



CONSULTATION PAPER ON SPV FRAMEWORK UNDER IFSCA (FUND MANAGEMENT) REGULATIONS, 2022

Published on: **January 09, 2025**

Subject: Framework for Special Purpose Vehicle (SPV) for Co-investment and leverage transaction under IFSCA (Fund Management) Regulations 2022.

1. Background and objectives

In exercise of the powers conferred by Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with sub-regulation (1) of Regulation 29 and sub-regulation (1) of Regulation 41 of the IFSCA (Fund Management) Regulations, 2022 (“Regulations”), for promoting ease of doing business and to facilitate the growth of alternative investment industry in the IFSC, the creation of a Special Purpose Vehicle (‘SPV’) under the controlling scheme is being operationalized, to enable other investors to co-invest in the underlying securities along with the scheme or allow a scheme to take leverage at SPV level.

2. SPV Structure

- a) An FME registered with IFSCA will be able to form an SPV having an existing Controlling Scheme in IFSC
- b) An SPV will have the same constitution as mentioned in Regulation 17 of the IFSCA (Fund Management) Regulations 2022, and thereof.
- c) A minimum of 50% of the equity share capital or interest or capital commitments to such SPV should be held by the controlling scheme. The controlling scheme has the same meaning as defined in Regulation 2(1)(h) of IFSCA (Fund Management) Regulations 2022, and thereof.

3. Filing of Private Placement Memorandum (PPM)

All the requirements as mentioned in the IFSCA circular titled “Ease of doing business - Filing of Schemes or funds under IFSCA (Fund Management) Regulations 2022” dated 5 April 2024, except for the filing of a PPM, would be applicable. A Term Sheet, as mentioned in Annexure A, is to be filed within 21 working days from the date of making the investment.

4. Eligible Investors

- a) Controlling Scheme
- b) Controlling Scheme's current investors or affiliates of such investors
- c) Other investors

5. Nature, structure of Scheme and tenure of the Scheme

- a) The SPV can be open-ended or close ended as per the nature of the Controlling Scheme.
- d) The SPV term should be equal to the term of the Controlling Scheme. In case of winding-up of the Controlling Scheme, the SPV will also have to be wound up.

6. Permissible investments

A SPV will be formed for making investment into a single portfolio company. As per the investment strategy of the Controlling Scheme taken on record by the Authority, the SPV will be used for:

- a) Making co-investment; or
- b) Undertaking leverage; or
- c) Both
- d) Ringfencing investments of the Controlling Scheme.

While an SPV under a Controlling Scheme will only be permitted to invest in a single portfolio company, it would be permissible for the SPV to hold securities of more than one entity if such securities are owned by the SPV due to one or more corporate actions or restructuring at such portfolio company level (including amalgamations, demerger, slump sale etc.).

7. Leverage

The leverage at the SPV level will be within the overall leverage limits specified in the PPM of the Controlling Scheme. The Scheme and other shareholders, beneficiaries, members or partners of the SPV will be permitted to create an encumbrance over their interests in the SPV in favour of a lender to the SPV.

8. Disclosures to investors

- a) All disclosures as mentioned in the IFSCA (Fund Management) Regulations 2022.
- b) The existing investors of the scheme are to be informed about the setting up of SPV before filing the Term Sheet with IFSCA.

9. Valuation

As per IFSCA (Fund Management) Regulations 2022.

10. Computation of NAV

As per IFSCA (Fund Management) Regulations 2022.

11. Contribution by the FME in the SPV

There will be no requirement of contribution by the FME in the SPV.

12. Decision making and Control

The FME must be the decision-making and controlling authority for the SPV.

13. Reporting

Regulation 119(1), 119(2)(a), (b), (c), (e), (g), and (h) will be applicable to the SPV along with any other circulars issued by IFSCA.

14. Fees

The fees applicable for the SPV will be commensurate with the fee of the Controlling Scheme.

15. Know Your Customer (KYC)

The FME may rely on the KYC undertaken for the scheme for any existing investors. For any new investor of the SPV, the FME will conduct the KYC as applicable for the controlling scheme.

16. Other Conditions

- a) No other shareholder, beneficiary, member or partner of the SPV shall exercise any rights that prevent the Controlling Scheme from complying with the regulatory requirements specified by IFSCA.
- b) The SPV level agreement should provide for an appropriate mechanism for resolution of disputes between the Controlling Scheme and the other shareholders, beneficiaries, members or partners.
- c) The provisions specified by IFSCA shall prevail in case of any inconsistencies between such agreement(s) and the obligations cast upon a Controlling Scheme by IFSCA.
- d) All other obligations as specified by the IFSCA (Fund Management) Regulations 2022 shall be applicable to the SPV.

Annexure A

Sr. no.	Particulars	
1	Controlling Scheme name and Acknowledgement number	
2	SPV name	
3	Portfolio company name, amount invested, and percentage stake acquired by the SPV	
4	Percentage holding of Controlling Scheme	
5	Percentage holding of other investors (individually)	
6	Leverage amount and percentage compared to equity investment	
7	Name of the institution providing Leverage (including location)	
8	Declaration (Annexure B)	



Annexure B

DECLARATION STATEMENT (TO BE GIVEN AS BELOW)

Undertaking/ Declaration

We undersigned (FME Name) hereby declare that we acknowledge and agree to comply at all times, with the directives, instructions, guidelines, regulations, and any amendments or updates thereof issued by the International Financial Services Centres Authority (IFSCA).

We further declare that no material facts or information have been omitted in the documents, submissions, or disclosures provided to IFSCA. We confirm that all the information provided is complete, accurate, and in accordance with the regulations and guidelines issued by the IFSCA.

We undertake to promptly inform IFSCA of any material change or developments that may affect the information provided in accordance with the regulations and guidelines issued by the IFSCA.

We understand that failure to comply with these directives may result in penalties, sanctions, or other enforcement actions by IFSCA.

For and on behalf of _____

(Name of the applicant)

Authorized signatory

(Signature)

A. Public Comments

1. Comments and suggestions from the public and stakeholders are invited through e-mail to **Mr. Mihir Upadhyay** at mihir.upadhyay@ifsc.gov.in, **Mr. Jasmeet Singh** at singh.jasmeet@ifsc.gov.in, **Ms. Kanika Singh** at singh.kanika@ifsc.gov.in , and **Mr. Paras Jain** at jain.p@ifsc.gov.in on or before **January 31, 2025**, in the attached format. The comments may be provided in MS Word or MS Excel format only.

B. Format for providing comments / suggestions

SPV Framework under the IFSCA (Fund Management) Regulations, 2022

Name and Details of the person/ Entity	
Contact No., Email Id	
Name of Organisation	
Comments/Suggestions/ Suggested modifications	
Detailed Rationale and other supporting information	

