



Securities and Exchange Board of India (Alternative Investment Funds) Regulations,2012

Preliminary

Short Title and Commencement

1. (1) These Regulation shall be called the Securities And Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

(2) These regulation shall come into force on the date of their Notification in the official Gazette.

Definitions.

2. (1) In these Regulations, unless the Context otherwise requires, the term Defined Herein shall Bear the Meanings assigned to them Below, and their Cognate expressions and Variations shall be construed accordingly,

(a) Act Means the Securities and Exchange Board of India Act,1992 (15 of 1992)

(b) “Alternative Investment fund” means any Fund Established or incorporated in India in the form of a trust or a Company or a limited Liability partnership or a Body Corporate Which-

(I) is a Privately Pooled investment Vehicle Which Collects Funds from Investors, Whether Indian or Foreign, For Investing it in Accordance With a defined Investment policy for the Benefit of its Investors; and

(II) is not covered under the Securities And Exchange Board of India (Mutual Funds) Regulation, 1996. Securities and Exchange Board of India (Collective Investment Schemes) Regulation, 1999 or any other regulation of the Board to Regulate fund Management activities:

Provided That the following shall not be considered as Alternative Investment Fund for the purpose of these regulation:-

(i) family trusts set up for the benefit of ‘relatives’ as defined under Companies act, 1956.

(ii) ESOP trusts set up under the securities and Exchange board of India (Employee Stock Option schemes and Employee Stock Purchase Scheme) Guidelines,1999 or as permitted under Companies act,1956.

(iii) Employee Welfare trusts or Gratuity trusts set up for the benefit of Employees.

(iv) ‘Holding Companies’ within the meaning of Section 4 of the Companies act,1956.

(v) Other special purpose vehicles not established by fund managers, including Securitization trust, regulated under a specific regulatory framework.

(vi) funds managed by securitization company or reconstruction company which is registered With the reserve bank of India under Section 3 of the Securitization and reconstruction of financial asset and Enforcement of Security Interest Act,2002; and

(vii) any such pool of funds which is directly regulated by any other regulator in India,

(C) “associate” means a company or a Limited Liability Partnership or a Body Corporate in which a Director or trustee or partner or Sponsor or Manager of the Alternative Investment Fund or a Director or Trustee or Partner or Sponsor or Manager of the alternative Investment fund or a Director or Partner of the Manager or sponsor holds, either individually or collectively, more than fifteen percent of its paid up Equity share capital or Partnership interest, as the case may be;

(d) “Board” means the securities and exchange Board of India established under section 3 of the Act,

(e) “Certificate” means a certificate of a Registration Granted by the board Under regulation 6,

(f) “Change in control” in relation to a company or a Body Corporate, means;

(i) If its Shares are Listed on any recognized Stock exchange, change in Control Within the Meaning of Clause (e) of sub regulation (1) of regulation 2 of the Securities and Exchange Board of India (substantial Acquisition of Shares and Takeovers) Regulations, 2011

(ii) in any other case, Change in the controlling interest or change in a legal form.

Explanation: For the purpose of Sub-clauses (ii) the Expression “Controlling Interest” means an interest, Whether direct or Indirect, to the extent of more than fifty percent of Voting Rights or Interest;

(g) “Company” means a Company incorporated under the companies Act,1956.

(h) “Corpus” means the total amount of funds committed by investors to the Alternative Investment fund by way of a written contract or any such document as on a Particular date;

(i) “Debt-fund” Means an Alternative Investment Fund which Invests primarily in debt securities of listed or Unlisted Investee Companies according to the Stated Objectives of the fund.

(j) “equity Linked instruments ” includes instruments convertible into equity shares or share warrant, preference Shares, debentures Compulsorily or Optionally convertible into equity.

(k) “form” means any of the Forms set out in the first Schedule.

(l) “hedge fund” means an alternative Investment Fund Which Employs diverse or complex trading Strategies and Invest and Trades in Securities having diverse risks or Complex Products including Listed and Unlisted Derivatives.

