



Frequently Asked Questions (FAQs)

on

International Financial Services Centres Authority (Fund Management) Regulations, 2022



Disclaimer: These FAQs are not the interpretation of law but provide only a simplistic explanation of processes / issues / terms / concepts related to IFSCA (Fund Management) Regulations, 2022. The information has been updated till December 07, 2022. For full particulars of laws governing fund management in IFSCs, please refer to the Acts / Regulations / Guidelines / Circulars appearing under the 'Legal' section of IFSCA website, i.e., <https://ifsca.gov.in>. Any queries about the IFSCA (Fund Management) Regulations, 2022 may be addressed to the IFSCA.

This page is intentionally left blank



Table of Contents

Preliminary	4
Fund Management Entity	6
Schemes for Fund Management	10
Part A: Venture Capital Schemes	10
Part A (1): Angel Funds	13
Part B: Restricted Schemes	15
Part C: Retail Schemes	19
Part D: Special Situation Funds	22
Exchange Traded Funds	23
Environmental, Social and Governance (ESG)	25
Other Fund Management Activities	26
Part A: Portfolio Management Services	26
Part B: Investment Trusts	29
Part C: Family Investment Fund	33
Listing	35
General Obligations and Responsibilities	36
Governance	37
Fees	40
Miscellaneous	41

This page is intentionally left blank



Preliminary

1. What is a Fund Management Entity?

A Fund Management Entity (FME) is an entity registered with the Authority under one of the categories specified in regulation 3(4) of the IFSCA (Fund Management) Regulations, 2022 ("Regulations"), for undertaking the business of fund management in an International Financial Services Centre (IFSC). In order to have direct oversight over the fund manager and in line with the best in class global practices, the Fund Management Entity is registered with the Authority. This also facilitates the FME to undertake a host of activities related to fund management under a single registration.

2. What are the categories under which an applicant can seek registration as a FME?

Regulation 3(4) provides for the following categories of FMEs:

- Authorised FME – permitted to launch Venture Capital Schemes (including Angel Schemes) to invest in unlisted securities of start-ups, emerging or early-stage companies, etc.
- Registered FME (Non-Retail) – permitted to launch Restricted Schemes, offer Portfolio management Services, schemes permitted to Authorised FME, etc.
- Registered FME (Retail) – permitted to launch Mutual Funds, Exchange Traded Funds, schemes and activities permitted to Registered FME (Non-Retail) and Authorised FME, etc.

Further details regarding different aspects related to the 3 categories of FMEs, such as their eligibility conditions, are covered in subsequent sections.

3. What are the different types of schemes available under the Regulations? What are the types of schemes that each of the category of FME is eligible to launch?

The Regulations provide for the following schemes:

- Venture Capital Schemes (including Angel Schemes) – to facilitate investments by Accredited Investors / High Net worth investors in start-ups, emerging or early-stage venture capital undertakings.
- Restricted Schemes (Non-Retail Scheme) – to facilitate investments by Accredited Investors / High Net worth investors in a variety of strategies, broadly classified as Category I Alternative Investment Funds (AIF), Category II AIFs and Category III AIFs.
- Retail Schemes – to facilitate investments of retail investors in Mutual Funds.

Further, the table below summarises the type of schemes that each category of FME is eligible to launch, subject to the prior filing with the Authority:

Category of FME Registration	Venture Capital Scheme (including Angel Scheme)	Restricted Scheme	Retail Schemes
Authorised FME	Yes	No	No
Registered FME (Non-Retail)	Yes	Yes	No
Registered FME (Retail)	Yes	Yes	Yes

Further details regarding different aspects related to these schemes are covered in subsequent sections.

4. What are the other activities that FMEs can undertake once they are registered with IFSCA?

Once registered, a FME, in addition to launch of various schemes as detailed under answer to Question 3, is also permitted to undertake a host of fund management related activities under the Regulations, as follows:

Category of FME Registration	Launching an Exchange Traded Fund	Offering Portfolio Management Services	Launching a Special Situation Fund	Acting as the Investment Manager of an Investment Trust		Launching an ESG Scheme
				Public Issue of units	Private Placement of units	
Authorised FME	No	No	No	No	No	Yes
Registered FME (Non-Retail)	No	Yes	Yes	No	Yes	Yes
Registered FME (Retail)	Yes	Yes	Yes	Yes	Yes	Yes

Fund Management Entity

5. Which activities can be undertaken by an Authorised FME?

An Authorised FME can pool money from accredited investors or investors investing USD 2,50,000 by way of private placement and invest in securities of start-ups, emerging or early-stage venture capital undertakings, which are mainly involved in new products, new services, technology or intellectual property right based activities or a new business model, through Venture Capital Schemes.

An Authorised FME can also manage Family Investment Funds which invest in securities, financial products, certain physical assets and such other asset classes as may be permitted by the Authority.

