

Collective Investment Schemes (CIS) FAQs pursuant to amendments in SEBI (Collective Investment Schemes) Regulations, 1999 in May, 2022

1. What is meant by Collective Investment Schemes (CIS)?

A Collective Investment Scheme (CIS) is any scheme or arrangement, which satisfies all the following conditions, referred to in sub-section (2) of section 11AA of the SEBI Act.

- (i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement;
- (ii) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement;
- (iii) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;
- (iv) the investors do not have day-to-day control over the management and operation of the scheme or arrangement.

2. Which are the schemes not treated as CIS?

The following do not constitute a collective investment scheme:

- (i) Any scheme or arrangement made or offered by a co-operative society or a society being a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State;
- (ii) Any scheme or arrangement under which deposits are accepted by non-banking financial companies;
- (iii) Any scheme or arrangement being a contract of insurance to which the Insurance Act, applies;
- (iv) Any scheme or arrangement providing for any Scheme, Pension Scheme or the Insurance Scheme framed under the Employees Provident Fund and Miscellaneous Provisions Act, 1952;
- (v) Any scheme or arrangement under which deposits are accepted under the provisions of Chapter V of the Companies Act, 2013 (18 of 2013);
- (vi) Any scheme or arrangement under which deposits are accepted by a company declared as a Nidhi or a mutual benefit society under section 406 of the Companies Act, 2013 (18 of 2013);
- (vii) Any scheme or arrangement falling within the meaning of Chit business as defined in clause (d) of section 2 of the Chit Fund Act, 1982 (40 of 1982);
- (viii) Any scheme or arrangement under which contributions made are in the nature of subscription to a mutual fund;

3. What is a Collective Investment Management Company?

A Collective Investment Management Company is a company incorporated under the provisions of the Companies Act, 1956 (1 of 1956) or the Companies Act, 2013 (18 of 2013) and registered with SEBI under the SEBI (Collective Investment Schemes) Regulations, 1999, whose object is to organise, operate and manage a Collective Investment Scheme.

4. Under what circumstances a company registered as a Collective Investment Management Company can raise funds from the public?

A registered Collective Investment Management Company is eligible to raise funds from the public by launching schemes after obtaining approval of the Trustee, rating from a credit rating agency, and appraisal by an appraising agency. The schemes should also contain disclosures, as provided in the Regulations, which would enable the investors to make an informed decision. A

copy of the offer document of the scheme has to be filed with SEBI, and if no modifications are suggested by SEBI within 21 days from the date of filing then the Collective Investment Management Company is entitled to issue the offer document to the public for raising funds from them.

5. Can Collective Investment Management Company launch an open ended Collective Investment Scheme?

No, Collective Investment Management Company can only launch close ended collective investment schemes and the duration of such schemes shall not be of less than three calendar years.

6. Can a Collective Investment Scheme provide guaranteed returns?

No, Collective Investment Schemes cannot provide guaranteed or assured returns, however, an indicative return may be indicated in the offer document, if the same is assessed by the appraising agency and expressed in monetary terms.

7. Will the unit certificates be listed on Stock Exchanges?

Yes, they have to be compulsorily listed on the Stock Exchanges as mentioned in the offer document.

8. Are the investors entitled to receive information about the schemes where they have invested and at what interval?

The investors are entitled to receive a copy of the Balance Sheet, Profit and Loss Account and a copy of the summary of the yearly appraisal report from CIMC within two months from the closure of the financial year. Further, the scheme wise annual report or an abridged form thereof has published in a national daily as soon as possible but not later than two calendar months from the date of finalisation of accounts. Also, scheme wise unaudited quarterly financial results have to be published in a national daily and in a newspaper published in the language of the region where the head office of the Collective Investment Management Company is situated, within one month from the close of each quarter.

9. Does filing of offer document of a scheme by a Collective Investment Management Company with SEBI mean that investment in that scheme is safe and sound?

It is to be distinctly understood that submission of offer document to SEBI should not in any way be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme for which the offer document has been filed or for the correctness of the statements made or opinions expressed in the offer document. It is the responsibility of the Collective Investment Management Company to ensure that the disclosures made in the offer document are generally adequate and are in conformity with the Regulations.

10. What is an existing Collective Investment Scheme?

Entities, which were operating a collective investment scheme at the time of commencement of CIS Regulations i.e. (October 15, 1999), are deemed to be an existing collective investment scheme.