(m) “infrastructure fund ” Means an Alternative Investment Fund which Invests Primarily in Unlisted Securities or Partnership interest or Listed debt or securitized debt instruments of investee companies or special purpose vehicles engaged in or formed for the purpose of operating, developing or holding infrastructure projects.

Explanation : Infrastructure shall be as Defined by the Government of India from time to time.

(n) “Inspecting authority” means any one or more person appointed by the Board to exercise powers Conferred under regulation 30,

(o) “investee company” means any company, special purpose vehicle or Limited Liability partnership or Body Corporate in which an Alternative Investment Fund makes an investment.

(p) “investible funds” means corpus of the alternative Investment fund net of estimated expenditure for administration and management of fund.

(q) “Manager” means any person or Entity who is appointed by the alternative Investment fund to manage its investment by whatever name called and may also be same as the sponsor of the fund.

(r) “Private equity fund” means an alternative Investment Fund which invest primarily in equity or equity linked instrument or partnership interest of investee companies according to the stated objective of the fund.

(s) “SME” Means Small and Medium enterprise and shall have the same meaning as assigned to it under the Micro, small and medium Enterprises development Act,2006 as amended from time to time.

(t) “SME Fund” means an Alternative Investment Fund Which invests Primarily in unlisted securities of investee companies which are SMEs or Securities of those SMEs Which are listed or proposed to be listed on a SME exchange or SME segments of an exchange.

(u) “social Venture” Means a trust, society or a company or venture capital undertaking or limited liability partnership formed with the purpose of promoting social welfare or solving social problem or providing social benefits and includes:-

(I) public charitable trusts registered with Charity Commissioner.

(II) Societies Registered for charitable purpose or for promotion of science, literature, or fine arts.

(iii) Company registered under Section of 25 Under Companies act,1956.

(iv) Micro Finance Activity.

Registration of Alternative Investment Funds.

Registration of Alternative Investment funds.

A. (1). On and From the commencement of these regulations, no Entity and Person shall act as Alternative Investment funds unless it has obtained a certificate of Registration From the Board.

Provided that an existing fund falling within the definition of alternative Investment fund Which is not registered with the board may continue to operate for a period of six month from Commencement of these regulations or if it has made an application for registration under sub regulation (5) within the said period of six months, till the disposal of such application.

Provided further that the Board may, in special cases, extend the said period up to a maximum of twelve months from the date of such commencement.

Provided further that existing schemes will be allowed to comply with conditions specified under these regulations and the Board from Strict Compliance with these regulations and the Board upon Examination may provide such Exemption or issue such instruction as may be deemed appropriate.

(2) The funds Registered as venture capital fund under securities and Exchange board of India. (Venture capital funds) Regulations, 1996 shall continue to be Regulated by the Said Regulation till the Existing fund or Scheme managed by the fund is wound up and such funds shall not Launch any new scheme after Notification of these regulation.

Provided that the Existing fund or Scheme shall not increase the Targeted Corpus of the fund or scheme after notification of this regulations.

Provided further that Venture Capital funds may seek Re-registration under these regulations Subject to approval of Two-Third of their investors by Value of their Investment.

(3) Any Entity referred to in sub-regulation (1) Who Fails to make an Application for Grant of a Certificate Within the Period Specified therein shall cease to carry on any activity as an Alternative Investment Fund.

(4) Alternative Investment funds shall seeks registration in one of the Categories mention here under and in case of category I Alternative Investment Fund, in one of the Sub-Categories thereof ;

(a) “Category I Alternative Investment Fund” Which Invest in Start up or Early stage venture or social venture 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 and such other Alternative Investment funds as may be specified.

Explanation :- for the purpose of this clause, Alternative Investment

Funds which are generally perceived to have positive spillover effects on Economy and for which the Board or Government of India or Other regulators in India might consider providing incentives or Concession shall be included and such funds Which are formed as trusts or Companies shall be constructed as ‘Venture capital company’ or “Venture capital fund” as specified under sub-section ((23FB) of Section 10 of the Income Tax Act,1961.