6. What activities can be undertaken by a Registered FME (Non-Retail)?

The Registered FME (Non-Retail) can pool money from accredited investors or investors investing above USD 1,50,000 by way of private placement for investing in securities, financial products and such other permitted asset classes, through one or more Restricted Schemes.

The Registered FME (Non-Retail) can also offer Portfolio Management Services (including for multi-family office) and act as investment manager for private placement of Investment Trust (REITs and InvITs).

Such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs.

7. Which activities can be undertaken by a Registered FME (Retail)?

The Registered FME (Retail) can pool money from all investors or a section of investors under one or more schemes for investing in securities, financial products and such other permitted asset classes through retail or Restricted Schemes.

Registered FME (Retail) may act as investment manager for public offer of Investment Trusts (REITs and InvITs). Such FMEs shall also be able to launch Exchange Traded Funds (ETFs).

Further, such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs and Registered FMEs (Non-Retail).

8. What are the various legal forms / structures available for setting up a FME in IFSC?

A FME, other than a Registered FME (Retail), can be set up as either a Company or a Limited Liability Partnership (LLP) or branch thereof or any other form as may be permitted by the IFSCA.

A Registered FME (Retail) can be set up either as a Company or its branch or any other form as may be permitted by the IFSCA.

However, the branch structure is permitted only for a FME which is already registered and/or regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. Further, a FME operating in a branch structure in IFSC is required to comply with certain prescribed conditions as detailed in Regulation 5 (2).

9. Can a FME launch multiple schemes?

Yes. A FME may launch multiple schemes subject to filing of placement memorandum/ draft offer document along with the requisite fees with the IFSCA.

10. What are the eligibility conditions to be fulfilled by the applicant to seek registration as a FME from the IFSCA?

The eligibility conditions as mentioned in the Chapter II of the Regulations are required to be fulfilled by the applicant seeking registration as a FME from the IFSCA. The eligibility conditions comprise of the following criteria:

- Track record and reputation of fairness
- Staffing and competency requirements
- Net worth requirement
- Fit and proper requirement
- Infrastructure requirements

Track record and reputation of fairness (Ref. Regulation 6)

The applicant is required have a sound track record and general reputation of fairness and integrity in all its business transactions.

Explanation.- For the purposes of this clause “sound track record” mean:

(a) In case of Registered FME (Retail), FME or its holding company shall not have less than five (5) years of experience in managing Assets under Management (AUM) of at least USD 200 million with more than twenty-five thousand (25,000) investors or at least one (1) person in control of the FME holding more than twenty-five percent (25%) shareholding in the FME be carrying on business in financial services for a period of not less than five (5) years.

However, to facilitate new generation fintech companies with innovative ideas that may lead to further market development, IFSCA may consider any other criteria.

(b) In case of Registered FME (Non-Retail) and Authorised FME, it is required to employ such employees who have relevant experience as specified in the Regulations.

Staffing and competency requirements (Ref. Regulation 7)

Category of FME	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
Appointment of Principal Officer	A KMP is designated as “Principal Officer” who shall be responsible for overall activities of the FME (including but not limited to fund management, risk management and compliance).		
Appointment of other KMPs		An additional KMP is designated as a “Compliance and Risk Manager” responsible for compliance with the Regulations and ensuring suitable risk management policies and practices at the FME.	
			An additional KMP is assigned with the responsibility of fund management.
Experience and professional qualification of Principal Officer & other KMPs	Professional Qualification: A professional qualification or post-graduate degree or post graduate diploma (minimum 2 years) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a recognised university/ institution or a certification from any organization/ institution/ association/ stock exchange which is recognised/ accredited by the IFSCA or a regulator in India or Foreign Jurisdiction; and Experience: At least 5 years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, investment advisor, wealth manager, research analyst or fund management.		

The FME is required to appoint other personnel as commensurate to the size of its operations and activities.

Net worth requirement (Ref. Regulation 8)

Depending upon the category of registration obtained, the FME is required to, at all times, fulfill the below mentioned net worth requirements (specified in the Second Schedule of the Regulations) or such other amount as may be specified by the IFSCA.

S. No.	Category of FME	Net Worth
1	Authorised FME	USD 75,000
2	Registered FME (Non-Retail)	USD 5,00,000
3	Registered FME (Retail)	USD 1,000,000

In case of FMEs operating in branch structure in IFSC, the specified minimum net worth requirement may be maintained at the parent level. However, the parent entity is required to ensure that adequate funds are available for branch for its day-to-day operations.

Fit and proper requirement (Ref. Regulation 9)

The applicant and its principal officer(s), directors/ partners/ designated partners, key managerial personnel and controlling shareholders are required to fulfill the fit and proper person criteria specified in Regulation 9, at all times.

