



**CIRCULAR**

SEBI/HO/IMD/IMD-I/DF6/P/CIR/2021/645

October 21, 2021

To,

**All Alternative Investment Funds (AIFs)  
All Merchant Bankers**

Sir/Madam,

**Sub: Modalities for filing of placement memorandum through a Merchant Banker**

1. AIFs shall launch scheme(s) subject to filing of placement memorandum with SEBI through a SEBI registered Merchant Banker. In this regard, SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), have been amended and notified on August 13, 2021. Copy of the notification is available at [link](#).
2. In this context, the following is specified:
  - (a) The Merchant Banker shall independently exercise due diligence of all the disclosures in the placement memorandum, satisfy itself with respect to veracity and adequacy of the disclosures and provide a due diligence certificate. The format of due diligence certificate is given at [Annexure A](#).
  - (b) While filing draft placement memorandum at the time of registration or prior to launch of new scheme on the SEBI intermediary portal, the due diligence certificate provided by the Merchant Banker shall also be submitted, along with other necessary documents.
  - (c) The details of the Merchant Banker shall be disclosed in the placement memorandum.
  - (d) Further, in terms of paragraph 4 of SEBI Circular dated April 07, 2021, AIFs are required to intimate SEBI regarding any changes in terms of placement memorandum on a consolidated basis, within one month of the end of each financial year. Such intimation shall also be submitted through a Merchant Banker, along with the due diligence certificate provided by the Merchant Banker. The format of due diligence certificate for intimating the changes in the placement memorandum is given at [Annexure B](#).
3. The Merchant Banker appointed for filing of placement memorandum shall not be an associate of the AIF, its sponsor, manager or trustee.
4. The provisions of this circular shall come into effect from the ninety first day from the date of notification of aforesaid amendment to AIF Regulations, i.e., November 11, 2021.



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**Securities and Exchange Board of India**

5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
6. The circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

**Sanjay Singh Bhati**  
**Deputy General Manager**  
**Investment Management Department**  
Tel no.: +91-22-26449222  
Email: [spbhati@sebi.gov.in](mailto:spbhati@sebi.gov.in)



**Annexure A**

**FORMAT FOR DUE DILIGENCE CERTIFICATE TO BE SUBMITTED AT THE TIME OF FILING  
PLACEMENT MEMORANDUM WITH SEBI**

To,

SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

**Sub.: Filing of draft placement memorandum of (name of scheme), scheme of (name of AIF/proposed AIF)**

On the basis of examination of draft placement memorandum and supporting documents submitted by AIF/proposed AIF, discussion with AIF/proposed AIF, its manager, sponsor, trustee, etc., we confirm that:

1. We have independently exercised due-diligence regarding information given in the placement memorandum, including the veracity and adequacy of disclosure made therein.
2. The AIF, its sponsor and manager are fit and proper persons based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. None of the intermediaries named in the placement memorandum have been debarred from functioning by any regulatory authority.
3. All the material disclosures in respect of the fund raising, investment by the scheme and management thereof have been made in the placement memorandum and are based on latest available information.
4. We have satisfied ourselves that the proposed activities of the scheme are bona fide, fall within the objectives of the fund as specified in the Articles of Association or Trust Deed or Partnership Deed of the AIF and are to meet the stated investment objective.
5. The disclosures made in the placement memorandum are true, fair and necessary to enable the investors to make an informed decision with respect to the investment in the proposed scheme and such disclosures are in accordance with the requirements of SEBI (Alternative Investment Funds) Regulations, 2012, circulars, guidelines issued thereunder and other applicable legal requirements.



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6. We have satisfied ourselves about the capability of the sponsor or manager to fulfil the requirement of maintaining continuing interest in the scheme as per SEBI (Alternative Investment Funds) Regulations, 2012.