(b) “Category II Alternative Investment fund” which does not fall in Category I and III and which does not undertaken Leverage or borrowing other than to meet day to-day operational requirements and as permitted in these regulation;

Explanation: For the Purpose of this Clause, Alternative Investment fund such as private equity fund such as private equity fund or Debt funds for which no specific incentives or concession are given by the Government or any other Regulator shall be Included.

(C) “Category III Alternative Investment Fund” Which employs diverse or complex trading strategies and mat employ leverage Including through Investment in Listed or Unlisted Derivatives.

Explanation: For the purpose of this Clause, Alternative Investment fund Such as Hedge Funds or Funds which trades with view to make short term Returns or such others funds which are open ended and for which no specific incentives or Concession are Given by the Government or any other Regulator shall be included.

(5) An Application for grant of Certificate shall be made for any of the Categories as specified in Sub-Regulation (4) in Form A as Specified in the First Schedule to these regulation to be Paid in the manner specified in Part B Thereof.

(6) The Board shall take into account requirement as specified in these regulation for the Purpose of Considering grant for registration.

(7) Without Prejudice to the Powers of the Board to take any Action Under the Act or Regulation made there under, the certificate of Registration shall be valid till the Alternative Investment fund is Wound Up.

(8) The Board may, in the Interest of the investors, Issue Direction with Regards to the Transfer of Records, document or securities or disposal of Investments Relating to its activities as an Alternative Investment fund.

(9) The Board may, in order to protect the Interest of Investors, Appoint any person to take charge of records, documents or securities and for this purpose, also determine the terms and condition of such an Appointment.

Eligibility Criteria:

4. For the Purpose of the Grant of Certificate to an applicant, the Board shall consider the Following conditions for Eligibility, namely.-

(a) the memorandum of association in case of a company; or the Trust Deed in case of trust; or the Partnership deed in case of Limited liability partnership permits it to carry on the activity of an Alternative Investment Fund;

(b) the Applicant is prohibited by its memorandum and article of association or trust deed or Partnership deed from making an invitation to the public to subscribe to its securities.

(c) in case the applicant is a trust, the Instrument of trust is in a form of a deed and has been duly Registered under the Provision of the Registration Act,1908.

(d) in case the applicant is a limited Liability Partnership, the Partnership is Duly Incorporated and the partnership deed has been duly filed with the Registrar under the Provision of the Limited Liability Act,2008,

(e) in case the applicant is a Body Corporate, it is set up or established under the laws of the Central or State Legislature and is permitted to carry on the Activities of an Alternative Investment fund.

(f) the Applicant, Sponsor and Manager are fit and Proper person based on the Criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) regulation,2008

(g) the key investment team of the manager of Alternative Investment fund has adequate experience, with at Least one key personnel having not less than five years experience in advising or managing pools of Capital or in fund or assets or Wealth or Portfolio management or in the Business of buying, selling and dealing of Securities or the other financial assets and has relevant professional Qualification.

(h) the Manager or sponsor has the Necessary infrastructure and Manpower to effectively discharge its Activities.

(I) the Applicant has clearly described at the time of Registration the Investment objective, the Targeted Investors, proposed Corpus, Investment style or Strategies and Proposed Tenure of the Fund or Scheme.

(j) Whether the applicant or any other Entity established by the sponsor or manager has earlier been refused registration by the Board.

Furnishing of Information :

5. (1) The Board may Require the Applicant to furnish any such further information or clarification regarding the Sponsor or manager or Nature of the Fund or Fund Management activities or any such matter connected thereto to consider the application for grant of a Certificate or After Registration thereon.

(2) If Required by the Board, the Applicant or sponsor or Manager shall appear before the Board for personal representation.

Procedure for Grant of Certificate :

6. (1) The Board may Grant Certificate under any specific category of Alternative Investment Fund, if it is satisfied that the applicant fulfills the requirement as specified in these regulation.

(2) The Board shall, on Receipt of the fee as specified in the second Schedule Grant a Certificate of Registration in form B.

(3) The Registration may be granted with such conditions as may be deemed appropriate by the Board.