Infrastructure (Ref. Regulation 10)

The FME is required to ensure that it has the necessary infrastructure like adequate office space, equipment, communication facilities and manpower to effectively discharge its activities. The infrastructure requirements should be commensurate to the size of its operations in IFSC. The office should be dedicated, secured and accessible only by authorised person(s).

11. What is the procedure to obtain a certificate of registration as a FME in IFSC?

An entity desirous of obtaining a certificate of registration as a FME in IFSC shall submit an application form in the format and manner as specified in First Schedule of the Regulations.

12. Can a FME change its category of registration subsequently?

A FME which has been granted certificate of registration under a particular category cannot change its category, except with the prior approval of the Authority.

13. What is the period of validity of the certificate of registration obtained by a FME?

The certificate of registration of a FME shall be valid for such period as may be specified by the IFSCA, unless suspended or cancelled by the IFSCA or surrendered by the FME and taken on record by the IFSCA.

Schemes for Fund Management

Part A: Venture Capital Schemes

14. What is a Venture Capital (VC) Scheme?

VC Schemes are such schemes that primarily invest in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an Angel Fund.

15. Which categories of FMEs can launch a Venture Capital Scheme?

All categories of FME [i.e. Authorised FME, Registered FME (Non-Retail) and Registered FME (Retail)] are eligible to launch a Venture Capital Scheme.

16. How will a FME launch a Venture Capital Scheme?

A FME may launch Venture Capital Schemes through a private placement by filing a placement memorandum with the Authority along with the applicable fees as specified by the Authority.

VC schemes can be opened for subscription by investors immediately upon filing of placement memorandum with the Authority (Green Channel).

17. In which legal forms can a Venture Capital Scheme be set up?

A Venture Capital Scheme can be constituted in IFSC as a Company, Limited Liability Partnership (LLP) or Trust.

18. Can Venture Capital Schemes be open-ended or close-ended?

Venture Capital Schemes can only be close-ended in nature.

19. Who can invest in a Venture Capital Scheme?

Following types of persons can invest in a Venture Capital Scheme:

- Accredited Investors (without any investment threshold), or
- Investors investing above USD 250,000
- In case of investors who are employees or directors or designated partners / partners of the FME, the minimum value of investment shall be USD 60,000.

20. What is the maximum number of investors in a Venture Capital Scheme?

A Venture Capital Scheme shall have less than 50 investors.

21. What is the minimum and maximum size of corpus of a Venture Capital Scheme?

Each Venture Capital Scheme is required to have minimum corpus of USD 5 million and maximum corpus of USD 200 million.

22. What are the investment restrictions applicable to a Venture Capital Scheme?

Venture Capital Schemes are required to invest at least 80% of the AUM in such investee companies which are incorporated for less than 10 years or other Venture Capital Schemes.

These schemes may invest in associates subject to prior approval of 75% investors in the scheme by value.

23. Can a Venture Capital Scheme borrow or engage in leveraging activities?

Venture Capital Schemes may borrow funds and engage in leveraging activities subject to the following:

- The maximum leverage by the scheme, along with the methodology for calculation of leverage, are disclosed in the placement memorandum;
- The leverage is exercised in accordance with the disclosures in the placement memorandum and any deviation is subject to consent of two-thirds (2/3rd) of the investors by value; and
- The FME employing leverage has a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

24. Are the assets of the Venture Capital Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme are required to be valued by an independent third-party service provider, such as a fund administrator or custodian, registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.

25. What is the frequency of computing NAV of each Venture Capital Scheme?

The NAV of each Venture Capital Scheme is required to be computed at least on an annual basis. The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended if required.

26. What is the prescribed minimum contribution/ investment that the FME has to maintain in the Venture Capital Scheme?

The FME is required to ensure that under a Venture Capital Scheme, the FME or its associate invests:

- at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 Million;
- at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 Million:

However, the contribution by the FME is not be mandatory in case of relocation of schemes established or incorporated or registered outside India to IFSC.

The above contribution can be made by the FME or its associate entity within 45 days from the launch of the scheme and maintained on an ongoing basis.

27. Can the FME be exempted from contributing/ investing in the Venture Capital Scheme?

Yes, the FME may be exempted to contribute in the scheme subject to the following conditions:

- at least 2/3rd of the investors in the scheme by value permits waiver of such contribution, or
- at least 2/3rd of the investors in the scheme are accredited investors, or
- the scheme is a fund of fund scheme investing in a scheme which has similar such requirements.

28. Can a Venture Capital Scheme co-invest?

A Venture Capital Scheme may co-invest in permissible investments under the Regulations through a Special Purpose Vehicle (SPV) under a framework specified by the Authority or through a segregated portfolio by issuing a separate class of units.

