Public Comments

The consultation paper seeking comments/views from public on the Draft IFSCA (Fund Management) Regulations, 2022 were issued by IFSCA on February 07, 2022.

The following comments have been received:

Sr. No.	Regulation No.	Sub-Regulation	Comments / Suggestions	Detailed Rationale
1	1	(1) and (2)	Is this draft regulation in addition to or substitution of the existing AIF regulation? Will both coexist, one regulating the fund manager and the other regulating the fund?	There seems to be no superseding clause in the regulation.
2	2	(1)(b)	Accreditation agencies and Accredited Investors registered in other jurisdiction should automatically be permitted to operate from IFSC	In the interest of ease of doing business
3	2	(1)(b)	Automatic recognition for 'Accredited Investors' certified as such in India	The Securities and Exchange Board of India ("SEBI") has already released a detailed procedure for accreditation of investors for the purposes of SEBI (Alternative Investment Funds) Regulations, 2012 (the "AIF Regulations") in India pursuant to the SEBI circular dated August 26, 2021 (SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620). Accordingly, the investors who have obtained accreditation pursuant to the said circular should automatically be considered accredited under the Regulations during the validity of the said accreditation in India, and not be required to obtain dual accreditation. Further, the Report of the Expert Committee on Investment Funds discussed the ability of the Fund Management Entity to provide accreditation to investors. This should be formalized in the Regulations for investors who are not already accredited under the AIF Regulations.
4	2	(1)(b)&(c)	Definition of “accreditation agency” and “accredited investor” “accreditation agency” means an entity authorised by the Authority to undertake the activity of accrediting accredited investors; Explanation: For the purpose of accreditation, the Authority may prescribe the eligibility conditions for an accreditation agency and also the process for accreditation by such agency. “accredited investor” means any person who fulfils the eligibility criteria as specified by the Authority and in the manner specified; Our Suggestion: The accredited investor status should be ensured by the FME onboarding the investor and the involvement of accreditation agency should not be required. This is in keeping with international practice where in jurisdictions such as the United States, Germany and other offshore jurisdictions the subscription documents require undertakings of “accredited investor” status by the investor which is taken by the FME. Note the status and criteria for “accredited investor” and “qualified purchaser” as defined by the SEC in the United States is even more stringent vs what is in India.	The move to define accredited investor and providing benefits to funds which solicit investment only from accredited investors is welcome move. However, the accreditation agency concept is something most investors may not perceive positively. In the USA, the onus is on the funds onboarding investors to ensure that the investors are accredited investors for light touch regulations. Similar approach should be adopted to provide for the eligibility criteria for an investor to be considered as an accredited investor and the FME shall ensure by way of obtaining a declaration from the investors at the time of onboarding and also disclose in the private placement memorandum (PPM) if such fund is soliciting funds only from accredited investors. The benefit of access to green channel for funds soliciting money from accredited investors will get diluted if the accredited investor status is subject to accreditation process through an accreditation agency since the onboarding of such accredited investors would be subject to turnaround timelines of an accreditation agency. It will also add a cost burden and process overhead vs any other international jurisdiction and is not in keeping with the ”best practices” approach of IFSC.

5	2	(1)(c)	The authority could issue guidelines/ circular prescribing the eligibility criteria for who could be regarded as 'Accredited Investors', divided broadly in following two categories: 'Deemed Accredited Investors': The following categories of investors could be deemed to be accredited investors: (i) Certain classes of investors e.g., Government and Government related investors, any Fund/ FME regulated by IFSCA, Market Infrastructure Institutions in IFSC, capital market intermediaries in IFSC, an investment fund (mutual fund, insurance fund, pension fund, university endowment fund etc. by whatever name called), commercial banks, asset management companies, insurance, and reinsurance companies from a FATF compliant jurisdiction and regulated by a Financial sector regulator, Professional/ Accredited/ Qualified Investors from FATF member countries. This is broadly in line with suggestions in the expert committee report; OR (ii) Any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in Fund/ Scheme launched in IFSC out of its owned funds; OR (iii) In case of an entity where all its members independently meet the eligibility criteria for being an 'Accredited Investor' 'Recognised Accredited Investors': Any investor recognised as accredited investor by the Accreditation Agency in line with the guidelines/ circular.	Accredited Investors understand the risks associated with complex financial products and do not require extensive regulatory protection. Accordingly, such investors should be allowed to invest under the green channel.
6	2	(1)(c)	Institutional investors such as pension funds, PF Trusts, sovereign funds, endowment funds, Insurance entities, commercial banks etc. should be deemed as accredited investor without requiring to get formal accreditation.	The institutional investors of the specified categories have in-depth understanding & expertise on the complex product offerings as well as sizeable investments. Hence in order to make their investment journey seamless and simplified, they should be allowed to invest as an accredited investor. .

7	2	(1)(c)	The authority could issue guidelines/ circular prescribing the eligibility criteria for who could be regarded as 'Accredited Investors', divided broadly in following two categories: 'Deemed Accredited Investors': The following categories of investors could be deemed to be Accredited Investors: (i) Certain classes of investors e.g., Government and Government related investors, any Fund/ FME regulated by IFSCA, Market Infrastructure Institutions in IFSC, capital market intermediaries in IFSC, an investment fund (mutual fund, insurance fund, pension fund, university endowment fund etc. by whatever name called), commercial banks, asset management companies, insurance, and reinsurance companies from a FATF compliant jurisdiction and regulated by a Financial sector regulator, Professional/ Accredited/ Qualified Investors from FATF member countries. This is broadly in line with suggestions in the expert committee report; or (ii) Any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in Fund/ Scheme launched in IFSC, out of its owned funds; or (iii) Any person who has already received a certificate to be an Accredited Investor or is as treated as Accredited Investor in the context of Alternative Investment Fund Regulations should also deemed to be Accredited Investors under these regulations; or (iv) In case of an entity where all its members independently meet the eligibility criteria for being an 'Accredited Investor'. 'Recognised Accredited Investors': Any investor recognised as Accredited Investor by the Accreditation Agency in line with the guidelines/ circular. The corpus commitment should be to the Fund and not the fund management entity.	Accredited Investors understand the risks associated with complex financial products and do not require extensive regulatory protection. Accordingly, such investors should be allowed to invest as deemed Accredited Investors. For investors who have already obtained certificate as Accredited Investors for the purpose of SEBI Alternative Investment Fund regulations, should not be required to take another registration and such investors should be considered as Deemed Accredited Investors.

8	2	(1)(c)	The International Financial Services Centre Authority (IFSCA) could issue guidelines/ circular on the eligibility criteria for 'Accredited Investors'. Accredited Investors could be divided in following the two broad categories: Category 1: 'Deemed Accredited Investors': (i) Certain classes of investors e.g., Government and Government related investors, any Fund/ FME regulated by IFSCA, Market Infrastructure Institutions in IFSC, capital market intermediaries in IFSC, an investment fund (mutual fund, insurance fund, pension fund, university endowment fund etc. by whatever name called), commercial banks, asset management companies, insurance, and reinsurance companies from a FATF compliant jurisdiction and regulated by a Financial sector regulator, Professional/ Accredited/ Qualified Investors from FATF member countries. The expert committee report has also made a similar suggestion. (ii) Any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in Fund/ Scheme launched in IFSC out of its owned funds (iii) Any person who has already received a certificate to be an Accredited Investor or is as treated as Accredited Investor in the context of Alternative Investment Fund Regulations should also deemed to be accredited investors under the these regulations. (iv) In case of an entity where all its members independently meet the eligibility criteria for being an 'Accredited Investor' Category 2: 'Recognised Accredited Investors': Any investor recognised as accredited investor by the Accreditation Agency in line with the guidelines/ circular.	Typically, the intention of a financial authority is to protect interests of retail investors who do not understand complex financial products and the risks associated therewith. However, Accredited Investors by virtue of the criteria prescribed for qualification, are expected to understand the risks associated with complex financial products. Accordingly, investments made by this type of investors would not need extensive regulatory overview. Providing a green channel for Accredited Investors would also contribute in augmenting the Asset Under Management (AUM) being managed from IFSC and go a long way in making IFSC a financial services hub. It is pertinent to note that this approach would be in sync with the regulatory policy adopted by leading financial jurisdictions around the globe with respect to Accredited Investors. Additionally, investors who have already obtained certificate as accredited investors under the SEBI (Alternative Investment Funds) Regulations, 2012 should not be required to obtain another registration and such investors should be considered as Deemed Accredited Investors.

9	2	(1)(c)	The authority could issue guidelines/ circular prescribing the eligibility criteria for who could be regarded as 'Accredited Investors', divided broadly in following two categories: 'Deemed Accredited Investors': The following categories of investors could be deemed to be accredited investors: (i) Certain classes of investors e.g., Government and Government related investors, any Fund/ FME regulated by IFSCA, Market Infrastructure Institutions in IFSC, capital market intermediaries in IFSC, an investment fund (mutual fund, insurance fund, pension fund, university endowment fund etc. by whatever name called), commercial banks, asset management companies, insurance, and reinsurance companies from a FATF compliant jurisdiction and regulated by a Financial sector regulator, Professional/ Accredited/ Qualified Investors from FATF member countries. This is broadly in line with suggestions in the expert committee report; or (ii) Any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in Fund/ Scheme launched in IFSC out of its owned funds; or (iii) Any person who has already received a certificate to be an Accredited Investor or is as treated as Accredited Investor in the context of Alternative Investment Fund Regulations should also deemed to be accredited investors under the these regulations; or (iv) In case of an entity where all its members independently meet the eligibility criteria for being an 'Accredited Investor'. 'Recognised Accredited Investors': Any investor recognised as accredited investor by the Accreditation Agency in line with the guidelines/ circular.	Accredited Investors understand the risks associated with complex financial products and do not require extensive regulatory protection. Accordingly, such investors should be allowed to invest as deemed accredited investors. For investors who have already obtained certificate as accredited investors for the purpose of SEBI AIF regulations should not be required to take another registration and such investors should be considered as Deemed Accredited Investors.
10	2	(1)(c)	All non-citizens are to be trated automatically as "Accredited".	It would be restrictive to ask "non-resident Investors" to get the Accreditation Certification. Most Investors would never furnish such information to a service provider outside their home country. As it is the case with other jurisdictions, all non residents alien (NRA) and entities controlled by NRA are deemed to be accredited whose investment in the fund is above $150,000.
11	2	(1)(c)	Investor registered as Accredited Investor(AI) with Accreditation Agency in India should automatically be accepted in IFSC. AI who is eligible as an investor in IFSC (if he / she is already registered in India – base country as an AI) – registration should be automatic	In the interest of ease of doing business

12	2	(1)(c)	Automatic recognition for 'Accredited Investors' certified as such in India	The Securities and Exchange Board of India ("SEBI") has already released a detailed procedure for accreditation of investors for the purposes of SEBI (Alternative Investment Funds) Regulations, 2012 (the "AIF Regulations") in India pursuant to the SEBI circular dated August 26, 2021 (SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620). Accordingly, the investors who have obtained accreditation pursuant to the said circular should automatically be considered accredited under the Regulations during the validity of the said accreditation in India, and not be required to obtain dual accreditation. Further, the Report of the Expert Committee on Investment Funds discussed the ability of the Fund Management Entity to provide accreditation to investors. This should be formalized in the Regulations for investors who are not already accredited under the AIF Regulations.
13	2	(1)(d)	Clarity required on scope and applicability	1) The definition of Advertisement is inclusive, whereas it should be clearly defined and exhaustive to avoid any inadvertent non-compliances. The scope for such inadvertent non-compliances in case of fund management business is quite high. For example, during a roadshow, investors may seek information about past performance of the manager. Such communications by the manager should not be considered advertisement. All forms of reverse solicitation should be exempted. 2) Private placement and all communications with Accredited Investors should be excluded from the definition of Advertisement.
14	2	(1)(e)	“associate” means (a) a company or a limited liability partnership or a body corporate in which a director or trustee or partner of the FME or the FME or any fiduciaries as defined in regulation 17 of these regulations, either individually or collectively, hold twenty fifteen percent or more of its paid-up equity share capital or partnership interest, as the case may be (b) a company or a limited liability partnership or a body corporate, either individually or collectively, hold twenty fifteen percent or more of its paid-up equity share capital or partnership interest, as the case may be in the FME (c) Any other company or a limited liability partnership or a body corporate, inwhich the entity referred in clause (iib) above holds twenty fifteen percent or more of its paid-up equity share capital or partnership interest, as the case may be (d) Any person holding fifteen percent or more of its paid-up equity share capital or partnership interest, as the case may be in the FME;	1)The threshold for an associate entity should be reduced to 15% to align the definition with the definition of an associate under the AIF Regulations and to make the definition broad. 2)The addition of sub-clause (d) to the definition should be made keeping in mind regulation 28(2) which allows the FME to make contribution through an associated entity. Partnerships and companies should have the flexibility to make contribution through the persons holding 15% equity or partnership interest in the entity. This is particularly beneficial for FMEs that are newly incorporated partnerships or companies where capitalisation is not adequate to make the contribution.
15	2	(1)(e)(c)	Typographical issue to be fixed	There is a numbering issue. The reference to "(ii)" should be replaced with "(b)" because there is no (ii).
16	2	(1)(ii)	It may be advisable to clarify that these guidelines in toto would apply to funds and schemes launched by funds thereof.	This clause defines ‘fund’ and ‘scheme’ as “Scheme” or “fund” means a scheme of a fund management entity launched under Chapter III. Hence a clarification may be in order.
17	2	(1)(j)	It is humbly submitted that the words highlighted in the definition alongside seems to abruptly placed and an apparent error. "of the listed company"	The same needs to be deleted in case the highlighted words are erroneously placed.
18	2	(1)(j)	Reference issue to be fixed	The reference to listed companies seems misplaced in this definition.

19	2	(1)(k)	The corpus commitment should be to the Fund and not the fund management entity. Proposed definition - “corpus” means the total amount of funds committed by investors to the Scheme or fund by way of a written contract or any such document as on a particular date;	The capital committed by the investors' would be to the Scheme or fund.
20	2	(1)(k)	Proposed definition - “corpus” means the total amount of funds committed by investors to the Scheme or fund launched by FME by way of a written contract or any such document as on am particular date;	The capital committed by the investors' would be to the Scheme or fund.
21	2	(1)(k)	The corpus commitment should be to the Fund and not the fund management entity. Proposed definition- “corpus” means the total amount of funds committed by investors to the Scheme or fund launched by FME by way of a written contract or any such document as on a particular date;	The capital committed by the investors' would be to the Scheme or fund.
22	2	(1)(k)	The corpus commitment should be to the Fund and not the fund management entity. Proposed definition - “corpus” means the total amount of funds committed by investors to the Scheme or fund by way of a written contract or any such document as on a particular date;	The capital committed by the investors' would be to the Scheme or fund.
23	2	(1)(l)	Reference issue to be fixed	This definition has not been used in the Regulations.
24	2	(1)(o)	To add a residuary power with IFSCA for notifying other jurisdictions	Given the concerns that arose in the markets (and their performance) in 2019-2020 when Mauritius was effectively prohibited from obtaining a Category I Foreign Portfolio Investor license, IFSCA should consider retaining a residuary power for itself to notify other eligible countries from time to time.
25	2	(1)(p) and (ee)and Regulation20	Does the Authority contemplate that there could be entities that are not registered but are covered under the guidelines? The key operative word used here is ‘including’. Reading from the explanation to clause 20, it seems that a lower threshold for investing in venture capital is possible for a “Registered FME”. It seems to push FME to obtain a Registered FME license.	Clause 2 (p) and Clause 2(ee) talk of Fund Management Entity and Registered Fund Management Entity. It appears both are the same
26	2	(1)(p)	Individuals should be allowed to act as fund managers	As currently drafted, the Regulations do not seem to permit individuals or natural persons from obtaining a registration thereunder to carry out fund management activities. The AIF Regulations, however, permit persons to be appointed as managers of Alternative Investment Funds ("AIFs") established thereunder. For the purposes of restricted schemes, venture capital schemes and family investment funds, individuals should also be permitted to carry out fund management activities.
27	2	(1)(q)	The definition of 'Fund Manager' should be amended to mention that a fund manager means a FME managing investments for funds. Alternatively, if individuals i.e. employees of FME are intended to be covered under the said definition, the phrase 'any person' should be replaced by 'any individual'.	Fund manager has been defined to mean any person who is appointed by the FME to manage its investments. Given that FME itself would be managing the investments, this definition may create ambiguity.

28	2	(1)(q)	Individuals should be allowed to act as fund managers	As currently drafted, the Regulations do not seem to permit individuals or natural persons from obtaining a registration thereunder to carry out fund management activities. The AIF Regulations, however, permit persons to be appointed as managers of Alternative Investment Funds ("AIFs") established thereunder. For the purposes of restricted schemes, venture capital schemes and family investment funds, individuals should also be permitted to carry out fund management activities.
29	2	(1)(r)	Clarity required on scope and applicability	As per the definition, a fund which invests primarily in schemes in foreign jurisdictions should also be classified as a fund of funds scheme. However, the reference to 'schemes' is misleading because it is a defined term in the Regulations. The definition should be revised to state "invests primarily in other schemes or similar investment funds".
30	2	(1)(w)	The definition of 'investee company' should also include unincorporated entities/ bodies	IFSC being an international jurisdiction will see significant situations where the schemes launched by the FMEs will make outbound investments into entities outside India. The legal form of such entities could include entities such as limited partnerships, etc. Similarly, in the domestic context, there are several industries such as media and entertainment, real estate where the projects are housed under partnership firms as well. The current regulations and the proposed framework do not recognise unincorporated entities/ bodies as an eligible investee company which could limit the ability of the schemes to invest in a business of its choice. Thus, unincorporated entities/ bodies should be covered within the definition of 'investee company'.
31	2	(1)(w)	Clarity required on scope and applicability	The definition should be revised to state "or a fund or an equivalent vehicle" for the same concern as mentioned above, i.e. 'fund' is defined in the Regulations to mean only funds set up under the Regulations (in IFSC) and accordingly investments in overseas funds or domestic AIFs in India are not getting covered in this definition.
32	2	(1)(x)	The definition of KMP replaced with Senior Investment Professional (SIP) Proposed definition - "SIP" or "Senior Investment Professional" means the officers or personnel of the FME who are part of its management team and includes members of the management one level below the executive directors of the FME, functional heads and includes 'key managerial personnel' as defined under the Companies Act, 2013 or any other person whom the FME may declare as a Senior Investment Professional to the authority;	Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.
33	2	(1)(x)	The definition of 'key management personnel' should be limited to include any personnel identified by the FME and having the requisite professional qualifications and experience shall be the KMP. Alternatively, the reference to members of the management one level below the executive directors of the FME should be deleted	As per Regulation 7(4) and 7(5), KMPs identified by the Registered FME shall be based in the IFSC. Given the robust educational and professional qualification criteria prescribed for a KMP in Regulation 7(4), there should not be additional criteria as prescribed in the definition of KMP. Businesses should be provided with the flexibility to decide who they can designate as KMP and therefore be based in IFSC, so long as they designate individuals with the prescribed qualification and experience. This is also in line with Singapore fund regime. If required, the broader definition may be retained in the context of requirement to disclose KMPs in the PPM, applicability of Code of Conduct etc.
34	2	(1)(x)	The definition of KMP replaced with Senior Investment Professional (SIP)Proposed definition - "SIP" or "Senior Investment Professional" means the officers or personnel of the FME who are part of its management team and includes members of the management one level below the executive directors of the FME, functional heads and includes 'key managerial personnel' as defined under the Companies Act, 2013 or any other person whom the FME may declare as a Senior Investment Professional to the Authority;	'Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.

35	2	(1)(x)	The definition of KMP replaced with Senior Investment Professional (SIP) Proposed definition - “SIP” or “Senior Investment Professional” means the officers or personnel of the FME who are part of its management team and includes members of the management one level below the executive directors of the FME, functional heads and includes ‘key managerial personnel’ as defined under the Companies Act, 2013 or any other person whom the FME may declare as a Senior Investment Professional to the authority;	Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.
36	2	(1)(x)	The definition of KMP replaced with Senior Investment Professional (SIP) Proposed definition - “SIP” or “Senior Investment Professional” means the officers or personnel of the FME who are part of its management team and includes members of the management one level below the executive directors of the FME, functional heads and includes ‘key managerial personnel’ as defined under the Companies Act, 2013 or any other person whom the FME may declare as a Senior Investment Professional to the authority;	'Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.
37	2	(1)(x)	Clarity required on scope and applicability	The reference to inclusion of management members one level below the executive directors / functional heads and the discretion of the manager to declare any person as KMP seems irrelevant in the context of Regulation 7.
38	2	(1)(y)	The definition of net worth should be aligned with that provided under the Companies Act, 2013. “net worth” means the aggregate value of the paid up share capital (or capital contribution) and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;	The net worth definition is aligned with Companies Act, 2013 with minimal red highlighted changes.
39	2	(1)(y)	Clarity required on contribution of FME to be included towards net-worth.	If it is the intention that the contribution of FME into the scheme is to be counted towards the net worth of the FME, the mechanics of the same should be expressly incorporated in the definition of "net worth". This should be extended to venture capital schemes as well.
40	2	(1)(aa)	Reference to duration of redemption to be replaced with duration of scheme	The reference to 'duration for redemption' could be misconstrued to exclude all schemes which (even if do not have a defined tenure but) have frequent redemption periods from time to time. The definition instead should be the opposite of how a close ended scheme is defined, i.e. schemes where period of maturity of the scheme is not specified.
41	2	(1)(cc)	It is humbly submitted that the definition of "principal officer" may be modified by insertion of highlighted text as under: “principal officer” means a designated employee of the fund management entity responsible for the decisions made by the FME for management or administration of portfolio of securities or the funds of the clients, as the case may be, and overall operations of the Fund management entity.	The proposed insertion will clarify that the principal officer will also be responsible for the fund management decisions w.r.t client portfolios aswell.
42	2	(1)(dd)	“recognised stock exchange” means a recognised stock exchange in IFSC or any other jurisdiction as may be confirmed by IFSCA	FMEs should be allowed to list the open ended and closed ended scheme in any recognized stock exchanges in IFSC or outside India.

43	2	(1)(ee)	Definition to be exhaustive and not inclusive	The definition as currently drafted is inclusive but it is unclear as to what could be included other than Registered FME (Non-Retail) and Registered FME (Retail) from the make of the Regulations. Accordingly, the definition should not be inclusive.
44	2	(1)(ff)	Drafting issue (grammar) to be fixed	Either the definition should be 'restricted scheme' (singular) rather than 'restricted schemes' (plural), or the words 'means a scheme' should be replaced with 'mean schemes'
45	2	(1)(gg)	The definition of 'retail investors' in its present form may result in ambiguity and should be suitably amended.	Retail investors have be defined to mean any investor who is not restricted to invest in a scheme or a financial product in IFSC. This definition is confusing as it says 'any investor who is not restricted to invest in a scheme' - the fact of the matter is retail investors cannot invest in various schemes such as venture capital, non-retail schemes, etc
46	2	(1)(gg)	Clarity required on scope and applicability	It would be preferable to clarify the meaning of 'who is not restricted to invest in a scheme or a financial product' in this definition (by referring to applicable laws).
47	2	(1)(hh)	No reference to retail investors (Retail Scheme)	The definition does not refer to the defined term 'retail investors' but instead makes a general reference to all investors. The definition should either refer to the defined term retail investors, or the term retail investors should be entirely removed from the Regulations.
48	2	(1)(hh)	Drafting issue (grammar) to be fixed	Either the definition should be 'retail scheme' (singular) rather than 'retail schemes' (plural), or the words 'means a scheme' should be replaced with 'mean schemes'.
49	2	New Insertion	It is humbly submitted that an inclusive definition of the term "Securities" be provided under the Regulations wherein inter-alia the definition of securities as defined under the Securities Contract Regulations Act, Government Securities Act and any other enactments formulated by the Indian Regulators/Government. Further, it may be clearly specified that the definition of securities includes units of domestic mutual funds and alternative investment funds registered with SEBI.	The proposed amendment will add-on clarity to the term 'securities" used across the proposed regulations.
50	3	(1)	Individuals should be allowed to act as fund managers	As currently drafted, the Regulations do not seem to permit individuals or natural persons from obtaining a registration thereunder to carry out fund management activities. The AIF Regulations, however, permit persons to be appointed as managers of Alternative Investment Funds ("AIFs") established thereunder. For the purposes of restricted schemes, venture capital schemes and family investment funds, individuals should also be permitted to carry out fund management activities.
51	3	(4)	Concept of Group license may be introduced: The authority may consider inserting a proviso or amend the language of the said clause to clarify that in cases where any FME in India is undertaking various activities, viz. Mutual Fund, PMS, AIF etc. by itself or through its subsidiaries then such FME should be allowed to obtain only single license at parent level and its subsidiary/ branch in IFSC should be allowed to carry out its activities under the same registration of the parent.	Highly regulated entities like Asset Management Company (AMC) with multiple business and separate licenses (MF, PMS, Advisory and Managing AIF Schemes) at the domestic jurisdiction by itself or through its subsidiaries should be allowed to set up a branch of the parent company and to be considered as one unit for conducting all businesses across all categories. This will eliminate the requirement to procure different registrations for different business segments in each subsidiary
52	3	(4)	Existing funds/ schemes should be grandfathered under the existing regulations and fund managers can get registered under one of the categories for future schemes to be launched by them.	Explanation 1 is drafted with the intention to ensure continuity of the present regulatory framework for funds in IFSC. However, it is not clear on how the existing schemes would be grandfathered and whether any of the rules for schemes to be launched under the proposed draft framework will apply to the existing schemes. Similarly, whether the fund manager would be required to register under one or the other category depending on the schemes already launched or to be launched in the future is not very clear. Hence, this clarification should be provided.

53	3	(4)	The FME shall seek registration under any of the following three categories: (a) Type I - Authorised FME (b) Type II - FME (Non-Retail) (c) Type III - FME (Retail)	As typically understood in international parlance, it could be considered to redefine the FME categories as Type I, Type II and Type III based on the level of compliance requirements.
54	3	(4)	The FME shall seek registration under any of the following three categories: (a) Type I - Authorised FME (b) Type II - FME (Non-Retail) (c) Type III - FME (Retail)	As typically understood in international parlance, it could be considered to redefine the FME categories as Type I, Type II and Type III based on the level of compliance requirements.
55	3	(4)	There should be a provision for Registered FME (Non-FPI, only non-resident investors)	Fund manager managing funds for non-residents investors and exclusively investing outside India should be encouraged. (Please refer to the next page of this document for more details.)
56	3	(4)	Will existing managers from Category I migrate into Authorised FME under a grandfathering mechanism?	A clarification is required to understand whether the currently registered entities need to go through the process once again or do they have the benefit of grandfathering?
57	3	(4)(a)	Authorised FMEs investment should not be restricted to only VCF. Other asset classes should also be included provided the thresholds prescribed for authorized FME is met.	We believe that with the specified threshold (i.e. less than 50 investors, minimum size of the corpus of USD Five (5) Million, The total corpus not exceeding USD Two hundred (200) Million), other asset classes of restricted schemes can also be brought under the Authorised FME Route. Since majority of the investments under the alternative investments platform are private placements having limited number of investors and a defined fund size, strategies/asset classes such as Real Estate, Credit, Special Opportunities etc. should be brought under this route. Accordingly, Part A: Venture Capital Schemes may be modified appropriately to include such restricted schemes following threshold provided for Venture Capital Schemes. Further, it should be clarified that investment related conditions as applicable to a Venture Capital Scheme should not apply to Restricted Schemes launched by an Authorised FME.
58	3	(4)(a)	It is humbly submitted that the investment criteria as highlighted in red be removed and amended as under: 4 (a) Authorised FME: FMEs that pool money from accredited investors or investors investing above the specified threshold by way of private placement and invest in start-ups or early-stage ventures through Venture Capital Scheme. Family Investment Fund investing in securities, financial products and such other permitted asset classes shall also seek registration as an Authorised FME.	The category of investors specified under the Regulations will be matured and also be aware/understand the investments risks and therefore, it is recommended that the investment universe criteria be kept open ended and not restrictive
59	3	(4)(b)	IFSCA to kindly incorporate the defindition of a 'multi-family office' in the final regulations.	Registered FMEs are inter alia permitted to undertake Portfolio Management Services (including for multi-family office). The term 'multi-family office' has not been defined in the draft regulations.

60	3	(4)(b)	It might be desirable to expand this clause and add 'invest in listed equities in addition to the private placement'.	This clause says that one of the categories being registered are FMEs that pool money from accredited investors or investors investing above a specified threshold by way of private placement for investing in securities, financial products and such other permitted asset classes through one or more restricted schemes. It may be advisable to expand this clause and appropriately clarify.
61	3	(4)(b)	Reference to 'restricted schemes' to include a 'venture capital scheme'	While it seems from a holistic reading of the Regulations that a Registered FME is also permitted to launch venture capital schemes, for utmost clarity the same should be specified in this regulation by making an express reference to 'venture capital schemes'.
62	3	(4)(c)	Reference to 'restricted schemes' to include a 'venture capital scheme'	While it seems from a holistic reading of the Regulations that a Registered FME is also permitted to launch venture capital schemes, for utmost clarity the same should be specified in this regulation by making an express reference to 'venture capital schemes'.
63	3 & 18	4(c) & 18(1)	The guidelines seem silent on angel funds except for a couple of passing references in regulation 4 and regulation 18. Regulation 18 (1) states that Venture Capital Schemes are schemes that can be launched by Authorised FMEs or Registered FMEs and invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund.	Provision for angel fund or incubation fund exists in the current legislation but does seem to find a separate place for itself in the draft regulation. The investors in angel investing generally invest small amounts and are often a mix of mid-level tech executives who want to spawn ventures that might not interest a venture capital fund and HNI investors. In the draft legislation, the angel funds have been clubbed along with the venture capital schemes.
64	3 & 18	4(c) & 18(1)	These clauses do not have any provision for angel funds. It may be desirable to have a separate category for angel funds as in the extant regulations.	To make things easier and in keeping with the spirit of the 'ease of business' initiative, it may be useful to consider options wherein these angel funds can operate as part of an overall platform. This way, they can take off and yet remain economical.
65	3	Regulation 3(4) - Explanation	Clarity required in Reg 4 (Explanation I) due to inconsistency with Regulation 148	The provision on repeals (Reg 148) in the Regulations suggests that SEBI (IFSC) Guidelines, 2015 on Funds, AIF Regulations and various circulars issued on AIFs operating in the IFSC will be repealed and / or superseded from the effective date of the Regulations. However, Explanation I to Regulation 4 suggests that FMEs may continue to launch schemes under the IFSC-AIF framework. It is unclear as to how this will be implemented if the IFSC-AIF framework is to be repealed from the effective date of the Regulations. Further, if such existing structures are to be deemed as having been commenced under the Regulations, then Explanation I may not be enforceable.
66	3	Regulation 3(4) - Explanation	The regulations do not provide clarity with respect to existing AIFs in GIFT City	In terms of the explanation to regulation 3, Authorised FMEs shall be able to launch schemes similar to angel fund / Venture Capital category under the extant regulatory framework for Category I Alternative Investment Fund. The regulations should clarify whether this implies that the existing fund managers shall be required to take registration under the draft regulations. Further, the draft regulations should provide the time period within which existing fund managers currently operating in the GIFT City are required to comply with the new regime.
67	3 & 148	Regulation 3(4) - Explanation Regulation 148(1)(b)	Pursuant to notification of the Regulations, the existing Investment Managers of AIFs would be required to seek registration as FME with IFSCA. A transitionary framework for launch of new schemes during the period from notification of the Regulations till the time the existing Investment Manager of AIF is registered as FME with the authority needs to be provided.	Guidelines for transition of Investment Managers in IFSC, who are already registered with IFSCA, to the new Regulations needs to be prescribed. Further, if an application is made before the new Regulations are notified, it should be processed as per the extant framework. The Investment Manager can be required to subsequently migrate to the new Regulations within 6 months. This would provide flexibility for businesses to launch new schemes during the transitionary phase and add to the ease of doing business from IFSC.

