



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/IMD/DF1/CIR/P/143/2018

November 26, 2018

**All Alternative Investment Funds
All Custodians**

Dear Sir / Madam

Subject: Operating Guidelines for Alternative Investment Funds in International Financial Services Centres.

1. 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.
2. Based on the deliberations in Alternative Investment Policy Advisory Committee (AIPAC) and in consultation with other stakeholders, it has been decided to put in place 'Operating Guidelines for Alternatives Investment Funds in IFSC'. The same is annexed herewith.
3. 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 and to promote the development of, and to regulate the securities market.
4. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - AIF".

Yours faithfully,

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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 this Annexure.
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 :



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Further, for investors who are employees or directors of the AIF or employees or directors of the Manager, the minimum value of investment shall be USD forty thousand.

8. The Manager or Sponsor shall have a continuing interest in the AIF of not less than two and half percent of the corpus or USD seven hundred and fifty thousand, whichever is lower, in the form of investment in the AIF and such interest shall not be through the waiver of management fees:

Further, for Category III AIF, the continuing interest shall be not less than five percent of the corpus or USD 1.5 million, whichever is lower.

9. An AIF set up in IFSC may invest in the units of other AIFs set up in IFSC and India subject to the provisions of AIF Regulations.

10. 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.

11. 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.

12. Angel Funds

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



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- 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.
- c. Angel funds shall accept, up to a maximum period of five years, an investment of not less than USD forty thousand from an angel investor.
- d. **Investment by Angel Funds.**
- i. Angel funds shall invest in venture capital undertakings (VCU) in India in accordance with DIPP Guidelines as referred to in regulation 19(F)(1) (a) of AIF regulations.
 - ii. Angel funds shall invest in VCUs which have a turnover of less than USD three million, seven hundred and fifty thousand;
 - iii. Angel funds shall invest in VCU which are not promoted or sponsored by or related to an industrial group whose group turnover exceeds USD forty five million; and
 - iv. Investment by an angel fund in any VCU shall not be less than USD forty thousand and shall not exceed USD one million five hundred thousand.
- e. The Manager or Sponsor shall have a continuing interest in the Angel Fund of not less than two and half percent of the corpus or USD eighty thousand, whichever is lesser, and such interest shall not be through the waiver of management fees.

MISCELLANEOUS

13. Applicability of SEBI AIF Regulations

All provisions of the AIF regulations and the guidelines and circulars issued thereunder, shall apply to AIFs setting up/ operating in IFSC, their investors, sponsors, managers and other intermediaries as applicable, except para 2(B) of SEBI circular dated October 1, 2015 governing overseas investments by AIFs. However, such AIFs shall report their activities in accordance with para 3.2 of SEBI circular dated July 29, 2013. The said reporting shall be denominated in USD million.

14. The applicability of these operating guidelines is subject to such conditions that may be prescribed by the Board, Reserve Bank of India and other appropriate authority from time to time.



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15. AMOUNT TO BE PAID AS FEES

Application fee	USD 1,500
Registration fee for Category I Alternative Investment Funds other than Angel Funds	USD 7,500
Registration fee for Category II Alternative Investment Funds	USD 15,000
Registration fee for Category III Alternative Investment Funds	USD 22,500
Registration fee for Angel Funds	USD 3,000
Scheme Fee for Alternative Investment Funds other than Angel Funds	USD 1,500
Re- Registration fee	USD 1,500