11. Can an existing Collective Investment Scheme raise further funds?

An existing Collective Investment Scheme cannot launch any new scheme or raise money from the investors even under the existing scheme, unless a certificate of registration is granted to it

by SEBI. In other words, after notification of Regulations an existing collective investment scheme, even after obtaining provisional registration as well as after obtaining credit rating cannot mobilise funds from the public unless a certificate of registration is granted to it.

12. Under what circumstances can an existing Collective Investment Scheme be wound up?

An existing Collective Investment Scheme which failed to make an application for registration, or was not desirous of obtaining provisional registration, or has not been granted provisional registration, or having obtained provisional registration fails to comply with the provisions as laid down in the Regulations, is required to wind up the existing scheme.

13. What is the procedure for winding up of an existing Collective Investment Scheme?

An existing Collective Investment Scheme has to send an information memorandum (dated and signed by all the Directors of the Scheme) to the investors who have subscribed to the schemes, detailing the state of affairs of the scheme, the amount repayable to each investor and the manner in which such amount is determined with an explicit choice from the investors, within a prescribed timeline, whether investors are desirous of continuing with the said scheme or not?

If yes, positive consent to be received from such investors. However, if positive consent is received from only 25% or less of the total number of investors, the scheme shall be compulsorily wound up and payment be made to the investors within three months of the date of the information memorandum.

14. How many existing Collective Investment Schemes were granted a certificate of registration?

Although provisional registrations were granted to some of the existing Collective Investment Schemes, none of them fulfilled the requirements specified in Regulation 9 and conditions specified under Regulation 71 of CIS Regulations, 1999. Therefore, no existing Collective Investment Scheme was granted a certificate of registration.

15. What are the mechanisms available to an investor to know about the registration status of a Collective Investment Management Company?

The name of all registered Collective Investment Management Company is posted on the SEBI website: www.sebi.gov.in in the Recognized Intermediaries tab. As on date, there is no Collective Investment Management Company (CIMC) registered with SEBI.

16. What are the penal provisions if a registered collective investment management company violates certain provisions of the Regulations?

If, a registered CIMC violates any provision of the Regulations, then action may be initiated against the entity as deemed fit. Further, SEBI may, in the interests of the securities market and the investors, may initiate criminal prosecution under Section 24 of the SEBI Act, apart from passing of directions such as:

- a. requiring the person concerned not to collect any money from investors or to launch any collective investment scheme.
- b. Prohibiting the person concerned from disposing of any of the properties of the collective investment scheme acquired in violation of the Regulations;

- c. Requiring the person concerned to dispose of the assets of the collective investment scheme in a manner as may be specified in the directions.
- d. requiring the person concerned to refund any money or the assets to the concerned investors along with the requisite interest or otherwise, collected under the scheme;
- e. Prohibiting the person concerned from operating in the capital market or from accessing the capital market for a specified period.

17. Whom to approach for grievance redressal?

- a) With regard to registered Collective Investment Management Company (CIMC):
Investors should approach CIMC, who shall take adequate steps to redress the grievances of the investors within one month from the date of receipt of the complaint from the aggrieved investor. If investors do not get satisfactory response thereto, they may file their grievances at SEBI Complaints Redress System (SCORES) Portal: www.scores.gov.in.
- b) With regard to unregistered Collective Investment Schemes:
Investors may send their complaint by post to any of the SEBI offices, as available on the SEBI website: www.sebi.gov.in.
- c) With regard to Sahara Entities
SEBI deals with complaints related to Sahara India Commercial Corporation Ltd. (SICCL), Sahara India Real Estate Corporation Ltd. (SIRECL), and Sahara Housing Investment Corporation Ltd. (SHICL). With regard to other Sahara entities, investors may approach the appropriate authority as provided in Annexure A.

18. Which grievance would not be treated as a grievance against a CIS?

Only the grievances against regulated deposit scheme mentioned in 1(i) of the First Schedule of Banning of Unregulated Deposit Schemes (BUDS) Act, promulgated w.e.f. February 21, 2019, would be examined under Section 11AA of SEBI Act, 1992 and CIS Regulations, 1999. Grievances against all other deposit schemes would be examined by their respective regulators mentioned in the aforementioned First Schedule. In addition to this, following activities would also not be examined as CIS, as they fall under the purview of other authorities:

S. No.	Act	Activities covered under the Act	Respective Regulators/Agencies
1	State Protection of Interest of Depositors in Financial Establishments Act	Default in repayment of money or intention to defraud by the Financial Establishments or impracticable / commercially non-viable business model etc.	State Governments
2	Indian Penal Code/CRPC	Fraud/Cheating (whether online or offline) etc.	State Governments
3	RERA Act	Housing related schemes	Respective state RERA

Note: The answers given here are general in nature. The questions and the answers have been structured to enable the readers to gain a broad understanding of SEBI (Collective Investment Schemes) Regulations, 1999. For exact details the reader is advised to refer to the SEBI (Collective Investment Schemes) Regulations, 1999 which are available on our website.