68	3 & 148	Regulation 3(4) - Explanation Regulation 148(1)(b)	Transitionary framework for launch of new schemes during the interim period i.e. from the effective date of the notified Regulations till the time the existing Investment Manager of AIF is registered as FME with the authority, to be provided.	During the transitionary period, there should be flexibility to launch new schemes so that the existing business plans are not impacted.
69	3 & 148	Regulation 3(4) - Explanation Regulation 148(1)(b)	Transitionary framework for launch of new schemes during the interim period i.e. from the effective date of the notified Regulations till the time the existing Investment Manager of AIF is registered as FME with the Authority, to be provided.	During the transitionary period, there should be flexibility to launch new schemes so that the existing business plans are not impacted. Guidelines and procedure to be issued for Investment Manager entities, which are already registered with IFSCA, for obtaining the FME license under the new Regulations. Further, if an application is made before the new Regulations are notified, it should be processed as per the current framework. The Fund manager can then, subsequently, within 6 months, register itself under the new Regulations and if required, give a declaration to this effect while obtaining the IFSC Alternative Investment Fund registration under the current framework for the pending application.
70	3 & 148	Regulation 3(4) - Explanation Regulation 148(1)(b)	Transitionary framework for launch of new schemes during the interim period i.e. from the effective date of the notified Regulations till the time the existing Investment Manager of AIF is registered as FME with the authority, to be provided.	During the transitionary period, there should be flexibility to launch new schemes so that the existing business plans are not impacted. Guidelines and procedure to be issued for Investment Manager entities, which are already registered with IFSCA, for obtaining the FME license under the new Regulations. Further, if an application is made before the new Regulations are notified, it should be processed as per the current framework. The Fund manager can then, subsequently, within 6 months, register under the new Regulations and if required, give a declaration to this effect while obtaining the IFSC AIF registration under the current framework for the pending application

71	3	General	It is suggested that the Authority may consider authorizing a Company Secretary in Practice (PCS) to certify the Form for processing an application for registration as a Fund Management Entity (FME). PCS will certify that an applicant seeking registration under regulation 3 has complied with the conditions laid down in regulations and is eligible for operating as an FME, governed by the provisions of these regulations and any other regulations that have been formulated by the Authority. This certification in form of a 'Certificate of Compliance' will provide assurance to the Authority about the fulfilment of conditions mentioned in the Form and will assist in faster disposal of applications for registration as a FME. The ICSI may provide the draft format of the Certificate of Compliance upon hearing from your good office.	A Company Secretary is well versed with memorandum of association, articles of association, byelaws, and ownership and governance structure of a company or LLP or body corporate or partnership firm or proprietorship firm or any other form and can ascertain requirements relating to the structure, shareholding, net worth, etc. required for the formation of a Fund Management Entity (FME). The certification by a PCS will give necessary assurance to the Authority while registering an FME as the Authority will not be required to review each aspect threadbare which will speed up the process of approval. Company Secretary is widely acclaimed for the understanding of laws not only from a legal perspective but also from a management and technical perspective. Company Secretary is provided with exhaustive exposure by the ICSI through coaching, examination, rigorous training and continuing professional development programmes and is governed by the Code of Conduct as prescribed in the Company Secretaries Act, 1980. A Company Secretary in Practice (PCS) renders various services viz. certification/ attestation, compliance, advisory, representation and arbitration, conciliation services and the other services as prescribed under Section 2(2) of the Company Secretaries Act, 1980 to the corporations, body corporates, societies, trusts, associations, enterprises, undertakings, etc. A PCS is authorised to undertake the following certification under various legislations: • to Pre-certify the various e-forms required to be filed under the Companies Act, 2013 and rules made thereunder. • to oversee all the compliances relating to issue of depository receipts and to provide compliance report at the Board meeting to be held immediately after closure of all formalities of the issue of depository receipts under Rule 4 of the Companies (Issue of Global Depository Receipts) Rules, 2014] • to certify Registration along with Article of Association, Memorandum of Understanding, Details of Promoters/ Partner/ Shareholder, Net worth, Paid up Capital, Foreign Direct Investment in the company for the purpose of Application for Grant of Unified License (Virtual Network Operators)/ Authorisation for Additional Services {Department of Tele-communications (Access Service Cell) [Notification No. 800- 23/2011-VAS (Vol. II)]} • to certify that the applicant has complied with all the requirements relating to registration fees, share capital, deposits and other requirements of the Insurance Regulatory and Development Authority Act, 1999. [IRDA (Registration of Indian Insurance Companies) Regulations, 2016 (Regulation 10)] • to certify that all the requirements of the International Financial Services Centres Authority Act, 2019 read with IFSCA (Registration of Insurance Business) Registration 2021 and notifications issued under section 2CA of the Act have been complied with by the applicant as per the requirements specified in Form B & Form C of the IFSCA (Registration of Insurance Business) Regulations, 2021. • to issue a Certificate of Compliance to the issuer certifying that the proposed preferential issue is being made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 under Regulation 163 (2) (i) of the SEBI (ICDR) regulations, 2018. • to conduct due diligence under Regulation 10 (3) of the SEBI (Delisting of Equity Shares) Regulations 2021 • to certify the Shares held by inactive shareholders under Proviso to Regulation 21 (a) of the SEBI (Delisting of Equity Shares) Regulations 2021
72	5	(1)	(ii) for any investment manager/sponsor of a Fund (by whatever name called), where such Fund is registered and/or regulated; by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. For the purposes of this Proviso, 'Fund' shall mean alternative investment fund, mutual fund or venture capital fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	
73	5	(1)	To permit LLP as permissible structure for Registered FME (Retail)	Registered FME (Retail) should also have the flexibility to be set-up as LLP as it is one of the popular forms of entity used for undertaking business.
74	5	(1)	To permit LLP as permissible structure for Registered FME (Retail)	Registered FME (Retail) should have the flexibility to be set-up as LLP
75	5	(1)	To permit LLP as permissible structure for Registered FME (Retail).	Registered FME (Retail) should also have the flexibility to be set-up as LLP as it is one of the popular forms of entity used for undertaking business.

76	5	(1)	Well-regulated fund managers should be permitted to operate Registered FME (Retail) through LLP or its branch set-up	Well-regulated fund managers (onshore or offshore) should be permitted to undertake businesses in any form and shape and should not be restricted by virtue of any business forms.
77	5	(1)-First Proviso	Provided that a Registered FME (Retail) shall not be permitted though LLP mode or its branch. Explanation: For the purposes of this clause, it is clarified that, the branch of a company shall be permitted to obtain registration as Registered FME (Retail).	To clarify the intent
78	5	(1)-First Proviso	Provided that the branch structure is permitted only for: - a Fund Manager/ Investment Manager/ Sponsor which is already registered or regulated; or - for any Investment Manager of a Fund (by whatever name called), where such Fund is registered or regulated; by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities'. For the purposes of this Proviso, 'Fund' shall mean Alternative Investment Fund, Mutual Fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	Clarification to the effect that the Fund Manager/ Investment Manager/ Sponsor should be permitted to set-up branch structure if such Fund Manager/ Investment Manager/ Sponsor is already registered or regulated, or Investment Manager of a Fund (by whatever name called), where such Fund is registered or regulated, in India or foreign jurisdictions.
79	5	(1)-proviso	LLP and branch should be permitted for Retail FMEs	It is unclear as to why a Retail FME cannot be set up as a limited liability partnership or a branch.
80	5	(1)-Second Proviso	IFSCA may consider to update the following: Provided that the branch structure is permitted only: (i) for a FME/Sponsor which is already registered and/or regulated; or (ii) for any investment manager/sponsor of a Fund (by whatever name called), where such Fund is registered and/or regulated; by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. For the purposes of this Proviso, 'Fund' shall mean alternative investment fund, mutual fund or venture capital fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	In India, investment managers are not registered and not directly regulated. Therefore, it is proposed to allow an investment manager, whose AIF is already registered, to open and operate through a branch office.

81	5	(1)-Second Proviso	Provided that the branch structure is permitted only for: - a Fund Manager/ Investment Manager/ Sponsor which is already registered or regulated; or - for any Investment Manager/ Sponsor of a Fund (by whatever name called), where such Fund is registered or regulated; For the purposes of this Proviso, 'Fund' shall mean Alternative Investment Fund, Mutual Fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	Clarification to the effect that the Fund Manager/ Investment Manager/ Sponsor should be permitted to set-up branch structure if such Fund Manager/ Investment Manager/ Sponsor is already registered or regulated, or Investment Manager of a Fund (by whatever name called), where such Fund is registered or regulated, in India or foreign jurisdictions.
82	5	(1)-Second Proviso	Provided that the branch structure is permitted only for: - a Fund Manager/ Investment Manager/ Sponsor which is already registered or regulated; or - for any Investment Manager/ Sponsor of a Fund (by whatever name called), where such Fund is registered or regulated; by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. For the purposes of this Proviso, 'Fund' shall mean Alternative Investment Fund, Mutual Fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	Clarification to the effect that the Fund Manager/ Investment Manager/ Sponsor should be permitted to set-up branch structure if such Fund Manager/ Investment Manager/ Sponsor is already registered or regulated, or Investment Manager of a Fund (by whatever name called), where such Fund is registered or regulated, in India or foreign jurisdictions.
83	5	(1)-Second Proviso	Provided that the branch structure is permitted only for: - a Fund Manager/ Investment Manager/ Sponsor which is already registered or regulated; or - for any Investment Manager/ Sponsor of a Fund (by whatever name called), where such Fund is registered or regulated; by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. For the purposes of this Proviso, 'Fund' shall mean Alternative Investment Fund, Mutual Fund or any other fund regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities.	Where a Fund is registered or regulated by a regulatory authority its Investment Manager is required to comply with the prescribed requirements and submit the requisite details to the regulators. Thus, the Investment Managers of regulated entities are deemed regulated by virtue of their association with the regulated entity i.e. the Fund in spite of not seeking a separate registration with the authorities. Thus, clarification to the effect that the: (i)Fund Manager/ Investment Manager/ Sponsor should be permitted to set-up a branch structure in IFSC if such Fund Manager/ Investment Manager/ Sponsor is already registered or regulated; or (ii)the Investment Manager of a Fund (by whatever name called), where such Fund is registered or regulated, in India or foreign jurisdictions. should be included.
84	5	(2)(a)	Ring Fencing of Core/ Non-core operations may be clearly defined. Non-Core operations may be provided with some leeway considering ease of operations, while Core operations shall be adequately ringfenced	In the absence of clear definition for “Ring Fencing”, the Fund may face many issues. We recommend defining Core and Non-Core operations clearly with respect to Ring Fencing.
85	5	(2)(a)	The Branch /subsidiary should be allowed to use the infrastructure such as computer systems and other requirements including the operational facilities such as distribution channels Branch office software etc of the parent company	Use of time tested infrastructure and reduction of cost.

86	5	(2)(a)	While the operations of the branch can be ring fenced from its operations at domestic jurisdiction, a provision may be added clarifying that the person stationed in GIFT IFSC can share his/her expertise and services such as research to the branch or parent company in the domestic jurisdiction	The unit in GIFT IFSC will be an integral part of any Company set up in India as the unit in GIFT IFSC would be a branch or a subsidiary of the company set up in India. In order to attract and retain superior talent at GIFT IFSC which will further enhance the ecosystem at GIFT City it is vital to permit the personnel stationed at gift city to be allowed to share their inputs / research with the parent or the branch in the domestic jurisdiction. In addition there will be instances where the company in the domestic jurisdiction might want to utilise the expertise of the personnel stationed in GIFT IFSC. Our request is to allow services such as research or any other expertise which the personnel stationed in GIFT IFSC can provide to the branch or parent company in the domestic jurisdiction.
87	5	(2)(a)	While the operations of the branch can be ring fenced from its operations at domestic jurisdiction, a provision may be added clarifying that the person stationed in IFSC can share his/ her expertise and services such as research to the branch or parent company in the domestic jurisdiction.	The unit in IFSC will be an integral part of any company set-up in India, as the unit in IFSC would be a branch or a subsidiary of the company set up in India. In order to attract and retain superior talent which will further enhance the ecosystem at IFSC, it is vital to permit the personnel stationed at GIFT City to be allowed to share their inputs/ research/ expertise etc. with the parent or the branch in the domestic jurisdiction. In addition there will be instances where the company in the domestic jurisdiction might want to utilise the expertise of the personnel stationed in IFSC. Our request is to allow services such as research or any other expertise which the personnel stationed in IFSC can provide to the branch or parent company in the domestic jurisdiction. To clarify that, any support services (IT, payroll, HR etc.) obtained for performing any non-core activities of the branch from the parent entity should not be considered as breach of the ring-fencing requirement. To issue guidance prescribing the minimum threshold for complying with ring fencing requirement
88	5	2(a) & 2(c)		Further, to clarify that, any support services (IT, payroll, HR etc.) for performing any non-core activities of the branch and obtained from the parent entity should not be considered as breach of the ring-fencing requirement. To issue guidance prescribing the minimum threshold for complying with ring fencing requirement. For clause (c) of sub-regulation 2, if the intention is to maintain minimum capital in addition to net worth where the branch of FME is intending to undertake multiple activities under a single license, this requirement could be subsumed as part of net worth requirement. Separate guidelines could be issued to prescribe the incremental net worth requirement depending upon the additional permissible activity to be undertaken by the FME.
89	5	(2)(c)	-	For clause (c) of sub-regulation 2, if the intention is to maintain minimum capital in addition to net worth, where the branch of FME is intending to undertake multiple activities under a single license, this requirement could be subsumed as part of net worth requirement. Separate guidelines could be issued to prescribe the incremental net worth requirement depending upon the additional permissible activity to be undertaken by the FME.
90	5	(2)(c)	Minimum capital requirements should be removed.	Given that there is a continuing obligation to maintain net worth, the additional minimum capital requirements should be removed. In any case, there are no provisions in the Regulations specifying the minimum capital requirements. Accordingly, this sub-regulation should be removed.
91	5	(2)(c) & (8)(3)(3)	Capital adequacy for the FME should be the calculated as per the defined formula. However the capital requirement for the entity in its original jurisdiction should be deductible only for a branch setup in IFSC and should not be made applicable to the subsidiary set up in IFSC	To ensure consistency in Net-worth requirement & in the interest of continuity
92	5	(3)	Drafting issue (grammar) to be fixed	The word 'shall' is missing from the provision, before 'permit it to carry on…'.
93	5	(3)	The documentation should be expanded to include “or constitution document(s) for any other permitted forms”	The sub-regulation should be expanded to include any other documents which could be taken into consideration as and when new forms of entities are introduced in sub-regulation (1).

94	5	(4)	It should be clarified that the Registered FME(Retail) set-up as a branch needs to satisfy this either at the branch level or at the parent level	Currently, the regulations are not clear on whether the condition needs to be met at parent level or at branch level and the same should be clarified.
95	5	(4)	The Directors as applicable to the FME in their original Jurisdiction should be allowed to act as Directors in the IFSC entity. This could include independent directors also	The goals of Parent company and subsidiary could be common – helping the board to get a wholistic guidance as well *as exercise better control*
96	6	Explanation(a)	To provide relaxation on this requirement .	This requirement looks too onerous considering the prevailing regulatory regime for such funds and hence a relaxation should be accorded by deleting / easing conditon of minimum AUM and number of investors.
97	6	New Insertion	Fintech companies should be permitted to undertake this activity could be exempted from the requirement of 5 years experience and required AUM and Number of Investor –This could be on the same lines as the exemption given by SEBI (Board meeting of Dec 16, 2020) to Fintech companies for mandatory Profitability requirements applicable to sponsors of AMCs. it is further suggested that the criteria of "sound track record" should be done away with for entities (FME) set up with KMP / Fund Managers fulfilling the required experience.	Fintech companies have tech edge and provide efficient services at low cost and are known to expand the reach of the services they are offering. Removing this requirements will help Fintech companies set up susidiaries in IFSC for offering financial services.
98	7	(2)	(2) In case of Registered FME (non Retail), in addition to the above, one (1) KMP shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME Suggestion: Same person can be Principal Officer and Compliance & Risk Manager.	It is mandatory under Regulation 7, sub-regulation 1 to designate a Principal Officer. The same Principal Officer should be able to be designated the Compliance and Risk Manager as well since the Principal Officer is responsible for activities that include the Compliance function. Hence, appointment of Compliance and Risk Manager shall not be made mandatory. For startup funds the burden of having two employees at the onset can become cost prohibitive and will detract from the vision of IFSCA to bring startup funds to the area. Most funds start with low overhead and a very small asset base which grows over time. This is in keeping with “best in class “ regulation in the United States where funds under certain thresholds ($25mm, $100mm) have lower compliance filing requirements and hence do not require these personnel. Further, since the Registered FME (non Retail) can only target “accredited investors” and is limited in the number of its investors all of whom are “sophisticated investors” having a separate Principal Officer and a Compliance Officer is unnecessary over- head.
99	7	(2)	In case of Registered FME, in addition to the above, it shall appoint one (1) Senior Investment Professional who shall be employed along with the principal officer by the FME. The Senior Investment Professional or the principal officer shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.	Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations. Further, the flexibility should be provided where an SIP or Principal Officer could also be designated as Compliance and Risk Officer.
100	7	(2)	In case of Registered FME, in addition to the above, it shall appoint one (1) SIP who shall be employed along with the principal officer by the FME. The SIP or the principal officer shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.	Key managerial personnel' as understood in common parlance can be interpreted differently under various laws and regulations. Accordingly, to avoid any confusion and to make the definition wider, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.

101	7	(2)	In case of Registered FME, in addition to the above, it shall appoint one (1) SIP who shall be employed along with the principal officer by the FME. The SIP or the principal officer shall be designated as Compliance and Risk Manager and shall be responsible for compliance with these regulations and ensure suitable risk management policies and practices at the FME.	Key managerial personnel' as understood in common parlance is very wide and can be interpreted differently under various laws and regulations. Accordingly, for the purposes of this regulations, the definition of KMP should be replaced with SIP and should be referenced accordingly in the regulations.
102	7	(3)	Clarity required on scope and applicability	Some guidance should be provided on the meaning of 'fund management' for this purpose.
103	7	(3)	In addition to sub-regulations (1) and (2) above, the Registered FME (Retail) shall appoint or employ a Senior Investment Professional who shall be designated with the responsibility of fund management.	-
104	7	(3)	In addition to sub-regulations (1) and (2) above, the Registered FME (Retail) shall appoint or employ an SIP who shall be designated with the responsibility of fund management.	
105	7	(3)	In addition to sub-regulations (1) and (2) above, the Registered FME (Retail) shall appoint or employ an SIP who shall be designated with the responsibility of fund management.	
106	7	(3)	KMP maybe replaced with Senior Investment Professional.	As mentioned in Point 2
107	7	(4)	(4) The applicant shall ensure that the aforementioned principal officer and other KMPs shall be based out of IFSC and meet the following experience:	In terms of the draft regulations, KMP means “the officers or personnel of the FME who are members of its core management team and includes members of the management one level below the executive directors of the FME, functional heads and includes ‘key managerial personnel’ as defined under the Companies Act, 2013 or any other person whom the FME may declare as a key managerial personnel”. The language of regulation 7(4) implies that all the KMPs are required to fulfil both the criteria. The definition of KMP is broad and includes all members of the core management team. It may be difficult to ensure that the professional and experience criteria is met by each KMP. Under the AIF Regulations, a similar criteria is specified for the key investment team. However, it is clarified therein that one personnel may fulfil both the criteria. Therefore, in light of the practical difficulty that regulation 7(4) may create, it should be clarified that the criteria may be fulfilled by any one KMP.

108	7	(4)	It is suggested that the requirement of all the KMPs to be based out of IFSC be relaxed.	Most fund managers would have structures where the head office, KMP including the CIO would be located at the head office and would be managing multiple portfolios / fund offerings. Accordingly, the requirement for having the KMP (especially the CIO) located in IFSC would amount to the requirement of having a separate CIO for the fund offerings from GIFT IFSC which may not be in line with the operations and structure of the fund managers.
109	7	(4)	Physical presence optional for KMPs	For administrative purposes, the requirement to have physical presence of principal officer seems appropriate. However, for fund management functions (such as fund raising, deal sourcing, evaluation, negotiations etc.), the personnel should not be required to be physically working from IFSC, and should be allowed as being done remotely pursuant to appropriate employment or equivalent agreements. Dual employment should clearly be permitted to ensure ease of implementation. Due to COVID, there is now a global acceptance of remote working arrangements and the corporate world is moving closer towards providing such flexibilities to its personnel. In this light, it may be considered regressive by foreign players for strict physical presence requirements. Further, it is not practicable for fund management personnel to be required to work physically from office at all times as their work involves considerable amount of travel for road shows, investor meetings, field visits to portfolio companies etc. If KMPs are members of the board / investment committee / designated partners of the FME, then the requirement of 'based in IFSC' should be considered satisfied as long as the meetings of the board / investment committee / designated partners which are relevant for key decision making are chaired from the IFSC.
110	7	(4)	The applicant shall ensure that the aforementioned principal officer and SIP shall be employed by the FME and: (a)Meet the following criteria: i.A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association; or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction; and ii.An experience of at least five years in related activities in the securities markets or with entities engaged in financial services sector or financial products including in a portfolio manager, broker dealer, investment advisor, Wealth Manager, research analyst or fund management or fund raising or fund compliance.	The eligibility criteria in IFSC should be widened to include lenders, bankers and investment bankers who have adequate experience.

111	7	(4)	The applicant shall ensure that the aforementioned principal officer and SIP shall be employed by the FME or its affiliates established in IFSC and meet the following requirements: (a)Meeting the following criteria: i.A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association; or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction; or ii.An experience of at least three years in related activities in the securities markets or with entities engaged in financial services sector or financial products including in a portfolio manager, broker dealer, investment advisor, wealth manager, research analyst or fund management or fund raising or fund compliance. (b)The Principal Officer and designated Senior Investment Professional mentioned above shall be present in IFSC, in aggregate, for a minimum period of 75 days during a financial year.	In order to provide clarity to the terms “based out”, we suggest replacing it by term “employed” read with stay requirement as specified in sub clause (b) i.e. 75 days. Scope widened to include lenders, bankers and investment bankers who have adequate experience and to define requirement of presence of personnel in IFSC. Relaxation shall be provided in experience criteria of SIP by reducing it to 3 years or can be retained for only 1 person to have more than 5 years of experience and not all other person. Further, to provide an objective criteria of substance and for avoiding any ambiguity, a period of minimum 75 days of presence of the Principal Officer and Senior Investment Professional in aggregate should be prescribed. Further, IFSCA may review the substance fulfilment, once in 2 years by way of inspection, while not making it onerous on any party. Also, IFSCA to issue guidelines whereby other regulators/ regulations, consider/ accepts such guidelines, as a proof of substance.

112	7	(4)	The applicant shall ensure that the aforementioned principal officer and other SIP shall be employed by the FME and meet the following requirements: (a) Having the following experience: i. A professional qualification or post- graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association; or a certification from any organization or institution or association or stock exchange which is recognised/ accredited by Authority or a regulator in India or Foreign Jurisdiction; and ii. An experience of at least three years in related activities in the securities markets or with companies engaged in financial services sector or financial products including in a portfolio manager, broker dealer, investment advisor, Wealth Manager, research analyst or fund management or fund raising or fund compliance. (b) The principal officer and/ or SIP or any other person employed by FME can be employed by the FME. . However, the visits of such principal officer or SIP in IFSC, in aggregate, shall be for a minimum period of 75 days during a financial year.	Scope widened to include lenders, bankers and investment bankers who have adequate experience and to define requirement of presence of personnel in IFSC. Relaxation shall be provided in experience criteria of SIP by reducing it to 3 years or can be retained for only 1 person to have more than 5 years of experience and not all other person.
113	7	(4)	The applicant shall ensure that the aforementioned principal officer and Senior Investment Professional shall be employed by the FME and meet the following requirements: (a) Meeting the following criteria: i. A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognised by the Central Government or any State Government or a recognised foreign university or institution or association; or a certification from any organisation or institution or association or stock exchange which is recognised/ accredited by the Authority or a regulator in India or Foreign Jurisdiction; and ii. An experience of at least five years in related activities in the securities markets or with entities engaged in financial services sector or financial products including in a portfolio manager, broker dealer, investment advisor, Wealth Manager, research analyst or fund management or fund raising or fund compliance. (b) The Principal Officer and designated Senior Investment Professional mentioned above shall be present in IFSC, in aggregate, for a minimum period of 75 days during a financial year.	Scope widened to include lenders, bankers and investment bankers who have adequate experience and to define requirement of presence of personnel in IFSC. Further, to provide an objective criteria of substance and for avoiding any ambiguity, a period of minimum 75 days of presence of the Principal Officer and Senior Investment Professional in IFSC in aggregate should be prescribed. Further, there could be a mechanism to track the compliance with this requirement at the FME level. The Authority could consider issuing a certificate of compliance with this Regulation on an application made by FME.

114	7	(4)	The IFSCA may kindly specify what would be construed as 'based out of IFSC' i.e. is it that the principal officer and other KMPs are required to be present physically in IFSC or should they be tagged to office in IFSC.	Given the pandemic situation where most of the people are working from home and the fact that many companies may adopt a hybrid working model going forward, whether working from home would satisfy this requirement.
115	7	(4)	This Clause could be replaced by the following revised clause: The applicant shall ensure that the aforementioned principal officer and other KMPs shall be based out of IFSC for a minimum period of 90 days during a financial year.	Since the GIFT City is now in initial stage, it would be difficult to find appropriate person for staying in GIFT. Further, multiple companies / sectors (including financial services and fund management) have adopted “Work From Home” policies post the onset of COVID-19. Therefore, the minimum period should be fixed as 90 days.
116	7	(4)	This sub regulation should be made applicable for funds with AUM of more than US$ 50 million or after 3 years of operation, whichever is earlier.	The FME should comply with the requirement that there is a designated Principal Officer and a designated Compliance Officer. Any deficiency found or reported in conducting the business (including compliance) should be the responsibility of the principal officer. Any deficiency in complying with the regulations should be the responsibility of the compliance officer along with the principal officer. In cases where it is a completely new set up, all KMP will be based out of the IFSC, as that would be the only entity of the group. However, in cases where an existing Investment Manager sets up a subsidiary or branch in the IFSC, the requirement for duplicating a principal officer and compliance officer based out of the IFSC upfront would be onerous. All investment related activities and day to day activities of the FME should be carried out by personnel based out of the IFSC. In case of relocations too, it would be expected that some would want to set up additional entities in the IFSC and gradually shift operations over a period of time. To set up a separate set of top management at the start would be a deterrent for them.
117	7	(4)(a & (b)	s	In case of Authorised FMEs, only a principal officer is mandatory. The role of the principal officer is to be responsible for overall activities of the FME. Senior personnel (executives) who have been in the industry for a while are most likely to be considered for this position (given the level of responsibility), and therefore, should not be required to meet both but either of the (i) professional; or (ii) experience requirements. It needs to be clarified that the principal officer is not responsible for decision making. It will have a supervisory role in respect of overall operations of the Fund.
118	7	(5)	Clarity required on scope and applicability	The meaning of 'based in office of the FME in the IFSC' is unclear. Physical presence should not be mandatory for such personnel as explained above. If the requirement here also is to have physical presence in IFSC, then it could become impracticable for established managers to operate out of IFSC as it would entail a substantive moving of personnel or hiring of new personnel (which could be an issue because at these levels, lateral hiring may not always be feasible). A holistic reading of Regulation 7, suggests that all functions of a fund management entity (portfolio construction, management, compliance) is to be conducted physically from the IFSC. The words 'based in office of the FME' should be clarified to mean employed or appointed by the FME in IFSC.
119	7	(5)	Given that the sub-regulation(6) already mandates key decisions to be undertaken in substance from IFSC, this additional condition with respect to establishing substance maybe deleted. Further, given that clarification on substance requirement has been a long standing ask from the industry, a consultative approach should be followed for drafting operating guidelines (draft may be relased for public comments prior to finalising the guidelines) for fund managers in IFSC.	The recommendation is in light of the practical difficulties which could arise to the fund managers to comply with the existing requirement given the manner of operations of fund managers.

120	7	(5)	This clause could be deleted	The requirement of appointing KMP is addressed in Regulation 7(4)
121	7	(5)	This clause could be deleted	The requirement is addressed in Regulation 7(4)
122	7	(5)	This clause could be deleted	The requirement is addressed in Regulation 7(4)
123	7	(5)	This clause could be deleted	The requirement is addressed in Regulation 7(4), to avoid duplication or overlap.
124	7	(5)	This sub-regulation should be deleted	The functions relating to management of the investment portfolio as well as portfolio composition will typically involve multiple stakeholders in an organisation. The requirement to have the personnel who initiate/perform these functions to be based in IFSC would not be practical.
125	7	(5)	We recommended this clause to be limited to only the personnel who initiates the proposal and take the final decision on the portfolio composition of the investment portfolio, to be based in office of the FME in the IFSC.	A proposal which is initiated from IFSC, can be discussed in the meeting of the Investment Committee or the Board or any other similar body of the manager. The appointed body will provide its non-binding recommendations, while final decisions can be taken by the fund manager based out at IFSC.
126	7	(5)&(6)	It is suggested that the requirement of personnel exercising influence or control over the management of the investment portfolio and who initiate the proposal on the portfolio composition from GIFT IFSC be relaxed. The requirement for being located in GIFT IFSC should be targeted towards the research & analysis, execution and compliance functions.	The language mentioning “exercise influence or control” and “initiate the proposal on portfolio composition” appear to be too wide and may be subject to interpretation. Further, there may be situations where the broad contours and policies on portfolio composition may be determined at group level at the head office and these policies would be applicable to the GIFT IFSC based branch / subsidiary of such entities. However, from the relevant clause in the draft regulations, it appears that the initiator of such group level policies that are applicable to GIFT IFSC branch should be located at GIFT IFSC. Also, incase the FME at GIFT IFSC is utilizing the services of an investment Advisor, and such Investment Advisor is located outside GIFT IFSC, then such arrangements may be rendered non-compliant by virtue of the mentioned regulation.
127	7	(6)	Guidance required on meaning of 'substance'	In order to encourage fund managers to avail of the new framework, they will need to be equipped with adequate guidance on the meaning of 'substance'. Accordingly, certain guiding principles should be added to this provision on how this provision can be satisfied (e.g. at least one AGM to be conducted in IFSC, the ratification of all such key decisions to be done in IFSC by the board or designated partners, as the case may be). Such guidelines should be objective and easy to interpret. For example, the Central Board of Direct Taxes had issued guidelines for the purposes of determining the Place of Effective Management (POEM) test by way of Circular No. 6 of 2017. In the absence of such guidance, multiple applications and queries will be made to IFSCA by applicants which may become operationally difficult for IFSCA to administer.
128	7	(6)	The final investment / divestment decision (i.e. meeting of the Investment Committee or the Board or any other similar body) relating to fund management shall be taken at IFSC	Clarified that the final decisions relating to investment/ divestment activities is made from IFSC.
129	7	(6)	The final investment/ divestment decision (i.e. meeting of the Investment Committee or the Board or any other similar body, if any) relating to fund management and trade execution shall be taken at IFSC.	Clarified that the final decisions relating to investment/ divestment and trade execution is made from IFSC.
130	7	(6)	The final investment/ divestment decision (i.e. meeting of the Investment Committee or the Board or any other similar body, if any) relating to fund management and trade execution shall be taken at IFSC.	Clarified that the final decisions relating to investment/ divestment activities is made from IFSC.

