



## Gazette Notification On

SECURITIES AND EXCHANGE BOARD OF INDIA (ALTERNATIVE INVESTMENT FUNDS) (SECOND AMENDMENT) REGULATIONS, 2024

Dated: 25th April 2024



## ▪ Background of the Notification

These Regulations may be called the Securities and Exchange Board of India **(Alternative Investment Funds) (Second Amendment) Regulations, 2024**. They shall come into force on the date of their publication in the Official Gazette

## ▪ Brief on the Notification

### I. In regulation 2, in sub-regulation (1)

#### i. after clause (i), the following new clauses shall be inserted, namely, -

**“(ia) “dissolution period”** means the period following the expiry of the liquidation period of the scheme for the purpose of liquidating the unliquidated investments of the scheme of the Alternative Investment Fund

**(ib) “encumbrance”** shall have the same meaning as assigned to it under chapter V of the Securities and Exchange Board of India **(Substantial Acquisition of Shares and Takeovers) Regulations, 2011.”**

#### ii. in clause (pb), the words **“for fully liquidating the scheme”** shall be omitted.

### II. In regulation 16, in sub-regulation (1), in clause (c), the following new provision shall be inserted, namely,

Provided that **Category I Alternative Investment Funds** may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonized Master List of Infrastructure issued by the **Central Government**, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the **Board from time to time.”**

### III. In regulation 17, in clause (c), the following new proviso shall be inserted, namely, -

**“Provided that Category II Alternative Investment Funds** may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonized Master List of Infrastructure issued by the **Central Government**, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from **time to time.”**

**IV. In regulation 20, after sub-regulation (19), the following new sub-regulation (20) shall be inserted, namely, -**

“(20) Every Alternative Investment Fund, Manager of the Alternative Investment Fund and Key Management Personnel of the Manager and the Alternative Investment Fund shall exercise specific due diligence, with respect to their investors and investments, to prevent facilitation of circumvention of such laws, as may be specified by the Board from time to time.

**Explanation:** “laws” shall include **Acts, Rules, Regulations, Guidelines, or circulars** framed thereunder that are administered by a financial sector regulator, including those administered by the Board.”

**V. In regulation 29,**

i. In **sub-regulation (9)**, the words “**sell such investments to a liquidation scheme**” shall be replaced by the words “enter into dissolution period”.

ii. after **sub-regulation (9)**, the following new **sub-regulations (9A) and (10)** shall be inserted, namely, -

“(9A) If the liquidation period for a scheme of an Alternative Investment Fund has expired or is expiring within three months from the date of notification of the Securities and Exchange Board of India (**Alternative Investment Funds**) (**Second Amendment**) **Regulations, 2024**, such schemes may be granted an additional liquidation period, subject to such conditions and in the manner as may be specified by the Board.

Provided that the additional liquidation period granted under sub-regulation (9A) shall be without prejudice to the issuance of any direction or measures in accordance with the provision of the Act and regulations framed thereunder.

(10) If the scheme of an Alternative Investment Fund enters into a dissolution period as provided under regulation **29B and the unliquidated investments** of the scheme are not sold by the expiry of the dissolution period, such investments shall be mandatorily distributed in-specie to the investors, in the manner as may be specified by the Board.”

iii. **the existing sub-regulation (10) shall be renumbered as (11).**

**VI. In regulation 29A, after sub-regulation (7), the following new sub-regulation (8) shall be inserted, namely, -**

“(8) No Alternative Investment Fund shall launch any new liquidation scheme under this regulation after the notification of the Securities and Exchange Board of India (**Alternative Investment Funds**) (**Second Amendment**) **Regulations, 2024**

Provided that any liquidation scheme launched by an Alternative Investment Fund prior to the notification of the Securities and Exchange Board of India (**Alternative Investment Funds**) (**Second Amendment**) **Regulations, 2024** shall continue to be governed by **regulation 29A** and the other provisions of these regulations till such schemes are wound up.

VII. After regulation 29A and before regulation 30, the following regulation shall be inserted, namely, -

**Dissolution Period**

29B. (1) A scheme of an **Alternative Investment Fund** may enter a dissolution period in the manner and subject to such conditions as may be specified by the Board.

(2) The scheme entering into a dissolution period shall file an information memorandum with the Board through a merchant banker in the manner as may **be specified by the Board**.

(3) The dissolution period of a scheme of an Alternative Investment Fund shall not be more than the original tenure of the scheme and shall not be extended in any manner **upon expiry of the dissolution period**.

(4) The scheme of the Alternative Investment Fund shall not accept any fresh commitment from any investor and shall not make any new investment during the **dissolution period**.”

## ■ Impact of the Notification

By providing clarity on dissolution periods, specifying conditions for creating encumbrances, and mandating due diligence practices, SEBI aims to foster a more robust and accountable environment for AIF operations. Moreover, the introduction of provisions for additional liquidation periods and in-specie distribution of unliquidated investments ensures fairness and clarity for investors during scheme closures. These amendments reflect SEBI's commitment to promoting integrity and stability in the AIF market, ultimately bolstering investor confidence and safeguarding market interests.



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