

Classification of Corporate Debt Market Development Fund (CDMDF) as Category I Alternative Investment Fund

December 13, 2024



Disclaimer - This document is neither a legal interpretation nor a statement of the SEBI's directive. All information is posted merely for educational and informational purposes. It is not intended as a substitute for professional advice. Should you decide to act upon any information in this document, you do so at your own risk.

Brief Of the Circular

- ✓ The Corporate Debt Market Development Fund (CDMDF) is established under Chapter III-C of SEBI (Alternative Investment Funds) Regulations, 2012, specifically designed to act as a permanent backstop facility. It aims to support the corporate debt market by purchasing investment-grade securities during times of stress. This provides a robust framework to manage liquidity issues in the secondary market and ensures smoother market operations.
- ✓ SEBI received queries about the classification of CDMDF within the existing categories of the AIF Regulations. It clarified that, while CDMDF operates under a distinct framework in Chapter III-C, it is classified as a Category I Alternative Investment Fund (AIF) as per Regulation 3(4)(a), aligning with its economic objective of market development and stability.
- ✓ The primary objective of CDMDF is to enhance the corporate bond market's resilience, ensuring investor confidence and improved liquidity during volatile periods. By establishing this fund, SEBI aims to create a reliable institutional mechanism to manage market stress effectively while fostering long-term development in the corporate debt market.
- ✓ This circular is backed by the authority vested in SEBI under Section 11(1) of the SEBI Act, 1992, and the provisions of Regulation 36 of AIF Regulations. The initiative underscores SEBI's role in protecting investor interests, promoting market development, and ensuring a well-regulated securities market.

Impact On the Circular

The SEBI circular clarifying CDMDF's classification under Category I AIF boosts market stability by providing a clear framework for liquidity support during stress. It ensures investor confidence through a permanent backstop facility for purchasing investment-grade corporate debt, enhancing market development and safeguarding interests during volatility.



Visit Beacon Research Webpage to get more updates like these

www.beacontrustee.co.in/research

Follow Us On