131	7	(6)	The members of the Investment Committee formed by FME are not required to be physically present at IFSC to participate in the fund management and investment activities. The commercial decision should be limited to the final investment/ divestment and decisions relating to trade execution.	While the final investment, divestment and commercial decision shall be taken in the IFSC, in order to leverage / benefit from the investment professionals in the domestic jurisdiction, an Investment committee or any other body set up by the manager can consist of the members which are part of the FME's parent company in the domestic jurisdiction. Further, such participation/ meetings can be held in the domestic jurisdiction where the Investment Committee formed for the domestic schemes ordinarily meet/participate (either physically or electronically through Video communications or other electronic form). This is because it may be challenging for any company establishing its branch or subsidiary at IFSC location to completely move all its personnel who are part of the Investment Committee and providing non-binding recommendation for the management of the investment portfolio at IFSC location.
132	7	(6) & (7)	It is relevant that the regulator issues guidelines relating to outsourcing of the activities	The condition stating that the decisions are 'in substance' to be undertaken from IFSC is susceptible to differing interpretations may create uncertainties [including from an operational and tax standpoint] in relation to activities that are required to be done in IFSC itself. IFSCA should consider specifying rules for outsourcing which can specify activities that can be outsourced and prescribe therein that subject to such outsourcing, overall control over the activities can be with KMPs / Board of the FME. The appointment of "personnel/manpower" should include appointment of advisors, contractors, other service providers who may be situate in or outside IFSC subject to outsourcing regulations.
133	7	(7)	Criteria to be objective	The option at the behest of the FME to appoint additional personnel should be independent of of its size or operations or other such parameters, and purely discretionary. Accordingly, please replace 'shall' with 'may'.
134	7	1,2,3	As suggested above, any FME having single FME registration at Parent level carrying out its various activities by or through its subsidiaries by setting up its branch/es, should be allowed to employ Principal Officer and other KMP (i.e. designated as Compliance and Risk Manager and designated person for fund management) at the Parent level across all its activities.	As per the draft guidelines we understand that minimum 3 KMPs to be assigned for entities undertaking registration of FME (Retail). Considering Branch as one unit (as suggested above) for conducting all businesses across all the three categories, the Branch should be allowed to maintain the required manpower of 3 KMPs for all the business and across asset classes. This will eliminate the excess manpower to be maintained for running different strategies / asset classes
135	7	1,2,5.6.7	KMP and others specified in this section may be allowed to be common for parent entity and IFSC entity, subject to atleast minimum requirements of officials to be based in IFSC.	It may be difficult to get qualified officials to employed in IFSC or have exiting officials re-located to IFSC. Thus it is proposed that this condition to be waived for entities which are registered in the parent jurisdiction and setting up of subsidiaries /branches in IFSC and can use exiting staff for this purpose

136	7	General	NA	(a) We understand that under these Regulations, it shall be possible for the FME to appoint an investment advisor in India or foreign jurisdiction for providing advisory services, which would include inter alia, advisory services in relation to investment/ divestment as long as investment advisor is remunerated on an arm's length basis. (b) We also understand that under these Regulations, the Principal Officer, Compliance and Risk Manager and/ or Senior Investment Professional or any other person employed by FME can be employed with any other entity(ies) in India including in IFSC or SEZ or any entity(ies) in a foreign jurisdiction. It is quite common that where there are multiple entities in a group, an employee may be working for various entities within the group and in such a case it is quite common for such a person to have been employed with more than one entity. Thus, a clarification that such a flexibility shall continue to be available should be issued. We would request to clarify the points (a) and (b) above by way of issuance of FAQs once the final Regulations are notified by the Authority. The Authority should work with tax authorities to provide clarification to the effect that the substance requirement if met as per these Regulations, the same should also be respected for tax purposes.
137	7	Heading	Appointment of Principal Officers and Senior Investment Professional(s) (SIP)	
138	7	Heading	Appointment of Principal Officers and Senior Investment Professional(s) (SIP)	-
139	7	Heading	Appointment of Principal Officers and Senior Investment Professional(s) (SIP)	As mentioned in Point 2.
140	7	Heading	Appointment of Principal Officers and Senior Investment Professional(s) (SIP)	
141	7	New Insertion	Addition of new clauses: (8) FME can also appoint an investment advisor in India or foreign jurisdiction for providing advisory services which would include inter alia, advisory services in relation to investment/ divestment and such investment advisor shall be remunerated on an arm's length basis. (9) If FME is satisfying criteria of substance as per this regulation, then it shall be considered as proof for substance by any other regulator such as income tax. Further, IFSCA shall issue certificate in this regard. Also, renewal certificate shall be issued by IFSCA on an annually.	FME should be permitted to obtain investment advisory services Proof of substance is very critical from other regulations perspective and therefore, it shall be issued by IFSCA.

142	7	New Insertion	Addition of new sub-clauses: (8) For the sake of clarity it his hereby clarified that: (a) FME may appoint an investment advisor in India or foreign jurisdiction for providing advisory services, which would include inter alia, advisory services in relation to investment/ divestment and such investment advisor shall be remunerated on an arm's length basis.	To provide flexibility for the FME to seek investment advisory services from entities based in foreign jurisdiction or in Domestic Tariff Area.
143	8	(1)	Remittance of amount to IFSC for complying with Net worth requirement should be permitted and be deemed to be under automatic route under ODI guidelines if the amount is remitted from India by any entity registered with or regulated by any regulator in India. No separate approval/ No Objection Certificate should be required from any other regulator for the aforementioned purpose.	For ease of doing business, as long as the amount is remitted to IFSC from India by any regulated entity for fulfilling of net worth requirement and for contribution/commitment, the same should be considered to be under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.
144	8	(1)	Remittance of amount to IFSC for complying with Net worth requirement should be permitted and be deemed to be under automatic route under ODI guidelines if the amount is remitted from India, by any entity registered with or regulated by any regulator in India. No separate approval/ No Objection Certificate should be required from any other regulator for the aforementioned purpose.	For ease of doing business, as long as the amount is remitted to IFSC from India by any regulated entity for fulfilling of net worth requirement, the same should be considered to be under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.
145	8	(2)	FME networth requirements should be subsumed in the networth requiremetns of the head office.	For an entity operating as a branch, compliance with minimum net worth requirements is to be met at head office level. In a situation, where the parent is engaged in other regulated activities, whether the FME networth requirements will be in addition to the networth requirements of the head office. For example, lets assume the head office is engaged in broking activities and is required to have networth of INR 10 crores; let's assume this entity proposes to set-up a branch in IFSC as an authorised FME which requires networth of USD 75,000 (approx. INR 57 lacs). Will this requirement of INR 57 lacs merge in the overall networth requirement of INR 10 crores or would the head office be required to have networth of minimum INR 10.57 crores.
146	8	(2)	Indian entities operating through a branch set-up in IFSC should be permitted to remit proceeds to IFSC of the amount equivalent to USD amount as prescribed in Second Schedule of the Regulations	There could be certain restrictions on remittance of the USD amount to IFSC from India under exchange control regulations. Accordingly, this flexibility should be provided to the Indian entities operating through branch set-up in IFSC.
147	8	(2)	Indian entities operating through a branch set-up in IFSC should be permitted to remit proceeds to IFSC of the amount equivalent to USD amount as prescribed in Second Schedule of the Regulations.	There could be certain restrictions on remittance of the USD amount to IFSC from India. Accordingly, this flexibility should be provided to the Indian entities operating through branch set-up in IFSC.
148	8	(2)	Indian entities operating through a branch set-up in IFSC should be permitted to remit proceeds to IFSC of the amount equivalent to USD amount as prescribed in Second Schedule of the Regulations.	There could be certain restrictions on remittance of the USD amount to IFSC from India under exchange control regulations. Accordingly, this flexibility should be provided to the Indian entities operating through branch set-up in IFSC.
149	8	(3)	If an FME seeks registration under Multipal catagories the Max net worth for the categories applied for should be made applicable. E.g if an entity applies for all 3 catagories the networth of USD 1.000.000 should be made applicable	Defining this will bring clarity

150	8	(3)	Networth segregation for a subsisary of a company in other jurisdiction should not be made applicable	Subsidiary company registered in IFSC will have separate legal status and thus should have sepatate net worth.
151	8	(1)	Remittance of amount to IFSC for complying with Net worth requirement should be permitted and be deemed to be under automatic route under ODI guidelines if the amount is remitted from India by any entity registered with or regulated by any regulator in India. No separate approval/ No Objection Certificate should be required from any other regulator for the afore mentioned purpose	For ease of doing business, as long as the amount is remitted to IFSC from India by any regulated entity for fulfilling of net worth requirement, the same should be considered to be under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.
152	8	General	It is suggested that a Company Secretary in Practice (PCS) be authorized to issue a Net Worth Certificate.	Company Secretary is widely acclaimed for the understanding of laws not only from a legal perspective but also from a management and technical perspective. A Company Secretary in Practice (PCS) renders various services viz. certification/ attestation, compliance, advisory, representation and arbitration, conciliation services and the other services as prescribed under Section 2(2) of the Company Secretaries Act, 1980 to the corporations, body corporates, societies, trusts, associations, enterprises, undertakings, etc. and can ascertain requirements related to net worth for registration of an FME and as required to be maintained all the times. A PCS is authorised to certify net worth requirements under following legislations: To issue net worth Certificate to the applicant willing to register as a capital market intermediary with the IFSCA under Schedule I of International
153	9	(2)(b)(v)	an order, restraining, prohibiting or debarring the person from accessing or dealing in financial products or financial services, has been passed by any regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed; Explanation: It clarified that a person disqualified under the above clause for a specified activity shall not disqualify him from being a fit and proper person in respect of all other activities for accessing or dealing in financial products or financial services.	This disqualification should be qua the specific activity for which order is passed by the authority.
154	9	(2)(b)(v)	an order, restraining, prohibiting or debarring the person from accessing or dealing in financial products or financial services, has been passed by any regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed; Explanation: It clarified that a person disqualified under the above clause for a specified activity shall not disqualify him from being a fit and proper person in respect of all other activities for accessing or dealing in financial products or financial services.	This disqualification should be qua the specific activity for which order is passed by the authority.
155	10	(1)	A clarification should be provided that there is no requirement to obtain separate office for each scheme of Venture Capital Schemes, Restricted Schemes (Non-Retail Schemes) and Retail Scheme	Each scheme will be managed by the employee of FME and there will be no employees of the Schemes. Therefore, there is no requirement of additional office space of each scheme. FMEs can use its office address for the schemes managed/ launched by it. This will also encourage the ease of doing business.

156	10	(1)	It is relevant that the regulator issues guidelines relating to outsourcing of the activities	The condition stating that the decisions are 'in substance' to be undertaken from IFSC is susceptible to differing interpretations may create uncertainties [including from an operational and tax standpoint] in relation to activities that are required to be done in IFSC itself. IFSCA should consider specifying rules for outsourcing which can specify activities that can be outsourced and prescribe therein that subject to such outsourcing, overall control over the activities can be with KMPs / Board of the FME. The appointment of "personnel/manpower" should include appointment of advisors, contractors, other service providers who may be situate in or outside IFSC subject to outsourcing regulations.
157	10	(1)	Shared infrastructure from Mail office or parent /group companies should be permited	This will avoid duplication and help reduce cost as well as bring in consistancy in operations.
158	10	(1) &(2)	It is provided that, office should be dedicated for FME. However, clarification shall be provided that, no dedicated office space will be required for each scheme/ fund.	Scheme will not have any employees and accordingly, there is no requirement to have separate office space for the same. A specific explanation clarifying that the requirement of not having a dedicated office for each scheme/ fund should be included in the regulations. FMEs can use its office address for the schemes managed/ launched by it.
159	10	(1)& (2)	It is provided that, office should be dedicated for FME. However, clarification shall be provided that, no dedicated office space will be required for each Scheme/ fund.	To provide clarity on sub-regulation 1, if there is any minimum threshold or this will be looked on a case by case basis since 'adequate' is very subjective and can be widely interpreted. Scheme will not have any employees and accordingly, there is no requirement to have separate office space for the same. A specific explanation clarifying that the requirement of not having a dedicated office for each Scheme/ fund should be included in the Regulations. FMEs can use its office address for the Schemes managed/ launched by it.
160	10	(2)	It is provided that, office should be dedicated for FME. However, clarification shall be provided that, no dedicated office space will be required for each scheme/ fund.	Scheme will not have any employees and accordingly, there is no requirement to have separate office space for the same. A specific explanation clarifying that the requirement of not having a dedicated office for each scheme/ fund should be included in the regulations. FMEs can use its office address for the schemes managed/ launched by it.
161	13	(1)	This clause should include change / inelibility of key personal and specify the time lines in which this has to be reported to the authority Further the time lines in which a new person should be appointed should also be specified	Bring in clarity and ensure uniform reporting across FMEs
162	13	(2)	Suggest that an FME should be allowed to register under multiple catagories	This will enable an entity to offer all services.

163	11	(3)	Either this requirement of inspection before the grant of certificate of registration could be deleted; or Alternatively the concept of 'In Principle' approval could be introduced; - wherein the FME identifies the office space and the compliance officer and principal officer (based on the category of license to be obtained) at the time of making the application. - Where it is satisfied with the fit and proper requirement, the authority may grant 'In Principle' approval. - Post meeting the remaining infrastructure requirements and any other conditions as prescribed, the authority may grant the final certificate of registration. In the interim i.e. post receipt of In-Principle approval and pending the final approval, the FME can launch the scheme and market the fund. However, the FME or the Scheme cannot collect the funds till the final approval is received.	Practically, while an entity seeking to set up a unit in IFSC may finalise the office space, such office space is developed and furnished with the requisite infrastructure post receipt of the approval. This is also commercially more viable since in case an approval is denied, additional expenditure on development of office space is not incurred by the entity. To encourage industry players to set up their presence in IFSC and considering ease of doing business in IFSC, the requirement of regulation 11(3) could be deleted.
164	11	(3)	Either this requirement of inspection before the grant of certificate of registration could be deleted; or Alternatively the concept of 'In Principle' approval could be introduced; - wherein the FME identifies the office space and the compliance officer and principal officer (based on the category of license to be obtained) at the time of making the application. - Where it is satisfied with the fit and proper requirement, the authority may grant 'In Principle' approval. - Post meeting the remaining infrastructure requirements and any other conditions as prescribed, the authority may grant the final certificate of registration.	To encourage industry players to set up their presence in IFSC and considering ease of doing business in IFSC, the requirement of regulation 11(3) could be deleted.
165	11	(3)	Either this requirement of inspection before the grant of certificate of registration could be deleted; or Alternatively the concept of 'In Principle' approval could be introduced; - wherein the FME identifies the office space and the compliance officer and principal officer (based on the category of license to be obtained) at the time of making the application. - Where it is satisfied with the fit and proper requirement, the Authority may grant Principle' approval. - Post meeting the remaining infrastructure requirements and any other conditions as prescribed, the Authority may grant the final certificate of registration. In the interim i.e. post receipt of In-Principle approval and pending the final approval, the FME can launch the Scheme and market the fund. However, the FME or the Scheme cannot collect the funds till the final approval is received.	To encourage industry players to set-up their presence in IFSC and considering ease of doing business in IFSC, the requirement of regulation 11(3) could be deleted.

166	11	(3)	Either this requirement of inspection before the grant of certificate of registration could be deleted; orAlternatively the concept of 'In Principle' approval could be introduced: - wherein the FME identifies the office space and the compliance officer and principal officer (based on the category of license to be obtained) at the time of making the application. - Where it is satisfied with the fit and proper requirement, the authority may grant 'In Principle' approval. - Post meeting the remaining infrastructure requirements and any other conditions as prescribed, the authority may grant the final certificate of registration. In the interim i.e. post receipt of In-Principle approval and pending the final approval, the FME can launch the scheme and market the fund. However, the FME or the Scheme cannot collect the funds till the final approval is received.	To encourage industry players to set up their presence in IFSC and considering ease of doing business in IFSC, the requirement of regulation 11(3) could be deleted.
167	11	(3)	This clause could be deleted or may be replaced by the following clause: If required, the Authority may undertake an in-person interview of the employees of the investment manager based in India or other jurisdiction, before the grant of a certificate of registration.	Prior to issue of certificate of registration, an FME may not appoint any employee and thus inspection of the office prior to the issue of registration certificate will only adversely impact the ease of doing business.
168	12	NA	Concept of 'renewal' could be added at an interval of 2 years and the said certificate shall be considered as proof of substance for the purpose of all applicable rules and regulations to the FME and the schemes.	Where any expenditure threshold for the FME towards incurring operational expenses is prescribed by the authority, this certificate of renewal could act as a basis of meeting the substance requirement.
169	12	NA	Concept of 'renewal' could be added at an interval of 3 years.	Where any expenditure threshold for the FME towards incurring operational expenses is prescribed by the authority, this certificate of renewal could act as a basis of meeting the substance requirement. Further, the authority through consultation with tax authorities may obtain suitable clarification in this regard which shall provide certainty to FME.
170	12	NA	Granting of Certificate of Registration Suggestion: Entities which are acting as Investment Managers to AIFs to whom registration certificate has been granted by the IFSCA to be grandfathered under the proposed regulations and a Certificate of Registration to be granted to such Investment Managers	There should be grandfathering of registration for such Investment Managers who already manage an AIF registered with the IFSCA as on the date on which the proposed regulations are made effective. The due diligence on the investment managers has already been done by the IFSCA at the time of approval of the AIF and hence calling for the same again may result in additional compliance burden on the Investment Manager as well as the IFSCA. We anticipate that regulation will continue to evolve and repeated re-certifications and registrations detracts from the "ease of doing business" that is central to what the IFSCA is aiming to accomplish.
171	12	NA	On receipt of completed application, a timeline of 45 days may be prescribed for disposal of the application by the authority	
172	12	NA	On receipt of completed application, a timeline of 45 days may be prescribed for disposal of the application by the Authority.	-

173	12	NA	On receipt of completed application, a timeline of 45 days may be prescribed for disposal of the FME application by the authority	
174	13	(2)	Procedure for change in category to be specified	The procedure for change in category of the FME should be specified in the Regulations itself, which should include the ability of an FME who is unable to continue to meet the requirements of its category for a continued period to opt for a change in category before it is charged with non-compliance.
175	15	NA	The regulations should lay down a simple process of renewal past expiry of validity period.	
176	17	(1)	The term “funds” shall be added/ mentioned alongside schemes.	The term Fund is commonly used in private equity industry, so it is appropriate to also mentioned term “funds” alongside term “schemes”.
177	17	(1)	The term “funds” shall be added/ mentioned alongside schemes.	The term Fund is commonly used in private equity industry, so it is appropriate to also mentioned the term “funds” alongside the term “schemes”.
178	17	(3)	Permission to appoint fiduciaries upon no comments from IFSCA	Currently, FMEs are required to appoint fiduciaries prior to the launch of the scheme. Commensurate with the in-principle approval process for domestic AIFs in India, please consider allowing FMEs to formally appoint fiduciaries for venture capital schemes, restricted schemes and special situation fund once all comments of IFSCA are resolved on the placement memorandum (or 21 days have lapsed and no comments have been made by IFSCA). The placement memorandum should contain the 'proposed' details of the fiduciaries in order for IFSCA to assess the placement memorandum.
179	17	(5)	Below mentioned provision could be deleted: “(5) FME intending to launch retail schemes shall take prior approval of the Authority for appointing any person as a fiduciary.”	As FME will be filing application for new scheme based on fit and proper criteria and therefore, approval should not be required.
180	17	(5)	Below mentioned provision could be deleted: “(5) FME intending to launch retail schemes shall take prior approval of the Authority for appointing any person as a fiduciary.”	As FME will be filing application for new scheme based on fit and proper criteria and therefore, approval should not be required.
181	17	(5)	Below mentioned provision could be deleted: “(5) FME intending to launch retail schemes shall take prior approval of the Authority for appointing any person as a fiduciary.”	As FME will be filing application for new scheme based on fit and proper criteria and therefore, approval should not be required.
182	17	(5)	Reference issue to be fixed	This sub-regulation should be made a proviso to Regulation 17(3), otherwise it conflicts with Regulation 17(3).
183	17	(5)	The term “funds” shall be added/ mentioned alongside schemes.	The term Fund is commonly used in private equity industry, so it is appropriate to also mentioned term “funds” alongside term “schemes”.
184	18	(1)	It should be clarified that investments in unlisted securities of start-ups, emerging or early-stage venture capital undertaking (‘Eligible Investment’) could be directly or indirectly through SPVs.	Regulation 18(1) is silent on whether the VCF Scheme can invest through SPVs in such Eligible Investment.

185	18	(1)	The regulation mentions that the Venture Capital Schemes can invest "primarily" in unlisted securities of start-ups. It is recommended that the minimum required % of investments to be done in unlisted securities of start-ups be defined. Likewise the regulation 30 1 (b) permits Restricted Schemes, to invest in in securities 'primarily' of listed entities. We suggest that the minimum required % of investments to be done in securities of listed be defined.	Usage of the word primarily seems ambiguous in terms of the minimum quantum of investments to be done in unlisted securities of start-ups vis a vis other permissible investments. The same is also not clear in quantitative terms in for the investments to be done in the securities of listed entities vis a vis other permissible investments.
186	18	(1)	The regulation provides that Venture Capital Schemes include angel funds. Venture capital funds and angel funds should not be governed under the same regulations and the draft regulation should provide for a separate chapter on angel funds.	In terms of the regulation, Venture Capital Schemes are schemes that invest primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund. Under the AIF Regulations, investment by angel investors through angel funds is incentivised by lower ticket size, lower corpus and the ability to take investment decisions. Angel funds are distinct from blind pools as angel investors have the power to decide on the specific schemes they wish to participate in. In the draft regulations, there is no distinction and angel funds are being treated at par with venture capital funds. As a result, the operational and structural differences of an angel fund and blind pool are ignored. A separate chapter governing angel funds set up in IFSC by Authorised FMEs should be introduced in the draft regulations.
187	18	(1)	Venture Capital Schemes are schemes that can be launched by Authorised FMEs or Registered FMEs and invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund. Under this chapter, the Authorised or Registered FME shall be permitted to launch a scheme which shall primarily invest in unlisted companies and where the total corpus of the scheme is not exceeding USD 200 million. Explanation: Venture Capital Schemes under this Chapter shall be construed as "venture capital fund" under Category I Alternative Investment Fund and as "Venture Capital Company" or "venture capital fund" as specified under the Income-tax Act, 1961. Explanation 1: Under this Chapter the schemes which shall primarily invest in unlisted companies shall be construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	The Authorised or Registered FME should be permitted to launch a small size scheme (i.e. having corpus upto USD 200 million) with the same benefits as available to venture capital scheme.

188	18	(1)	Venture Capital Schemes are schemes that can be launched by Authorised FMEs or Registered FMEs and invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund. Under this chapter, the Authorised or Registered FME shall be permitted to launch a scheme which shall primarily invest in unlisted entities in India and/ or units of Alternative Investment Scheme or any other permissible investments and where the total corpus of the scheme is not exceeding USD 200 million. Explanation: Venture Capital Schemes under this Chapter shall be construed as "venture capital fund" under Category I Alternative Investment Fund and as "Venture Capital Company" or "venture capital fund" as specified under the Income-tax Act, 1961. Explanation 1: Under this Chapter the schemes which shall primarily invest in unlisted entities and/ or units of Alternative Investment Funds and having a total corpus not exceeding USD 200 million (other than Venture Capital Schemes) shall be construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	The Authorised or Registered FME should be permitted to launch a small size scheme (i.e. having corpus upto USD 200 million) with the same benefits for investment in unlisted entities as available to venture capital scheme.
189	18	(1)	Venture Capital Schemes are schemes that can be launched by Authorised FMEs or Registered FMEs and invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund. Under this chapter, the Authorised or Registered FME shall be permitted to launch a scheme which shall primarily invest in unlisted entities in India and/ or units of a scheme of Alternative Investment Fund or any other permissible investments and where the total corpus of the scheme is not exceeding USD 200 million. Explanation: Venture Capital Schemes under this Chapter shall be construed as "venture capital fund" under Category I Alternative Investment Fund and as "Venture Capital Company" or "venture capital fund" as specified under the Income-tax Act, 1961. Explanation 1: Under this Chapter the schemes which shall primarily invest in unlisted entities and/ or units of Alternative Investment Funds and having a total corpus not exceeding USD 200 million (other than Venture Capital Schemes) shall be construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	The Authorised or Registered FME should be permitted to launch small sized schemes (i.e. having corpus upto USD 200 million) with the same benefits for investment in unlisted entities as available to venture capital scheme.
190	18	(1)-Explanation	Reference to "venture capital company" or "venture capital fund" to be deleted	The funds that are set-up in IFSC would be under the AIF Regulations and not under the erstwhile VCF Regulations and hence the reference to "venture capital company" or "venture capital fund" should be deleted.

191	18			Authorised FME may prefer to invest through SPVs in such Eligible Investment and therefore, Regulation 18(1) should provide the flexibility.
192	18 &19		The scope of what is covered under green channel should be broadened beyond just Venture Capital Schemes to cover any other strategies, given that eligible investors are all accredited investors or investors investing above USD 250,000	The Expert Committee report and Consultation Paper on Proposed IFSCA (Fund Management) Regulations, 2022 acknowledges the fact that the accredited investor understands the risk associated with complex financial products and hence, they should be granted regulatory concession. In view of this, there is a light touch regulatory requirement/green channel prescribed for investment in start-up and early-stage venture ('Permitted Strategies').IFSCA should consider expanding the Permitted Strategies to include investment in any sector or strategy or asset class. If required, IFSCA could consider defining the maximum size of funds that could fall under this window of Authorised FME, so as to ensure that small or mid-size funds are subject to light touch requirement and large size funds are subject to higher regulatory oversight. Alternatively, some of the funds in the sectors which are considered as socially desirable or of national significance i.e., ESG, social venture and stressed assets should also be covered in this category.
193	19	(2)	Alternatively, the scope of green channel may be broadened to include at a minimum, schemes/products with ESG, social venture and stressed assets as focus areas.	
194	20	(1)	20. (1) Venture Capital schemes shall not have ~~less~~ more than ~~50~~ 200 investors.	The maximum number of investors in a Venture Capital Scheme should not be restricted to 50 as that number is too low. A parallel can be drawn between angel funds, private limited companies and Venture Capital Schemes for the purpose of this change as all three have lower threshold of compliances as is also the case with Authorised FME as proposed in the draft regulations. In this respect, it must be noted that the maximum number of angel investors in a scheme of the angel fund is defined as 200 under the AIF Regulations. Further, please note that the Companies Act, 2013 prescribed the maximum number of shareholders in a private limited company to be 200. Therefore, in light of the legislations mentioned above, the draft regulation should be modified to increase the number of investors to 200.

195	20	(2)	Provided that in case of investors who are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 60,000. Provided further that the minimum investment threshold (including for employees) shall not apply to an accredited investor Suggestion: For waiving the minimum investment criteria applicable to employees, instead of accredited investors, test of knowledgeable employees should be brought in	In the USA, a concept of “knowledgeable employee” was introduced for private funds. Such knowledgeable employees are considered at par with an accredited investor for investment in private funds. The definition of knowledgeable employee is as under: “… any natural person who is: (i) An Executive Officer, director, trustee, general partner, advisory board member, or person serving in a similar capacity, of the Covered Company or an Affiliated Management Person of the Covered Company; or (ii) An employee of the Covered Company or an Affiliated Management Person of the Covered Company (other than an employee performing solely clerical, secretarial or administrative functions with regard to such company or its investments) who, in connection with his or her regular functions or duties, participates in the investment activities of such Covered Company, other Covered Companies, or investment companies the investment activities of which are managed by such Affiliated Management Person of the Covered Company, provided that such employee has been performing such functions and duties for or on behalf of the Covered Company or the Affiliated Management Person of the Covered Company, or substantially similar functions or duties for or on behalf of another company for at least 12 months.” Similar to this, the IFSCA should also import similar definition and provide for non-applicability of minimum limits applicable to employees since employees may not be accredited investors and may still be aware of the potential risks of investment in an FME.
196	20	(2)-proviso	Extend to employees/directors/designated partners of affiliates of the FME	The flexibility to make a reduced minimum commitment of USD 60,000 should be extended to employees/directors/designated partners of affiliates of the FME (including its holdco) as well.
197	21	(1)	Maximum amount to be raised should not be required / no cap	Venture capital schemes, restricted schemes (non-retail), special situation funds should be permitted to mention their target corpus rather than having to specify a hard cap. The word 'target' should be added before 'amount to be raised' in Regulation 21(1) and 23 (1). There should not be a cap on total corpus that may be raised under venture capital schemes given the increased traction towards early stage investments in India, and rise of mega deals in the venture capital space.
198	21	(2)	Commercially agreed interim extensions to the tenure to be permitted	The Regulations should expressly state that the 'final' extension to the tenure has to be with up to two (2) years subject to approval of two-thirds of the investors by value of their investment in the venture capital scheme, and interim extensions should be permitted as commercially agreed by the FME with its investors. For example, if the intended tenure of a scheme is 12 years in a manner that 9 years is the original term with one interim extension commercially agreed to be at the discretion of the manager, and the last two years of 'final' extension to be as per the Regulations.
199	21	(2)	Extensions beyond 2 years should be permitted subject to fresh super majority approval and with the approval of the authority on a discretionary basis	The fund managers may require to further extend the term of the fund for commercial reasons which should be enabled subject to getting appropriate approvals in place.
200	22	(1)	Following should also be included: • “securities to be listed” in India or outside India • Securities of unlisted companies in India or outside India • Debt securities including structure debt securities, commercial paper, security receipts etc.	These securities to be included to increase the instrument in which investment can be made.

201	22	(1)	In the provisions at the end of regulation 22 (1), regulation 34 (1) and regulation 106 (1), mention that prior to deployment of funds, the scheme of FME may invest in “certificate of deposits, investment schemes, etc”. We suggest that the approved list of securities /investment instruments, term deposits, etc where the funds can be temporarily invested may be provided in the regulations itself to avoid convenient interpretations.	Considering that funds in GIFT IFSC are permitted to invest in multiple asset classes across multiple jurisdictions, a comprehensive list of securities / investment instruments where investments/parking of funds are permitted prior to deployment of funds as per investment strategy, would be useful to the participants. The same would also ensure that instruments which would otherwise be considered non-compliant by the regulator are not used by FMEs.
202	22	(1)(b)	Drafting issue (grammar) to be fixed	Add a comma (,) after the words 'recognized stock exchanges'.
203	22	(1)(b)	To also include: · “securities to be listed” · Securities of unlisted companies in India or outside India · Investment in Units of alternative investment funds Limited Liability Partnerships	It is advisable to include these securities in the list of permissible investments
204	22	(1)(b)	To also include: •“securities to be listed” •Securities of unlisted companies in India or outside India •Investment in Limited Liability Partnerships •Units of alternative investment funds	It is advisable to include these securities in the list of permissible investments
205	22	(1)(b)	To also include: “securities to be listed” Securities of unlisted companies in India or outside India Units of alternative investment funds	It is advisable to include these securities in the list of permissible investments
206	22	(1)-proviso	Broaden the scope of temporary investments	Additional options should be included before 'etc' in the proviso for temporary investments such as liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits. This is also provided under Regulation 15(1)(f) of the AIF Regulations.
207	22	(1)-Proviso	It should be clarified that temporary investments are permitted not only pending deployment of money but also pending reinvestment / distribution.	The regulations should be clarified to include all situations for temporary investments.
208	22		It is humbly submitted that the universe of permissible investments be expanded by including units of domestic mutual fund schemes and AIF schemes and therefore, the following proposed amendment. (1) Subject to other provisions of these regulations, a venture capital scheme may invest moneys collected under any of its schemes only in— (a) Securities issued by unlisted entities……. Add- units issued by domestic Mutual Funds and Alternative Investment Funds in India registered with SEBI	The proposed amendment will be critical to ensure that the AIFs/PMS operating in GIFT city can cater to investment strategies of clients intending to invest in the domestic mutual funds and AIFs registered with SEBI.

