

Relaxation in timeline for reporting of differential rights issued by AIFs

March 03, 2025



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Background on the Circular

Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) have been amended and notified on November 18, 2024, with respect to maintaining pro-rata and pari-passu rights of investors in a scheme of an AIF. Subsequently, SEBI Circular dated December 13, 2024, on ‘Pro-rata and pari-passu rights of investors of AIFs’ prescribed, inter-alia, the framework with respect to differential rights that may be offered by AIFs to select investors without affecting the rights of other investors.

Brief on the Circular

- As per para 17.1 of the SEBI circular, a one-time reporting requirement has been mandated for AIFs/schemes of AIFs whose PPMs were filed on or after March 1, 2020.
- This applies to AIFs that have issued differential rights which do not fall under the implementation standards formulated by the Standard Setting Forum for AIFs.
- The required information was initially to be submitted to SEBI by February 28, 2025, in the prescribed format.
- Based on industry representations seeking additional time, SEBI has extended the deadline to March 31, 2025, to facilitate compliance.

Impact on the Circular

SEBI's amendment to AIF regulations aims to ensure that differential rights offered to select investors do not compromise the pro-rata and pari-passu rights of others. The mandated one-time reporting requirement enhances transparency by requiring AIFs that issued such rights outside prescribed standards to disclose details to SEBI. By extending the reporting deadline to March 31, 2025, SEBI has provided AIFs with additional time for compliance, easing operational challenges. While this move strengthens investor confidence and regulatory oversight, it may also increase compliance costs and administrative burdens for AIFs.



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