**PLACE:**

**DATE:**

Signature of authorised signatory of Merchant Banker

Name/designation of the authorised signatory, Name of Merchant Banker

**Enclosed:**

1. *Annexure I - Details of disclosures in the placement memorandum with respect to compliance with provisions of SEBI (Alternative Investment Funds) Regulations, 2012, applicable to the proposed scheme*
2. *Annexure II - Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate*



Annexure I – Details of disclosures in the placement memorandum with respect to compliance with provisions of SEBI (Alternative Investment Funds) Regulations, 2012, applicable to the proposed scheme

<b>S. No.</b>	<b>Regulation Number</b>	<b>Contents of the Regulation</b>	<b>Section/subsection (along with page number) of the placement memorandum where the Regulation has been complied with.</b>
1.	---		
2.	----		

**Note:**

Regulations which are not applicable to a particular category of AIF may not be included.



**Annexure II - Information with respect to disclosures in the placement memorandum, to be submitted along with the due diligence certificate**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
1.	Whether the information submitted in the placement memorandum is consistent with the information submitted in Form A as specified under First schedule of AIF Regulations		
2.	Whether adequate disclosures are made in all sections and subsections of the placement memorandum in line with template placement memorandum provided vide SEBI circular dated Feb 5, 2020		
3.	Whether the scheme seeks waiver from requirement of placement memorandum as per template prescribed in SEBI Circular dated Feb 05, 2020		If yes, confirm whether it is disclosed that each investor shall commit a minimum capital contribution of INR 70 crores and provide a waiver from the requirement of placement memorandum in prescribed template.
4.	Whether it is verified that information provided for a particular term is consistent across different sections of the placement memorandum		
5.	Whether there are any clauses in the placement memorandum which affect the pro-rata rights of each investor in each investment of the scheme		If yes, also highlight such clauses
6.	Whether the investor(s) has/have any role in approving investment decisions of the scheme		
7.	Whether it is provided that the scheme does not propose to engage in lending activity, or extending guarantee for investee company		
8.	Whether the sections 'Investment objective, strategy and process', 'Governance structure' and 'principal terms of the fund/scheme' contain all material information		
9.	Whether it is provided in the placement memorandum that terms of contribution/subscription agreement shall be in line with the terms of the placement memorandum		



S. No.	Particulars	Yes/No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
10.	<p>Whether type of instruments proposed for temporary deployment of funds is in line with applicable provision of AIF Regulations</p> <p>Whether the scheme proposes to invest in such instruments as part of primary investment objective of the scheme also</p> <p>In case of Category III AIFs, whether the scheme proposes to invest in such instruments also to provide applicable margin to recognized stock exchanges</p>		If yes, provide the list of instruments proposed for temporary deployment of funds
11.	Whether maximum duration for such temporary deployment of funds is disclosed		If yes, mention the duration
12.	Whether the scheme intends to invest in units of AIFs		If yes, confirm whether necessary disclosures have been made in line with SEBI circular dated June 25, 2021
13.	Whether names of key management personnel are disclosed in the placement memorandum in line with SEBI circular dated June 25, 2021		
14.	Whether it is verified that all members of key investment team are employees or partners or directors (as applicable) of the manager		
15.	Whether it is verified that the key investment team satisfies the experience and professional qualification criteria provided under AIF Regulations		Name(s) of qualifying member(s) to be provided
16.	Whether the manager has constituted or proposes to constitute an investment committee (by whatever name called) to approve decisions of the scheme		If no, also inform whether any committee has been set up to provide non-binding recommendations on investment proposals
17.	<p>If the investment committee (as specified in Regulation 20(7) of AIF Regulations) is approving authority, whether:</p> <p>(a) it is stated that the functioning of the investment committee shall be in compliance with applicable provisions of AIF Regulations.</p> <p>(b) the terms of reference of the investment committee are disclosed in the placement memorandum</p>		