209	22 & 23	22(1) & 23(3)	It may be advisable to combine the words of 23(3) into 22(1) to make it easy for the FME to comply with.	22 (1) talks of permissible investments and 23 (3) casts a restriction on the investment by stating that Venture Capital schemes shall invest at least 80 percent of the AUM in investee companies incorporated for less than 7 years or other venture capital schemes.
210	22 & 34 & 46		Should include Crypto assets, NFT, infrastructure Bonds/securities	More variant to be made available for investment
211	23	(1)	(1) The minimum size of the corpus in case of venture capital schemes shall be USD Five (5) Million. ~~The total corpus of venture capital schemes shall not exceed USD Two hundred (200) Million.~~	The draft regulations provide for a minimum investment value for investors in a Venture Capital Scheme. Accordingly, a minimum corpus size has been provided. However, there should not be a restriction on the maximum corpus size. FMEs should have the flexibility to accept investments from investors with no upper limit. In this reference, please note that the corpus size will be disclosed to the investors and Authority in the placement memorandum.
212	23	(1)	Does it mean that venture capital strategies cannot absorb more than $ 200 million in a single fund? This regulation states that the total corpus of venture capital schemes shall not exceed USD Two hundred (200) Million.	Would it be better to ask Venture Capital funds beyond $ 200 million to onboard investors after approval, in other words, no Green Channel for such sizes? Today $200 million funds are considered just about size. In my own experience as a fund administrator, I have seen Venture Capital funds with $ 600 million AUM in India of 2015 vintage. As an example, the average fund size of Accel Partners is $400 million and domiciled in Mauritius. Sequoia is an even bigger one domiciled in Mauritius. Therefore, it is suggested that no maximum limit be placed. We are producing at least 10 unicorns every month and more capital will be needed. If funds are capped, more funds will need to be created making it uneconomical due to operating costs. The ticket size for every investment ranges currently from $ 2 million to a larger figure.
213	23	(1)	It is suggested that the earlier limit stands or even be lowered. Many smaller funds may be investing in asset-light intellectual property models. This clause states that the minimum size of the corpus in case of venture capital schemes shall be USD Five (5) Million.	In the existing regulation, this minimum size is $ 3 million. The above minimum AUM will inhibit professional first-time managers who are trying it out with smaller fund sizes.
214	23	(1)	Maximum amount to be raised should not be required / no cap	Venture capital schemes, restricted schemes (non-retail), special situation funds should be permitted to mention their target corpus rather than having to specify a hard cap. The word 'target' should be added before 'amount to be raised' in Regulation 21(1) and 23 (1). There should not be a cap on total corpus that may be raised under venture capital schemes given the increased traction towards early stage investments in India, and rise of mega deals in the venture capital space.
215	23	(1)	The minimum size of the corpus in case of venture capital schemes shall be USD Five (5) Million. **Suggestion: To bring the minimum scheme size at par with SEBI AIF Regulation of USD 3 million.**	The SEBI AIF Regulations at present provide for a minimum scheme size of USD 3 million. This is comparable to the minimum scheme size for AIFs set up in India. The minimum scheme size should therefore be kept at USD 3 million at par with regulations applicable at present in IFSC as well as in India.

216	23	(2)	It should be clarified that one-time approval for investment in associates should be fine	Deal by deal approval could pose a challenge and hence, it should be clarified that a one-time approval from investors for investment in associates should be sufficient.
217	23	(2)	Reference issue to be fixed	This sub-regulation should refer to venture capital schemes and not restricted schemes.
218	23	(3)	(3) Venture Capital schemes shall invest at least ~~80~~ 75 percent of the AUM in ~~investee companies incorporated for less than 7 years~~unlisted companies or other venture capital schemes.	1. Venture Capital Schemes are construed as venture capital fund under Category I Alternative Investment Funds. In terms of the AIF Regulations, at least 75% of the investable funds shall be invested in unlisted equity shares or equity linked instruments of a venture capital undertaking or in companies listed or proposed to be listed on a SME exchange or SME segment of an exchange. To align the draft regulations with the AIF Regulations to maintain consistency, the limit of 80% should be reduced to 75%. There shouldn't be an age limit prescribed for the investment. Regulation 22 has listed down the various investments that a Venture Capital Scheme may make. The FME shall disclose in the placement memorandum to the investors, the target investments proposed to be made by the Venture Capital Scheme. It may also be noted that under the AIF Regulations, venture capital funds are not subject to any criteria for the unlisted companies in which they invest. Therefore, in our opinion, there is no requirement for an age criteria in this regulation. 2. As mentioned in our comments at serial no. 4, a separate chapter governing angel funds should be introduced. This age criteria may then be provided for such angel fund investments. In this case, the age limit should be increased to 10 years to align the same with the definition of a startup as prescribed by DPIIT.
219	23	(3)	7 years to be replaced with 10 years	With effect from February, 2019, the definition of a start-up has been revised from 7 years to up to 10 years from the date of incorporation / registration. Accordingly, please replace 7 years to 10 years in this sub-regulation.
220	23	(3)	The condition of 80% of AUM to be invested in investee companies incorporated for less than 7 years should be amended to refer to 10 years period	We recommend that the period for identifying a company as start-up or early-stage be aligned with the period specified by the Department of Promotion of Industry and Internal Trade (DPIIT).
221	23	(3)	The incorporation period may be increased from 7 years to 10 years.	This would align the eligibility criteria for investee companies with the eligibility criteria prescribed for start-ups under the Indian income tax law, thus bringing uniformity in the eligibility criteria prescribed under the tax and regulatory laws.
222	23	(3)	Venture Capital schemes are required to invest at least 80 percent of the AUM in investee companies incorporated for less than 7 years or other venture capital schemes. We request clarifications in the following: 1. time lag between the incorporation of the investee company 2. Definition of AUM for the purpose of this clause 3. Treatment to be provided on account of efflux of time 4. Clarification that investments done under Clause 22 (1) would not be subject to the conditions mentioned under Clause 22 (3).	1. For investee companies incorporated earlier but commencing operations subsequently, there would be a time lag from incorporation to setting up and operations. In such cases, if the investee company is incorporated earlier, but commenced operations / activities much later, would be rendered un-investible as per the regulations. For example, investments cannot be done if a company has been incorporated 8 years back (from the date of proposed investment) but is operational only for the past 6 years. Therefore, in our view, the parameter / criteria should be based on operations of the investee company rather than mere incorporation. 2. AUM is not defined under the regulations. It is suggested that AUM for specific purpose of Claus 23 (3) be defined to include Cash at hand (amounts drawn down from investors plus the existing investments) where the conditions are fulfilled at the time of the making a particular investment regardless of the current age of the existing investments of the fund. 3. The parameter should be applicable only at the time of making investments. For example, if the investment was made when the company was 6 years old, but then after one year it has become more than 7 years old, then this efflux of time should not have any bearing on the compliance of this regulation. 4. It should be clarified that the investments made under the provision to regulation 22 (1) i.e. temporary deployment of funds should not be subject to this regulation 23 (3)

223	23	(3)	Venture Capital schemes shall invest at least 80 percent of the AUM in investee companies incorporated for less than 7 years or other venture capital schemes. Provided that the above should not be applicable where the scheme launched by Authorised or Registered FME is construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	
224	23	(3)	Venture Capital schemes shall invest at least 80 percent of the AUM in investee companies incorporated for less than 7 years or other venture capital schemes. Provided that the above should not be applicable where the scheme launched by Authorised or Registered FME is construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	
225	23	(3)	Venture Capital schemes shall invest at least 80 percent of the AUM in investee companies incorporated for less than 7 years or other venture capital schemes. Provided that the above should not be applicable where the scheme launched by Authorised or Registered FME is construed as Category II Alternative Investment Fund as specified under the Income-tax Act, 1961.	-
226	23		It is humbly submitted that the units of mutual fund schemes and AIF funds being pooled assets wherein the investments made in the underlying portfolio as per the regulated norms the concentration risk as contemplated under the regulations for associates entities may not arise. Therefore, the following amendment is proposed: (2) Restricted schemes may invest in associate entities subject to the prior approval of 75% investors in the scheme by value. Provided the condition of prior approval will not be applicable for investment made in units of scheme(s) of Mutual Fund and Alternative Investment Funds registered with SEBI.	The same is provided alongside.
227	24	(3)	Disclosures should not be required every year	The nature of disclosures mentioned under Regulation 24(1) are not likely to undergo any changes every year, and therefore the requirement to report such disclosures annually unnecessarily adds to the compliance cost and burden. Regulation 24(3) should be restricted to reporting of NAV under Regulation 24(2).
228	24	(3)	The time period for making the prescribed disclosures within 1 month of the end of the financial year should be extended to 180 days from the end of the financial year	This would be in line with the current AIF Regulations which provide that the AIF needs to provide a report containing various information to investors within 180 days from the year end
229	24 & 27	24(2) & 27(1)	A suggestion might be to either cross-reference it or combine it under disclosure. This will lead to better efficiencies in reading and understanding.The word used in 24(2) is FME. The words 'authorized FME' may be inserted before FME since these clauses pertain to Venture Capital Strategies.	Regulation 24 (2) states that the FME shall ensure that the portfolio under the scheme and Net Asset Value (NAV) is disclosed to the investors at least on a yearly basis. Regulation 27 (1) states that the FME shall compute the NAV of each venture capital scheme at least on an annual basis.
230	25	(1)(b)	Consent threshold to be specified	Leverage should be allowed with the consent of 2/3rd investors by value. As presently drafted, no threshold has been specified.

231	25	(1)(b)	Consent threshold to be specified	Leverage should be allowed with the consent of 2/3rd investors by value. As presently drafted, no threshold has been specified.
232	28	(1)	FME contribution to be permitted by group entities	Investments by group entities / associates of the FME in the scheme should be aggregated for satisfying the requirement under Regulation 28(1). While Regulation 28(2) seems to permit associates of the FME to contribute towards this obligation, the same should first be expressly enabled under Regulation 28(1).
233	28	(2)	Clarify that contribution will be pro-rata with all investors	Under the AIF Regulations, there has been a confusion regarding whether the sponsor contribution needs to be entirely remitted upfront into the AIF, or may be contributed on a drawdown basis alongside other investors. The latter should be permitted under the Regulations as long as the FME has legally committed to contribute the minimum amount so specified, in the interests of economic efficiency of capital. Accordingly, please insert a clarification in this sub-regulation allowing actual remittance of such contribution into the scheme by the FME and its associates to be permitted on a proportionate basis along with other investors.
234	28	(2)	Regulation 28(2) provides that the sponsor contribution should be brought in within 6 months of launch of scheme. This should be modified in line with existing IFSC AIF guidelines and SEBI (AIF) Regulations, which provides that Sponsor should have continuing interest of 2.5% of corpus or USD 7,50,000, whichever is lower and does not provide for any timeframe within which such sponsor contribution should be brought in.	It's a normal practice for a Fund Manager to call for a capital from an investor as and when the investment opportunity is identified, and a proportionate contribution is also made by a Fund Manager as Sponsor Contribution. While there is no explicit timeframe for a Sponsor Contribution, but indirectly there is a time-frame for such Sponsor Contribution, which basically ties up with an underlying Investment opportunity and go hand-in- hand with investment from an investor.In view of above, IFSCA could consider deletion of sub-regulation 2 of Regulation 28 or it should be clarified that the contributions at all the time should remain pro rata to the capital contribution made by the LPs .
235	28	(2)	The requirement for bringing in contribution within 6 months may be relaxed. Flexibility should be accorded by allowing fund management entity to bring in their contribution pro-rata to the amount of funds drawn down from other investors.	This is in line with the existing requirement under the AIF Regulations wherein SEBI vide Circular CIR/IMD/DF/14/2014 dated 19 June 2014 permitted to draw down sponsor / manager contribution pro rata to the investor drawdowns.
236	28	(3)	The regulations provide for certain conditions towards exemption from contribution by FME in the Scheme. The clarifications are required on the conditions in sub-clause a, b and c are 'OR' conditions therein.	In the absence of clarity as to whether the conditions mentioned in sub-clause a, b and c are "OR' conditions, it could also be read as if the same are 'AND' conditions and hence may be difficult to comply with all of the conditions mentioned.
237	28	(3)	To be clarified that the conditions mentioned are alternate scenarios and not cumulative	The regulations are not clear and may lead to unintended consequences and hence, it should be clarified that these conditions are applicable for alternative scenarios.
238	28	(3)(b)	Drafting issue to be fixed	Please insert an 'or' after (b) to abundantly clarify that one of the requirements under (a), (b) or (c) are to be satisfied, and not all, to avail the exemption from FME contribution.
239	28	New Insertion	Contribution by FME in the Venture Capital Schemes (PartA) Below provision shall be added: The said contribution if brought in by FME shall be included for the purpose of net worth requirements as detailed under Chapter II.	The provision in relation to sponsor contribution is mentioned for Registered FME (refer clause 40(3) of the Proposed Regulations).However, this has not been provided for in clause 28 of Proposed Regulations in relation to Authorized FME. Hence, this could be added in clause 28 of the Proposed Regulations to align it with the similar clause for Registered FME (Non-retail).
240	28	New Insertion	Contribution by FME in the Venture Capital Schemes (PartA) Below provision shall be added: The said contribution if brought in by FME shall be included for the purpose of net worth requirements as detailed under Chapter II.	This provision in relation to sponsor contribution is there for Registered FME (refer clause 40(3) of the Proposed Regulations) but doesn't seem to be provided for in clause 28 of Proposed Regulations in relation to Authorised FME. There doesn't seem to be any reason for not considering this for Authorised FME and hence, could be added in clause 28 of the Proposed Regulations to align it with similar clause for Registered FME (Non-retail).
241	28		A clause similar to Clause 40(3) permitting contribution brought by FME towards skin in the game to be included for the purpose of networth requirements should also be added in Clause 28	Clause 28 does not contain a provision similar to Clause 40(3) whereby contribution brought by FME towards skin in the game are to be included for the purpose of networth. A similar provision should also be added in Clause 28
242	28 ,40 Chapter-III A & B	28(3)(a), 28(3)(b), 40(4)(a), 40(4)b	It may be good to suggest the minimum number of investors that need to approve leveraging. The threshold as in other sections of the regulation may be ⅔ rd of the investors.	These clauses deal with exemptions from FME contribution if 2/3rd of the investors approve or if 2/3rd of the investors in a fund are accredited investors.

243	29	(1)(a)	Reference to restricted scheme to be updated to venture capital scheme	This appears to be a typographical error which should be rectified.
244	30	(1)	(1) Restricted Schemes are schemes that may be launched by Registered FMEs for various investment strategies including for: (a) investing in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds, ESG Funds, Special Situations funds (as detailed in Part D of this Chapter) and such other Schemes/Funds as may be specified by the Authority. Explanation: Schemes under this clause shall be construed as Category I AlternativeInvestment Fund under the Income Tax Act, 1961. Such schemes shall be launched as close ended as provided under this Chapter. It is clarified that venture capital funds under this Part shall not be required to comply with conditions for venture capital schemes as provided under Part A of Chapter III of these regulations. (b) investment in (i) securities primarily of listed entities including for undertaking diverse or complex trading strategies and for permitted investments under longevity finance; or (ii) permissible investment as laid down under Regulations 34 and where the intention is to seek leverage at the Registered Scheme level (as specified in the scheme documents) exceeding 50% of its corpus. Explanation: Schemes under this clause shall be construed as Category III AlternativeInvestment Fund as specified under the Income Tax Act, 1961. Such schemes can be launched as close ended or open ended as provided under this Chapter. (c) investment which does not fall under the clause (a) and (b) above. Explanation: Schemes under this clause shall be construed as Category II AlternativeInvestment Fund as specified under the Income Tax Act, 1961. Such schemes shall be launched as close ended as provided under this Chapter. The above types of registered schemes are only for guidance purposes and the FME has a right to decide the appropriate category under which it proposes to launch the registered scheme. In light of the above, the IFSCA shall issue a certificate to the Registered Scheme confirming the category of registration. It is hereby clarified that the certificate so issued by IFSCA under this clause shall be final and binding on all the authorities.	It is important to issue a certificate of registration for the schemes being launched as the exemption/ favorable tax treatment for a particular category of scheme provided under the Income-tax Act, 1961 is only available were a certificate of registration is granted to the fund/ Scheme. While the categories provided under the regulations can be the guiding principles for the type of scheme to be launched, the FME should be able to decide the category of registration of the scheme considering multiple factors such as investor specific requirement, flexibility to invest in multiple strategies, number of incentives given to a particular category etc.

245	30	(1)	(1) Restricted Schemes are schemes that may be launched by Registered FMEs for various investment strategies including for: (a) ---------- (b)----------. (c) ---------- The above types of registered schemes are only for guidance purposes and the FME has a right to decide the appropriate category under which it proposes to launch the registered scheme. In light of the above, the IFSCA shall issue a certificate to the Registered Scheme confirming the category of registration. It is hereby clarified that the certificate so issued by IFSCA under this clause shall be final and binding on all the Authorities.	While the categories provided under the regulations can be the guiding principles for the type of scheme to be launched, the FME should be able to decide the category of registration of the scheme considering multiple factors such as investor specific requirement, flexibility to invest in multiple strategies, number of incentives given to a particular category etc. It is important to issue a certificate of registration for the schemes being launched as the exemption/ favorable tax treatment for a particular category of scheme provided under the Income-tax Act, 1961 is only available were a certificate of registration is granted to the fund/ scheme.
246	30	(1)	Explanations do not cover reference to other important regulations/ circulars applicable for investment in AIFs or investments by AIFs, such as: 1.FEMA provisions applicable to investment in AIFs 2.SEBI ICDR Regulations, as applicable to non-applicability of lock-in period in 'to be listed companies' 3.IRDA regulations, allowing investments by insurance companies in AIFs 4.Banking regulations, allowing investments by banks in AIFs 5.PFRDA, allowing investments by banks in AIFs 6.Takeover regulations, where provisions related to open offer is exempt to Cat I AIFs.	There are various regulations/ act/ circulars of other regulators, which has reference to SEBI registered AIFs. The references should also be aligned to include restricted schemes which are floated in IFSC so that the benefits/ clarifications provided by various regulations are available to these restricted schemes in IFSC.
247	30	(1)	Explanations do not cover reference to other important regulations/ circulars applicable for investment in AIFs or investments by AIFs, such as: 1.FEMA provisions applicable to investment in AIFs 2.SEBI ICDR Regulations, as applicable to non-applicability of lock-in period in 'to be listed companies' 3.IRDA regulations, allowing investments by insurance companies in AIFs 4.Banking regulations, allowing investments by banks in AIFs 5.PFRDA, allowing investments by banks in AIFs 6.Takeover regulations, where provisions related to open offer is exempt to Cat I AIFs.	There are various regulations/ act/ circulars of other regulators, which has reference to SEBI registered AIFs. The references should also be aligned to include restricted schemes which are floated in IFSC so that the benefits/ clarifications provided by various regulations are available to these restricted schemes in IFSC.

248	30	(1)	Explanations do not cover reference to other important regulations/ circulars applicable for investment in Alternative Investment Funds or investments by Alternative Investment Funds, such as: 1. FEMA provisions applicable to investment in AIFs 2. SEBI ICDR Regulations, as applicable to non-applicability of lock-in period in 'to be listed companies' 3. IRDA regulations, allowing investments by insurance companies in AIFs 4. Banking regulations, allowing investments by banks in AIFs 5. PFRDA, allowing investments by banks in AIFs 6. Takeover regulations, where provisions related to open offer is exempt to Cat I AIFs.	There are various regulations/ Act/ circulars of other regulators, which has reference to SEBI registered Alternative Investment Funds. The references should also be aligned to include restricted schemes which are floated in IFSC so that the benefits/ clarifications provided by various regulations are available to these restricted schemes in IFSC.
249	30	(1)	In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. In the Income-tax Act, 1961, the references to Category I, Category II and Category III Alternate Investment Funds has been made in specified context i.e. Section 115UB refers to "investment fund", Section 10(4D) refers to "specified fund", Section 47(viiad) refers to "resultant fund". The references should be aligned as per these provisions. NOTE: Please add reference for Circulars for exemption to obtain PAN and IT return	While we understand that the references made in the explanations are aligned to Income-tax Act, 1961 to maintain continuity of tax framework for restricted schemes, a circular should be issued to provide suitable clarifications to these specific references. The references should also be aligned with the circular dated 10 August 2020 and Notification dated 4 May 2021 issued by the CBDT where the requirement for obtaining Tax ID (PAN Card) and exemption from filing IT return by investors in Category I, II and III Alternative Investment Funds in IFSC is relaxed.
250	30	(1)	In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the Schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. In the Income-tax Act, 1961, the references to Category I, Category II and Category III Alternate Investment Funds has been made in specified context i.e. Section 115UB refers to "investment fund", Section 10(4D) refers to "specified fund", Section 47(viiad) refers to "resultant fund". The references should be aligned as per these provisions.	While we understand that the references made in the explanations are aligned to Income-tax Act, 1961 to maintain continuity of tax framework for restricted schemes, a circular should be issued to provide suitable clarifications to these specific references. The references should also be aligned with the circular dated 10 August 2020 and Notification dated 4 May 2021 issued by the CBDT where the requirement for obtaining Tax ID (PAN Card) by investors in Category I, II and III Alternative Investment Funds in IFSC is relaxed. Further, the reference should also be aligned as per Notification dated 26 July 2019 and Notification dated 11 October 2021 issued by CBDT which provides an exemption from filing the return of income, to non-resident investors in Category I, Category II and Category III Alternative Investment Funds in IFSC.
251	30	(1)	In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. In the Income-tax Act, 1961, the references to Category I, Category II and Category III Alternate Investment Funds has been made in specified context i.e. Section 115UB refers to "investment fund", Section 10(4D) refers to "specified fund", Section 47(viiad) refers to "resultant fund". The references should be aligned as per these provisions.	While we understand that the references made in the explanations are aligned to Income-tax Act, 1961 to maintain continuity of tax framework for restricted schemes, a circular should be issued to provide suitable clarifications to these specific references. The references should also be aligned with the circular dated 10 August 2020 and Notification dated 4 May 2021 issued by the CBDT where the requirement for obtaining Tax ID (PAN Card) by investors in Category I, II and III Alternative Investment Funds in IFSC is relaxed. Further, the reference should also be aligned as per Notification dated 26 July 2019 and Notification dated 11 October 2021 issued by CBDT which provides an exemption from filing the return of income, to non-resident investors in Category I, Category II and Category III AIF in IFSC.

252	30	(1)	In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. In the Income-tax Act, 1961, the references to Category I, Category II and Category III Alternate Investment Funds has been made in specified context i.e. Section 115UB refers to "investment fund", Section 10(4D) refers to "specified fund", Section 47(viiad) refers to "resultant fund". The references should be aligned as per these provisions.	While we understand that the references made in the explanations are aligned to Income-tax Act, 1961 to maintain continuity of tax framework for restricted schemes, a circular should be issued to provide suitable clarifications to these specific references. The references should also be aligned with the circular dated 10 August 2020 and Notification dated 4 May 2021 issued by the CBDT where the requirement for obtaining Tax ID (PAN Card) by investors in Category I, II and III Alternative Investment Funds in IFSC is relaxed.
253	30	(1)	It is provided that Restricted Schemes to be construed as Category I/II/III Alternative Investment Fund under the Income Tax Act, 1961 (the "IT Act") Suggestion: The IFSCA shall issue a registration certificate to the Scheme upon submission of PPM effective from the date of submission of PPM in case of green channel schemes and effective from the end of 21 days from the date of submission of PPM in case of restricted schemes.	The IT Act provides for definition of a specified fund in section 10(4D) which is referenced in various other sections like section 115AD, section 194LD, section 196D, etc. In order to qualify as a specified fund under section 10 (4D) of the IT Act, a fund has to be granted a certificate of registration as a Category III AIF by the IFSCA. The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 (the "FPI Regulations") in the second proviso to Regulation 4 clause (c) provides that for AIFs set up in IFSC with investment from Indian residents shall be eligible to register as FPIs if they are regulated by the IFSCA. Hence, a mechanism where a restricted scheme is construed as or deemed as an AIF may not be accepted by the Income Tax authorities in absence of any specific amendment in the IT Act or any clarification issued by the Government or CBDT. Also, from the perspective of FPI Regulations, it is required that the AIFs set up in IFSC are regulated by the IFSCA. Additionally, if the IT Act definition of the specified fund is changed to include a restricted scheme, the IFSCA shall consider providing a certificate of registration for existing AIFs so that there is no denial of any tax benefits to any eligible fund set up in the IFSC on account of the change in the regulatory regime governing the fund. As a stop-gap arrangement till the time the IT Act and the FPI Regulations are harmonized to the deemed AIF concept proposed under the Proposed Regulations, the IFSCA shall grant Certificate of Registration to the Schemes as well to avoid any interpretation issues from other regulators at a later point in time.
254	30	(1)(a)	In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. However, there is need to explicitly cover the related provisions as covered in the Act.	While this provides clarification from regulatory perspective, specific circular should be issued by CBDT to provide suitable clarifications to these specific references.
255	30	(1)(a)	Under this clause investments in start-ups, early stage ventures, social ventures, SMEs, infrastructure and other sectors which are socially and economically desirable are included. It should be clarified that fund would still be classified as Category I even if investments are in listed / to be listed securities issued by aforesaid entities.	Currently, it is not clear that when investments are made in listed securities / to-be listed securities of entities where Category I funds can make investment whether it will be get classified as Category III or will it still remain as Category I. For instance, a SME fund may as part of its investment strategy invest in listed securities issued by SMEs.
256	30	(1)(b)	investment in securities of listed/ unlisted entities including for undertaking diverse or complex trading strategies, investments in units of other Alternative Investment Funds and permitted investments under longevity finance. Explanation: Schemes under this clause shall be construed as Category III Alternative Investment Fund as specified under the Income Tax Act, 1961.	Fund of fund structure in Category III Alternative Investment Funds should be permitted.

257	30	(1)(b)	It should be clarified that such Scheme should be open ended or close ended	Category III AIF should be allowed to be both open ended and close ended.
258	30	(1)(b)	Regulations should be aligned to existing categories of AIFs under the AIF Regulations	The proposed framework is not completely aligned with the existing AIF Regulations in relation to definition of the categories of AIFs. This could create challenges for the existing as well as new funds. For example, schemes that invest in debt securities or in units of mutual fund or other investment funds [and would under current regime are currently classified as Category III AIFs] may become ineligible for tax benefits provided under section 10(4D) of the Income-tax Act, 1961. Hence, it is critical that the regulations be aligned to existing categories so that the schemes continue to be governed by the prescribed income-tax laws.
259	30	(1)(b)	Suggestions: •The current clause (b) is restrictive in scope and does not specifically include debt securities. It is suggested that securities coverage be expanded to both listed and unlisted entities and the permissible investment is expanded to Regulation 34. •Till the Income tax is suitably modified, all current Category III AIFs set up in IFSC should be accorded and continued the current tax treatment. •Also, FME should be given a choice to select restricted schemes and application under section 30 (1) (a), (b) or (c) or under Income tax categorisation for specified fund as IFSC Category I, II or III funds. •Revised clause proposed: Investment in securities permissible under Regulation 34 and for permitted investments under longevity finance for undertaking diverse or active trading / reinvestment / churn strategies or where the intention is to seek leverage at the Registered Scheme (as specified in the scheme documents) level exceeding 20% of its corpus.	•The current tax regime has several concessions for IFSC constituents, including the following: - Concessional tax regime for non-resident investors in a Category III AIF in the IFSC that prescribes tax rates at par with the rates in the DTAAs that India has signed with key countries and that extends the benefits available to FPIs to such AIFs; •The current proposed regulations under section 30 (1) (b) may be unfavourable from a taxation perspective for setting up Funds in IFSC if the current taxation regime of 10% isn't continued vis-à-vis other investment jurisdictions. •The same may also not be in line with recommendations of the expert committee report, extract of which is given below: To keep the taxation regime for the IFSC Fund comparable with the tax regime for the Funds investing from these jurisdictions into India, the dividend and interest income could be taxable at a lower rate of 5% (plus applicable surcharge and cess), resulting in tax rates on the dividend and interest in line with the tax rates for interest on REITs, InvITs, government securities and rupee-denominated bonds of the Indian company and maintaining an effective tax rate of lower than 10%.
260	30	(1)(b)	The regulation mentions that the Venture Capital Schemes can invest "primarily" in unlisted securities of start-ups. It is recommended that the minimum required % of investments to be done in unlisted securities of start-ups be defined. Likewise the regulation 30 1 (b) permits Restricted Schemes, to invest in in securities 'primarily' of listed entities. We suggest that the minimum required % of investments to be done in securities of listed be defined.	Usage of the word primarily seems ambiguous in terms of the minimum quantum of investments to be done in unlisted securities of start-ups vis a vis other permissible investments. The same is also not clear in quantitative terms in for the investments to be done in the securities of listed entities vis a vis other permissible investments.

261	30		In explanation provided under Regulation 30(1) clause (a), (b) and (c), there is a reference that the schemes under the respective clauses should be construed as Category I, Category II and Category III Alternate Investment Funds as specified under the Income-tax Act, 1961. In the Income-tax Act, 1961, the references to Category I, Category II and Category III Alternate Investment Funds has been made in specified context i.e. Section 115UB refers to "investment fund", Section 10(4D) refers to "specified fund", Section 47(viiad) refers to "resultant fund". The references should be aligned as per these provisions.	We understand that the references made in the explanations are aligned to Income-tax Act, 1961 with the objective of maintaining continuity of tax framework for restricted schemes. To achieve this objective, a corresponding circular under the Income-tax Act, 1961 would need to be issued by the Central Board of Direct Taxes (CBDT). The IFSCA should in consultation with the CBDT work towards this request. Additionally, references should also be aligned with the circular dated 10 August 2020 and Notification dated 4 May 2021 issued by the CBDT where the requirement for obtaining Tax ID (PAN Card) by investors in Category I, II and III Alternative Investment Funds in IFSC is relaxed. Further, the reference should also be aligned as per Notification dated 26 July 2019 and Notification dated 11 October 2021 issued by CBDT which provides an exemption from filing the return of income, to non-resident investors in Category I, Category II and Category III AIF in IFSC.
262	30		investment in securities of listed/ unlisted entities including for undertaking diverse or complex trading strategies, investments in units of other Alternative Investment Funds and permitted investments under longevity finance. Explanation: Schemes under this clause shall be construed as Category III Alternative Investment Fund as specified under the Income Tax Act, 1961.	Fund of fund structure has been enabled under the SEBI (Alternative Investment Funds) Regulations, 2012. Accordingly, such fund of fund structure should be permitted for Category III Alternative Investment Funds as well.
263	30		It is humbly submitted that the said regulation be amended to include investment in units of mutual funds and AIF registered with SEBI. Therefore, the proposed amendment: (1) (b) investment in units of mutual funds and AIF registered with SEBI and/or in securities primarily of listed entities including for undertaking diverse or complex trading strategies and for permitted investments under longevity finance. Explanation: Schemes under this clause shall be construed as Category III Alternative Investment Fund as specified under the Income Tax Act, 1961.	(1) To allow category III AIFs to invest in units of mutual fund schemes; (2) The proposed amendment will be critical to ensure that Category III AIF caters to investment strategies of clients intending to invest in the domestic mutual funds and AIFs registered with SEBI.
264	31	(1)	Permission to appoint fiduciaries upon no comments from IFSCA	Currently, FMEs are required to appoint fiduciaries prior to the launch of the scheme. Commensurate with the in-principle approval process for domestic AIFs in India, please consider allowing FMEs to formally appoint fiduciaries for venture capital schemes, restricted schemes and special situation fund once all comments of IFSCA are resolved on the placement memorandum (or 21 days have lapsed and no comments have been made by IFSCA). The placement memorandum should contain the 'proposed' details of the fiduciaries in order for IFSCA to assess the placement memorandum.
265	31	(1)	When FME launched new scheme after filing PPM with IFSCA, IFSCA should issue approval letter or registration certificate for such schemes within 30 days of submission of the placement memorandum by the FME.	It is important to have separate IFSCA certificates for each AIFs to obtain PAN card, open demat account, open bank account, make investments or to meet other KYC requirements. Further the provisions of the income-tax Act, 1961 also provides that the AIFs should be registered with SEBI/ IFSCA. It could be clarified that this certificate should be considered as deemed registration of the Fund with the IFSCA for the purposes of Income-tax Act, 1961 as the taxability of these schemes is aligned with the current Alternative Investment Fund tax framework under the Income-tax Act, 1961.
266	31	(1)	When FME launched new scheme after filing PPM with IFSCA, IFSCA should issue approval letter or registration certificate for such schemes within 45 days of submission of the placement memorandum by the FME.	It is important to have separate IFSCA certificates for each AIFs to obtain PAN card, open demat account, open bank account, make investments or to meet other KYC requirements. Further the provisions of the income-tax Act, 1961 also provides that the AIFs should be registered with SEBI/ IFSCA.