The FME is required to ensure that:

- The investments by such segregated portfolios are, in no circumstance, on terms more favorable than those offered to the common portfolio of the Venture Capital Scheme; and
- Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.

Part A (1): Angel Funds

29. Which category of Fund Management Entity can launch an Angel Fund?

An Angel Fund / Angel Scheme can be launched by a FME belonging to any of the 3 categories, i.e. Authorised FME, Registered FME (Non-Retail), Registered FME (Retail).

30. Who can invest in an Angel Fund?

Angel Funds can accept investments from Angel Investors, which means and includes:

- Any investor who commits to invest an amount not less than USD 40,000 within a period of 5 years,
- A Venture Capital Scheme or a Restricted Scheme set up in an IFSC and similar regulated scheme or fund set up in India or foreign jurisdiction which commits to invest an amount not less than USD 40,000 within a period of 5 years.

31. Where can an Angel Fund invest OR what are the permissible investments for an Angel Fund?

Angel Funds can invest in early stage venture capital undertakings or other regulated Angel Schemes or Angel Funds set up in IFSC, India or foreign jurisdiction. An early-stage venture capital undertaking” means an incorporated entity which:

- i. is incorporated not more than 10 (ten) years before the date of investment,
- ii. does not have annual turnover in excess of USD 20 Million since its incorporation,
- iii. is working towards innovation, development or improvement of products, processes or services, and
- iv. is not promoted or sponsored by or related to an industrial group with a group turnover more than USD 50 Million.

Angel schemes shall not make any investment in the associates of FME or in any early-stage venture capital undertaking which is connected to angel investors who are investing in such undertaking.

Each investment made in an early-stage venture capital undertaking by an Angel Scheme shall not exceed USD 1.5 Million. Each investment by an Angel Fund shall be locked in for a period of at least 1 (one) year from the date of investment.

32. What methodology does the FME would have to follow for making an investment under an Angel Fund?

The FME of an Angel Fund shall, prior to making an investment, obtain an express consent from every angel investor who desires to contribute to that investment. Accordingly, FME shall

structure each investment as a close-ended segregated portfolio by issuing separate classes of units to the consenting angel investors under each segregated portfolio, on a private placement basis. The FME is required to ensure that the assets and liabilities of each segregated portfolio are ring-fenced from other segregated portfolios under an Angel Scheme.

33. How many investors can contribute in a segregated portfolio of an Angel Fund?

The number of angel investors in each segregated portfolio under an Angel Scheme should not exceed 200 (two hundred).

34. Can an Angel Fund participate in subsequent rounds of fund-raising by the early-stage venture capital undertaking in which it is already an investor?

While each investment made by an Angel Scheme in an early-stage venture capital undertaking is capped at USD 1.5 Million, it may invest in excess of this limit in those cases where such undertaking is raising more capital and investors of the Angel Fund who have already invested in the said undertaking are desirous of protecting their beneficial interest from dilution. Contribution by an angel investor in subsequent round should be limited to the extent that post-issue beneficial interest in the said undertaking remains the same as his pre-issue beneficial interest therein and the overall exposure of the Angel Fund in a single undertaking, including investments made in subsequent rounds, does not exceed 50% of the total investments made by the Angel Fund under all the segregated portfolios or USD 30 Million, whichever is lower.

35. Can an Angel Fund undertake leverage?

No. An Angel Fund is not permitted to undertake leverage in any of its segregated portfolio.

36. Is there a *skin-in-the-game* contribution requirement for a FME in an Angel Fund?

FME is required to ensure a contribution of at least 2.5% of the investment size or USD 20,000, whichever is less, in each segregated portfolio. However, such contribution may be exempt:

- i. if at least two-thirds (2/3rd) of the angel investors in that segregated portfolio are accredited investors,
- ii. if at least two-thirds (2/3rd) of the angel investors in that segregated portfolio by value permit waiver of such contribution, or
- iii. If the investment made under a segregated portfolio is in another regulated Angel Scheme / Angel Fund set up in IFSC, India or foreign jurisdiction which has similar such requirement.

37. What is the minimum size of corpus of an Angel Scheme?

Each Angel Scheme is required to have a minimum corpus of USD 1 million.

Part B: Restricted Schemes

38. What is a Restricted Scheme?

Restricted Schemes are schemes that may be launched by Registered FMEs for various investment strategies as detailed below:-

- i. investing in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social venture funds, infrastructure funds, ESG Funds, Special Situation Funds and such other Schemes/Funds as may be specified by the Authority. Schemes falling under this clause shall be close-ended and filed before the Authority as Category I Alternative Investment Fund (Category I AIF).
- ii. investment for undertaking diverse or complex trading strategies including investment in listed or unlisted derivatives and for permitted investments under longevity finance. Such Schemes shall be filed before the Authority as Category III Alternative Investment Fund (Category III AIF). Such schemes may be launched either as open-ended or close-ended schemes.
- iii. investment which does not fall under paragraph (i) and (ii) above. Such Schemes may be filed before the Authority as Category II Alternative Investment Fund (Category II AIF). Such schemes can be launched as close-ended schemes.

