

CIRCULAR

SEBI/HO/IMD/DF6/CIR/P/2020/209

October 22, 2020

To,

All Alternative Investment Funds (AIFs)

Dear Sir/ Madam,

Sub: Processing of applications for registrations of AIFs and launch of schemes

- 1 While processing applications for registration of AIFs and launch of new schemes, it has been observed that the Manager of AIF often proposes to set up an Investment Committee with the mandate to provide investment recommendations or advice to the Manager. In some applications, the Investment Committee is mandated to approve the investment decisions of the AIF. Such Investment Committees may consist of internal members (employees, directors or partners of the Manager) and/or external members.
- 2 Pursuant to the approval of SEBI Board, the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) have been amended to provide that the Manager may constitute Investment Committee (by whatever name it may be called) to approve investment decisions of the AIF, subject to certain conditions. The amendment to AIF Regulations has been notified on October 19, 2020 and is available at [link](#).
- 3 Further, SEBI has written to Government and RBI seeking clarity on the applicability of clause (4) of Schedule VIII under FEM (Non-debt Instruments) Rules, 2019 to investment made by an AIF whose Investment Committee approves investment decisions and consists of external members who are not ‘resident Indian citizens’.
- 4 Pending clarification as mentioned at Para 3, the applications for registration of AIFs and launch of new schemes shall be dealt with as under:



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Securities and Exchange Board of India

- (i) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF includes external members who are 'resident Indian citizens', shall be duly processed.
 - (ii) The applications wherein Investment Committee proposed to be constituted to approve investment decisions of AIF includes external members who are not 'resident Indian citizens', shall be considered only after receipt of clarification as stated in Para 3 above.
- 5 This Circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities market and to promote the development of, and to regulate the securities market.
- 6 The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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