



CIRCULAR

SEBI/HO/AFD-1/PoD/P/CIR/2022/171

December 09, 2022

To,

All Alternative Investment Funds

Sir/Madam,

Sub: Foreign investment in Alternative Investment Funds (AIFs)

1. In terms of Regulation 10(a) of SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations'), AIFs may raise funds from any investor whether Indian, foreign or non-resident Indians, by way of issue of units.
2. In this regard, the following is specified:

2.1. At the time of on-boarding investors, the manager of an AIF shall ensure the following:

- (a) Foreign investor of the AIF is a resident of the country whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatory) or a signatory to the bilateral Memorandum of Understanding with SEBI.

For the purpose of the aforesaid clause, "Bilateral Memorandum of Understanding with SEBI" shall mean a bilateral Memorandum of Understanding between SEBI and any authority outside India that provides for information sharing arrangement as specified under clause (ib) of sub-section (2) of Section 11 of the Securities and Exchange Board of India Act, 1992.

AIFs may accept commitment from an investor being Government or Government related investor, who does not meet the aforesaid condition, if the investor is a resident in the country as may be approved by the Government of India.

- (b) The investor, or its underlying investors contributing twenty-five percent or more in the corpus of the investor or identified on the basis of control, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as –



- (i) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
- (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

For the purpose of the aforesaid clause, "control" includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

- 2.2. In case an investor who has been on-boarded to scheme of an AIF, subsequently does not meet the conditions specified at clause 2.1 above, the manager of the AIF shall not drawdown any further capital contribution from such investor for making investment, until the investor again meets the said conditions. The same shall also apply to investors already on-boarded to existing schemes of AIFs, who do not meet conditions specified at clause 2.1 above.
3. This circular shall come into force with immediate effect.
4. This circular is issued with the approval of the competent authority.
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 under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

Yours faithfully,

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