39. How can a FME launch a Restricted Scheme?

A Registered FME may launch a Restricted Scheme through private placement by filing of placement memorandum with the IFSCA along with the applicable fees, 21 working days before the launch of the scheme, subject to incorporation of comments, if any, of the Authority in the placement memorandum, prior to launch of the scheme.

40. Whether Fast track or Green Channel mechanism is provided for the Registered FME?

In case of Restricted Schemes which solicit money only from accredited investors, such Schemes may be under a green channel and can open for subscription from investors immediately upon filing with the Authority.

41. In which legal forms can a Restricted Scheme be set up?

A Restricted Scheme may be constituted in IFSC as a Company, LLP or a Trust under the applicable laws of India.

42. Can Restricted Schemes be open-ended or close-ended?

While Category I and Category II AIFs may be launched only as close-ended schemes, the Category III AIF may be launched either as an open-ended or a close-ended scheme.

In case of a close-ended scheme, the maximum tenure and amount to be raised should be decided upfront and disclosed in the placement memorandum. A close-ended scheme is required to have a minimum tenure of 1 year.

Extension of the tenure of close-ended schemes may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the Restricted Scheme.

Further, any further extension beyond two (2) years may be considered subject to express consent of the investors and exit opportunity shall be provided to other investors.

43. Who can invest in a Restricted Scheme?

Following types of persons can invest in a Restricted Scheme:

- Accredited Investors (without any investment threshold), or
- Investors investing above USD 150,000
- In case of Investors who are employees or directors or designated partners /partners of the FME, the minimum value of investment shall be USD 40,000.

44. What is the maximum number of investors in a Restricted Scheme?

A Restricted Scheme shall have less than 1,000 investors or such number as prescribed by the IFSCA.

45. What is the minimum of corpus of a Restricted Scheme?

Each Restricted Scheme is required to have a minimum corpus of USD 5 million.

46. What are the investment restrictions applicable to a Restricted Scheme?

Maximum investment by an open-ended Restricted Scheme in securities of unlisted companies should not exceed 25% of the corpus of the scheme.

Restricted Schemes may invest in associates subject to prior approval of 75% investors in the scheme by value

47. Can a Restricted Scheme borrow or engage in leveraging activities?

Restricted Schemes may borrow funds and engage in leveraging activities subject to the following:

- The maximum leverage by the scheme, along with the methodology for calculation of leverage, are disclosed in the placement memorandum;
- The leverage is exercised in accordance with the disclosures in the placement memorandum and any deviation is subject to consent of two-thirds (2/3rd) of the investors by value; and
- The FME employing leverage has a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme.

48. Are the assets of the Restricted Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme are required to be valued by an independent third-party service provider such as a fund administrator or custodian registered with the Authority, a valuer registered with Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.

49. What is the frequency of computing NAV of each Restricted Scheme?

The NAV of each open-ended Restricted Scheme is required to be computed at least on a monthly basis and in case of a close-ended Restricted Scheme at least on a half-yearly basis. The procedure and methodology for calculating the NAV should be fully documented, and such documentation should be regularly verified and amended, if required.

50. What is the prescribed minimum contribution/ investment that the FME has to maintain in a Restricted Scheme?

In case of a close-ended scheme,

- at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 Million;
- at least USD 750,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 Million:

In case of an open-ended scheme,

- at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of less than USD 30 Million;
- at least USD 1,500,000 and not exceeding 10% of the targeted corpus in a scheme with targeted corpus of more than USD 30 Million.

Further, contribution by the FME is not mandatory in case of relocation of schemes established/ incorporated/ registered outside India to IFSC.

The above contribution shall be made by the FME or its associate entity within 45 days from the launch of the scheme and maintained on an ongoing basis.

51. Can the FME be exempted to contribute/ invest in the Restricted Scheme?

Yes, the FME may be exempted to contribute in the Restricted Scheme subject to the following conditions:

- at least 2/3rd of the investors in the scheme by value permits waiver of such contribution.
- at least 2/3rd of the investors in the scheme are accredited investors.
- the scheme is a fund of fund scheme investing in a scheme which has such similar requirements.

52. Can a Restricted Scheme co-invest?

A Restricted Scheme may co-invest in permissible investments under the Regulations through a SPV under the framework specified by the IFSCA or through a segregated portfolio by issuing a separate class of units.

The FME is required to ensure that:

- The investments by such segregated portfolios are, in no circumstance, on terms more favorable than those offered to the common portfolio of the Restricted Scheme; and
- Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.

