



Simplification of requirements for grant of accreditation to investors

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SOURCE : SEBI Circular - SEBI/HO/AFD/PoD1/CIR/2023/189

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Background

SEBI's Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021, on 'Modalities for implementation of the framework for Accredited Investors', specified a framework for Accreditation of investors by Accreditation Agencies

Brief

The Accreditation agencies shall grant accreditation solely based on the KYC and the financial information of the applicants.

Accordingly, Annexure A ('Modalities of accreditation') and Annexure B ('List of documents to be submitted by applicant for accreditation') to the SEBI Circular No. SEBI/HO/IMD/IMD-I/DF9/P/CIR/2021/620 dated August 26, 2021, have been revised and are given at Annexure 1 and Annexure 2 of this circular, respectively.

Annexure A – Modalities of Accreditation

Eligibility Criteria for Accredited Investors

Particulars (Form/Structure)	Eligibility Criteria
Individual, HUFs, Family Trusts, Sole Proprietorships	<p>a) Annual Income \geq INR 2 Crore; OR</p> <p>b) Net Worth \geq INR 7.5 Crore, out of which at least INR 3.75 Crore is in the form of financial assets: OR</p> <p>c) Annual Income \geq INR 1 Crore + Net Worth \geq INR 5 Crore, out of which at least INR 2.5 Crore is in the form of financial assets.</p> <p>Note:</p> <ul style="list-style-type: none"> ➤ In case of accreditation of individual investors, HUFs (Karta) and Sole Proprietorships, the value of the primary residence shall not be considered for calculation of net worth. ➤ In case of investments held jointly by more than one individual, the following conditions shall apply for eligibility as AI <ul style="list-style-type: none"> (i) Where the joint holders are parent(s) & child(ren), at least one person should independently fulfil the eligibility criteria for AI. (ii) Where the joint holders are spouses, their combined income/ net worth should meet the eligibility criteria for AI.
Partnership Firms	Each partner shall independently meet the criteria for accreditation
Trusts (other than family trust)	Net worth greater than or equal to INR 50 Crore Note: Net worth = (Book value of all assets, other than intangible assets) - (Book value of total liabilities)
Body Corporates	Net worth greater than or equal to INR 50 Crore Note: Net worth = (Capital + free reserves) - (Accumulated losses + deferred expenditure not written off)
Foreign Investors	Eligibility criteria shall be according to rupee equivalent of their income and/ or net worth. Incorporated/established in any form other than those mentioned above shall be subject to eligibility criteria as applicable to Body Corporates

■ Procedure for Accreditation

- The Applicant applies to the Accreditation Agency for accreditation certificate
- Accreditation agencies, which are also **KYC Registration Agencies (KRAs)** can access applicant KYC documents they hold for accreditation purposes.
- Each Accreditation Certificate shall have a unique accreditation number, name of the Accreditation Agency, PAN of the Applicant, validity of accreditation (**start date and end date**).

The accreditation certificate issued by accreditation agencies shall include the following disclaimer:

- **“the assessment of the applicant for accreditation is solely based on the applicant’s KYC and financial information and does not in any manner exempt market intermediaries and pooled investment vehicles from carrying out necessary due diligence of the accredited investors at the time of on-boarding them as their clients.”**

■ Validity of Accreditation

Applicant complies with eligibility criteria	Validity of Accreditation Certificate
For preceding 1 financial year	2 Years
For preceding 2 financial year	3 years
Newly incorporated entity, with no prior financial data but meets current net-worth criteria	2 Years

■ Procedure to avail benefits linked to accreditation

- A. Prospective investors shall, inter-alia, submit a copy of the **Accreditation Certificate** and an undertaking to the investment service provider to the effect that:-
 - I. The prospective investor 'consents' to avail benefits **under the AI framework**
 - II. The prospective investor has the necessary knowledge and means to understand the features of the investment Product/service eligible for AIs, including the risks associated with the investment
 - III. The prospective investor is aware that investments by AIs may not be subject to the same regulatory oversight as applicable to investment by other investors
 - IV. The prospective investor has the ability to bear the financial risks associated with the investment.
- B. The investment service provider shall independently verify the status of accreditation of the prospective investor **from the concerned "Accreditation Agency"**.
- C. The client agreement between **the investment service provider and AI shall**, inter-alia, provide the following:-
 - I. Details of regulatory concessions agreed upon between the investor and the investment service provider, and the conditions for availing the same, and
 - II. Consequences, if any, in the event of the investor becoming ineligible to be an AI during the tenure of the said agreement

- **Flexibility to investors to withdraw 'Consent'**
- Accredited Investors shall have the flexibility to withdraw their 'Consent' and discontinue availing benefits of accreditation, subject to the following:-
 - I. If an investor withdraws their consent after enjoying lower investment thresholds, they'll need to meet the standard minimum investment within the timeframe in the client agreement
 - II. If an investor who got concessions from regulations withdraws consent before the client agreement ends, their existing investments will stay under **AI benefits ("grandfathered")**. But from the withdrawal date, all new transactions will follow regulations for non-AI investors.
- Investors in special investment pools just for **Als** can't withdraw their agreement. The client agreement between the service provider and AI must explain how withdrawing consent works and what happens if the investor does so

Note – To refer Annexure 2 related to "List of Documents to be submitted by applicant for accreditation" please refer to "SEBI Circular - SEBI/HO/AFD/PoD1/CIR/2023/189"

Impact

This framework aims to streamline investor accreditation but enforces strict terms for maintaining accredited status and its associated benefits.



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