



CIRCULAR

SEBI/HO/AFD-1/PoD/P/CIR/2023/053

April 10, 2023

To,

All Alternative Investment Funds (AIFs)

Sir/Madam,

**Sub: Guidelines with respect to excusing or excluding an investor
from an investment of AIF**

1. SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, *inter-alia*, introduced template(s) for Private Placement Memorandum (PPM) for AIFs, providing certain minimum level of information to be disclosed in a simple and comparable format.
2. It has been observed from the information disclosed in PPMs that, there is inconsistency and lack of adequate disclosure with respect to certain industry practices.
3. In this context, a proposal to review the information disclosed in PPM under the term '*Excuse and Exclusion*' for excusing or excluding an investor from an investment of the AIF, was deliberated in Alternative Investment Policy Advisory Committee ('AIPAC').
4. Taking into account the recommendations of AIPAC, it has been decided that, an AIF may excuse its investor from participating in a particular investment in the following circumstances:
 - 4.1. If the investor, based on the opinion of a legal professional/legal advisor, confirms that its participation in the investment opportunity would be in violation of an applicable law or regulation; or
 - 4.2. If the investor, as part of contribution agreement or any other agreement signed with the AIF, had disclosed to the manager that, participation of the investor in such investment opportunity would be in contravention to the internal policy of the investor. Manager shall ensure that terms of such agreement with the investor include reporting of any change in the disclosed internal policy, to the AIF, within 15 days of such change.



5. Further, an AIF may exclude an investor from participating in a particular investment opportunity, if the manager of the AIF is satisfied that the participation of such investor in the investment opportunity would lead to the scheme of the AIF being in violation of applicable law or regulation or would result in material adverse effect on the scheme of the AIF. The manager shall record the rationale for such exclusion, along with the documents relied upon, if any.
6. If the investor of an AIF is also an AIF or any other investment vehicle, such investor may be partially excused or excluded from participation in an investment opportunity, to the extent of the contribution of the said fund/investment vehicle's underlying investors who are to be excused or excluded from such investment opportunity. The manager of AIF shall record the rationale for such excuse or exclusion along with the supporting documents, if any.
7. This circular shall come into force with immediate effect.
8. This circular is issued with the approval of the competent authority.
9. 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.
10. 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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