Condition of Certificate:

7. (1) The Certificate Granted under regulation 6 shall, inter alia, be subject to the following condition:

(a) An Alternative Investment Fund shall abide by the Provision of the Act and These regulation;

(b) An Alternative Investment Fund shall not carry on any other Activity other than permitted Activities.

(c) The Alternative Investment Fund shall forthwith inform the Board in writing, if any Information or particulars Previously submitted to the board are Found to be False or Misleading in any Material particular or if there is any particular or if there is any Material changes in the Information Already submitted.

(2) An Alternative Investment Fund Which has been Granted registration under a Particular category cannot changes its category subsequent to Registration, Except with the approval of the Board.

Procedure where Registration is Refused.

8. (1) After Considering an Application made under Regulation 3, if the Board is of the Opinion that a Certificate should not be Granted, it may

reject the application after giving the applicant a reasonable opportunity of being heard.

(2) The Decision of the boards to reject the application shall be communicated to the applicant within Thirty Days.

(3) Where an Application for a Certificate is Rejected by the Board, the applicant shall cease to carry on any activity as an alternative Investment Fund:

Provided that nothing Contained in these Regulations shall affect the Liability of the applicant Towards its existing Investors under Law or Agreement.

Investment condition and Restrictions

Investment Strategies.

9. (1) All Alternative Investment funds shall state investment strategies, investment purpose and its investment methodology in its placement memorandum to the investors.

(2) Any Material alteration to the fund strategy shall be made with the consent of atleast two-third of unit holders by value of their Investment in the Alternative Investment fund.

Investment in Alternative Investment fund

10. Investment in all categories of Alternative Investment funds shall be subject to the following condition:-

(a) the Alternative Investment funds may raise funds from any investors whether Indian, Foreign or non-resident Indians by way of issues of units.

(b) each Schemes of the Alternative Investment funds shall have corpus of atleast Twenty crore Rupees;

(c) the Alternative Investment funds shall not accept from an investors, an Investment of value less than one crore rupees.

Provided that in case of investors who are employees or directors of the manager, the Minimum value of Investment shall be Twenty five Lakh rupees.

(d) the Manager or Sponsor shall have a continuing Interest in the Alternative Investment fund of not less than Two and Half percent of the corpus or five crore rupees, whichever is lower, in the form of investment in the Alternative Investment fund and such Interest shall not be through the waiver of management fees.

(e) the manager or the sponsor shall disclose their Investment in the Alternative Investment Fund to the Investors of the Alternative Investment Fund;

(f) no scheme of the Alternative Investment fund shall have more than one thousand investors.

(g) the fund shall not solicit or collect funds except by way of private placement.

Placement Memorandum :

11. (1) Alternative Investment Fund shall raise funds through private placement by issue of information of Memorandum or placement memorandum by whatever name called.

(2) Such Information or Placement memorandum as specified in sub-Regulation (1) shall contain all material information about the Alternative Investment fund and the manager, background of key investment team of the manager, targeted investors, fees and all other expenses proposed to be charged, tenure of the Alternative Investment Fund or Scheme, condition or limits on redemption, investment strategy, Risk management tools and parameters employed, key service providers, conflict or interest and procedure to Identify and Address them, disciplinary history, the terms and condition on which the Manager offers Investment services, its affiliation with other intermediaries, manner of winding up of the Alternative

Investment Fund or the Scheme and such other Information as may be necessary for the Investor to take an informed decision on whether to invest in Alternative Investment Fund.

Schemes :

12. (1) The Alternative Investment Fund may Launch schemes subject to filing of placement Memorandum with the Board.

(2) Such placement Memorandum shall be filed with the Board atleast thirty days prior to launch of scheme along with the fees as specified in the Second Schedule.

Provided that payment of scheme fees shall not apply in case of launch of first scheme by the Alternative Investment Fund.

(3) The Board may communicate its comments, if any, to the Applicant prior to launch of the Scheme and the applicant shall incorporate the comments in placement memorandum prior to Launch of Scheme.

Tenure :

13. (1) Category I Alternative Investment Fund and Category II Alternative Investment fund shall be close ended and the Tenure of funds or Schemes Shall be determined at the time of application subject to Sub-Regulation (2) of this Regulation.