267	31	(1)	When FME launched new scheme after filing Private Placement Memorandum with IFSCA, IFSCA should issue approval letter or registration certificate for such schemes within 30 days of submission of the placement memorandum by the FME.	It is important to have separate IFSCA certificates for each Alternative Investment Funds to obtain PAN card, open demat account, open bank account, make investments or to meet other KYC requirements. Further the provisions of the income-tax Act, 1961 also provides that the Alternative Investment Funds should be registered with SEBI/ IFSCA. It could be clarified that this certificate should be considered as deemed registration of the Fund with the IFSCA for the purposes of Income-tax Act, 1961 as the taxability of these schemes is aligned with the current Alternative Investment Funds tax framework under the Income-tax Act, 1961.
268	31	(1)	When FME launches new scheme after filing PPM with IFSCA, IFSCA should issue approval letter or registration certificate.	It is important to have separate IFSCA certificates for each scheme of an AIF to obtain PAN card, open demat account, open bank account, make investments or to meet other KYC requirements. Further the provisions of the income-tax Act, 1961 also provides that the AIFs should be registered with SEBI/ IFSCA. It could be clarified that this certificate should be considered as deemed registration of the scheme with the IFSCA for the purposes of Income-tax Act, 1961 as the taxability of these schemes is aligned with the current Alternative Investment Fund tax framework under the Income-tax Act, 1961.
269	31	(2)	A rationale may be provided for introducing validity period for PPM since this is new development and not in line with the current practice in India as well as globally.	PPM is a key document which generally survives the life of the fund. Therefore, introducing validity period for PPM may possess practical difficulty for marketing the fund and sharing PPM with investors during the course of fund raise.
270	31	(2)	Following sentence could be added after Clause (2): provided that the Authority will either approve or reject the application within 45 days of fling of application/placement memorandum	To ensure that FME receive the approval within a specified timelines in case of any comments from the Authority, it is recommended to either reject or approve the application with the prescribed period.
271	31	(2)	It may be considered to increase the validity of placement memorandum to 12 months from the date of filing with the Authority or the date of observation letter of Authority, whichever later.	There may be time required for marketing of the scheme as well as need for finding the opportune time of launch. Further, this would also be in alignment to the validity period with that of scheme(s) / funds launched under registered FME (Retail) entities – construed as mutual funds/ ETFs etc.
272	31	(2)	It should be clarified that this is only relating to launch of scheme and not validity of the PPM per se. Alternatively, it could be stated that there would be a continuing obligation on the FME to maintain an updated PPM to also be filed with the IFSCA at periodic intervals.	Under the current AIF Regulations, there is no concept of validity of the PPM as a document. If the intent is to clarify that the schemes be launched withing six months then the regulations should be appropriately modified to state that. Alternatively, it should be stated that the fund managers are required to keep the PPM updated.
273	31	(2)	Regulation 31 deals with Eligible FMEs and Filing of Placement Memorandum. The regulator may want to publish the registration status at a summary level between approved/, hold for want of reaction from registrants, and rejected status to make sure that its efforts are well understood by the industry. Further the regulator is requested to publish the observation trends periodically such that prospective registrants may consider the observed trends and accordingly improve their checklists.	The regulator has committed to a maximum 21 day commenting period. The regulator must have the understanding, infrastructure, single-window approach, consolidated view of information and technology support from all stakeholders to achieve this.

274	31	(2)	The clause could be deleted and be replaced by the following clause: Provided, that the validity of the placement memorandum shall be six months from the date of filing with the Authority or the date of observation letter of Authority, whichever is later. However, if the FME concludes the initial/first close of the Fund within the above timeline, the placement memorandum/shelf prospectus will be valid for the remaining fund tenure.	Once the PPM is deemed to be approved after 21 days of filing of the same with IFSCA, the FME will raise funds on the basis of said PPM. Post that if IFSCA raise question on the PPM then it will reduce the confidence of investors on the PPM and also on the entire process. Therefore, the PPM should be automatically deemed to be valid after initial closing till tenure of the Fund.
275	31	(2)	The regulation mentions a period of 21 days, within which if comments are not received then the FME can launch the fund. It is suggested that the regulation includes the words “business days” or “calendar days” as per the intention of the regulator.	The requested clarification may avoid ambiguity in terms of calendar days or business days and would ensure non inadvertent non-compliance by FMEs.
276	31	(3)	Revised clause proposed: The requirement under sub- regulation (2) shall not be applicable for restricted schemes including Credit Fund soliciting money only from accredited investors or investors putting in investment of value more than $250,000 i.e. such restricted schemes shall be under a green channel and can open for subscription from investors immediately upon filing with the Authority.	Launching of new schemes in a shorter period will help the FME to launch new Fund with different strategy in a shorter period and thus will help the FME to provide alternative available products to off-shore investors and the investors may not require to wait for longer period to invest. Therefore, if it is disclosed in the placement memorandum/shelf prospectus that all the investor in the Fund shall commit more than USD 250,000 then such scheme should be approved under a green channel.
277	31	(3)	The requirement under sub-regulation (2) shall not be applicable for restricted schemes soliciting money only from accredited investors or any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in IFSC out of its owned funds.	The green channel should be available for high value investors.
278	31	(3)	The requirement under sub-regulation (2) shall not be applicable for restricted schemes soliciting money only from Accredited Investors or any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in IFSC out of its owned funds.	The green channel should be available for high value investors. We also recommend for addition of criteria i.e. where more than 90% investors in the scheme are Accredited Investor, the same should also be considered for Green Channel. This reflects an intent that Scheme will be mainly for Accredited Investors.
279	31	(3)	The requirement under sub-regulation (2) shall not be applicable for restricted schemes soliciting money only from accredited investors or any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in IFSC out of its owned funds.	Similar to accredited investors, high value investors are typically cognizant of the risks associated with complex financial products. Accordingly, the green channel accorded to accredited investors should also be extended to high value investors.
280	31	(3)	The requirement under sub-regulation (2) shall not be applicable for restricted schemes soliciting money only from accredited investors or any person from a FATF compliant jurisdiction investing a minimum of USD 5 million in IFSC out of its owned funds.	The green channel should be available for high value investors. We also recommend for addition of criteria i.e. where more than 90% investors in the scheme are Accredited Investor, the same should also be considered for Green Channel. This reflects an intent that Scheme will be mainly for Accredited Investors.
281	31	(4)	Clarity required on the meaning of 'material'	SEBI Circular dated July 18, 2014 (CIR/IMD/DF/16/2014) provides guidance on the meaning of 'material' as changes in the fundamental attributes of the scheme. A similar guidance should be provided in the Regulations to clarify the meaning of 'material'.

282	32	(1)	The maximum numbers of investors for Restricted Schemes should not be restricted to 1,000 investors and could be increased to a higher number i.e. upto 10,000.	While the regulations provide the flexibility to the authority for specifying the maximum number of investors, considering the wide range of investment avenues/ financial products in which restricted schemes could invest, the maximum limit of 1,000 investors seems on a lower side and the maximum number of investors should be increased to at least 10,000. Therefore, in a scenario where the number of investors in a scheme are upto 10,000, they do not require any specific approval from the authority.
283	32	(1)	The maximum numbers of investors for Restricted Schemes should not be restricted to 1,000 investors and could be increased to a higher number i.e. upto 10,000.	While the regulations provide the flexibility to the authority for specifying the maximum number of investors, considering the wide range of investment avenues/ financial products in which restricted schemes could invest, the maximum limit of 1,000 investors seems on a lower side and the maximum number of investors should be increased to at least 10,000. Therefore, in a scenario where the number of investors in a scheme are upto 10,000, they should not require any specific approval from the IFSCA.
284	32	(2)	Provided that in case of investors who are employees or directors or designated partners of the FME, the minimum value of investment shall be USD 40,000. Provided further that the minimum investment threshold (including for employees) shall not apply to an accredited investor Suggestion: For waiving the minimum investment criteria applicable to employees, instead of accredited investors, test of knowledgeable employees should be brought in	Same as rationale for Sr. No.4
285	32	(2)- proviso	-	To clarify 'including for employees'.
286	32	(2)- proviso	-	To clarify 'including for employees'.
287	32	(2)- proviso	To widen the language to also cover Employee Benefit Trust (EBT) set up solely for benefit of employees. Following language may be considered: Provided that in case of investors who are employees or directors or designated partners of the FME or any vehicle set up solely for the benefit of such employees.....	Typically setting up an EBT for employee benefit is very prevalent model which provides flexibility to design employee incentive structures. The current language does not provide liberal regime available to employees for such EBT. Therefore, it is suggested that the language be amended to bring within purview EBT and accord benefit to employees.
288	32	(2)- proviso		To clarify 'including for employees'
289	32	(2)-proviso	Permit no minimum contribution for profit sharing	SEBI Circular dated June 19, 2014 (CIR/IMD/DF/14/2014) exempts employees from the minimum commitment requirement for profit sharing purposes. A similar construct should be permitted for venture capital schemes, restricted schemes (non-retail), special situation funds.
290	33	(1)	Drafting issue (grammar) to be fixed	Remove 'a' prior to 'close ended schemes' (plural).
291	33	(1)	Maximum amount to be raised should not be required / no cap	Venture capital schemes, restricted schemes (non-retail), special situation funds should be permitted to mention their target corpus rather than having to specify a hard cap. The word 'target' should be added before 'amount to be raised' in Regulation 21(1) and 23 (1). There should not be a cap on total corpus that may be raised under venture capital schemes given the increased traction towards early stage investments in India, and rise of mega deals in the venture capital space.

292	33	(1)	The minimum tenure of close-ended scheme should be reduced to 1 year.	It is relevant in the context of a credit fund where the FME may want to offer high risk rated securities for a shorter period to increase the overall yield.
293	33	(2)	Commercially agreed interim extensions to the tenure to be permitted	The Regulations should expressly state that the 'final' extension to the tenure has to be with up to two (2) years subject to approval of two-thirds of the investors by value of their investment in the venture capital scheme, and interim extensions should be permitted as commercially agreed by the FME with its investors. For example, if the intended tenure of a scheme is 12 years in a manner that 9 years is the original term with one interim extension commercially agreed to be at the discretion of the manager, and the last two years of 'final' extension to be as per the Regulations.
294	33	(2)	Extension of the tenure of the close ended restricted schemes may be permitted for a period as may be approved by two-thirds of the investors by value of their investment in the restricted scheme.	This will provide flexibility to the investors to be invested in the scheme based on the investment/ exit opportunity available to the Fund.
295	33	(2)	Extension of the tenure of the close-ended restricted schemes may be permitted for a period as may be approved by two-thirds of the investors by value of their investment in the restricted scheme.	This will provide flexibility to the investors to be invested in the Scheme based on the investment/ exit opportunity available to the Fund.
296	33	(2)	Extension of the tenure of the close-ended restricted schemes may be permitted for a period as may be approved by two-thirds of the investors by value of their investment in the restricted scheme.	This will provide flexibility to the investors to be invested in the scheme based on the investment/ exit opportunity available to the Fund and guard the investor’s returns from adhoc sale by FMEs in case of expiry of the tenure.
297	33	(2)	Extension of the tenure of the close-ended restricted schemes may be permitted for a period as may be approved by two-thirds of the investors by value of their investment in the restricted scheme.	This will provide flexibility to the investors to be invested in the scheme based on the investment/ exit opportunity available to the Fund.
298	33	(2)	Extensions beyond 2 years should be permitted subject to fresh super majority approval and with the approval of the authority on a discretionary basis	The fund managers may require to further extend the term of the fund for commercial reasons which should be enabled subject to getting appropriate approvals in place.
299	33	(2)	This clause be replaced by following clause: Extension of the tenure of the close ended restricted schemes may be permitted for such number of years as may be approved by two-thirds of the investors by value of their investment in the restricted scheme. The investor who does not want to continue in the scheme after the end of initial tenure, FME will provide exit to such investor.	This will provide flexibility to the investors to retain their money to be invested in the scheme based on the investment/ exit opportunity available to the Fund. Also, this will allow the majority of the investors to continue with the scheme if they like the structure and performance.
300	33	(3)	Restricted schemes shall be constituted as Company or LLP or Trust under the applicable laws of India.	Intent clarified
301	33	(3)	Restricted schemes shall be constituted as Company or LLP or Trust under the applicable laws of India.	Intent clarified
302	33	(3)	Restricted schemes shall be constituted as Company or LLP or Trust under the applicable laws of India.	Intent clarified
303	33		Green shoe option to be made available	

304	34	(1)	(1) Subject to other provisions of these regulations, a restricted scheme may invest moneys collected under any of its schemes only in— (a) Securities issued by unlisted entities (b) Securities listed or traded on stock exchanges in India including recognised stock exchanges and stock exchanges outside India (c) Money market instruments (d) Debt securities (e) Securitised debt instruments, which are either asset backed or mortgage-backed securities (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum (g) Derivatives including commodity derivatives subject to suitable disclosures in the placement memorandum (h) Pass Through Certificates issued by securitization trust or security receipts issued by trust managed by an Asset Reconstruction Company (i) units of Alternative Investment Fund or a Domestic Venture Capital Fund or any other fund regulated by Securities and Exchange Board of India ('SEBI') (j)securities to be listed (k)Securities of unlisted entities in India or outside India (l)Restricted closed ended funds may engage in hedging, subject to guidelines as specified by the IFSCA from time to time(m) Such other securities or financial assets or instruments as specified by the Authority. Provided that pending deployment of money, FME may invest money in certificate of deposits, investment schemes, etc.	It is advisable to include these in the list of permissible investments
305	34	(1)	•Permissible Securities should additionally include: •"securities to be listed" •Securities of unlisted companies in India or outside India •Restricted closed ended funds may engage in hedging, subject to guidelines as specified by the IFSCA from time to time •Units of alternative investment funds	It is advisable to include these in the list of permissible investments.

306	34	(1)	34. (1) Subject to other provisions of these regulations, a restricted scheme may invest moneys collected under any of its schemes only in— (a) Securities issued by unlisted entities (b) Securities listed or traded on stock exchanges in India including recognised stock exchanges and stock exchanges outside India (c) Money market instruments (d) Debt securities (e) Securitised debt instruments, which are either asset backed or mortgage-backed securities (f) Other investment schemes set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum (g) Derivatives including commodity derivatives subject to suitable disclosures in the placement memorandum (h) Pass Through Certificates issued by securitization trust or security receipts issued by trust managed by an Asset Reconstruction Company (i) units of Alternative Investment Fund or a Domestic Venture Capital Fund or any other fund regulated by Securities and Exchange Board of India ('SEBI') (j) securities to be listed (k) Securities of unlisted entities in India or outside India (l) Restricted closed ended funds may engage in hedging, subject to guidelines as specified by the IFSCA from time to time (m) Such other securities or financial assets or instruments as specified by the Authority. Provided that pending deployment of money, FME may invest money in certificate of deposits, investment schemes, etc.	It is advisable to include these in the list of permissible investments
307	34	(1)	In the provisions at the end of regulation 22 (1), regulation 34 (1) and regulation 106 (1), mention that prior to deployment of funds, the scheme of FME may invest in "certificate of deposits, investment schemes, etc". We suggest that the approved list of securities/investment instruments, term deposits, etc where the funds can be temporarily invested may be provided in the regulations itself to avoid convenient interpretations.	Considering that funds in GIFT IFSC are permitted to invest in multiple asset classes across multiple jurisdictions, a comprehensive list of securities / investment instruments where investments/parking of funds are permitted prior to deployment of funds as per investment strategy, would be useful to the participants. The same would also ensure that instruments which would otherwise be considered non-compliant by the regulator are not used by FMEs.
308	34	(1)	Include the following in the list of permissible investments - OTC derivatives (swaps, options, forwards, etc.)IFSCA may consider providing an illustrative list of OTC derivatives like provided in the IFSCA Banking Handbook: Conduct of Business Directions – V 2.0 Unlisted derivatives (e.g., notes, certificates, warrants) – these are generally treated as securities under international GAAP and regulatory purposesFX spot contracts	IFSCA Banking Handbook specifies OTC derivatives that are permitted to be traded for an IFSC Banking Unit (IBU). The OTC derivatives, inter alia, includes derivatives in foreign currency, interest rate, credit and offshore derivative instruments. Similar to the IFSC Banking Handbook, an illustrative list of derivatives which an AIF can undertake should be provided for bringing a parity with IBUs.Hedging It is important for a fund to be able to hedge its risk to avoid negative NAV. Instruments that funds use to hedge include OTC derivatives and unlisted derivatives. It would be helpful for these to be included in the list of permissible investments.RemittanceFunds will need to be able to enter into FX spot contracts to purchase / sell FX for the purpose of remittance.

309	34	(1)	This clause should be expanded more to include the following: •"securities to be listed" in India or outside India •Securities of unlisted companies in India or outside India •Other investment schemes including alternative investment funds set up in the IFSC, India and foreign jurisdiction subject to appropriate disclosure in the placement memorandum •Pass Through Certificates issued by securitization trust or security receipts issued by trust managed by an Asset Reconstruction Company	Expanding the specific list of permissible investments, which may be prevalent as part of the overall investments happening from IFSC.
310	34	(1)	To also include: • "securities to be listed" • Securities of unlisted entities in India or outside India • Restricted closed ended funds may engage in hedging, subject to guidelines as specified by the IFSCA from time to time • Units of alternative investment funds or schemes	It is advisable to include these in the list of permissible investments
311	34	(1)	Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be allowed to invest in accordance with Regulation 15(f) of SEBI (AIF) Regulations, 2012. Provided below is the extract for you reference: "Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable	It should be aligned with the Regulation 15(f) of SEBI (AIF) Regulations, 2012.
312	34	(1)	Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable	Similar to Regulation 15(f) of AIF Regulations, uninvested portion/ unutilised money shall also be allowed for temporary invest in these securities
313	34	(1)	Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable.	Similar to Regulation 15(f) of Alternative Investment Funds Regulations, uninvested portion/ unutilised money shall also be allowed for temporary investment in these securities.

314	34	(1)	Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable	Similar to Regulation 15(f) of AIF Regulations, uninvested portion/ un-utilised money shall also be allowed for temporary invest in these securities
315	34	(1)(b)	'Securities to be listed' should be considered as other than unlisted as this will then not have 25% restriction.	There could be tactical opportunities in segments such as pre-ipo etc. Such investments should not be considered within the limit of 25% for investment in unlisted securities.
316	34	(1)(b)	Drafting issue (grammar) to be fixed	Add a comma (,) after the words 'recognized stock exchanges'.
317	34	(1)-proviso	Broaden the scope of temporary investments	Additional options should be included before 'etc' in the proviso for temporary investments such as liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits. This is also provided under Regulation 15(1)(f) of the AIF Regulations.
318	34	(1)-proviso	It should be clarified that temporary investments are permitted not only pending deployment of money but also pending reinvestment / distribution.	The regulations should be clarified to include all situations for temporary investments.
319	34	(3)	The condition of investment of upto 20% in physical assets should be relaxed for some funds	There are several funds wanting to launch funds to invest in commodities or other physical assets. The restriction around 20% should not be applicable to such funds.
320	34	(b)	Consider re-wording as 'Securities listed or traded on stock exchanges in India and/or recognised stock exchanges and stock exchanges outside India'	The current wordings make it seem like exchanges outside India are included as a part of stock exchanges in India
321	34	(h)	Un-invested portion of the investable funds and divestment proceeds pending distribution to investors may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable	The list of instruments for temporary parking should be exhaustive for effective management of such funds.
322	34		Investment subject to appropriate cap may be allowed in Digital Assets, Non-fungible tokes, etc., subject to appropriate disclosures in the placement memorandum	Digtal assets are emerging as an important asset class and that cannot be undermined.

323	34/46	(1)(f)	Clarification needed whether investment schemes such as Mutual fund, ETFs, AIFs, REITs, InvITs etc. be covered under this clause.	Need clarification on the types of schemes included in under this clause.
324	35	(1)	The regulation provides for a restriction of upto 25% of corpus of an open ended scheme to be invested in “securities of unlisted companies”. It should be clarified as to what would construe as an unlisted company.	The regulations do not provide any definition of a “Listed Company”. Hence there is ambiguity on what would be considered as an unlisted company. There could be multiple situations where either of debt, equity, warrant or a hybrid security of a company may be listed on any recognized or overseas (FATF or MMOU country) stock exchanges and whether the listing of any of the above mentioned security types result in a company being treated as listed company. The list of parameters to consider a company as listed or unlisted would be helpful to FMEs to ensure compliance.
325	35	(1)	There is a cap of 25% of the corpus prescribed on investment by an open-ended scheme in securities of unlisted companies. **Suggestion: Removing the cap or increase the cap to 50% of the corpus.**	Investments in a restricted scheme shall be by accredited investors or investors investing minimum of USD 150,000 which means that these investors are sophisticated investors. There should be as less restrictions as possible in the manner in which these restricted schemes want to deploy their funds. Also, the existing regulations and guidelines applicable to Category III AIFs set up in IFSC and in India have a higher sub-limit by providing that Category III AIFs shall primarily invest in listed securities which as a corollary means that Category III AIFs may invest up to 50% in listed securities. Hence, this sub-limit should be removed completely or shall be at par with existing guidelines to a Category III AIFs.
326	35	(1)	To be deleted or replaced with the below provisions: In case of an open-ended scheme, the maximum investment to be as per the investment strategy laid down in the private placement memorandum/shelf memorandum on managing liquidity risk in the fund.	This restriction will adversely impact FME in managing liquidity and investment strategy in the open-ended fund. Also, it will be difficult to register an AIF having investment strategy to invest in asset backed securities/securities instruments (given that ABS are predominantly unlisted instruments). Therefore, it should be left to the discretion of the investment manager to appropriately disclose the investment objective, strategy on how the liquidity risk in the Fund would be managed on a case-by-case basis. Also, given that restricted schemes may also make investment in offshore jurisdictions, listing requirements, liquidity, etc may differ from country to country.
327	35	(2)	Investment Restrictions and Scheme Corpus: It should be up to the investment manager and fund investors.	FME (Non-Retail) managed fund should be left to investors with respect to scheme corpus. No other major jurisdiction has min corpus requirement for Hedge Funds are Private Equity funds.
328	35	(2)	Reduce the minimum size to USD 3 million	Please consider reducing the minimum size to USD 3 million from USD 5 million for consistency with domestic AIFs.
329	35	(2)	*The minimum size of the corpus in case of venture capital schemes shall be USD Five (5) Million.* **Suggestion: To bring the minimum scheme size at par with SEBI AIF Regulation of USD 3 million.**	Same as rationale for Sr. No.5
330	36	(2)	Clarity required on the meaning of 'material'	SEBI Circular dated July 18, 2014 (CIR/IMD/DF/16/2014) provides guidance on the meaning of 'material' as changes in the fundamental attributes of the scheme. A similar guidance should be provided in the Regulations to clarify the meaning of 'material'.

331	36	(3)	Allow annual NAV disclosure for close ended scheme with investor approval	If investors of a close ended restricted scheme (2/3rd by value) so agree, such schemes should be permitted to disclosure NAV once in a year rather than bi-annually, as valuations may not undergo substantive changes so frequently and this disclosure requirement could be an unnecessary compliance burden.
332	36	(4)	Clarity required on disclosure of portfolio	The disclosure should be limited to the name and business of the entities forming part of the portfolio, and exposure of the scheme (expressed as a percentage of allocation) across different types of assets.
333	36	(4)	Clarity required on disclosure of portfolio	The frequency of disclosure should be reduced to annual disclosures rather than quarterly disclosures for close ended schemes.
334	36	(4)	Disclosure of portfolio on quarterly basis Suggestion: Disclosure of portfolio on intervals as specified in the PPM	We understand that the disclosure of portfolio on quarterly basis aids the investor awareness of the schemes transactions. In case of an open-ended fund, it is mandatory to appoint a third-party service provider which is registered with the IFSCA, to compute the NAV on monthly basis. Also, the asset classes in which the open-ended scheme can invest in are restricted to majority of listed securities. Hence, there are already various checks in place to aid investor protection and awareness and the investors have the rights to call for information with respect to activities of the fund. We therefore recommend that the mandatory reporting requirement only be for NAV and as specified in the PPM. Given the lower liquidity of stocks in India, disclosure of positions will be a big issue for global funds looking to setup in IFSCA. Further, Registered FMEs (non Retail) can engage in shorting and any requirement to disclose short positions or futures positions will be an issue for large funds. Finally, it adds another reporting layer and administrative overhead and is not required for sophisticated or “accredited investors”.
335	36	(4)	Timeline for disclosure of portfolio to investors could be increased to 60 days and to 120 days for quarter coinciding with financial year ending.	Alternatively, for Authorised or Registered FME (Non-Retail), the timeline for disclosure of portfolio to investors should not be strictly defined in the Regulations and could be as mutually agreed between the Authorised or Registered FME (Non-Retail) and its investors.
336	36	(4)	Timeline for disclosure of portfolio to investors could be increased to 60 days and to 120 days for quarter coinciding with financial year ending.	Timeline for disclosure of portfolio to investors could be increased to 60 days and to 120 days for quarter coinciding with financial year ending.Alternatively, for Authorised or Registered FME (Non-Retail), the timeline for disclosure of portfolio to investors should not be strictly defined in the regulations and could be as mutually agreed between the Authorised or Registered FME (Non-Retail) and its investors.
337	36	(4)	Timeline for disclosure of portfolio to investors could be increased to 60 days and to 120 days for quarter coinciding with fy ending.	
338	36	(4)	Timeline for disclosure of portfolio to investors should be increased to 60 days and to 120 days for quarter coinciding with financial year ending	Especially in Fund of Funds (FoF) or in case of other restricted schemes investing in unlisted securities, the data from the underlying funds/companies has to be received and this generally takes longer than one month. Even more in case of FoFs, the underlying funds are required to collate data from underlying portfolio companies and then submit to the FoF.
339	36	(5)	Clarity required on the meaning of 'material'	SEBI Circular dated July 18, 2014 (CIR/IMD/DF/16/2014) provides guidance on the meaning of 'material' as changes in the fundamental attributes of the scheme. A similar guidance should be provided in the Regulations to clarify the meaning of 'material'.

340	37	(1)(b)	Strength of the consent (majority/super majority) to be included. Further a proviso may be added – Provided where the Private Placement Memorandum includes maximum leverage and the methodology for calculation of leverage, unless there is material deviation from the terms provided in the Private Placement Memorandum, consent of the investors shall not be required.	Where the PPM/scheme documents does not provide the terms w.r.t leverage, consent of the investors may be taken, however, strength of the consent is not provided in the draft regulations. Further, consent of the investors shall not be required when the terms of the leverage has been provided in the PPM/scheme documents, unless there is any material deviation from the leverage terms stated in the PPM.
341	37	(1)(b)	This clause could be deleted or be replaced with the following: If there is any material change the terms of leverage mentioned in the Private Placement Memorandum, consent of investors will required to be obtained.	Where the investor is signing the contribution agreement/ term sheet after considering the terms of the Private Placement Memorandum, no further express consent [as provided in Regulation 37(1)(b)] of the investors shall be required where the maximum leverage and the methodology for calculation of leverage is already disclosed in Private Placement Memorandum unless there is any material deviation from the borrowing/ leverage terms stated in the Private Placement Memorandum.
342	37	(1)(b)	This clause could be deleted or It can be revised as under: (b) The leverage shall be exercised as per provision of the placement memorandum. Provided that, consent of the super majority of investors by value of their investment shall be required, if there is any material change in the provisions of the placement memorandum;	Where the investor is signing the contribution agreement/ term sheet after considering the terms of the Private Placement Memorandum, no further express consent [as provided in Regulation 37(1)(b)] of the investors shall be required where the maximum leverage and the methodology for calculation of leverage is already disclosed in Private Placement Memorandum unless there is any material deviation from the borrowing/ leverage terms stated in the Private Placement Memorandum.
343	37	(1)(b)	This clause could be suitably modified as below or could be deleted. The leverage shall be exercised as per the provisions of the placement memorandum. Provided that consent of two-thirds of investors by value of their investment shall be required, if there is any material deviation from the terms of leverage as stated in placement memorandum;	Where the investor is signing the contribution agreement/ term sheet after considering the terms of the Private Placement Memorandum, no further express consent [as provided in Regulation 37(1)(b)] of the investors shall be required where the maximum leverage and the methodology for calculation of leverage is already disclosed in Private Placement Memorandum unless there is any material deviation from the borrowing/ leverage terms stated in the Private Placement Memorandum. Further, any leverage taken at SPV level without recourse to Limited Partners should not be subject to conditions mentioned under the Regulations.
344	37	(1)(b)	This clause could be suitably modified as below or could be deleted. The leverage shall be exercised as per the provisions of the placement memorandum. Provided that consent of two-thirds of investors by value of their investment shall be required, if there is any material deviation from the terms of leverage as stated in placement memorandum;	Where the investor is signing the contribution agreement/ term sheet after considering the terms of the Private Placement Memorandum, no further express consent [as provided in Regulation 37(1)(b)] of the investors shall be required where the maximum leverage and the methodology for calculation of leverage is already disclosed in Private Placement Memorandum unless there is any material deviation from the borrowing/ leverage terms stated in the Private Placement Memorandum. Further, any leverage taken at SPV level without recourse to Limited Partners should not be subject to conditions mentioned under the Regulations.

