or in companies listed or proposed to be listed on a SME exchange or SME segment of an exchange:*

*Provided that the investment conditions specified in clause (a) shall be achieved by the fund by the end of its life cycle."*

iii. clause (b) of sub-regulation (2) shall be omitted.

iv. in clause (c) of sub-regulation (2), the words and symbols *"Chapter XB of the Securities and Exchange Board of India (Issue of Capital and*

*Disclosure Requirements) Regulations, 2009 and the provisions of clause (a) and clause (b) of sub-regulation (2)"* shall be substituted with the words and symbols *"Chapter IX of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the provisions of clause (a) of sub-regulation (2)".*

v. clause (d) of sub-regulation (2) shall be substituted with the following, namely, -

*"(d) such funds shall be exempt from sub-regulations (1) and (2) of regulation 3 and sub-regulation (1) of regulation 4 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 in respect of investment in companies listed on the SME exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions:*

*(i) the fund shall disclose any trading in securities pursuant to such due-diligence, within two trading days of such trading, to the stock exchanges where the investee company is listed;*

*(ii) such investment shall be locked in for a period of one year from the date of investment."*

vi. in clause (a) of sub-regulation (3), after the words *"of an exchange"*, the words and symbol *"or in units of Category II Alternative Investment Funds which invest primarily in such venture capital undertakings or investee companies*" shall be inserted.

vii. In clause (b) of sub-regulation (3), the words and symbols "*Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009*" shall be substituted with the words and symbols *"Chapter IX of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018".*

viii. clause (c) of sub-regulation (3) shall be substituted with the following, namely, -

*"(c) such funds shall be exempt from sub-regulations (1) and (2) of regulation 3 and sub-regulation (1) of regulation 4 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 in respect of investment in companies listed on the SME exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions:*

*(i) the fund shall disclose any trading in securities pursuant to such due-diligence, within two trading days of such trading, to the stock exchanges where the investee company is listed;*

*(ii) such investment shall be locked in for a period of one year from the date of investment."*

ix. After the first proviso to clause (b) of sub-regulation 4, the following proviso shall be inserted, namely, -

*"Provided further that the minimum amount of grant shall not apply to accredited investors:"*

x. in clause (a) of sub-regulation (5), after the words *"infrastructure projects"*, the words and symbol *"or in units of Category II Alternative Investment Funds which invest primarily in such venture capital undertakings or investee companies or special purpose vehicles*" shall be inserted.

VI. In regulation 17,

i. in clause (e), the words and symbols "*Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009*" shall be substituted with the words and symbols *"Chapter IX of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018".*

ii. clause (f) shall be substituted with the following, namely,-

*"(f) Category II Alternative Investment Funds shall be exempt from sub-regulations (1) and (2) of regulation 3 and sub-regulation (1) of*

*regulation 4 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 in respect of investment in companies listed on the SME exchange or SME segment of an exchange pursuant to due diligence of such companies subject to the following conditions:*

*(i) the fund shall disclose any trading in securities pursuant to such due-diligence, within two trading days of such trading, to the stock exchanges where the investee company is listed;*

*(ii) such investment shall be locked in for a period of one year from the date of investment."*

**Sd/-**
**AJAY TYAGI**
**CHAIRMAN**
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Footnote:**

1. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 were published in the Gazette of India on May 21, 2012 vide No. SEBI/LAD-NRO/GN/2012-13/04/11262.
2. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 were subsequently amended on, –

   (1) 16th September, 2013 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2013 vide No. LAD-NRO/GN/2013-14/24/6573.
   (2) 23rd May, 2014 by the Securities and Exchange Board of India (Payment of Fees) (Amendment) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/03/1089.
   (3) 26th September, 2014 by the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 vide No. LAD-NRO/GN/2014-15/11/1576.
   (4) 14th August, 2015 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2015 vide No. SEBI/LAD-NRO/GN/2015-16/011.
   (5) 4th January, 2017 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2016 vide No. SEBI/LAD/NRO/GN/2016-17/026.

(6) 6th March, 2017 by the Securities and Exchange Board of India (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 vide No. SEBI/LAD/NRO/GN/2016-17/037.

(7) 1st June, 2018 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2018 vide No. SEBI/LAD/NRO/GN/2018/19.

(8) 10th May, 2019 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2019 vide No. SEBI/LAD/NRO/GN/2019/16.

(9) On 17 April, 2020 by the Securities and Exchange Board of India (Regulatory Sandbox) (Amendment) Regulations, 2020 vide No. SEBI/LAD-NRO/GN/2020/10.

(10) 19th October, 2020 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2020 vide No. SEBI/LAD/NRO/GN/2020/37.

(11) 8th January, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2021 vide No. SEBI/LAD/NRO/GN/2021/01.

(12) 5th May, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2021 vide No SEBI/LAD-NRO/GN/2021/21.

(13) 3rd August, 2021 by the (Regulatory Sandbox) (Amendment) Regulations, 2021 vide No. SEBI/LAD-NRO/GN/2021/30.

(14) 3rd August, 2021 by the Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2021 vide No SEBI/LAD-NRO/GN/2021/33.

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