S. No.	Particulars	Yes/ No	Remarks (Also provide the respective page number of placement memorandum wherever applicable)
18.	Whether it is disclosed that delegation/outsourcing of any activity of the AIF to a third party will be in compliance with SEBI circular dated Dec 15, 2011		
19.	Under section 'Track Record of Manager', whether there is provision for disclosure of performance benchmark disseminated by a benchmarking agency in terms of SEBI Circular dated February 05, 2020		
20.	Whether the eligibility criteria for each class of unit is clearly specified and differentiated		
21.	Whether specific instances are disclosed, under which an investor may be excluded or excused from a particular investment		
22.	Whether the list of commercial and non-commercial terms, on which differential rights may be offered through side letter arrangement or issuance of additional class of units, is disclosed		If yes, provide the list of terms
23.	Whether it is disclosed that the differential rights, if any, attached to any classes of units or given through side letters, shall not have any adverse impact on the economic or any other rights of other investors		
24.	Whether timelines for making warehoused investment and transferring such investment are disclosed		If yes, state the timelines for warehousing and transferring of the warehoused investment
25.	Whether timelines for intimation regarding warehoused investments to existing and prospective investors, are disclosed		If yes, state the timelines for such intimation
26.	Whether it is provided that a defaulter, i.e., investor who defaults in bringing drawdown amount within the timeline specified, can no longer participate in subsequent investments of the scheme till the default is cured and that there are clauses providing steps to be taken against the defaulting investor		
27.	Whether specific instances are disclosed under which in-specie distribution / distribution in kind may be made		
28.	Whether it is disclosed that co-investment by investors of AIF shall be made in compliance with applicable provisions of AIF Regulations and PMS Regulations		





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<b>S. No.</b>	<b>Particulars</b>	<b>Yes/ No</b>	<b>Remarks (Also provide the respective page number of placement memorandum wherever applicable)</b>
29.	Whether it is disclosed that the manager will establish written down conflict management policy and whether timeline for adopting such policy has been provided		
30.	Whether the distribution waterfall illustrations have been provided for different scenarios		If yes, whether it is verified that the illustrations are accurate and complete
31.	Whether necessary disclosure has been made regarding the disciplinary history in terms of SEBI Circulars dated June 19, 2014 and July 18, 2014		Specify pending enforcement proceedings initiated by SEBI, if any

**Note:**

- (i) If any of the points above is not applicable to the proposed scheme, it may be mentioned as “not applicable”.
- (ii) Merchant banker may also provide, in similar format, additional material information which is not covered in the above table and any other information which is necessary to be highlighted or requires specific attention.



**Annexure B**

**FORMAT FOR DUE DILIGENCE CERTIFICATE TO BE SUBMITTED WHILE INTIMATING CHANGES  
IN TERMS OF PLACEMENT MEMORANDUM TO SEBI**

To,  
SECURITIES AND EXCHANGE BOARD OF INDIA

Dear Sir / Madam,

**Sub.: Intimating changes in terms of placement memorandum of (name of scheme), scheme  
of (name of AIF) for FY 20\_\_-\_\_**

On the basis of examination of updated placement memorandum and supporting documents submitted by AIF, discussion with AIF, its manager, sponsor and trustee etc., we confirm that:

1. We have independently exercised due-diligence regarding changes carried out in the placement memorandum during the FY 20\_\_-\_\_, including the veracity and adequacy of disclosure in the respective sections of the placement memorandum wherein the changes have been carried out.
2. All changes carried out in the placement memorandum are based on latest available information and are in compliance with SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.
3. We confirm that, with respect to the changes made in the placement memorandum, wherever applicable, the fund has complied with provisions of SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.
4. The disclosures in the respective sections of the placement memorandum wherein the changes have been carried out are true, fair and adequate and such disclosures are in accordance with the requirements of SEBI (Alternative Investment Funds) Regulations, 2012, circulars, guidelines issued thereunder and other applicable legal requirements.

**PLACE:**

**DATE:**

Signature of authorised signatory of Merchant Banker

Name/designation of the authorised signatory, Name of Merchant Banker