345	37	(1)(b)	This clause should be deleted.	The scheme documents, including PPM, contribution agreement etc. adequately disclose the strategy towards usage of leverage. If an investor in on boarded, it can be assumed that they have read & understood the investment strategy, including the exercise of leverage, if any. Hence, additional consent for the same may not be required,
346	38	(2)(a)	in case of a close ended scheme by an in- house fund valuation team that is independent from the fund management function or by an independent third-party service provider, registered valuer or such other person as may be specified by the Authority.	Any third party competent service provider should be allowed to carry out the valuation and should not be restricted only to fund administrator and custodian.
347	38	(2)(a)	in case of a close-ended scheme by an in-house fund valuation team that is independent from the fund management function or by an independent third-party service provider, registered valuer or such other person as may be specified by the Authority.	Any third party competent service provider should be allowed to carry out the valuation and should not be restricted only to fund administrator and custodian.
348	38	(2)(a)	in case of a close-ended scheme by an in-house fund valuation team that is independent from the fund management function or by an independent third-party service provider, registered valuer or such other person as may be specified by the Authority.	Any third party competent service provider should be allowed to carry out the valuation and should not be restricted only to fund administrator and custodian.
349	38	(2)(a)	Revised clause: In case of a close ended scheme by an in-house fund valuation team that is independent from the fund management function or by an independent third-party service provider such as a fund administrator, custodian, merchant banker, rating agencies, valuation agencies or such other person as may be specified by the Authority.	Recommended to add other third-party competent service provider such as merchant bankers, rating agencies or valuation agencies to be allowed to carry out the activity of valuation..
350	38	(2)(b)	As per the regulation, the valuation of assets for open ended schemes needs to be done by an independent third-party service provider registered with the Authority. It is suggested to remove the words “registered with the Authority”.	As per prevalent market practices, a Fund manager undertakes NAV calculations using the services of a Fund Accountant. For listed investments, the same is done based on the market value. Further, the fund accountant are typically not registered with the market regulator. Hence we suggest continuation of existing processes.

351	39	(1)	FME shall compute the NAV of each restricted scheme at least on a monthly basis: Provided that in case of a close ended restricted scheme the computation of NAV shall take place at least on a half-yearly basis. Provided further that the computation of NAV can be done annually after obtaining consent of two-third investors by value of their investment in the close-ended restricted scheme.	FME shall compute the NAV of each restricted scheme at least on a monthly basis: Provided that in case of a close ended restricted scheme the computation of NAV shall take place at least on a half-yearly basis.
352	39	(1)	FME shall compute the NAV of each restricted scheme at least on a monthly basis: Provided that in case of a close ended restricted scheme the computation of NAV shall take place at least half-yearly. Provided further that the computation of NAV can be done annually after obtaining consent of two-third investors by value of their investment in the close-ended restricted scheme.	Close ended funds should have flexibility on the frequency of computation of NAV subject to the consent of two-third investors by value of their investment in the close-ended restricted scheme.
353	39	(1)	FME shall compute the NAV of each restricted scheme at least on a monthly basis: Provided that in case of a close ended restricted scheme the computation of NAV shall take place at least half-yearly. Provided further that the computation of NAV can be done annually after obtaining consent of two-third investors by value of their investment in the close-ended restricted scheme.	Close-ended funds should have flexibility on the frequency of computation of NAV subject to one time consent (i.e. in the contribution agreement or otherwise) of two-third investors by value of their investment in the close-ended restricted scheme.
354	39	(1)	The computation of NAV may be allowed to be increased to one year with the consent of two-third investors by value of their investment.	Flexibility should be available for Close ended funds in computation of NAV.
355	39	(1)-proviso	Allow annual NAV disclosure for close ended scheme with investor approval	If investors of a close ended restricted scheme (2/3rd by value) so agree, such schemes should be permitted to disclosure NAV once in a year rather than bi-annually, as valuations may not undergo substantive changes so frequently and this disclosure requirement could be an unnecessary compliance burden.
356	40	(1)	Commitment by associate entity or sponsor entity shall also be considered as Commitment by FME and same class of units will be allotted to associate entity or sponsor entity as FME.	-

357	40	(1)	Commitment by associate entity or sponsor entity shall also be considered as Commitment by FME and same class of units will be allotted to associate entity or sponsor entity as FME. Provided that where it is agreed with or required by the investors and/ or stated in the placement memorandum that the FME or its associate shall invest a higher amount as minimum contribution, such higher amount shall be deemed to be the minimum contribution to be invested by the FME or its associate under these Regulations and such amount remitted to IFSC from India shall be deemed to be under automatic route under ODI guidelines. No separate approval/ No Objection Certificate should be required from any other regulator for the aforementioned purpose. Provided further that the contribution by the FME shall not be mandatory in case of relocation of funds /schemes established or incorporated or registered outside India to IFSC.	For ease of doing business, as long as the amount is remitted to IFSC from India by FME or its associate for fulfilling the minimum contribution requirement, the same should be considered under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.
358	40	(1)	Commitment by associate entity shall also be considered as Commitment by FME and same class of units will be allotted to associate entity or sponsor entity, as FME.	
359	40	(1)	FME contribution to be permitted by group entities	Investments by group entities / associates of the FME in the scheme should be aggregated for satisfying the requirement under Regulation 28(1). While Regulation 28(2) seems to permit associates of the FME to contribute towards this obligation, the same should first be expressly enabled under Regulation 28(1).
360	40	(1)	It should be open to make FME contribution either by FME or by its Associate or Parent entity. Accordingly, Clause 40(1) be modified as under: (1) The FME shall ensure that under a restricted scheme, the FME or its Associate or its Parent entity shall invest at least: (a)…. (b)….	FME may act only as investment manager and there may be another group entity which may make the investment. Therefore, that option should be provided.
361	40	(1)	The FME shall ensure that under a restricted scheme it shall invest at least, (a) In case of a close ended scheme, lower of 2.5% of the corpus of the scheme or USD 750,000 (b) In case of Open-ended scheme, lower of 5% of the corpus of the scheme or USD 1,500,000 Provided that where it is agreed with or required by the investors and/or stated in the placement memorandum, that the FME or its associate shall invest a higher amount as minimum contribution, such higher amount shall be deemed to be the minimum contribution to be invested by the FME or its associate under this regulation and such amount remitted to IFSC from India shall be deemed to be under automatic route under ODI guidelines. No separate approval/ No Objection Certificate should be required from any other regulator for the aforementioned purpose. Provided further that the contribution by the FME shall not be mandatory in case of relocation of funds /schemes established or incorporated or registered outside India to IFSC.	For ease of doing business, as long as the amount is remitted to IFSC from India by FME or its associate for fulfilling the minimum contribution requirement, the same should be considered under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.

362	40	(1)	The FME shall ensure that under a restricted scheme it shall invest at least, (a) In case of a close ended scheme, lower of 2.5% of the corpus of the scheme or USD 750,000 (b) In case of Open-ended scheme, lower of 5% of the corpus of the scheme or USD 1,500,000 Provided that where it is agreed with or required by the investors and/ or stated in the placement memorandum that the FME or its associate shall invest a higher amount as minimum contribution, such higher amount shall be deemed to be the minimum contribution to be invested by the FME or its associate under these Regulations and such amount remitted to IFSC from India shall be deemed to be under automatic route under ODI guidelines. No separate approval/ No Objection Certificate should be required from any other regulator for the aforementioned purpose. Provided further that the contribution by the FME shall not be mandatory in case of relocation of funds /schemes established or incorporated or registered outside India to IFSC.	For ease of doing business, as long as the amount is remitted to IFSC from India by FME or its associate for fulfilling the minimum contribution requirement, the same should be considered under automatic route and no approval from RBI/ SEBI or any other regulator should be required for this purpose.
363	40	(1)	To be considered for rephrasing as- The FME/ Associate entity, shall ensure that under a restricted scheme it shall invest at least (a) In case of a close ended scheme, lower of 2.5% of the corpus of the scheme or USD 750,000 (b) In case of Open-ended scheme, lower of 5% of the corpus of the scheme or USD 1,500,000.	The commitment should be allowed to be contributed by either the FME or any of its associate entity & the same shall also be considered as Commitment by FME and same class of units may be allotted to associate entity as FME.
364	40	(2)	A proviso should be added to clarify that any additional contribution by the FME or its associate shall not be required to be maintained on ongoing basis and such additional contribution should also be allowed under automatic route in accordance with the RBI circular.	Additional sponsor contribution should also be allowed under automatic route under the RBI circular.
365	40	(2)	Clarify that contribution will be pro-rata with all investors	Under the AIF Regulations, there has been a confusion regarding whether the sponsor contribution needs to be entirely remitted upfront into the AIF, or may be contributed on a drawdown basis alongside other investors. The latter should be permitted under the Regulations as long as the FME has legally committed to contribute the minimum amount so specified, in the interests of economic efficiency of capital. Accordingly, please insert a clarification in this sub-regulation allowing actual remittance of such contribution into the scheme by the FME and its associates to be permitted on a proportionate basis along with other investors.
366	40	(2)	Regulation 40(2) provides that the sponsor contribution should be brought in within 6 months of launch of scheme. This should be modified in line with existing IFSC AIF guidelines and SEBI (AIF) Regulations, which provides that Sponsor should have continuing interest of 2.5% of corpus or USD 7,50,000, whichever is lower and does not provide for any timeframe within which such sponsor contribution should be brought in.	It's a normal practice for a Fund Manager to call for a capital from an investor as and when the investment opportunity is identified, and a proportionate contribution is also made by a Fund Manager as Sponsor Contribution. While there is no explicit timeframe for a Sponsor Contribution, but indirectly there is a time-frame for such Sponsor Contribution, which basically ties up with an underlying Investment opportunity and go hand-in- hand with investment from an investor.In view of above, IFSCA could consider deletion of sub-regulation 2 of Regulation 40 or it should be clarified that the contributions at all the time should remain pro rata to the capital contribution made by the LPs.
367	40	(2)	The said contribution may be brought in by FME or its associate entity on or before final close of the scheme or within six months from the date of receipt regulatory approvals for remittance of such contribution. Provided in case of open-ended funds, the said contribution shall be maintained on an ongoing basis.	The FME or its associate who is a contributor in a close ended funds should have an opportunity to exit (as and when the investors get exit) and accordingly the criteria formaintaining contribution on an ongoing basis should be relaxed in case of close ended funds. Further, timeline for contribution by FME should not be within 6 months as it might take time for FME to get SEBI NOC or RBI approval for ODI investment in such scheme. Therefore, 6 months is very short time period.

368	40	(2)	The said contribution may be brought in by FME or its associate entity on or before final close of the scheme or within six months from the date of receipt of regulatory approvals for remittance of such contribution, whichever is later. Below proviso(s) to be added: Provided in case of open-ended funds, the said contribution shall be maintained on an ongoing basis.	The FME or its associate who is a contributor in a close-ended funds should have an opportunity to exit (as and when the investors get exit) and accordingly the criteria for maintaining contribution on an ongoing basis should be relaxed in case of close ended funds. Further, timeline for contribution by FME should not be within 6 months as it might take time for FME to get SEBI NOC or RBI approval for ODI investment in such scheme. Therefore, 6 months is very short time period.
369	40	(2)	The said contribution may be brought in by FME or its associate entity on or before final close of the scheme or within six months from the date of receipt regulatory approvals for remittance of such contribution. Provided in case of open-ended funds, the said contribution shall be maintained on an ongoing basis.	The FME or its associate who is a contributor in a close-ended funds should have an opportunity to exit (as and when the investors get exit) and accordingly the criteria for maintaining contribution on an ongoing basis should be relaxed in case of close ended funds. Further, timeline for contribution by FME should not be within 6 months as it might take time for FME to get SEBI NOC or RBI approval for ODI investment in such scheme. Therefore, 6 months is very short time period.
370	40	(2)	The said contribution may be brought in by FME or its associate entity within six months from the date of launch of the scheme. Provided in case of open-ended funds, the said contribution shall be maintained on an ongoing basis.	The FME or its associate who is a contributor in a close-ended funds should have an opportunity to exit (as and when the investors get exit) and accordingly the criteria for maintaining contribution on an ongoing basis should be relaxed in case of close ended funds.
371	40	(2)	There should be clarification after Clause 40(2) that unless it is exempted by IFSCA, investment will be made within 6 months.	Indian FME regulated by RBI such as NBFC will require to obtain prior approval of RBI for making investment outside India. IFSC is a deemed foreign territory, therefore, this exemption should be allowed to ensure that the Fund and the FME are not in non- compliance of Fund Management Regulation if there is any delay in obtaining approval from RBI for making investment in IFSC based Funds.
372	40	(3)	Clarity required on contribution of FME to be included towards net-worth.	If it is the intention that the contribution of FME into the scheme is to be counted towards the net worth of the FME, the mechanics of the same should be expressly incorporated in the definition of "net worth". This should be extended to venture capital schemes as well.
373	40	(4)	(4) The said contribution shall be exempted if: (a) at least 2/3rd of the investors in the scheme by value permits waiver of such Contribution; or (b) at least 2/3rd of the investors in the scheme are accredited investors: or (c) The scheme is a fund of fund scheme investing in a scheme which has similar such requirements. Provided that if it is disclosed in the placement memorandum about the intention of not having any FME or its Associate's contribution in the Fund, then sub-clause (a) and (b) above shall not apply.	It will be difficult to determine at every stage of the Fund i.e. from Initial closing to final closing, when such approval of 2/3rd contributors for the contribution of FME should be sought. Therefore, it is proposed to clarify that if the Private Placement Memorandum states that FME would not contribute in the scheme, then approval of 2/3rd of investors should not apply.
374	40	(4)	The regulations provide for certain conditions towards exemption from contribution by FME in the Scheme. The clarifications are required on the conditions in sub-clause a, b and c are 'OR' conditions therein.	In the absence of clarity as to whether the conditions mentioned in sub-clause a, b and c are "OR' conditions, it could also be read as if the same are 'AND' conditions and hence may be difficult to comply with all of the conditions mentioned.
375	40	(4)	The scheme is a fund of fund scheme investing in a scheme or any downstream entity within the same group which has similar such requirements	Any fund of fund (i.e. feeder fund) investing in another fund or any other entity within the same group should not be separately required to meet the sponsor contribution/ capital requirement if such sponsor contribution/ capital requirement is satisfied by the Fund or the group entity.

376	40	(4)	Following clause be added after Clause 40(4): The FME and its Associate shall be entitled to transfer its investment in the Fund to any person during the tenure of the Fund. Provided that if the FME or its Associate has made minimum investment under Clause 40(1) then such investment can be transferred only to any group entity.	FME or its Associate may participate in the Fund (over and above the regulatory minimum)and then may transfer the same to any investor. Therefore, any amount invested in the Fund (beyond the regulatory requirement) by FME or its Associate should be allowed to be transferred to any person without any approval. However, to ensure that investor does not loose confidence, if FME or its Associate made the minimum amount of investment as required under Section 40(1) i.e. Contribution by FME then such amount should be allowed to be transferred only to a group entity with approval from super majority of investors.
377	40	(4)(c) & 4(d)-Addition	4(c) The scheme is a fund of fund scheme investing in a scheme; or 4(d) The scheme is a step down scheme/ SPV within a group (of FME or its affiliates) where Sponsor Contribution requirement has been fulfilled in an upstream scheme/ entity in the group.	Any fund of fund (i.e. feeder fund) investing in another fund or any other entity within the same group should not be separately required to meet the sponsor contribution/ capital requirement if such sponsor contribution/ capital requirement is satisfied by the Fund or the group entity.
378	40	(4)(c) & 4(d)-Addition	4(c) The scheme is a fund of fund scheme investing in other schemes whether in IFSC or India or foreign jurisdiction; or 4(d) The scheme is a step down scheme/ SPV within a group where Sponsor Contribution requirement has been fulfilled in an upstream scheme/ entity in the group.	Any fund of fund (i.e. feeder fund) investing in another fund or any other entity within the same group should not be separately required to meet the sponsor contribution/ capital requirement if such sponsor contribution/ capital requirement is satisfied by the Fund or the group entity.
379	40		Contribution by the FME in the Scheme should be Voluntary	The regulations are moving towards managing the Manager Entity rather than the Fund, therefore if the Manager Entity is complying with the minimum net worth requirements, Sponsor contribution should not be mandatory or requiring affirmative action from the unitholders. Sponsor contribution into funds is not a general market practice in other offshore jurisdictions.
380	40		For existing AIFs, Sponsor contribution should be mandatory as per the regulations, till the FME complies with the minimum net worth requirement	

381	41	(1) & 1(a)	Co-investment should be allowed through any SPV. Further, co-investment for Portfolio Management Services should be introduced. (1) A restricted scheme may co-invest in permissible investments under these regulations through a SPV or co-investment portfolio manager under a framework specified by the Authority or segregated portfolio by issuing a separate class of units and shall ensure that: (a) The investments by such co-investment vehicle or segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the restricted scheme (other than any favourable conditions prescribed under any regulations for co-investment vehicle);	Where any regulations provide favourable conditions for co-investment vehicle or SPV, the same should not be treated as more favourable than those offered to common portfolio of investors in the restricted scheme.
382	41	(1) & 1(a)	Co-investment should be allowed through any SPV. Further, co-investment for Portfolio Management Services should be introduced. (3)A restricted scheme may co-invest in permissible investments under these regulations through a SPV or co-investment portfolio manager under a framework specified by the Authority or segregated portfolio by issuing a separate class of units and shall ensure that: (a) The investments by such co-investment vehicle or segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the restricted scheme (other than any favourable conditions prescribed under any regulations for co-investment vehicle);	Where any regulations provide favourable conditions for co-investment vehicle or SPV, the same should not be treated as more favourable than those offered to common portfolio of investors in the restricted scheme.
383	41	(1) & 1(a)	Co-investment should be allowed through any SPV. Further, co-investment for Portfolio Management Services should be introduced. (1) A restricted scheme may co-invest in permissible investments under these regulations through a SPV or co-investment portfolio manager under a framework specified by the Authority or segregated portfolio by issuing a separate class of units and shall ensure that: (a) The investments by such co-investment vehicle or segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the restricted scheme (other than any favourable conditions prescribed under any regulations for co-investment vehicle);	Where any regulations provide favourable conditions for co-investment vehicle or SPV, the same should not be treated as more favourable than those offered to common portfolio of investors in the restricted scheme.

384	41	(1) & 1(a)	The framework for SPV should be notified In line with the Expert Committee Report other than the requirement for the Fund or Scheme to hold 50% shares in SPV, as long as the Fund or Scheme controls the board of the SPV. Further, the SPV should be able to undertake any permissible activity under these regulations without any restrictions. Also, the legal form of the SPV entity could be either LLP or a Company. In line with the expert committee report, the Scheme may also make use of SPV to take leverage at SPV level. Appropriate disclosures should be made to the investors of the Scheme with respect to the setting-up of a separate SPV for co-investment, for undertaking leverage and other investment purposes. Further, a clarification should be made that the co-investment vehicle/ SPV should be deemed to be a fund and shall have all the rights/benefits as specified in the Regulations.	The leverage taken at the SPV level will enable the Scheme to have leverage for a specific investment and safeguard the investors of the main Scheme. Further, a definition of SPV could be provided considering the above points.
385	41	(1) & 1(a)	The framework for SPV should be notified in line with the Expert Committee Report other than the requirement for the Fund or Scheme to hold 50% shares in SPV, as long as the Fund or Scheme controls the board of the SPV. Further, the SPV should be able to undertake any permissible activity under these regulations without any restrictions. Also, the legal form of the SPV entity could be either LLP or a Company. In line with the expert committee report, the Scheme may also make use of SPV to take leverage at SPV level. Appropriate disclosures should be made to the investors of the Scheme with respect to the setting-up of a separate SPV for co-investment, for undertaking leverage and other investment purposes. Further, a clarification should be made that the co-investment vehicle/ SPV should be deemed to be a fund and shall have all the rights/ benefits as specified in the Regulations.	The leverage taken at the SPV level will enable the Scheme to have leverage for a specific investment and safeguard the investors of the main Scheme. Further, a definition of SPV could be provided considering the above points.
386	41	(1) & 1(a)	The framework for SPV should be notified in line with the Expert Committee Report.	Further, the SPV should be permitted to undertake leveraging.

387	41		(f) Co-investment should be allowed through any SPV. Further, co- investment for Portfolio Management Services should be introduced1) A restricted scheme may co-invest in permissible investments under these regulations through a SPV or co- investment portfolio manager under a framework specified by the SEBI or segregated portfolio by issuing a separate class of units and shall ensure thata) The investments by such co-investment vehicle or segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the restricted scheme (other than any favourable conditions prescribed under any regulations for co-investment vehicle); The term SPV shall be defined as under: Any entity owned/controlled by the scheme managed by FME shall be treated as a Restricted scheme under Part B of the Regulations	Where any regulations provide favourable conditions for co- investment vehicle or SPV, the same should not be treated as more favourable than those offered to common portfolio of investors in the restricted scheme.
388	41		In line with the expert committee report, the Scheme may also make use of SPV to take leverage at SPV level. Appropriate disclosures should be made to the investors of the Scheme with respect to the setting-up of a separate SPV for co-investment and for undertaking leverage or some other purpose. Further a clarification should be made that the co-investment vehicle/ SPV should be deemed to be a fund and shall have all the rights/benefits as specified in the Regulations.	The leverage taken at the SPV level will enable the Scheme to have leverage for a specific investment and safeguard the investors of the main Scheme.
389	42	(1)	In the absence of any tax regime being specified for - retail fund being construed as a mutual fund 'The IFSCA should clarify that the new retail schemes shall be deemed to have been granted a certificate of registration as a Category III AIF for limited purposes of the Act. As there are no specific regulations/ operating guidelines for mutual fund products in IFSC, a retail fund being construed as a mutual fund under the Act may not be feasible." Alternatively, it would be preferable to introduce specific tax regime for retail fund being construed as mutual fund in order to bring highest level of clarity.	It may be difficult to launch any schemes under this regime without clarity with regards to the tax impact on such investments.
390	42	(1) - Explanation	Retail Schemes shall be construed as Category III Alternative Investment Fund or a 'Specified Fund' as specified under the Income-tax Act, 1961.	As the majority of the investors in the scheme would be non-residents, the taxation framework for Retail Schemes should be aligned to that of Category III Alternative Investment Fund or a 'Specified Fund' as specified under the Income-tax Act, 1961 and not as per provisions of section 10(23D) of the Income-tax Act, 1961 applicable to mutual funds.
391	42	(1) - Explanation	Retail Schemes shall be construed as Category III Alternative Investment Fund or a 'Specified Fund' as specified under the Income-tax Act, 1961.	As the majority of the investors in the scheme would be non-residents, the taxation framework for Retail Schemes should be aligned to that of Category III Alternative Investment Fund or a 'Specified Fund' as specified under the Income-tax Act, 1961 and not as per provisions of section 10(23D) of the Income-tax Act, 1961 applicable to mutual funds.

392	43	(1)	To be considered for re-drafting as under – Only Registered FMEs (Retail) shall launch retail schemes through an offer document by filing the draft offer document with the Authority for vetting along with the application fees at least twenty-one (21) days before launch of the scheme. In case of no comments are communicated within 21 days, the FME may launch the scheme.	Clarificatory change.
393	44		On an ongoing basis, if there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month should be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25% limit.	On an ongoing basis, the broad based monitoring will not be feasible and hence detailed provision on rebalancing period will facilitate to align with the said provisions
394	44		Retail Schemes are required to bring atleast 20 investors within a timeframe of 6 months from the closure of offer. This can be reduced subsequently once the proposed fund regime gains popularity amongst investor class	During the initial phase of implementation of the proposed regulations, IFSCA may consider extending the time frame to 12 months.
395	44		The regulation provides for a timeline within which the condition has to be complied but it fails to address the remedies in case of the non-compliance of the condition within 6 months.	We would suggest that the Regulation 44 should be amended as follows – Retail schemes shall have at least 20 investors with no single investor investing more than 25% in a scheme:Provided that the condition shall be complied within a maximum period of 6 months from the closure of the offer. Provided further that failure to do so would be deemed to construe that the scheme has been closed till further notice from the Authority.
396	45	(2)	Extensions beyond 2 years should be permitted subject to fresh super majority approval and with the approval of the authority on a discretionary basis	The fund managers may require to further extend the term of the fund for commercial reasons which should be enabled subject to getting appropriate approvals in place.
397	46	(g)	Request to rephrase with additional disclosure requirement – Derivatives, including commodity derivatives may be used for the purpose of hedging or directional positions with approved counterparties to the extent of ___% of portfolio, such that overall gross exposure does not exceed 100%	Derivatives to be allowed subject to appropriate disclosures while managing the risks through implication of gross exposure limits.
398	46	1(proviso)	It should be clarified that temporary investments are permitted not only pending deployment of money but also pending reinvestment / distribution.	The regulations should be clarified to include all situations for temporary investments.
399	47	(2)	Suggest that there should not be any minimum amount priscribed or the same should be lower (say USD 1000 or 2000) suject to full and prominent disclosers by the FME subject to full and prominent discloser by the FME	This will ensure greater retail participaction. And wiould be in line with segregation of retail and non retail FMEs
400	47	(5)	Condition in relation to limitation on investment in associates should be deleted	The existing mutual fund regulations do not restrict investment in associate entities except for real estate and infrastructure focussed mutual funds. The proposed framework should in line with the existing framework and should not be more restrictive.
401	47	(6)	This needs to be increased. Else a provision be made to give power to the IFSCA to increase this limit based on requests by the fund house.	Going by the AUM of popular scmes in Indis this seems to be on a lower side

402	47	1&2	The regulations provide for certain conditions for investments in unlisted securities. It is recommended that unlisted securities be defined.	It may be essential to clarify on what would construe as an unlisted security, considering that some of the clauses in the other portions refer to 'securities of unlisted companies'. For example, would an unlisted debt instrument issued by a listed company (whose equity shares are listed) be construed as unlisted security.
403	48	(4)	IFSCA should be given the flexibility to consider and approve less periodic NAV disclosures for close ended schemes subject to investor consent also being obtained.	There could be challenges for fund managers to disclose NAV on a weekly basis especially with the flexibility to invest in unlisted to the extent of 50%.
404	50	(2)	As per the regulation, the valuation of assets for open ended schemes needs to be done by an independent third-party service provider registered with the Authority. It is suggested to remove the words "registered with the Authority".	As per prevalent market practices, a Fund manager undertakes NAV calculations using the services of a Fund Accountant. For listed investments, the same is done based on the market value. Further, the fund accountant are typically not registered with the market regulator. Hence we suggest continuation of existing processes.
405	51	(1)	IFSCA should be given the flexibility to consider and approve less periodic NAV disclosures for close ended schemes subject to investor consent also being obtained.	There could be challenges for fund managers to disclose NAV on a weekly basis especially with the flexibility to invest in unlisted to the extent of 50%.
406	52	(2)	Regulation 52(2) provides that the sponsor contribution should be brought in within 6 months of launch of scheme. This should be modified in line with existing IFSC AIF guidelines and SEBI (AIF) Regulations, which provides that Sponsor should have continuing interest of 2.5% of corpus or USD 7,50,000, whichever is lower and does not provide for any timeframe within which such sponsor contribution should be brought in.	I It's a normal practice for a Fund Manager to call for a capital from an investor as and when the investment opportunity is identified, and a proportionate contribution is also made by a Fund Manager as Sponsor Contribution. While there is no explicit timeframe for a Sponsor Contribution, but indirectly there is a time-frame for such Sponsor Contribution, which basically ties up with an underlying Investment opportunity and go hand-in- hand with investment from an investor.In view of above, IFSCA could consider deletion of sub-regulation 2 of Regulation 52 or it should be clarified that the contributions at all the time should remain pro rata to the capital contribution made by the LPs.
407	54		Permit special situation funds to acquire stressed assets from banks/ financial institutions and ARCs under bilateral deals	The definition of special situation assets is restricted to acquisition of stressed loans under RBI Directions which limits the ability of SSFs to undertake bilateral deals. Given that the SSFs would want to aggregate assets from various holders, it would be prudent for SSFs to be permitted to undertake bilateral deals.
408	55	(3)	It should be clarified that this is only relating to launch of scheme and not validity of the PPM per se. Alternatively, it could be stated that there would be a continuing obligation on the FME to maintain an updated PPM to also be filed with the IFSCA at periodic intervals.	Under the current AIF Regulations, there is no concept of validity of the PPM as a document. If the intent is to clarify that the schemes be launched withing six months then the regulations should be appropriately modified to state that. Alternatively, it should be stated that the fund managers are required to keep the PPM updated.
409	55	(3)	To clarify that the Proviso to Regulation 55(3) should be made applicable only for first close. Also to clarify that the validity of the placement memorandum to be extended by another six months if the first close is still under process, subject to intimating the authority about the same.	-
410	55		SSFs should be permitted under green channel	Given that resolving stressed assets is of paramount importance for the economy and the availability of capital and expertise with the fund managers could help in stabilising the stress in relation to bad loans, it would be advisable to permit SSFs being launched by FMEs under green channel with appropriate qualifying conditions.
411	56	(3)	Extensions beyond 2 years should be permitted subject to fresh super majority approval and with the approval of the authority on a discretionary basis	The fund managers may require to further extend the term of the fund for commercial reasons which should be enabled subject to getting appropriate approvals in place.

412	59	NA	A special situation fund should be permitted to borrow or engage in leveraging activities.	The borrowing and leveraging by special situation funds should be governed by commercial factors and the regulations should not prevent the special situation funds from undertaking borrowing or engage in leveraging in case they are able to secure the same from financial institutions/ other market participants.
413	60	(1)	Please see our comments above for Regulations 24(3)	
414	61	(1)	To be considered for re-drafting as under – Only Registered FMEs (Retail) shall launch Exchange Traded Funds (ETFs) through an offer document by filing the draft offer document with the Authority for vetting along with the application fees at least twenty-one (21) days before launch of the ETF. In case of no comments are communicated within 21 days, the FME may launch the scheme.	Clarificatory change.
415	61	ChapterIV-ExchangeTradedFund	FMEs should be allowed to set up their own Index. Alternately the investments in the scheme could be treated as an index and prices determined as per the ETF norms. Further the FME should be allowed to offer ETF on combination of underline. Ex. One ETF for Gold & Silver. FME should be allowed to allow offer Fund of Fund.	Innovative ETF can be launched depending on the interest / demand of the investors
416	61	ChapterIV–ExchangeTradedFund(ETFs)	Though the draft regulations has incorporated almost all the suggestions given by the expert committee. But it has not adopted the suggestion regarding the introduction of Currency Based ETFs. "• A currency ETF shall invest primarily in the specified currencies. Additionally, investment in the specified currency related instruments will also be permitted. • The related instruments will be required to be specified by asset manager with prior permission of its board and subject to approval from Exchanges and/ or IFSCA." Industry experts like Angle One have suggested that though Currency ETFs are riskier investment products but they provide exposure to the highly efficient forex market. To quote them – "Currency ETFs are indeed riskier investment products. Forex trading carries unique risks. But at the same time, it offers exposure to the highly efficient Forex market. ETFs can help improve portfolio returns through foreign currency exposure."	We would suggest that a provision regarding Currency based ETF should be incorporated within the draft regulations. To curb the volatility associated with the Currency Based ETFs the authority may determine a minimum number of years for which the person has to remain invested in the ETF. It has been observed that statistically the risk is low in case of long-term commitments.
417	62	(2)(A)	The subpoint 2 (a) can be removed	In point (b) the concentration risk is mitigated removal of point (a) will help innovation in ETF offering.
418	62	(2)(b)	The ETF/ Index Fund shall evaluate and ensure compliance to these norms for all its ETFs/ Index Funds at the end of every calendar quarter.	It may not be possible to maintain such limits on an on-going basis. Normally, indices have quarterly rebalancing & any such deviations should be aligned at such time. This will also ensure avoidance of unwarranted re-balancing which may have a significant impact on the tracking error.

