



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

CHIEF GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

SEBI/HO/ISD/OW/P/2018/28373
09 October 2018

SBI Funds Management Private Limited
9th Floor, Crescenzo
Plot No C-38 & 39, G Block,
Bandra-Kurla Complex, Bandra (E)
Mumbai 400018

Sir/Madam,

Re: Request for Interpretive Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 regarding investments by the employees of SBI Funds Management Private Limited in schemes of Alternative Investment Fund (AIF)

1. This has reference to your letter dated 09 August 2018 seeking guidance by way of an interpretive letter under SEBI (Informal Guidance) Scheme, 2003.
2. You have, *inter-alia*, informed that:
 - a. In terms of the SEBI (Alternative Investment Fund) Regulations, 2012 [hereinafter, referred to as the AIF Regulations], SBIFM is the manager of SBI Alternative Equity Fund, a SEBI registered category III Alternative Investment Fund (AIF).
 - b. SBIFM is also Asset Management Company (AMC) of SBI Mutual Fund (MF) and SBI Portfolio Management Services (PMS), both registered with SEBI.
 - c. SBIFM has adopted an 'employee dealing policy' and code of conduct in line with SEBI circular no. MFD/CIR/No.4/216/2001 dated 08 May 2001 as amended from time to time and the SEBI (Prohibition of Insider Trading) Regulations, 2015 [hereinafter, referred to as the PIT Regulations], respectively.
 - d. The said circular and the Code of Conduct do not specifically mention 'investments in the AIF schemes' within the ambit of securities to which the circular and the code apply.
 - e. Some of SBIFM's employees including fund managers and research analysts are interested in investing in AIF schemes. AIF Regulations allow employees of the manager to make investments in the schemes of AIF. However, such employees of SBIFM or select employees of SBIFM who are interested in making such investments, by virtue of their employment with SBIFM, may be aware of the securities being bought and sold by SBIFM.
 - f. Regulation 2(1)(i) of the PIT Regulations defines 'securities' as having the same meaning as assigned to it under the Securities Contracts (Regulation) Act, 1956 [SCRA] or any modification thereof except units of a MF. Given the similarity

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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between MFs and AIFs, the PIT Regulations should not apply to investments in AIFs as well.

- g. Further, AIF schemes raise funds from investors by way of issue of units to the investors and such units themselves are not listed or proposed to be listed.
- h. Investments in units of AIF schemes, by employees having information about securities being bought and sold by the SBIFM, will not tantamount to indirect possession of unpublished price sensitive information (UPSI) and will not violate the provisions of Regulation 4(1) of the PIT Regulations in case employees make investment in AIF schemes.

3. In light of above submissions you have sought an interpretive letter from SEBI with respect to following issues

- a. Query No 1: Whether employees of SBIFM can invest in units of AIF schemes.
- b. Query No 2: Whether the Code of Conduct under the PIT Regulations shall be applicable to employees of SBIFM for investment in units of AIF schemes.

4. Without necessarily agreeing to your analysis given in the captioned letter, the interpretation to your above queries is as under:

Query No. 1

- a. Employees of AIF schemes can invest in the units of AIF subject to requirements specified in the AIF Regulations.

Query No. 2

- b. It is stated in your captioned letter that the intended employees of SBIFM who wish to invest in units of SBI AIF schemes would have access to the information about the potential buying and selling of securities by SBI Mutual Fund.
- c. In addition, you may be aware that as per AIF Regulations, AIF schemes can invest in both listed and unlisted securities. Further, such listed securities are amenable for insider trading.
- d. In this regard, regulation 9 of the PIT Regulations states that the board of directors of every listed company and market intermediary shall formulate a code of conduct governing trading by their employees and other connected persons. The intent of such code is to set out the minimum standards required to achieve compliance with the provisions of the PIT Regulations, especially, for the purpose of dealing/trading in securities by the employees/other connected persons.



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- e. Further, your attention is drawn to SEBI circular (dated 17/11/2016) regarding investment/trading in securities by employees of AMC(s) and Trustees of Mutual Funds. This circular is being followed by AMCs/Trustees of MFs for monitoring trading/investment by employees of AMC(s) and Trustees of MFs. As stated in the said circular, Trustees, AMCs, their employees and directors are required to follow the PIT Regulations.
- f. In view of the above, the code of conduct specified in regulation 9 read with schedule B to the PIT Regulations is applicable to trading/investment by employees of AIFs/AMC(s) in units of AIF schemes that invest in securities listed or proposed to be listed.
5. The above position is based on the information furnished in your letter. Different facts or conditions might lead to different interpretation. Further, this letter does not express decision of the Board on the question referred.
6. You may also note that the above views are expressed only with respect to clarification sought in your letter under reference with respect to the PIT Regulations and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines, Circulars administered by SEBI or of laws administered by any other authority.

Your faithfully


A Sunil Kumar