



Foreign Investments in Alternative Investment Funds (AIFs)

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SOURCE : SEBI Circular No - SEBI/HO/AFD/PoD1/CIR/2024/2

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Background

The Government of India through gazette notification dated March 07, 2023, and September 04, 2023, amended the **Prevention of Money Laundering (Maintenance of Records) Rules, 2005**, inter-alia, to revise the thresholds for determining the beneficial ownership.

Brief

- In view of the amendments to the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, para 4.1.2. under **Chapter 4 of SEBI Master Circular No. SEBI/HO/AFD/PoD1/P/CIR/2023/130 dated July 31, 2023, for AIFs stands modified as mentioned below:-**

The investor, or its beneficial owner as determined in terms of **sub-rule (3) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005**, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as

- a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
- a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with **the Financial Action Task Force to address the deficiencies.**
- In case an investor who has been already on-boarded to scheme of an AIF, does not meet the revised condition as specified in the para above, the manager of the AIF shall not drawdown any further capital contribution from such investor for making investment, until the investor meets the said condition
- The provisions of this circular **shall come into force with immediate effect.**

Impact

- This move ensures smooth processing and compliance, protecting investors interest it also sets standards for implementation ,promoting transparency in AIF operations



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