419	63	(2)	The above norms shall not be made applicable for Debt ETFs/Index Funds tracking debt indices having constituents as Government Securities (G-Secs), State Development Loans (SDL) Treasury Bills and Tri-party Repo (TREPS) only. Further, in case of Debt ETFs/ Index Funds which may be a hybrid of Corporate Bonds and G-sec/SDL, the ETF/ Index Fund For the G-sec portion of such portfolio, the said concentration norms shall not be applicable.	Given the sovereign nature of such instruments, there may not be any concentration risks envisaged in the same.
420	63	(2)(a)	Criteria on no of issuers, should not be applicable to government securities (Central G Secs/SDLs)	Sovereign papers are not subject to credit risk
421	63	(2)(b)	Criteria on maximum weight per issuer should not be applicable to government securities (Central G Secs/SDLs)	Sovereign papers are not subject to credit risk, hence concentration norms should not be applicable
422	65	(1)	Underlying physical gold should confirm to LBMA good delivery norms	It is very critical to buy gold of highest purity confirming to LBMA standards, in order to provide confidence to investors investing in Gold ETF
423	66	(1)	Underlying physical silver should confirm to LBMA good delivery norms	It is very critical to buy silver of highest purity confirming to LBMA standards, in order to provide confidence to investors investing in Silver ETF
424	70	(1)(a)	Word closing may be added in the existing clause and reword as below -: Traded price (Closing) of the ETF units is at discount of more than 5% of NAV for continuous 30 trading days	Discount should be calculated based on closing price for ease of understanding
425	70	(1)(b)	Discount of bid price to NAV over a period of 15 consecutive trading days is greater than 5%	This point may be deleted as we believe Regulation 70(1)(a) may be enough to address concern on discount of traded price to NAV
426	70	(1)(d)	Existing clause may be replaced with the below clause : Total bid size on the exchange is less than half of creation units size daily, averaged over a period of 7 consecutive trading days	May be very challenging to meet criteria of higher of 1% of the total units valued at NAV in ETF
427	72	(1)	This threshold should be increased to USD 3 billion	As the Registered FME may be managing multiple schemes under a single license, the threshold of USD 1 billion is low.
428	72	(1)	This threshold should be increased to USD 3 billion	As the Registered FME may be managing multiple schemes under a single license, the threshold of USD 1 billion is low.
429	72	ESG	A more detailed regulation prescribing governing framework for ESG be included within the chapter.	Given the increasing significance of building a business that is resilient and sustainable with a positive impact towards the environment and society at large, introducing detailed framework on ESG will be helpful for fund managers to suceed in their efforts to make ESG issues integral to their investment strategies.

430	73	(3)	Clarification that the PMS can invest in PMS of other Financial service providers to be given--this would be similar to Fund of Funds	these type of PMS scheme would help investors spread their risk and get benfit of higher returns.
431	73	(3)	Investments should be permitted in unlisted securities also	There is no reason why a portfolio manager should be restricted to invest in unlisted securities on behalf of a client where appropriate risk disclosures are made and the clients are acceptable to that.
432	73	(3)	The regulation provides a restriction on FME operating as a discretionary portfolio manager invest in securities listed or traded on the stock exchanges, money market instruments, units of investment scheme and other financial products as specified by the Authority. It is suggested also to include securities under IPOs and to be listed securities including a definition of 'to be listed securities'.	There could be keen interest in securities undergoing IPOs in overseas markets as well as on the GIFT IFSC exchanges. Accordingly, the investors availing discretionary portfolio management services from FME may also be provided opportunities to invested in to be listed securities and in IPOs.
433	77	(1)	We sugest that the authority may consider a lower linit for all investors as well as for Accricated investors. We thus suggest Limit of USD 40,000 and USD 20,000 for Accrrigated investors. This could be done to start with and may be increased in future after eamining the responce.	lower limit SEBI has also allowed such lower Limitfor AI
434	77	(3)&(4)	The draft regulations require segregation of each portfolio management client's holding in securities in separate accounts. We suggest inclusion of securities issued overseas, the holding of securities and / or funds be done as per generally acceptable market practices in such geographies where the securities are issued.	Holdings in overseas securities are done through International Central Securities Depositories (ICSD) like Clear Stream and Euro Clear where the securities are held on an omnibus basis. I.e. the custodian has an account on the ICSD (there is segregation only between proprietary and client securities) and all the client securities are held in ICSD in the name of the custodian. The custodian maintains a client level ledger. Accordingly, a clarification enabling holding overseas securities where the market infrastructure does not provide for client level accounts would be essential, without which the FME offering portfolio management services would not be in a position to hold securities in a manner compliant to the market infrastructure in such countries.
435	77		Assets in which PMS can invest need to be defined and should include NFT, debt instruments,AIF,REITs, InvIT etc	For the purpose of Clarity
436	78	(4),(5)&(6)	The draft regulations require segregation of each portfolio management client's holding in securities in separate accounts. We suggest inclusion of securities issued overseas, the holding of securities and / or funds be done as per generally acceptable market practices in such geographies where the securities are issued.	Holdings in overseas securities are done through International Central Securities Depositories (ICSD) like Clear Stream and Euro Clear where the securities are held on an omnibus basis. I.e. the custodian has an account on the ICSD (there is segregation only between proprietary and client securities) and all the client securities are held in ICSD in the name of the custodian. The custodian maintains a client level ledger. Accordingly, a clarification enabling holding overseas securities where the market infrastructure does not provide for client level accounts would be essential, without which the FME offering portfolio management services would not be in a position to hold securities in a manner compliant to the market infrastructure in such countries.
437	78	(6)	There should be a flexibility for IFSCA to relax the norm of portfolio manager not being able to hold securities in its own name	Some of the offshore jurisdictions permit operating omnibus accounts where the manager may hold investments on behalf of its clients in its own name. Thus, it would be advisable to retain a flexibility for IFSCA to issue rules around this especially around outbound investment.
438	78	(7)	FME acting as Portfolio Manager is required to appoint a custodian. We suggest that the clause should be amended to read "A portfolio manager (except those providing only advisory services) shall appoint a Custodian in IFSC in respect of securities managed or administered by it." Likewise towards Regulation 132 which mentions the requirement to appoint a custodian, it may be clarified that the Custodian should be in IFSC.	Since the operations of the FME acting a portfolio manager would be undertaken from IFSC, it would be desirable to have the custodian also from IFSC and regulated by the Authority. The custodian plays a very important role towards the custody of client assets and hence it is desirable to have the custodian domiciled in IFSC.

439	83	(1)(q)	Definition of sponsor should also include inducted sponsor	SEBI had introduced the concept of inducted sponsor to provide that original sponsor can be replaced by an inducted sponsor subject to unitholder approval. Similar procedure should be available for an Investment Trust in IFSC.
440	83,102	(83)(t) & 102(1)	Regulation 83 (t) states that a "valuer" means a person who is authorized to practice as a valuer under the law of the state or country where the valuation takes place; Regulation 102 (1) states that a full valuation shall be conducted by the valuer at least once in every financial Year. Does this mean fund administrators have to register themselves with the regulator as well for valuation? Alternatively, if a fund administrator is already registered as a fund administrator under the ancillary license, will they be automatically approved? Is licensing compulsory for performing the role of a fund administrator?	The mandate of valuation has been given to fund administrators apart from other registered entities with the regulators. This puts the registered valuers on the same plane as fund administrators.
441	86	(1)(a)	Though this regulation mentions the minimum percent of units the Investment Trust has to hold on post-initial offer basis but it fails to provide a timeline within which this regulation should be complied with & a timeline for which it has to be followed. In this regard a clue can be taken from the SEBI Regulations and a clause to the following effect should be added in the draft regulations – "With respect to holding of units in the InvIT, the sponsor(s) together shall hold not less than [fifteen] per cent. of the total units of the InvIT after initial offer of units, on a post-issue basis for a period of not less than 3 years from the date of the listing of such units"	We would suggest that the regulation 86 (1) (a) be amended as follows – (a) Each sponsor shall hold or propose to hold not less than five percent of the number of units of the Investment Trust on post-initial offer basis for a period of not less than 3 years from the date of the listing of such units. Provided that in case the holding goes below the 5% mark the sponsor should be given a time period of 1 year to return to the prescribed threshold.
442	93	1(b)	Minimum investment by investor for private unlisted Investment Trust should be reduced to USD 150,000	As per SEBI regulations, minimum investment per investor for private listed and unlisted InvIT is INR 1 crore. Further, under IFSC (Fund Management) Regulations, minimum investment per investor for private listed Investment Trusts is USD 150,000 [as per regulation 92(1)(c)]. However, for private unlisted Investment Trusts the limit is USD 250,000. The limit should be reduced to USD 150,000 for private unlisted Investment Trust as well.
443	97	(4)	Add reference to securities of real estate sector	In proviso to Clause 4, relaxation is provided from holding period of 3 years to securities of companies in infrastructure sector other than SPVs. Similar relaxation should also be provided to securities of companies in real estate sector other than SPVs.
444	99	(3)(f)	Sources of income to include gains on disposal of property	As per 99(f), public REIT should not earn more than 10% of its income from sources other than rental income (including ancillary income) and dividends, interest and similar income from permissible investments. However, there could be a scenario where REIT disposes off a property and earns profit on such disposal. Such income should also be included in the scope of 90% income earned from real estate activities. In case the same is not included, it may not be practically possible for REIT to comply with the requirement in year of sale of properties. Also clause (g) seems to be typo. Same should be a part of clause (f).
445	99	(4)	Reference to TDR and FSI as permissible investment for REIT should be added	Permit investment by a REIT in Transferrable Development Rights (TDRs) and Floor Space Index ('FSI') in line with SEBI REIT regulations.

446	100	(1)	Under regulation 100(1), 90% of the net distributable cash flow is required to be distributed. However, as per industry experts like Motilal Oswal , it has been seen that such requirements poorly impact the growth of capital. To quote them, "REITs have a major growth challenge. They are required to distribute a chunk of their earnings as dividends to REIT holders. This stifles their ability to plough back money into the REIT business and enable it to grow." If a higher amount of cash flow is allowed to be reinvested, as is the case for proceeds from sale in 100(2), then profits can be reinvested and wealth generated can be compounded over time to allow for even massive returns. As per available data, in Dubai International Financial Centre, the REITs give out dividend ranging from 1.76% to 1.8% . This allows for reinvestment of the remaining roughly 92%.	For the reasons advanced, we would suggest that 90% requirement be reduced to to such reduced percentage as the authority may determine after independent analysis and wider stakeholder consultation so that remaining can be reinvested to create even more value for investors.
447	100	(1)(d)	Distribution policy for private Investment Trusts to be provided	Clause 100(1)(d) provides distribution policy for public Investment Trusts. However, it has not mentioned any timeline for distribution by private listed and unlisted Investment Trusts. Hence, timelines to be provided in case of private Investment Trust.
448	103	(1)	This provision provides a escape clause for the investment trust in case its units are not listed on a stock exchange. But it fails to provide a timeline within which the Investment Trust should surrender its certificate of registration to the Authority. Failure to provide a timeline would lead to a lot of investment trusts whose aim was to list the stock, sitting idle without a proper exit. In this regard a clue can be taken from the SEBI Regulations and a clause to the following effect should be added in the draft regulations – "If the InvIT fails to make any offer of its units, whether by way of public issue or private placement, within three years from the date of registration with the Board, it shall surrender its certificate of registration to the Board and cease to operate as an InvIT: Provided that the Board, if it deems fit, may extend the period by another one year: Provided further that the InvIT may later re-apply for registration, if it so desires." We would suggest that a time period of one & a half year should be incorporated instead of the 3 year time prescribed by SEBI as in IFSC , international players will be involved & hence an early entry and exit mode would make the IFSC more regulation friendly.	We would suggest that the regulation 103 (1) be amended as follows – (1) A Investment Trust whose units are not listed on a stock exchange may choose to surrender its certificate of registration to the Authority and on acceptance of surrender of certificate of registration, it shall no longer undertake the activity of a Investment Trust. Provided that the Investment Trust should surrender sits certificate within one & a half years from the date of registration with the board if it fails to list its unit on the stock exchange. Provided further that the Authority , if it deems fit, may extend the period by another one year.

449	104	(3)	Minimum corpus timeline to be clarified	Please clarify that the minimum corpus is to be achieved from the date of launch of the fund.
450	104	(4)	Typographical issue to be fixed	Please replace "Fund Investment Fund" with "Family Investment Fund".
451	105	(5)	Formatting issue to be fixed	The term "Family Investment Fund" should be capitalized.
452	106	(1)	In the provisions at the end of regulation 22 (1), regulation 34 (1) and regulation 106 (1), mention that prior to deployment of funds, the scheme of FME may invest in “certificate of deposits, investment schemes, etc”. We suggest that the approved list of securities/investment instruments, term deposits, etc where the funds can be temporarily invested may be provided in the regulations itself to avoid convenient interpretations.	Considering that funds in GIFT IFSC are permitted to invest in multiple asset classes across multiple jurisdictions, a comprehensive list of securities / investment instruments where investments/parking of funds are permitted prior to deployment of funds as per investment strategy, would be useful to the participants. The same would also ensure that instruments which would otherwise be considered non-compliant by the regulator are not used by FMEs.
453	106		Investment subject to appropriate cap may be allowed in Digital Assets, Non-fungible tokes, etc., subject to appropriate disclosures in the placement memorandum	Digtal assets are emerging as an important asset class and that cannot be undermined.
454	107	NA	Formatting issue to be fixed	The term "Family Investment Fund" should be capitalized.
455	108	NA	The word “outside India” could be added and following clause may be added: 108. FMEs may at its discretion list open ended schemes under Chapter III on the recognised stock exchanges in IFSC or outside India Also, IFSCA to release detailed operational guidelines on the process of listing in IFSCA and outside India.	FMEs should be allowed to list the open ended and closed ended scheme in any recognized stock exchanges in IFSC or outside India.
456	119	(1)	While this provision states that true and fair accounts have to be maintained, it is silent on matters pertaining to falsification. In this regard, clue can be taken from Ireland’s Law and a clause to the following effect should be added in the draft regulation: “adequate precautions shall be taken for guarding against falsification and facilitating discovery of falsification should it occur.”	We suggest amending regulation 119(1) as follows: 119. (1) Every FME shall keep and maintain proper books of account, records and documents, for each scheme so as to explain its transactions and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Authority the place where such books of account, records and documents are maintained. Provided further that adequate precautions shall be taken for guarding against falsification and facilitating discovery of falsification should it occur.
457	119	(2)	The requirement for maintenance of books of accounts could be reduced to eight years.	This is in line with the requirement under the Income- tax Act, 1961 (Rule 10DA of the Income-tax Rules, 1962).
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460	119	(2)(d)	Mandatory maintenance of records including a statement of net worth on quarterly basis Suggestion: Requirement to maintain a statement of net worth for each quarter for 10 years shall be removed.	The IFSCA has authority to call for information and statements from the FME. Also, there will be reports which the IFSCA will require the FMEs to provide. Hence, this requirement should be included in those reports.
461	119	(3)	The list of items prescribed in regulation 119(3) don't include basic documents containing record of services provided and invoices raised for the same. Under Irish Law , there is provision which provides that among the accounting records, the following has to be maintained "(c) a record of the services provided by the ICAV and of all the invoices relating to them." This can be included in these draft regulations as well.	We would therefore suggest amending regulation 119(3) as follows: 119 (3) The FME shall be required to maintain following records describing: (a) the assets under each scheme; (b) valuation policies and practices; (c) investment strategies; (d) particulars of investors and their contribution; (e) rationale for investments made. (f) a record of the services provided by the FME and of all the invoices relating to them.
462	122	NA	-	This requirement should be optional for FME who has obtained registration as Registered FME (Non-retail).
463	122	NA	-	This requirement should be optional for FME who has obtained registration as Registered FME (Non-retail).
464	122	NA	A registered FME may have cyber security in accordance with the requirements as may be specified by the Authority from time to time.	This requirement should be optional for FME who has obtained registration as Registered FME (Non-retail).

465	122	NA	It is suggested that a registered FME shall have a Cyber Security Policy in place which shall be disclosed on the website of the FME.	Digital information has become the essence of the business ecosystem these days and is immensely valuable to the organizations and the attackers, which expose the organizations to the digital vulnerabilities and the cybersecurity threats, making an effective approach to cybersecurity and privacy more important than ever. Cybersecurity risk needs to be considered as a significant business risk by the organizations and should be placed at the same level as compliance, operational, financial and reputational risks with suitable measurement criteria and results monitored and managed.Regulated entities operating in sensitive sectors, such as financial services, banking, insurance and telecommunications are more prone to the cyber-security risk and therefore they should deploy robust cybersecurity frameworks and policies to counter the evolving nature of cyber fraud. As per Rule 8 of the Information Technology (Reasonable Security Practices And Procedures And Sensitive Personal Data Or Information) Rules, 2011 anybody corporate that possesses, deals with or handles any sensitive personal data or information in a computer resource is required to implement prescribed security standards (ISO/ IEC 27001 on Information technology – Security techniques – Information security management systems – Requirements).
466	123		It is suggested that a registered FME shall have a Risk Management Committee in place and a Risk Management Policy which shall be disclosed on the website of the FME.	Ensuring risk management is core to the business and it must be linked to other policies and the objectives of the organization. The organization's risk appetite must be clearly articulated in the risk management policy and this may be informed by legal and financial aspects. The policy must clearly define the roles and responsibilities for managing risks. The policy must also set out the process, methods, and tools used to manage the risks within the organization. FMEs should also have a Risk Management Committee which shall be entrusted to formulate a detailed risk management policy which shall include: · A framework for identification of internal and external risks, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee; · Measures for risk mitigation including systems and processes for internal control of identified risks; · Business continuity plan; and · Such other functions as deemed necessary for the effective management of risk in the FMEs.
467	125	(1)	Under regulation 125(1), prior consent of the authority is required for change in control. However, the regulation is silent on a scenario whereby a registered FME would want to convert its form. Suppose a situation where, an LLP registered as a FME with the Authority and subsequently wants to convert to a Company or vice versa. There is no clarity if the same is possible or even if possible whether such conversion would require consent of the Authority. In this regard, Irish Law can be referred which has separate provisions for provisions for conversion of entities from one form to another.	We would suggest that such conversion be allowed subject to approval from the Authority. Authority should consider the constitutional documents of the new and proposed entity as well as their impact on investors before granting approval. The procedure for conversion is as specified in the Companies Act 2013 (section 366) or LLP Act (section 56).
468	125	1-(proviso)	It should be clarified that where the parent entity is well-regulated by the regulator, the branch entity only requires to intimate IFSCA on change in control	Currently, the manner in which the proposed regulations are worded gives an impression that where an approval from a sector regulator is not required under the governing laws, the FME operating a branch in IFSC would need to obtain an approval from IFSCA rather than intimating thereby making the regulations more stringent than governing laws of the parent entity. Hence, it should be clarified that the branch only needs to make an intimation to IFSCA.

469	127	N/A	Clarity required on scope and applicability	1) The definition of Advertisement is inclusive, whereas it should be clearly defined and exhaustive to avoid any inadvertent non-compliances. The scope for such inadvertent non-compliances in case of fund management business is quite high. For example, during a roadshow, investors may seek information about past performance of the manager. Such communications by the manager should not be considered advertisement. All forms of reverse solicitation should be exempted. 2) Private placement and all communications with Accredited Investors should be excluded from the definition of Advertisement.
470	128	(2)	The disclosure requirement in respect of each expense item being disclosed separately should be relaxed to include only major expense items.	-
471	128	(2)	The disclosure requirement in respect of each expense item being disclosed separately should be relaxed to include only major expense items. A scheme of the FME may be wound up: Where set-up as a Trust or Limited Lability Partnership: (a) When the tenure of the scheme as mentioned in the placement memorandum/ offer document is over; (b) If 75% of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up;I) if it is the opinion of the trustees or the trustee company, as the case may be, that the Scheme of the FME be wound up in the interests of investors in the Scheme; or (d) if the FME so directs in the interests of investors. Provided that before passing the final resolution for winding up the scheme, the dissenting investors are given an opportunity of being heard. Where set-up as Company A Scheme or Fund set up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.	The Trustee/ Board of the FME should also have the authority to wind up the scheme after hearing the dissenting investors. Vesting this power with the Board is critical for winding up the schemes in unforeseen circumstances and where there is no consensus amongst the investors.
472	129	(2)	The obligations of the investment committee should be in line with what is specified under the SEBI AIF Regulations	The obligations of the investment committee and that of the investment manager have been debated significantly by the industry in their deliberations with SEBI. Hence in the interest of consistency, this provision should be on par with those contained in SEBI AIF Regulations.

473	131	(1)	A scheme of the FME may be wound up: Where set-up as a Trust or Limited Lability Partnership: (a) When the tenure of the scheme as mentioned in the placement memorandum/ offer document is over; (b) If 75% of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up; (c) if it is the opinion of the trustees or the trustee company, as the case may be, that the Scheme of the FME be wound up in the interests of investors in the Scheme; or (d) if the FME so directs in the interests of investors. Provided that before passing the final resolution for winding up the scheme, the dissenting investors are given an opportunity of being heard. Where set-up as Company A Scheme or Fund set up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.	The Trustee/ Board of the FME should also have the authority to wind up the scheme after hearing the dissenting investors. Vesting this power with the Board is critical for winding up the schemes in unforeseen circumstances and where there is no consensus amongst the investors.
474	131	(1)	A scheme of the FME may be wound up: Where set-up as a Trust or Limited Lability Partnership: (a) When the tenure of the scheme as mentioned in the placement memorandum/ offer document is over;(b) If 75% of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound up; (c) if it is the opinion of the trustees or the trustee company, as the case may be, that the Scheme of the FME be wound up in the interests of investors in the Scheme; or (d) if the FME so directs in the interests of investors. Provided that before passing the final resolution for winding up the scheme, the dissenting investors are given an opportunity of being heard. Where set-up as Company A Scheme or Fund set-up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.	The Trustee/ Board of the FME should also have the authority to wind up the scheme after hearing the dissenting investors. Vesting this power with the Board is critical for winding up the schemes in unforeseen circumstances and where there is no consensus amongst the investors.

475	131	(1)	A scheme of the FME may be wound up: Where set-up as a Trust or Limited Lability Partnership: (a) When the tenure of the scheme as mentioned in the placement memorandum/ offer document is over; (b) If 75% of the investors, by value of their investment in the scheme, pass a resolution at a meeting of investors that the scheme be wound uI(c) if it is the opinion of the trustees or the trustee company, as the case may be, that the Scheme of the FME be wound up in the interests of investors in the Scheme; or (d) if the Board so directs in the interests of investors. Provided that before passing the final resolution for winding up the scheme, the dissenting investors are given an opportunity of being heard. Where set-up as Company A Scheme or Fund set up as a company shall be wound up in accordance with the provisions of the Companies Act, 2013.	The Trustee/ Board of the FME should also have the authority to wind up the scheme after hearing the dissenting investors. Vesting this power with the Board is critical for winding up the schemes in unforeseen circumstances and where there is no consensus amongst the investors.
476	132	(3)	The threshold AUM requirement to have a custodian should be aligned to the existing SEBI AIF Regulations	The requirement to appoint a custodian should not be more onerous than the funds operating in the domestic regime and hence, the requirements should be aligned to existing SEBI AIF Regulations.
477	132	NA	Appointment of independent custodian for all other schemes construed as Category I and Category II AIFs should be required only when the AUM exceeds USD 70 million.	In line with SEBI (AIF) Regulations, 2012
478	132	NA	Appointment of independent custodian for all other schemes construed as Category I and Category II AIFs should be required only when the AUM exceeds USD 70 million.	In line with SEBI (AIF) Regulations, 2012
479	132	NA	Appointment of independent custodian for all other schemes construed as Category I and Category II Alternative Investment Funds should be required only when the AUM exceeds USD 70 million.	In line with SEBI (Alternative Investment Funds) Regulations, 2012
480	132	NA	Following clause be added instead of "(3) All other schemes managing AUM above USD 10 Million": (3) All closed ended Restricted Schemes managing AUM above USD 70 million	SEBI (AIF) Regulations, 2012 requires a close ended fund to appoint Custodian if the corpus of the Fund is more than INR 500 crore i.e. equivalent to USD 70 million. Therefore, in order to keep the requirement line with the SEBI (AIF) Regulations, 2012, it is suggested to make this amendment. In addition to that appointment of Custodian for smaller AIFs i.e. having corpus of USD 10 million may become an additional financial burden.
481	132		FME acting as Portfolio Manager is required to appoint a custodian. We suggest that the clause should be amended to read "A portfolio manager (except those providing only advisory services) shall appoint a Custodian in IFSC in respect of securities managed or administered by it." Likewise towards Regulation 132 which mentions the requirement to appoint a custodian, it may be clarified that the Custodian should be in IFSC.	Since the operations of the FME acting a portfolio manager would be undertaken from IFSC, it would be desirable to have the custodian also from IFSC and regulated by the Authority. The custodian plays a very important role towards the custody of client assets and hence it is desirable to have the custodian domiciled in IFSC.

482	134	(1)	Provision of Scheme Annual Report and abridged summary within 4 months from the end of the financial year **Suggestion: Provision of Scheme Annual Report and abridged summary within 6 months from the end of the financial year**	The requirement for providing Scheme Annual Report within 4 months from the end of the financial year is very onerous. Based on our discussion with a few reputed auditors, we understand that most of the listed companies have their audits done in the first 3 months after the end of the financial year on account of which they face resource constraints to do the audits of AIFs and funds. Also, SEBI does not provide any timeline for preparation of financial statements and is generally as per the PPM of the fund or as may be required under any other applicable laws. Hence, we recommend that mandatory timeline of 4 months from the end of the financial year be increased to 6 months from the end of the financial year which is in keeping with AIF industry practice in India.
483	134	(1),(2) and(3)	(1) Registered FME shall prepare in respect of each financial year an annual report of accounts of the schemes and abridged summary thereof. The same shall be provided to the Authority not later than six months from the end of financial year. (3) An abridged summary of the same shall be shared with investors and the Authority within six months from the end of the financial year. Provided that if an investor seeks the full Annual report, FME shall provide the same within 15 days from the date of receipt of request or six months from the end of financial year, whichever is later.	It may be difficult for the FME to comply with the current timelines. Therefore, increased the timeline to 6 months (instead of 4 months). Also, for better clarification, the timeline to submit the annual report to investor after receipt of their request is specified i.e. “within 15 days from the date of receipt of request or six months from the end of financial year, whichever is later”.
484	134	(1),(2) and(3)	(1) Registered FME (Retail) shall prepare in respect of each financial year an annual report of accounts of the schemes and abridged summary thereof. The same shall be provided to the Authority not later than four months from the end of financial year. (2) The Annual Report and abridged summary shall contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme. (3) An abridged summary of the same shall be shared with investors and the Authority within four months from the end of the financial year. Provided that if an investor seeks the full Annual report, Registered FME (Retail) shall provide the same within 15 days. Provided that for Registered FME (Non-retail) and Authorised FME, the annual report of the schemes shall be furnished as and when requested by the Authority any time only after completion of six months from the end of financial year.	This requirement should be mandatory only for retail schemes. For restricted schemes, the information should be submitted as and when requested by the Authority.

485	134	(1),(2) and(3)	(1) Registered FME (Retail) shall prepare in respect of each financial year an annual report of accounts of the schemes and abridged summary thereof. The same shall be provided to the Authority not later than four months from the end of financial year. (2) The Annual Report and abridged summary shall contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme. (3) An abridged summary of the same shall be shared with investors and the Authority within four months from the end of the financial year. Provided that if an investor seeks the full Annual report, Registered FME (Retail) shall provide the same within 15 days. Provided that for Registered FME (Non-retail) and Authorised FME, the annual report of the schemes shall be furnished as and when requested by the Authority any time only after completion of six months from the end of financial year.	This requirement should be mandatory only for retail schemes. For restricted schemes, the information should be submitted as and when requested by the Authority.
486	134	(1),(2) and(3)	(f) (1) Registered FME (Retail) shall prepare in respect of each financial year an annual report of accounts of the schemes and abridged summary thereof. The same shall be provided to the Authority not later than four months from the end of financial year. (2) The Annual Report and abridged summary shall contain details that are necessary for the purpose of providing a true and fair view of the operations of the scheme. (3) An abridged summary of the same shall be shared with investors and the Authority within four months from the end of the financial year. Provided that if an investor seeks the full Annual report, Registered FME (Retail) shall provide the same within 15 days. Provided that for Registered FME (Non- retail) and Authorised FME, the annual report of the schemes shall be furnished as and when requested by the Authority any time only after completion of six months from the end of financial year.	This requirement should be mandatory only for retail schemes. For restricted schemes, the information should be submitted as and when requested by the Authority.
487	135	(1)	The words 'Schemes managed by the FME' may be added before the acronym FME to add clarity.	Regulation 135 (1) states that every FME shall have the annual statement of accounts audited by an auditor who is not in any way associated with the FME.
488	136	(1)	Following revised clause be added: The FME shall ensure that investors are provided information about their holding in the Scheme/Fund at the end of every month and within 5 working days in case of receipt of such request from an investor. The authority could consider extending the time limit of 5 working days to 10 working days.	Relaxed hard limit in regulations while following soft limits at FME level for better investor servicing. In addition, the investor will invest in the Scheme/Fund. Therefore, "FME" is replaced by "Scheme/Fund"

489	136	(1)	Regulation 136(2) as it stands currently is very vague and therefore easier to be misused. There is no clarity on what all information is to be disclosed. Certain essentials should be listed in addition to this broad provision. In this regard reference can be made to Irish Law wherein certain disclosures have been listed: "5 (a) a fair review of the development and performance of the ICAV's business and of its position and, in relation to its subsidiaries, if any, of the development and performance of their business and of their position, during the financial year ending with the relevant balance sheet date together with a description of the principal risks and uncertainties that they face; (b) particulars of any important events affecting the ICAV or any of its subsidiaries, if any, which have occurred since the end of that year; (c) an indication of likely future developments in the business of the ICAV and of its subsidiaries, if any; (d) in relation to the use by the ICAV and its subsidiaries, if any, of financial instruments and where material for the assessment of the assets, liabilities, financial position and profit or loss of the ICAV and, as the case may be, the group— (i) the financial risk management objectives and policies of the ICAV and the group, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and (ii) the exposure of the ICAV and the group to price risk, credit risk, liquidity risk and cash flow risk. (6) The review mentioned in subsection (5)(a)— (a) shall be a balanced and comprehensive analysis of the development and performance of the ICAV's business and of its position and, in relation to its subsidiaries, if any, of the development and performance of their business and of their position, consistent with the size and complexity of the business, and (b) to the extent necessary for an understanding of the ICAV's development, performance or position, and that of its subsidiaries, if any, shall include an analysis of financial, and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relevant to environmental and employee matters, and, where appropriate, shall include additional explanations of amounts included in the annual accounts."	We therefore, propose the following amended regulation: Other disclosures to the investors 136. (1) The FME shall ensure that investors are provided information about their holding in the FME at the end of every month and within 5 working days in case of receipt of such request from an investor. (2) The fiduciaries shall be bound to make such isclosures to the investors as are essential in order to keep them informed about any information which may have an adverse bearing on their investments. (3) Provided further that such disclosures as mentioned in sub-clause (2) shall mandatorily contain the following: (a) a fair review of the development and performance of the FME's business and of its position and, in relation to its subsidiaries, if any, of the development and performance of their business and of their position, during the financial year ending with the relevant balance sheet date together with a description of the principal risks and uncertainties that they face; (b) particulars of any important events affecting the FME or any of its subsidiaries, if any, which have occurred since the end of that year; (c) an indication of likely future developments in the business of the FME and of its subsidiaries, if any; (d) in relation to the use by the FME and its subsidiaries, if any, of financial instruments and where material for the assessment of the assets, liabilities, financial position and profit or loss of the FME and, as the case may be, the group— (i) the financial risk management objectives and policies of the FME and the group, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and (ii) the exposure of the FME and the group to price risk, credit risk, liquidity risk and cash flow risk. (4) The review mentioned in sub clause (3) shall be a balanced and comprehensive analysis of the development and performance of the FME's business and of its position and, in relation to its subsidiaries, if any, of the development and performance of their business and of their position, consistent with the size and complexity of the business, and (b) to the extent necessary for an understanding of the FME's development, performance or position, and that of its subsidiaries, if any, shall include an analysis of financial, and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relevant to environmental and employee matters, and, where appropriate, shall include additional explanations of amounts included in the annual accounts.
490	136	(1)	The authority could consider extending the time limit of 5 working days to 15 working days. Alternatively, the authority could prescribe different time limits depending on the type and volume of information requested by investor.	The request by each investor may vary and thus the timeline of 5 days should not apply for every request and could be increased to 15 days.
491	136	(1)	The FME shall ensure that investors are provided information about their holding in the FME at the end of every quarter. The authority could consider extending the time limit of 5 working days to 15 working days. Alternatively, the authority could prescribe different time limits depending on the type and volume of information requested by investor.	The request by each investor may vary and thus the timeline of 5 days should not apply for every request and could be increased to 15 days.

