



## **SEBI Circular On**

### **Standardization of the Private Placement Memorandum (PPM) Audit Report**

**Dated: 18th April 2024**

**Source - SEBI/HO/AFD/SEC-1/P/CIR/2024/22**



## ▪ Background of the Circular

Regulation 28 of SEBI (AIF) Regulations, 2012 and Clause 2.4 of SEBI Master Circular SEBI/HO/AFD/POD1/P/CIR/2023/130 dated July 31, 2023 (Master Circular) it is mandatory for AIFs to carry out an annual audit of compliance with the terms of Private Placement Memorandum (PPM). In terms of **Clause 2.4.2 of Master Circular**, AIFs are required to submit Annual PPM Audit Reports to the Trustee or Board of Directors or Designated Partners of the AIF, Board of directors or Designated Partners of the Manager and SEBI, **within 6 months** from the end of the Financial Year.

## ▪ Brief on the Circular

- A standard reporting format for PPM Audit Reports has been prepared in consultation with Standard **Setting Forum for AIFs (SFA) to ensure uniform compliance standards and for ease of compliance reporting.**
- The format will be made available on the websites of AIF Associations within **2 working days of this circular's issuance.** These associations will assist AIFs in understanding and meeting reporting requirements.
- AIFs must submit PPM Audit Reports to SEBI online via the **SEBI Intermediary Portal** in the prescribed format.
- **Clause 2.4.1 of Master Circular** audit of sections of PPM relating to 'Risk Factors', 'Legal, Regulatory and Tax Considerations' and 'Track Record of First Time Managers' shall be **optional.** In addition, 'Illustration of Fees and Expenses' and 'Glossary and Terms' shall also be optional.
- Other provisions for filing PPM audit report as specified in the **Master circular shall remain unchanged.**
- The reporting requirement shall be applicable for PPM audit reports to be filed for the **Financial Year ending March 31<sup>st</sup>, 2024, onwards.**
- The reporting format will be periodically reviewed by SFA in consultation with SEBI to adapt to industry changes. Any revisions will be posted on the websites of participating associations.

## ▪ Impact

The introduction of a standardized reporting format for PPM Audit Reports in collaboration with the Standard Setting Forum for AIFs (SFA) signifies a pivotal step towards ensuring consistent compliance standards within the AIF industry. By facilitating accessibility through AIF Association websites and mandating online submission of PPM audit report to SEBI, this initiative aims to streamline reporting procedures while promoting transparency and regulatory oversight. The provision of optional audit sections offers flexibility, while periodic reviews ensure adaptability to evolving industry dynamics, ultimately enhancing trust and integrity in the market.



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