(2) Category I and II Alternative Investment Fund or Scheme Launched by such funds shall have a minimum tenure of three years.

(3) Category III Alternative Investment Fund may be Open Ended or close ended.

(4) Extension of the Tenure of the close Ended Alternative Investment Fund may be permitted up to Two years subject to approval of Two thirds of unit holders by value of their Investment in the alternative Investment Fund.

(5) In the Absence of consent of unit holders, the alternative Investment fund shall fully Liquidate within one year following expiration of the fund tenure or extended tenure.

Listing:

14. (1) Units of close ended Alternative Investment Funds may be listed on stock exchange subject to a minimum tradable lot of one crore rupees.

(2) Listing of alternative Investment Fund units shall be permitted only after final close of the funds or scheme .

General Investment Condition :

15. (1) Investments by all Categories of Alternative Investment Funds shall be subject to the following Condition:

(a) Alternative Investment Fund may Invest in Securities of companies incorporated outside India subject to such conditions or Guidelines that may be Stipulated or Issued by the Reserve Bank of India and Board from time to time.

(b) Co- investment in an investee company may by a manager or sponsor shall not be on terms more favorable than those offered to the Alternative Investment Fund.

(c) Category I and II Alternative Investment Funds shall invest not more than Twenty five percent of the corpus in one investee companies.

(d) Category III Alternative Investment Fund shall invest not more than ten percent of the corpus in one investee company

(e) Alternative Investment Fund shall not invest in associates except with the approval of seventy five percent of Investors by value of their Investment in the Alternative Investment Fund.

(f) Un-invested portion of the corpus may be invested in liquid mutual funds or bank deposit or other liquid assets of higher quality such as Treasury Bills, CBLOs Commercial papers, Certificate of Deposits, etc. till Deployment of funds as per the Investment objective.

(g) Alternative Investment Fund may act as Nominated Investors as Specified in clause (b) of sub regulation (1) of Regulation 106N of the securities and Exchange Board of India (Issue of capital and Disclosure Requirements) Regulation, 2009.

(2) Notwithstanding the Conditions as specified in sub-regulation (1), the Board may specify additional requirements or criteria for alternative Investment Funds or for Specific category thereof,

Conditions for Category I Alternative Investment Funds.

16. (1) The following investment condition shall apply to all Category I Alternative Investment Funds:-

(a) Category I Alternative investment fund shall invest in investee companies or venture capital undertaking or in special purpose Vehicles or in limited Liability partnership or in units of other Alternative Investment Funds as specified in these regulation.

(b) Fund of Category I Alternative investment fund may invest in units of category I Alternative Investment Funds of same sub-category.

provided that they shall only invest in such units and shall not invest in units of other fund of funds.

Provided further that the investment conditions as specified in sub regulation (2), (3), (4) and (5) shall not be Applicable to Investments by such funds.

(c) Category I Alternatives Investment funds shall not borrow funds directly or indirectly or engage in any leverage except for meeting temporary funding requirements for not more than thirty days, on not more than four occasions in a year and not more than ten percent of corpus.

(2) The following investment condition shall apply to Venture capital funds in addition to condition laid down in Sub-regulation (1) –

(a) at least Two third of the corpus shall be invested in unlisted equity share or equity linked Instrument of a venture capital undertaking or in companies listed or proposed to be listed on a SME exchange or SME segments of an exchange.

(b) Not more than one-third of the corpus shall be invested in-

(1) subscription to initial public offer of a venture capital undertaking whose shares are proposed to be listed.

(2) Debt or Debt instrument of a venture capital undertaking in which the fund has already made an investment by way of equity or contribution towards partnership interest.

(3) preferential allotment, including through qualified Institutional placement, of equity shares or equity linked instrument of a listed company subject to lock in a period of one year.

(4) the Equity share or equity linked instrument of a financially weak company or a sick Industrial company whose shares are listed.

Explanation: For the purpose of this regulation “a financially weak company” means a company, which has at the end of the previous Financial year Accumulated losses, Which has resulted in erosion of more than Fifty percent of its net worth as at the beginning of the previous financial years.