Part C: Retail Schemes

53. What is a Retail Scheme?

Retail Schemes are schemes that are launched by Registered FMEs (Retail) for pooling money from all investors or a section of investors through an offer document for investment as per its stated investment objective in various permissible investments.

54. How can a FME launch a Retail Scheme?

For launching a Retail Scheme, a FME is required to file a draft offer document, duly approved by the fiduciaries, with the Authority along with the applicable fees, at least twenty-one (21) working days before the launch of the scheme. The FME shall ensure that the comments of the Authority are incorporated in the offer document prior to launch of the scheme.

55. In which legal forms can a Retail Scheme be set up?

A Retail Scheme can be constituted in IFSC as a Company or a Trust.

56. Can a Retail Scheme be open-ended or close-ended?

A Retail Scheme may be launched as an open-ended or close-ended scheme. In case of a close-ended scheme, the maximum tenure should be decided upfront and disclosed in the offer document. The minimum tenure of a close-ended scheme shall be 3 years.

Extension of the tenure of close ended schemes may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the Retail Scheme and the approval of the Authority.

57. What is the minimum number of investors in a Retail Scheme?

A Retail Scheme is required to have at least 20 investors with no single investor investing more than 25% in a scheme. This condition may be complied within a maximum period of six (6) months from the closure of the offer.

58. What is the minimum size of corpus of a Retail Scheme?

Each Retail Scheme is required to have a minimum corpus of USD 5 million. There is no cap on the maximum corpus of the scheme.

59. What are the investment restrictions applicable to a Retail Scheme?

Investment restrictions are applicable depending on the type of the Retail Scheme. These are listed below:

- A Retail Scheme shall not invest more than 15% of the total AUM of the scheme in unlisted securities.

- A close-ended Retail Scheme may invest more than 15%, but less than 50%, of the total AUM of the scheme in unlisted securities, subject to minimum investment size of USD 10,000 from each investor.
- A Retail Scheme shall not invest more than 10% of its AUM in securities of a single company (15% limit with prior approval of the fiduciaries). This limit shall not be applicable in case of Index schemes.
- A Retail Scheme shall not invest more than 25% of its AUM in its associates.
- A Retail Scheme shall not invest more than 25% of its AUM in a single sector (other than financial services sector). In case of investment in financial services sector, the amount shall not exceed 50% of the AUM of the scheme. These limits shall not apply in case of a sectoral/ thematic/ Index scheme.

60. Can a Retail scheme borrow or engage in leveraging activities?

Retail Schemes cannot borrow except to meet the temporary liquidity needs for the purpose of redemption, subject to maximum borrowing up to 20% of the AUM of the scheme and duration of borrowing shall not exceed a period of 6 months.

61. Are the assets of a Retail Scheme required to be valued by an independent valuer?

In line with the investment valuation norms, the assets of the scheme shall be valued by a third-party service provider, such as a fund administrator or custodian, registered with the IFSCA, a valuer registered with Insolvency and Bankruptcy board of India or such other person as may be specified by the Authority.

62. What is the frequency of computing NAV of a Retail Scheme?

The NAV of each open-ended Retail Scheme shall be computed on a daily basis. In case of a close-ended Retail Scheme, it shall be computed at least on a weekly basis.

63. What is the prescribed minimum contribution / investment that the FME has to maintain in a Retail Scheme?

In case of a Retail Scheme, the FME is required to invest at least, lower of:

- 1% of the AUM of the scheme; or
- USD 200,000.

64. Whether the FME contribution is mandatory in a Retail Scheme?

Yes, the FME Contribution in the Retail scheme is mandatory, except in following cases

- In case of relocation of schemes established/ incorporated/ registered outside India to IFSC, or
- where the scheme is a fund of fund scheme investing in a scheme which has such similar requirements.

The above contribution may be made by the FME or its associate within 45 days from the launch of the scheme and maintained on an ongoing basis.



Part D: Special Situation Funds

65. What is a Special Situation Fund?

Schemes that invest in special situation assets in accordance with its investment objectives and may act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016.

66. Which categories of FMEs can launch a Special Situation Fund?

A Registered FME may launch a Special Situation Fund.

67. How can a FME launch Special Situation Funds?

A Registered FME can launch Special Situation Funds, a category under Restricted Schemes, through private placement by filing memorandum along with the applicable fees with the IFSCA at least 21 working days before the launch of the scheme.

The FME shall ensure that the comments of Authority are incorporated in the placement memorandum prior to launch of the scheme.

The placement memorandum shall be valid for a period of 6 months from the date of filing with the IFSCA or the date of observation letter of the IFSCA, whichever is later.

68. In which legal forms can a Special Situation Fund be set up?

A Special Situation Fund shall be constituted in IFSC as a Company, LLP or Trust.