Readers may also note that these answers do not aim to explain the Regulations in force, since answers to questions involving particular case / fact pattern may depend upon administrative decisions and Court orders, if any, in respect of the same.

Annexure A

Sl. No.	Company Name	Appropriate Regulator s/ Authorities	Email id/Website	Address	Remarks if any
1	Sahara Credit Co-operative Society Ltd.	Central Registrar, Multi State Co-operative Society	lm.section397@gmail.com regmcs@gmail.com	Section Officer ,L&M Section Room No-388 Ministry of Cooperation & Farmers Welfare Ministry of Agriculture & Farmers Welfare Krishi Bhavan, New Delhi-110001	
2	Saharayn Universal Multipurpose Society Ltd./ Saharayn E Multipurpose Society Ltd.				
3	Humara India Cooperative Society				
4	Stars Multipurpose Cooperative Society Limited				
5	Sahara Prime City Ltd.	UP Real Estate Regulatory Authority	contactuprera@up-rera.in	Office of Secretary, Naveen Bhavan, Rajya Niyojan Sansthan, Kala Kankar House, Old Hyderabad, Lucknow – 226007	
6	Sahara City Homes/Sahara City	UP Real Estate Regulatory Authority	contactuprera@up-rera.in	Office of Secretary, Naveen Bhavan, Rajya Niyojan Sansthan, Kala Kankar House, Old Hyderabad, Lucknow – 226007	
7	Sahara Deposits & Investments (India) Ltd.	Ministry of Corporate Affairs	rd.north@mca.gov.in	Regional Director Northern Region, Ministry of Corporate Affairs B-2 Wing, 2nd Floor, Paryavaran Bhawan, CGO Complex, New Delhi-110003	
8	Sahara India Financial Corporation Ltd.	RBI	rdnewdelhi@rbi.org.in	Regional Director for Delhi Reserve Bank of India, 6, Sansad Marg,P.B.No.696, New Delhi -110 001.	
9	Sahara India Mutual Benefit Company Ltd.	Ministry of Corporate Affairs	rd.north@mca.gov.in	Regional Director Northern Region, Ministry of Corporate Affairs B-2 Wing, 2nd Floor, Paryavaran Bhawan, CGO Complex, New Delhi-110003	

Sl. No	Company Name	Appropriate Regulators/ Authorities	Email id/Website	Address	Remarks if any
10	Sahara Q Shop Unique Products Range Ltd.	1. RoC Mumbai 2. EOW Lucknow	1. roc.mumbai@mca.gov.in rd.west@mca.gov.in 2. eowhq@up.nic.in adgewow@up.nic.in	1. ROC Mumbai Registrar of Companies, 100, Everest, Marine Drive, Mumbai - 400 002 https://www.mca.gov.in/content/mca/global/en/contact-us/roc.html 2. Additional Deputy General, EOW, Police Bhawan, Near ICANA Stadium, Gomti Nagar Vistar, Lucknow – 226010 https://www.mca.gov.in/content/mca/global/en/contact-us/roc.html	
11	Sahara Q Gold Mart Limited	Ministry of Corporate Affairs, New Delhi	roc.delhi@mca.gov.in	Registrar Of Companies, 4th Floor, IFCI Tower, 61, Nehru Place, New Delhi - 110019	
12	Sahara India Commercial Corporation Ltd.	Registrar of Companies – Kolkata	roc.kolkata@mca.gov.in	RoC – Kolkata, Nizam Palace, 2nd MSO Building, 2nd Floor, 234/4, A.J.C. Bose Road, Kolkata-700020 https://www.mca.gov.in	All instruments other than Optionally Fully Convertible Debentures (OFCDs)
		State Police of respective complainant	-	-	
		SEBI	-	SEBI Bhavan, Plot No.C4-A, 'G' Block Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, Maharashtra Tel : +91-22-26449000 / 40459000	Complaints related to SICCL Optionally Fully Convertible Debentures (OFCDs)