492	137		The FME shall undertake busines activities other than as provided under these Regulations with the prior approval from the Authority. Also, it should be clarified that a branch of a well regulated FME is only required to provide intimation to IFSCA irrespective of whether the governing regulations of the parent entity provide for approval or otherwise	There are several fund houses who may want to undertake varying types of activities from IFSCA. Given that IFSCA would be the unified regulator, FMEs should also be able to undertake other activities provided appropriate ring fencing is maintained.
493	143	(1)	The scope of regulation 143 is very narrow and limited to the few items listed therein. It is essential that one broad clause should be there in the list of items so as to accommodate new situations in the future as and when they arise. This is in furtherance of the investor's interests. In India, in other statutes as well such clauses are in existence. For example, there is one such clause in SEBI Act, 1992 which is often invoked by SEBI to sustain its actions as legal. Furthermore, while this section talks of cancellation of registration, it is silent on what happens in case, pursuant to such cancellation, the FME admits its mistakes and complies with the law. There is no clarity on whether the registration would be restored in this case. Under Irish Law relevant authority is given the power to restore the registration provided certain conditions are fulfilled. A similar provision here would be beneficial. Furthermore, the Authority may also consider preparing an indicative list of common offences/defaults and the corresponding penalty in this behalf. This would ensure regulatory certainty and a certain amount of deterrence to non-compliance. The law of British Virgin Islands for example has a schedule 7 which lists the offences and penalty for the same.	Therefore, we recommend the following amended regulation: Suspension, cancellation of registration or any other actions 143. (1) The Authority may take such action as deemed fit, including suspension or cancellation of registration, against a FME if it: (a) fails to exercise due diligence or comply with any conditions subject to which a certificate of registration has been granted; (b) contravenes any of the provisions of the Act or rules or regulations or circulars or guidelines or directions or instructions issued thereunder; (c) fails to furnish any information relating to its activity as an FME as required by the Authority; (d) furnishes to the Authority information which is false or misleading in any material particular; (e) does not submit periodic returns or reports as required by the Authority; (f) does not co-operate in any enquiry, inspection or investigation conducted by the Authority (g) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Authority (h) commits any other act/omission which in the opinion of the Authority warrants such action or which is against the interest of the investors. (2) Provided that on an application made by the de-registered FME in this behalf and on compliance with conditions prescribed by the Authority (which may inter alia provide for payment of additional fees), the Authority may at its sole discretion restore the registration of such FME.
494	145	(1)	An interesting provision for encouraging innovation has been allowed by the Authority in regulation 145. Similar provisions existing in a separate law governing such entities in British Virgin Islands. ("BVI Law") However, the draft regulations are silent on whether on attaining maturity the entity in this sandbox can apply for registration as a regular FME. Such provisions existing in the BVI Law and only adds to regulatory certainty and clarity.	We therefore recommend the amended regulation as follows: Innovation Sandbox and Fund Lab 145. (1) The Authority may, exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding eighteen months, for furthering innovation in aspects relating to testing new products, strategies, processes, services, business models, use of technology, etc. in live environment of regulatory sandbox in the financial markets. Provided that any experiment in a fund towards a new strategy shall not solicit money from public and shall be governed by a framework specified by the Authority. (2) Any exemption granted by the Authority under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Authority including conditions to be complied with on a continuous basis. (3) Subject to sub clause (1) and (2) of regulation 145, the exempted person or class of persons, may at least 6 months before the expiry such exemption and on compliance with such conditions as may be prescribed by the Authority, apply for registration as a regular FME under the provisions of these Regulations.

495	145	(1)	The procedural rules for this need to be in place for it to be clear and effective	Regulation 145 (1) covers Innovation Sandbox and Fund Lab.
496	148	(4)(a)	Clarity required in Reg 4 (Explanation I) due to inconsistency with Regulation 148	The provision on repeals (Reg 148) in the Regulations suggests that SEBI (IFSC) Guidelines, 2015 on Funds, AIF Regulations and various circulars issued on AIFs operating in the IFSC will be repealed and / or superseded from the effective date of the Regulations. However, Explanation I to Regulation 4 suggests that FMEs may continue to launch schemes under the IFSC-AIF framework. It is unclear as to how this will be implemented if the IFSC-AIF framework is to be repealed from the effective date of the Regulations. Further, if such existing structures are to be deemed as having been commenced under the Regulations, then Explanation I may not be enforceable.
497	148	(4)(b)	Drafting issue to be fixed	The reference to 'Fund Managers' should be replaced with 'Fund Management Entity'.
498	148	(4)(b)	It is suggested that the existing funds and also the existing applications be grandfathered or be given an option to opt for the new regime. Also once the new regulations are finalised, the same should be brought into effect for applications filed after 12 months post notification of final regulations.	Given that this is a drastic change in regime by moving from fund to fund managers and also changing categorisation and other key investment conditions, the fund managers should be given enough time to design their structure / make suitahle changes in their existing plans and the key commercials while migrating / setting up structure under the new regime. The suggested change will enable the market players to understand and be better prepared by making suitable modifications in their business plans.
499	148		It is humbly submitted that the matter be taken up by IFSC with SEBI which shall be of immense help for Asset Management Companies managing Mutual Fund Business and wanting to set-up business in IFSC either through branch/subsidiaries, wherein the requirement of seeking NOC and/or adhering to any other requirements mandated by SEBI shall not be applicable save and except to ensure that the networth requirements is met and fair treatment is provided to all investors.	To ensure uniformity and level playing field is provided to all FME
500	-	-	Concept of large value funds could be introduced in the regulations and shall have all the exemption/benefits as stated in SEBI AIF Regulations.	Like, AIF Regulations, concept of large value fund could be introduced in this Regulations and provide all rights/benefits/exemptions as available in SEBI AIF Regulations.
501	148	(3)	It is suggested that the regulations related to REIT, InvIT, Investment advisors and PMS be also repealed and detailed regime be incorporated in the existing draft of IFSCA (Fund Management) Regulations, 2022 under respective chapters governing these activities (including for Family office).	It would be necessary to clarify applicability of the current regulations, if the same is being repealed necessary guidelines/regulations to be included in these regulations to simplify the regulatory framework and to avoid reference to multiple regulations.
502	General	Expert Committee	Requirement that the contribution from each entity should be capped at 10% of the corpus should be deleted	Generally, GP investing in a fund is dependent on the commercial agreements with the investors and hence, there should not be any capping on GP or its group investing in the funds
503	General	Expert Committee	The condition in relation to maximum holding by a single investor should be deleted	There are several fund managers that mange funds for small group of investors and thus the condition in relation to maximum holding by an investor should not be introduced.
504	General	Green Channel	Green Channel: we recommend for addition of criteria of more than 90% accredited investor in the scheme to be eligible for Green Channel scheme	More than 90% reflects an intent that scheme will be mainly for an accredited investors.
505	General	Income tax	The Income Tax Act,1961 may be amended to recognise the concepts introduced under the draft regulations.	Suitable amendments in the Income Tax Act is needed to enable fund managers to set up structure with clear visibility on the tax front without any ambiguities.

506	General	NA	A separate regime for Credit Funds could be included in the Regulations based on global best practices.	Credit Funds are widely recognised in global markets and are generally governed by a separate regulatory regime.
507	general	NA	A separate regime for Credit Funds could be included in the Regulations based on global best practices.	Credit Funds are widely recognised in global markets and are generally governed by a separate regulatory regime. A separate committee could be constituted for suggesting a framework for Credit Funds.
508	General	NA	A separate regime for Credit Funds could be included in the Regulations based on global best practices.	Credit Funds are widely recognized in global markets and are generally governed by a separate regulatory regime.
509	General	NA	All schemes (closed / open ended) of FME could be made tradable on the exchange platform and FME be allowed to issue / redeem units on exchange platform 2. Franctional Trading of stocks to be allowed to help FME to bring down the minimum lot size of ETF	
510	General	NA	As a part of "ease of doing business" and to reduce the time frame to set up IFSC entities, the requirement of obtaining multiple approvals for a unit to set up in IFSC should be done away with. A single-window clearance mechanism must be put in place preferably Digital (Paperless) Applications thru a portal and the GIFT City/ IFSC Authority should be permitted to grant all the necessary approvals, including the current approval required from Development Commissioner for setting up SEZ/IFSC unit.	1. Time bound approvals thru single window clearance are prerequisites for ease of doing business across leading International financial services centres. The global participants and investors place utmost importance on ease of doing business, governance before setting up their presence. 2. An integrated licensing process will lead to faster and time bound approvals, query resolutions to avoid duplication of formalities and procedures 3.Single-window clearance mechanism will also help Indian IFSC to achieve its goal of being 'best in class' IFSC.
511	General	NA	Can the regulators publish the comments received under various categories in summary form?	This will help forge a common view of the regulatory environment.

512	General	NA	Concept of Group license could be introduced:	This concept would provide flexibility to large groups catering to various segment of investors for specific financial products under different entities, without obtaining a separate registration for each entity to undertake all permissible activities under these Regulations under the group license. Appointment of common principal officer and common compliance officer for group entities would help rationalise appointment of multiple officers within the same group till the time scalability in operations is achieved by the group in IFSC.
513	General	NA	Concept of large value funds could be introduced in the regulations and shall have all the exemption/ benefits as stated in SEBI AIF Regulations.	Like, AIF Regulations, concept of large value fund could be introduced in this Regulations and provide all rights/benefits/exemptions as available in SEBI AIF Regulations.
514	General	NA	Concept of large value funds could be introduced in the regulations and shall have all the exemption/ benefits as stated in SEBI Alternative Investment Funds Regulations.	Like, AIF Regulations, concept of large value fund could be introduced in this Regulations and provide all rights/ benefits/exemptions as available in SEBI Alternative Investment Funds Regulations.
515	General	NA	Concept of large value funds could be introduced in the regulations.	Like, AIF Regulations, concept of large value fund could be introduced in these Regulations.
516	General	NA	Definition of 'group entity' be inserted in the regulation.	The clarity on meaning of the term group entity is of utmost importance given that this term has been referred at multiple places within the regulations. Defining the term will help remove ambiguity with respect to several critical aspects where group entity is of relevance.
517	General	NA	For open ended scheme and ETFs, the FME launching the schem whould also be allowed to participate on the exchange(without being registred as a Broker) to fill the net gap between purchase (buy) and redemyion (sell) by standing as counter parties at the applicable NAV.	
518	General	NA	Further, the flexibility should be provided for appointing a common Principal Officer and Compliance Officer for group holding company and its subsidiaries in IFSC.	
519	General	NA	Insistence by SEZ Authorities on Funds to have a separate office and the Fund Manager to have a separate office.	Efforts must be made to convince the SEZ authorities from insisting on funds to have a separate office space for every fund, which is an entity with the Investment Manager being the real person behind the fund.
520	General	NA	Obtaining a separate registration for each subsidiary would be cumbersome for large group entities having multiple subsidiaries providing specific services and catering to large pool of investors in different categories. Accordingly, a concept of Group license could be introduced.	
521	General	NA	Suggest that the authorities make it mandatory for all retail schemes to be listed on the exchange/s	This will bring in liquidity to the schemes and encourage retail participation. More over the exchanges will become a single point of transactions for the investors.

522	General	NA	Suggestion: Non-applicability of SEZ compliances to a Unit in IFSC	Currently, one of the largest operational challenges for an Investment Manager and the AIF is to comply with the various compliances mandated by the SEZ Act and Rules. There are one-time compliances like obtaining an IEC, RCMC, commencement letter to be obtained from the DC Office, and there are ongoing compliances like filing a Service Procurement Form, DTA Procurement Form, Monthly Performance Report, Annual Performance Report, etc. The process for all of these is very time consuming and requires constant follow-up. None of these are relevant for a financial services unit in large part. In addition, to bring furnishings and other items to our office, there is a serious delay at the customs office faced by the vendors owing to which there are limited vendors supplying to IFSC units. On the reporting front, there should be a single regulator i.e., the IFSCA with whom the IFSC units shall interface and the information exchange can be done between the IFSCA and the SEZ authorities since there are lot of aspects which are peculiar to financial services which the SEZ authorities may not be cognizant of. A single regulator approach will save time and effort on set up of IFSC units and is in keeping with the "ease of doing business" principle of the IFSC. Although this recommendation does not form part of the Proposed Regulations, we wanted to bring this to the notice of the IFSCA to create any enabling amendments for this change as part of this regulation.
523	General	NA	There are several global funds which pool in money from investors worldwide, including investors from India. Such funds as part of the their investment strategy invest in multiple jurisdictions including India (the exposure to Indian securities is less than 50%). Typically, such funds are set-up in jurisdictions like Singapore, Mauritius, Cayman Islands, etc. and resident Indians are allowed to invest in such funds via the Liberalized Remittance Scheme. The FPI Regulations 2019 permit investment by resident Indians in such global funds to the extent of less than 25% of the corpus of the fund for a single investor and less than 50% of the corpus of the fund for all resident investors. When it comes to such global funds trying to set-up presence in IFSC, they are unable to pool monies from resident Indians and non-residents and invest in Indian and offshore markets for the reason that investment made in IFSC under LRS cannot be reinvested back in India. This anomaly should be resolved.	

524	General	NA	There should be two types of Registered (non-retail) FMEs: 1. FMEs which will be investing in Indian markets INR assets or will be having domestic resident investors. These FME can further have 3 categories as mentioned in clause 3 sub clause 4. 2. FMEs which neither have any resident investors nor are going to invest in domestic INR assets meaning won't be taking FPI license.	Reason for Special Provision Since independence we never had a single fund in this type in India where an Indian domiciled fund will be managing foreign funds investing in foreign asset utilizing Indian talent. We as a country, or as a fund or as a regulator don't have track record for this so there are many impediments few of which we have listed below that we as a team need to resolve to put India on the map of trillions of dollars Industry. 1.Prime Brokerage arrangements 2.Depository and Custodial Accounts 3.Hedge Fund accounting and Administration for funds utilizing complex strategies 4.Execution Brokers 5.Exchange APIs & Third Party Trading Interfaces 6.National Futures Association membership 7.Human Resources (Training & Development) 8.Trading Strategies that requires ongoing R&D There is already recognition by Finance Ministry for this second category of FMEs on taxation front as they are treated separately for tax purposes. If same is done for regulation, it can avoid many overlaps with domestic regulators. This can also make FMEs, which are totally isolated from Indian financial markets and investors, a level playing field as regulations can be drafted which are at par with all other major jurisdictions. To illustrate, all major jurisdictions where trillions of dollars are managed, do not have any requirement for threshold corpus, sponsor money or net-worth. Existence of such products from years and market forces make FME self-regulated to see investors interest and safeguard them.
525	General	VCC structure	Regulatory and tax regime for VCC should be notified to provide an opportunity for the fund managers to explore additional route for setting up investment structures.	VCC structure is prevalent globally and now needs to be introduced in India with appropriate tax and regulatory framework soon.
526	General		Detailed operational guidelines on dematerialisation of units of Scheme/Fund should be laid out by IFSCA.	Dematerialisation of Units of Scheme/Fund and having it listed on stock exchanges is a prevalent practise globally. The dematerialisation of Units increase the confidence of the off-shore investor as a securities identification number is issued against that particular Unit. This also enable better price discovery and improve the transaction in secondary market for units of Fund.

527	New Insertion	Additional Category	Shelf prospectus: We propose the addition of the concept of a shelf prospectusfor Credit Fund, similar to the process already in place for issue and listing of debt securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, whereby a prospectus is filed with SEBI for approval. Similarly, a Shelf Memorandum will be filed by the Credit Fund. Additional schemes can be filed under the shelf memorandum for automatic clearance, up to a period of 6 months from the approval of the shelf memorandum without the issue of a further memorandum. The shelf memorandum would contain the legal provisions as well as disclosures on the FME, the sponsor and the trust. The details contained in the shelf-memorandum will be common and binding to all schemes subsequently filed by the FME within a period of six months. The subsequent scheme launched under this shelf memorandum will be approved on filing the scheme, i.e. the schemes filed can open for subscription by investors immediately upon filing with IFSCA. Additionally, the FME will be permitted to file shelf memorandum if: •The FME is in compliance with the regulatory filing with IFSCA •No cause of action has been issued by IFSCA to the FME, and it has remained un-resolved Further, it is at the discretion of the FME to opt for either Shelf Memorandum route or to file the Private Placement Memorandum under the normal route.	Rationale for tranching: a)Tranching allows for blended finance for international investors. b)Differentiated risk-reward tranches has potential to attract larger pool of capital from various investors such as global insurance companies, pension funds, provident funds and other offshore investors into IFSC. Such investors, which are relatively conservative would prefer to invest in senior tranches of a Credit Fund. c)Investors investing into the junior tranche will be able to enjoy higher returns on the same pool of capital. Hence, the same fund will be able to attract a wider array of investors with different risk appetites with robust value propositions for both. d)Investors in subordinated tranches get access to a diversified pool of assets, as compared to investments in other AIFs which does not offer tranching. e)Investors could diversify their risk exposure by investing the tranche of same fund as the underlying assets will be same as it will save due diligence cost & time. Rationale for tranching is not equivalent to leverage: A senior tranche does not have committed coupon or principal repayments (similar to debt repayment) and is linked to the performance of the underlying portfolio. Moreover, there is no separate pool of assets for any tranche in a Credit Fund. Repayment to contributors of all tranches shall be based on the performance of a common portfolio of assets and distribution waterfall stated in the fund documents. Therefore, tranching is not equivalent to leverage. Rationale for FME commitment into the junior most tranche: To have better skin in the game for the FME, Credit Funds having tranching, should have participation from FME in the junior most tranche.
528	New Insertion	Additional Category	Additional Disclosures to investors in case of Credit Funds employing Tranching (1) In case of Credit Funds, the FME will need to specifically disclose that the fund is tranched in the private placement memorandum/shelf memorandum, as may be applicable, to prospective investors. (2) Details regarding the priority distribution waterfall are to be explicitly mentioned in a separate sub-section of the PPM/shelf memorandum. Enhanced disclosures to be made by the FME for a tranched credit fund will include: Disclosure of proposed underlying instruments; nature and timing of cash-flows made in the distribution waterfall; different scenarios of stress, if any and cash-flows they can expect in case of each outcomes, etc.	

529	New Insertion	Additional Category	Introduction of a separate category of Credit Funds: A registered FME may launch a credit fund in accordance with the provisions of this Chapter. Definitions For the purpose of Part E of this Chapter, (1)"Credit Funds" shall mean,- (a)A restricted fund, which invests wholly in debt securities. Such Credit Fund shall be construed as Category I or Category II or Category III Alternative Investment Fund as specified under the Income Tax Act, 1961. .	•IFSCA is requested to consider to create a separate class of Fund for Credit Funds under the Restricted Scheme (non-retail) and Restricted Scheme (Retail). •India's private debt to GDP ratio stands at 55%, far lower than larger markets such as, USA (150%), Japan (164%) and China (188%), but also emerging markets such as Vietnam (108%) and Malaysia (139%). •Out of current FPI's investment of INR 52,13,114 crores, FPI's investment in debt securities account for a meagre ~7.50% of the total. Similarly, it is estimated that less than 15% of AIFs are debt AIFs. •AIFs are meant to build investor appetite into India's unlisted enterprises / mid-market enterprises. Mid market enterprises comprise less than 10% of primary and secondary bond markets. Hence, more needs to be done to incentivise managers to set up and for investors to invest into dedicated Credit Funds in IFSCA •Hence, to develop the debt markets in India and to attract global pools of capital into mid-market debt, it is important to a separate regime for Credit Funds. •Credit funds are simpler in structure and nature in comparison to other funds including private equity funds. If there is a specific section on Credit fund, it will be easier for to have specific provisions in regulations, which are more amenable to Credit Funds. •Credit funds are sensitive to interest rate movements, hence such strategies require much faster approvals to enable fund managers to raise funds and execute their strategies quickly •Credit funds may incorporate tranching – i.e. the ability to separate the unit capital of the fund into classes carrying lower risk / lower return and higher risk / higher return. This permits the fund manager to widen the spectrum of investors that could consider investing into Indian debt markets. •Credit funds may also be rated, adding a layer of governance and oversight over such funds and contributing to building investor confidence
530	New Insertion	Additional Category	Nature and Structure of Scheme (1) A Credit fund shall be close ended or open ended and the minimum tenure of a Credit Fund shall be one (1) year. (2) Extension of the tenure of the close ended credit fund may be permitted up to a period as may be approved by two-thirds of the investors by value. (4) A credit fund shall be constituted in IFSC under the laws of India as applicable to a company or LLP or Trust.	Rationale for minimum tenure at 1 year: Reduction in minimum tenure of Credit AIFs to one year from final close to manage risk and enable development of markets for lower rated short tenure instruments, as well as reduce risk for contributors by reducing tenure of investments. Rationale for open ended fund: Providing Credit Funds with an option to register as open-ended funds would allow for continuous flow of capital into such funds and consequently the bond market in India. Further, such funds could provide shorter term capital to investee companies and match such maturities with the liquidity provided to investors in such funds. This shall help to attract global pools of capital. Rationale for extension of tenure in a close ended fund: This will provide flexibility to the investors to retain their money to be invested in the scheme based on the investment/ exit opportunity available to the Fund. Also, this will increase the confidence of the investor that majority of the investors can control the term of such Fund.

531	New Insertion	Additional Category	Other Clause of Restricted Scheme or Retail Scheme shall *mutatis mutandis* apply to Credit Fund, as the case may be.	Credit Fund to be registered under Restricted Scheme or Retail Scheme. Therefore, other conditions as applicable to Restricted Scheme or Retail Scheme to apply to Credit Fund
532	New Insertion	Additional Category	Permissible Investment A Credit Fund will invest wholly in debt securities or instruments of listed or unlisted investee companies including: (1) Commercial papers (2) Securitized debt instruments, which are either asset backed or mortgage-backed securities (3) Pass through certificates (4) Non-convertible debentures including market linked debentures (5) Debt securities listed or traded on stock exchanges in India including recognised stock exchanges and stock exchanges outside India (6) Money market instruments	Clarity of what may constitute a Credit fund
533	New Insertion	Additional Category	Scheme corpus, eligible investors, investment conditions (1) A Credit Fund shall have the minimum corpus of USD Five (5) Million. (2) A credit fund will not invest in equity or equity linked instruments such as equity shares and preference shares (except market linked non-convertible debentures). (3) A credit Fund shall comply with such additional investment conditions as may be specified by the Authority from time to time.	Defining other specific provisions for Credit Funds
534	New Insertion	Additional Category		Rationale for shelf memorandum: a)This is to remove the need for duplication of approval for the common disclosures across the schemes. b)Quick approval will be helpful to launch the schemes quickly and thereby, can bring the investment from or into IFSC more quickly in comparison to normal process. c)Investment in debt securities are highly sensitive to interest rate movements. Therefore, new scheme with relevant strategy should be quick to launch, in order to deliver value to investors. d)Launching of new schemes in a shorter period will help the FME to launch Credit Fund with different strategy in a shorter period and thus will help the FME to provide alternative available products to offshore investors and the investors will not require to wait for longer period to invest.

535	Schedule-II		A clarification that is required is whether the net worth requirements in Schedule II of the draft regulation will be required for meeting the qualifying requirements for a grandfathering FME. Further, given that FMEs generally do not need large amounts of capital, can this net worth criteria be met by means of a corporate guarantee from another entity which meets the net worth criteria?	This Schedule details the net worth requirements for Authorised FME, Registered FME (Non-Retail), and Registered FME (Retail). However, it appears to be silent on the subject of grandfathering of existing licenced entities.
536	Schedule-II		For existing FMEs of AIFs in IFSC, a period of 36 months should be given to bring the net worth to the minimum requirements	Existing AIFs have been set up as per a business plan considering the current regulations in place at the IFSC. Meeting additional net worth requirement will take time. SEBI has provided existing Portfolio Managers with a time of 36 months from the announcement of new regulations to increase their net worth from Rs. 2 crore to Rs. 5 crore.
537	Schedule-II		Schedule II contains Net worth requirements for Registered FMEs. This should be removed as no other jurisdiction requires the FMEs to maintain certain NW. Each business is unique and their capital requirements are different.	A healthy balance-sheet of service provider is always a good idea. It should be looked at subjectively and min net worth criteria should be done away with.
538	Schedule-III	Part A	There is no mentioned of prohibition of insider trading and misuse of unpublished price sensitive information. Laws around the globe contain such restrictions and it would be prudent for the authority to include the same in order to ensure that everybody in the market trades on same publicly available information with no undue advantage accruing to insiders. Therefore, for listed FMEs, such requirement should be prescribed.	We recommend that a provision prohibiting insider trading should be introduced by the Authority in the code of conduct for listed FMEs.
539	Schedule-III	Part A	This clause may be modified to restrict it to only instances where there is gross negligence, willful misconduct and fraud by the FME or its directors or partners or officers. Below provision shall be deleted: The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	The present clause is too onerous on the employees, directors who may be held liable to the scheme or its investors while acting in good faith and in normal course of business. FME should not be held responsible for the valuation conducted by the independent valuer.
540	Schedule-III	Part A:(c)	The liability of directors or partners or other officers of the FME should be aligned with liability of Investment Manager of AIF under SEBI AIF Regulations in case of non-retail schemes, and other relevant regulations in case of retail schemes	Considering ease of doing business in IFSC, the provisions prescribed under these regulations should not be more onerous than prescribed for Investment managers of AIF under the current SEBI AIF regulations especially for non-retail schemes.
541	Schedule-III	Part A:(c)	The liability of directors or partners or other officers of the FME should be aligned with liability of Investment Manager of Alternative Investment Fund under SEBI Alternative Investment Fund Regulations in case of non-retail schemes, and other relevant regulations in case of retail schemes.	Considering ease of doing business in IFSC, the provisions prescribed under these regulations should not be more onerous than prescribed for Investment managers of Alternative Investment Fund under the current SEBI Alternative Investment Fund regulations especially for non-retail schemes.

542	Schedule-III	Part A:(g)	Below provision shall be deleted: The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	Since the valuation will be performed by third party independent valuer, the FME should not be penalised for inappropriate valuation.
543	Schedule-III	Part A:(g)	Below provision shall be deleted: The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	Since the valuation will be performed by third party independent valuer, the FME should not be penalised for inappropriate valuation.
544	Schedule-III	Part A:(g)	Below provision shall be deleted: The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	Since the valuation will be performed by third party independent valuer, the FME should not be penalised for inappropriate valuation.
545	Schedule-III	Part A:(g)	Below provision shall be deleted: The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.	Since the valuation will be performed by third party independent valuer, the FME should not be penalised for inappropriate valuation.
546	Schedule-III	Part A:(g)	Remove reference to controlling shareholders	It conflicts with corporate limited liability provisions vis-à-vis shareholder.
547	Schedule-III	Part A:(g)	Under paragraph (g) of Part A to Schedule 3, the liability of shareholders to compensate the investor has been provided. While the intention to provide for compensation is well founded, there is an inherent limitation in the provision. Most often, question of compensation arises when the entity is loss making and in these cases shareholders don't have enough assets. As a result despite a provision being there in law for compensation, the investors are not compensated since the shareholders either don't have money or they have siphoned it off to some other jurisdiction. In order to ensure that such situation doesn't arise, the code of conduct prescribed by the CFA Institute as well as Irish Law , and the law of British Virgin Islands require that insurance be maintained by the entity in order to compensate investors. Once the burden is on insurance company, the previously mentioned issue is resolved.	Therefore, we recommend the following amended paragraph in the code of conduct: THIRD SCHEDULE CODE OF CONDUCT AND OBLIGATIONS PART A: CODE OF CONDUCT AND OBLIGATIONS OF THE FUND MANAGEMENT ENTITY (g) The FME and its controlling shareholders shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation. Provided further that the FME and its controlling shareholders shall at all times maintain such professional indemnity and other insurance in order to meet the liability outlined in this paragraph.

548	Schedule-III	Part A:(i)	The FME shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the FME, to the extent permissible under the applicable law; and bank accounts and securities accounts of each scheme are segregated and ring-fenced.	To clarify that this requirement should be fulfilled by the FME to the extent the same is permissible under the law applicable to such scheme.
549	Schedule-III	Part A:(n)	Reference of which norms of Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) are applicable to FME i.e. SEBI circulars or RBI guidelines.	The authority should clarify the guidelines to be followed for AML and CFT provisions.
550	Schedule-III	Part A:(n)	Reference of which norms of Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) are applicable to FME i.e. SEBI circulars or RBI guidelines.	The authority should clarify the guidelines to be followed for AML and CFT provisions.
551	Schedule-III	Part A:(n)	Reference of which norms of Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) are applicable to FME i.e. SEBI circulars or RBI guidelines.	The authority should clarify the guidelines to be followed for AML and CFT provisions.
552	Schedule-III	Part A:(n)	Reference of which norms of Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) are applicable to FME i.e. SEBI circulars or RBI guidelines.	The authority should clarify the guidelines to be followed for AML and CFT provisions.
553	Schedule-V	NA	Clarity required on scope and applicability	1) The definition of Advertisement is inclusive, whereas it should be clearly defined and exhaustive to avoid any inadvertent non-compliances. The scope for such inadvertent non-compliances in case of fund management business is quite high. For example, during a roadshow, investors may seek information about past performance of the manager. Such communications by the manager should not be considered advertisement. All forms of reverse solicitation should be exempted. 2) Private placement and all communications with Accredited Investors should be excluded from the definition of Advertisement.
554	Schedule-VI	(d)	-	This compliance requirement should be prescribed for third party valuer and should be relaxed for FME.
555	Schedule-VI	(f)	The requirement of disclosing valuation policy and procedures on the website of FME should be deleted	Disclosure on the valuation policy and procedures on the website should not be made mandatory. Alternatively this requirement could be made mandatory only in case of Retail schemes and not in respect of Restricted schemes.

556	Schedule-VI	(f)	The requirement of disclosing valuation policy and procedures on the website of FME should be deleted	Disclosure on the valuation policy and procedures on the website should not be made mandatory. Alternatively, this requirement could be made mandatory only in case of Retail schemes and not in respect of Restricted schemes.
557	Schedule-VI	(f)	The requirement of disclosing valuation policy and procedures on the website of FME should be deleted	Disclosure on the valuation policy and procedures on the website should not be made mandatory. Alternatively, this requirement could be made mandatory only in case of Retail schemes and not in respect of Restricted schemes.
558	Schedule-VI	(g)	Responsibility to ensure fair valuation not to be on FME	The burden of correctness of actual valuation should be placed on the specific valuer, and not on the whole FME because the decision making authorities within the FME may not be valuation experts who can always ensure fair valuation.

The above comments were considered suitably and the revised draft of the IFSCA (Fund Management) Regulations, 2022 were placed before the Authority in its meeting held on March 16, 2022.