(5) Special purpose vehicle which are created by the fund for the purpose of facilitating or promoting investment in accordance with this regulation;

Provided that the Investment conditions and Restrictions are stipulated in clause (a) and clause (b) of sub-regulation (2) shall be Achieved by the fund by the end of its Life cycle.

(C) such funds may enter into agreement with merchant banker to subscribe to the Unsubscribed portion of the issue or to receive or Deliver securities in the process of market making under chapter XB of the securities and Exchange Board of India (Issue of Capital and Disclosure requirement) Regulation, 2009 and the provisions of clause (a) and Clause (b) of Sub Regulation (2) shall not apply in case of acquisition or sale of securities pursuant to such subscription or market making.

(D) Such funds shall be exempted from regulation 3 and 3A of securities and Exchange board of India (Prohibition of insider trading) Regulation, 1992 in respect of Investment in companies listed on SME exchange or SME

segments of an exchange pursuant to due Diligence of such companies subject to the following condition:

(1) the fund shall disclose any acquisition or dealing in securities pursuant to such Due-diligence, within Two working days of such acquisition or Dealing, to the stock exchanges where the Investee company is listed.

(2) such investment shall be locked in for a period of one year from date of investment.

(3) The following condition shall apply to SME Funds in addition to conditions laid down in sub-regulation (1) :-

(a) atleast seventy five percent of the corpus shall be invested in unlisted securities or partnership interest of venture capital undertaking or investee companies which are SMEs or in companies listed or proposed to be listed on SME Exchange or Segments of an exchange.

(b) such funds may enter into an Agreement with Merchant banker to subscribe to the Unsubscribed portion of the issue or to receive or deliver securities in the process of market making Under Chapter XB of the Securities and Exchange board of India (Issue of capital and Disclosure requirement) Regulation, 2009.

(c) such funds shall be exempt from Regulation 3 and 3A of security and exchange board of India (Prohibition of insider Trading) regulation, 1992 in respect of investment in companies limited on SME Exchange or SME Segments of an exchange pursuant to due Diligence of such companies subject to the Following condition;

(1) the Fund shall disclose any acquisition or dealing in securities pursuant to such due-diligence, within Two working days of such acquisition or dealing, to the stock exchange where the investee company is listed.

(2) such investment shall be locked in for a period of one year for the date of investment.

(4) The Following conditions shall apply to social venture funds in addition to the conditions laid down in sub-regulation (1) :-

(a) at least seventy five percent of the corpus shall be invested in unlisted securities or partnership interest of social Venture.

(b) such funds may except grants, provided that such utilization of such grants shall be restricted to clause (a)

(c) such funds may give grants to social venture, provided that appropriate Disclosure is made in the placement memorandum.

(d) such funds may accept muted returns for their investors i.e they may accept returns on their investment which may be lower than prevailing returns for similar Investment.

(e) Alternative Investment Fund shall not invest in associates except with the Approval of Seventy five Percent of Investors by value of their investment in the Alternative Investment Fund.

(f) Un-invested portion of the corpus may be invested in liquid mutual funds or bank deposit or other liquid Assets of Higher Quality such as Treasury Bills, CBLOs, Commercial papers, Certificate of Deposit, etc till Deployment of funds as per the Investment objective.

(g) Alternative Investment Fund may act as Nominated Investors as specified in clause (b) sub regulation (1) of Regulation 106N of the Securities and Exchange Board of India (Issue of capital and Disclosure Requirement) Regulations, 2009

General obligation and Responsibility and Transparency :

General Obligation :

(1) All Alternative Investment Fund shall Review the policies and Procedure, and their Implementation on a Regular basis or as a result of Business development, to ensure their continued appropriateness.

(2) The Sponsor or manager of Alternative Investment Fund shall Appoint a custodian registered with the Board for safekeeping of securities if the

corpus of the Alternative Investment Fund shall appoint a Custodian irrespective of the size of corpus of the Alternative Investment Fund.

(3) All Alternative Investment Fund shall inform the Board in case of any changes in the sponsor, Manager or Designated Partners or any other material change from the Information provided by the Alternative Investment fund at the Time of its application for registration.