69. What is the nature and structure of a Special Situation Fund?

Special Situation Fund may be launched as a close-ended scheme and its maximum tenure shall be disclosed upfront in the placement memorandum. Its minimum tenure shall be 3 years. All other norms as applicable to a close-ended Restricted Scheme shall apply to a Special Situation Fund.

Extension of the tenure of a Special Situation Fund may be permitted up to 2 years subject to approval of 2/3rd of the investors by value of their investment in the fund.

70. Can a Special Situation Fund borrow or engage in leveraging activities?

A Special Situation Fund shall not borrow or engage in any leveraging activities other than to meet day-to-day operational requirements.

Exchange Traded Funds

71. What is an Exchange Traded Fund (ETFs)?

Exchange Traded Fund means a scheme of the FME that is mandatorily listed and traded on a recognised stock exchange in IFSC and includes:

- Equity Index based ETFs
- Debt Index based ETFs
- Commodity based ETFs
- Hybrid ETFs
- Actively Managed ETF
- Any other ETFs subject to approval of the concerned recognised stock exchange and the Authority

72. What are the key characteristics of the different types of ETFs listed above?

Type of ETFs	Key Characteristics
Equity Index based ETF	Replicates an equity index of IFSC/ Indian/ foreign jurisdiction to the extent of at least 95% of total assets
Debt Index based ETF	Replicates a debt index of IFSC/ Indian/ foreign jurisdiction to the extent of at least 90% of total assets
Commodity based ETF	Invests at least 90% in the specified commodity or related security/ instrument
Hybrid ETF	Invests in 2 or more asset classes
Actively Managed ETF	FME has discretion over composition of portfolio subject to stated investment objective and policies

73. Who can launch ETFs?

Only registered FME (Retail) can launch ETFs.

74. Whether units of ETFs need to be mandatorily listed on a recognised stock exchange in IFSC?

Yes. Units of ETFs should mandatorily be listed on at least one recognised stock exchange in IFSC.

75. Can the investors directly approach the FME for redemption of ETFs?

Investors can directly approach the FME for redemption of ETFs.

76. Are there any exemptions from charge of exit load at the time of redemption of ETF units?

No exit load shall be charged at the time of redemption of ETFs if:

- Traded Price (based on closing price) of the ETF units is at discount of more than 5% of NAV for continuous 30 trading days, or
- No quotes are available on recognised stock exchange for 5 consecutive trading days, or
- Total bid size on the recognised stock exchange is less than higher of 1% of the total units valued at NAV in ETF or USD 2,500 in value, averaged over a period of seven (7) consecutive trading days.

77. What is the process to launch an ETF?

Registered FMEs (Retail) may launch an ETF by filing the draft offer document with the Authority along with the application fees, at least twenty-one (21) working days before launch of the ETF. The FME shall ensure that the comments of the Authority are duly incorporated in the offer document prior to launch of the ETF. Actively managed ETF shall require prior approval of recognised stock exchange(s) where such ETF is intended to be listed.

78. Will there be market makers in an ETF? Who can be a market maker and what are the other requirements?

Yes, it is mandatory for a FME to appoint a market maker who shall be responsible for liquidity in the trading of ETF by way of providing two-way quotes. Further, the Market Makers are permitted to create units and seek redemptions directly from the FME. Recognised Stock Exchange(s) shall provide detailed rules for market makers viz. maximum spread, minimum quantity, if any, incentives, margining, net-settlement etc.

Environmental, Social and Governance (ESG)

79. What is ESG?

ESG is typically intended to encourage businesses and investors to evaluate impact of their activities on Environmental, Social and Governance factors and for evaluating sustainability related aspects.

80. What is the threshold for ESG related requirements applicable on FMEs?

A FME managing assets of value above USD 3 billion as at the close of a financial year is required to comply with prescribed ESG related requirements.

81. What are the ESG related measures which become applicable to a FME managing AUM in excess of the specified threshold?

A FME with AUM above USD 3 billion needs to:

- establish policy on governance around material sustainability-related risks and opportunities;
- disclose in its annual report how the FME identifies, assesses and manages material sustainability-related risks;
- establish and disclose in its annual report the process of factoring sustainability-related risks and opportunities into the FME's investment strategies and processes, including, where relevant, data and methodologies used; and
- comply with any other sustainability related requirements as may be specified by the Authority

82. What are the sustainability related disclosures to be made by FME?

All scheme documents filed by FME with the Authority should disclose whether sustainability related risks are incorporated in the decision making. Additionally, a negative statement needs to be included when sustainability related risks are not incorporated in the decision making.

83. What are the disclosures requirements to be made by FME that files a scheme related to ESG?

A FME that launches a scheme related to ESG, is required to make full disclosure regarding investment objective, investment policy, strategy, material risk, benchmark, etc., in the manner as may be specified by the Authority.

