



Credit of units of AIFs in Dematerialised Form

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SOURCE : SEBI Circular - SEBI/HO/AFD/PoD1/CIR/2023/186

www.beacontrustee.co.in

research@beacontrustee.co.in

+91 84518 44276

Background

SEBI issued a circular no. **SEBI/HO/AFD/PoD1/CIR/2023/96** dated June 21, 2023, on 'Issuance of units of AIFs in dematerialized form'.

All schemes of Alternative Investment Funds ('AIFs') were mandated to dematerialize their units as per the following timeline:

Particulars	Schemes of AIFs with corpus \geq INR 500 Crore	Schemes of AIFs with corpus <INR 500 Crore
Dematerialization of all the units issued	Latest by October 31, 2023	Latest by April 30, 2024
Issuance of units only in dematerialized form	November 01, 2023 onwards	May 01, 2024 onwards

Brief

- Schemes of AIFs **with corpus \geq INR 500 Crore** have created **International Securities Identification Numbers (ISINs)** for their units issued and have commenced crediting the units to the investors' demat accounts. Based on feedback received from the stakeholders, it has been decided to specify the process to be followed for dematerialising/ crediting the units issued, in cases **where investors are yet to provide demat account details to AIFs.**
- Units already issued by schemes of AIFs to existing investors who have not provided their demat account details, shall be credited to a separate Demat account named **"Aggregate Escrow Demat Account"**
- As and when such investors provide their demat account details to the AIF, their units held in **Aggregate Escrow Demat Account** shall be transferred to the respective investors' **demat accounts within 5 working days**

- The following is clarified with respect to issuance and credit of units of AIFs in demat form

Details	Schemes with corpus \geq INR 500 crore as on Oct 31, 2023	Schemes with corpus < INR 500 crore as on Oct 31, 2023, and schemes launched after Oct 31, 2023, irrespective of corpus
Investors who have provided their demat account details	Units issued after Oct 31, 2023, shall be in demat form and credited only to investors demat accounts	Units issued after Apr 30, 2024, shall be in demat form and credited only to investors demat accounts.
Investors who have not provided their demat account details	For investors on-boarded prior to Nov 01, 2023, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details	For investors on-boarded prior to May 01, 2024, units shall be credited in Aggregate Escrow Demat Account temporarily, till investors provide their demat account details
Completion of credit of demat units to a) demat accounts of investors who have provided demat account details and b) Aggregate Escrow Demat Account, for those who have not provided demat account details	Latest by Jan 31, 2024	Latest by May 10, 2024

- AIF units in the Aggregate Escrow Demat Account can be redeemed, and the proceeds will be sent **to investors bank accounts only after full audit trail of the same.**
- AIF Industry, Managers of AIFs shall maintain investor wise KYC details of units held in Aggregate Escrow Demat Account, including name, PAN and bank account details, along with audit trail of the transactions **and report this monthly to Depositories and Custodians.**
- AIF Industry, Managers of AIFs shall adopt implementation standards as formulated **by the SFA (pilot Standard Setting Forum for AIFs)** and depositories jointly in consultation with SEBI, for compliance with the provisions of this circular
- Such standards shall be published on websites of Depositories and the industry associations which are part of the SFA, i.e., **Indian Venture and Alternate Capital Association, PEVC CFO Association and Trustee Association of India, within 45 days of issuance of this circular.**
- This circular is issued in exercise of powers conferred **under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 10(aa) of SEBI (Alternative Investment Funds) Regulations, 2012, to protect the interests of investors in securities** and to promote the development of, and to regulate the securities market.

Impact

- This move ensures smooth processing and compliance, protecting investor interests. It also sets standards for implementation, promoting transparency in AIF operations.



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