(4) In case of change in control of the Alternative Investment Funds, sponsor or Manager prior approval from the Board shall be taken by the Alternative Investment Fund.

(5) The Books of Accounts of the alternative Investment Fund shall be audited Annually by a Qualified Auditor.

Conflict of Interest :

(1) The Sponsor or manager of the Alternative Investment Fund shall act in a fiduciary capacity towards its Investors and shall disclose to the Investors, all Conflict of interest as and when they arise or seem likely to arise.

(2) Manager shall established and implement written policies and procedure to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business.

(3) Manager or sponsor of Alternative Investment fund shall abide by high level principles on avoidance of conflict of Interest with Associated persons, as may be specified by the Board from time to time.

Transparency :

All Alternative Investment Fund shall ensure transparency and Disclosure of Information to Investors on the Following:

(a) Financial, risk management, operational, portfolio and Transactional information regarding fund investment shall be disclosed periodically to the Investors;

(b) any fees ascribed to the manager or sponsor; and any fees charged to the Alternative Investment Fund or any Investee company by an associates of the manager or sponsor shall be disclosed periodically to the Investors

(c) any Enquiries/ legal actions by legal or regulatory bodies in any jurisdiction; as and when occurred.

(d) any material Liability arising during the Alternative Investment Fund's tenure shall be disclosed, as and when Occurred.

(e) any breach of a provision of the Placement memorandum or Agreement made with the investors or any other fund documents, if any as and when occurred.

(f) Change in control of the Sponsor or manager or Investee Company.

(g) Alternative Investment Fund shall provide atleast on an annual basis, within 180 days from the year end, reports to Investors including the Following Information, as may be applicable to the Alternative Investment Fund :-

A. Financial information of Investee companies.

B. material risks and how they are managed which may include;

(1) concentration risks at fund level;

(2) Foreign exchange risk at fund level

(3) Leverage risk at fund and Investee Company level.

(4) realization risk (i.e. change in exit environment) at fund and investee company levels;

(5) strategy risk (i.e. change in or divergence from business strategies) at Investee company level

(6) reputation risk at investee company level

(7) extra financial risks, including environmental, social and corporate governance risks, at fund and investee company level.

(h) Category III Alternative Investment Fund shall provide quarterly reports to a Investors in respect of clause (g) within 60 days of end of the Quarter.

(i) any significant change in the key investment team shall be intimated to all investors.

(j) Alternative Investment Fund shall provide, when required by the Board, information for systematic risk purpose (including the identification, analyses and mitigation of systematic risks.

procedure for Action in case of Default :

(1) An Alternative Investment Fund which-

(a) Contravenes any of the provisions of the act or these Regulations;

(b) Fails to furnish any Information relating to its activity as an Alternative Investment Fund as required by the Boards.

(c) Furnishes to the Board Information which is False or misleading in any material particular.

(d) does not submit periodic returns or reports as required by the Boards.

(e) does not Co-operate in any enquiry inspection, investigation conducted by the Board.

(f) fails to resolve the Complaints of Investors or fails to give a satisfactory reply to the Board in this Behalf.

shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulation,2008.

(2) Sub-regulation (1) shall not prejudice the powers of the Boards to issue direction or measures under regulation 34 or under section 11, 11B, 11D,

sub-section (3) of Section 12 or section 24 or Chapter VI A of the Act or under any other any law for the time being in force.

Power of the Board to issue Clarification :

In order to remove any difficulties in the Application or Interpretation of these Regulation, the Board may Issue clarification and guidelines in the form of circulars or Guidelines or framework for each category of Alternative Investment fund.

Delegation of Powers

The powers exercisable by the boards under these Regulation shall also be Exercisable by any officer of the Board to whom such powers are delegated by the Boards by means of an order made under section 19 of the Securities and Exchange Board of India Act, 1992.

Amendments to other Regulation :

The regulations specified in the Third Schedule to these regulations shall be amended in the manner and to the extent stated therein.

(“SEBI is A Apex Body of Security Exchange Board of India”)