Other Fund Management Activities

Part A: Portfolio Management Services

84. Which type of FME can provide Portfolio Management Services to its clients?

A Registered FME, both retail and non-retail, can offer Portfolio Management Services to its clients.

85. Which categories of clients a FME can provide Portfolio Management Services to?

A FME can have the following categories as clients for providing portfolio management services:

- a person resident outside India;
- a non-resident Indian;
- a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
- an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed under the liberalised remittance scheme of Reserve Bank of India;

86. Where can the money be invested under the Portfolio Management Services?

The money or securities accepted from a client by a FME acting as a portfolio manager may be invested or managed in terms of the portfolio management agreement between the FME and the client. A FME operating as a portfolio manager in an IFSC is permitted to invest in securities and financial products in an IFSC, India or Foreign Jurisdiction.

In case of discretionary Portfolio Management Service, the FME shall invest in the securities listed or to be listed or traded on the stock exchanges, money market instruments, units of investment scheme and other financial products as specified by the Authority from time to time.

87. Is there a requirement for a Portfolio Manager to enter into a written agreement with the client for providing Portfolio Management Services?

A FME is required to enter into a written agreement with the portfolio management client that clearly defines the *inter se* relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio including details pertaining to investment objectives, risk factors, terms of fees, period of the contract, etc.

88. Are Portfolio Managers required to provide any disclosures to clients under the Regulations?

The Portfolio Managers are required to provide a disclosure document to the client, prior to entering into a portfolio management agreement with the client. Such agreement shall *inter-alia* contain details pertaining to the services offered, risk factors, client representation, financial performance, performance of portfolio manager, auditor observations, nature of expenses, taxation, investor grievance redressal mechanism and litigations by the regulatory authorities against the portfolio manager and its principal officers, directors/ partners/ designated partners and key managerial personnel.

Further, the FME is required to periodically furnish a report to the clients in terms of the agreement between it and the client which shall *inter-alia* contain details relating to composition and value of the portfolio, transactions undertaken during the period of the report, beneficial interest received during the period of the report, expenses incurred in managing the portfolio and details of risk relating to the securities recommended by the portfolio manager for investment or disinvestment.

89. In which scenarios can a client withdraw funds or securities before the maturity of the contract under PMS agreement?

The client can withdraw funds or securities before the maturity of the contract under the following circumstances:

- voluntary or compulsory termination of portfolio management services by the FME
- the client; or suspension or cancellation of the certificate of registration of the FME by the Authority; or
- bankruptcy or liquidation of the FME.

90. What is the minimum value of funds or securities that can be accepted by FME from the client under Portfolio Management Agreement?

A FME should not accept from the client, funds or securities worth less than USD 150,000 under a portfolio management agreement. However, this requirement shall not apply in case of an accredited investor.

91. Can the FME indulge in speculative transactions?

The FME shall not while dealing with clients' funds indulge in speculative transactions i.e., it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives. Further, the FME shall not use the portfolio of its clients for investment in derivatives, unless express consent has been obtained from its clients.

92. Can a FME charge return based fee from the client for rendering portfolio management services?

The FME may charge an agreed fee from the clients for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return. The fee so charged may be a fixed fee or a return based fee or a combination of both.

93. Can a FME provide advisory services to its clients as a part of its Portfolio Management Services?

Yes, FME as part of its Portfolio Management Services can enter into an agreement for advisory services provided that the advisory services are for a portfolio of minimum USD 150,000, subject to the compliance of applicable Regulations under the IFSCA (Capital Markets Intermediaries) Regulations, 2021.

94. Can a FME pool its portfolio management clients' funds and portfolio of securities with that of FME?

No. The FME is required to segregate each clients' funds and portfolio of securities and keep them separate from its own funds and securities. It is also responsible for safekeeping of clients' funds and securities.

95. Can a FME use omnibus structure for investments as a Portfolio Manager?

If the investments of clients are made in jurisdictions which permit omnibus account structure, the FME may use omnibus structure. However, in such cases, FME shall ensure that the investment using omnibus structure is pursuant to prior consent of the clients and adequate checks are in place to ensure that the clients' securities are earmarked separately.

Part B: Investment Trusts

96. What is an Investment Trust?

Investment Trust means a Real Estate Investment Trust (REIT) or an Infrastructure Investment Trust (InvIT) registered under IFSCA (Fund Management) Regulations, 2022.

97. Who can set up an Investment Trust in IFSC?

Any person from IFSC or India or a foreign jurisdiction is permitted to set up an Investment Trust in IFSC subject to registration of the investment trust with the Authority.

98. What are the sources through which an Investment Trust is permitted to raise funds?

An Investment Trust is permitted to raise funds through:

- Public issue with units listed on a recognised stock exchange; or
- Private placement with units listed on a recognised stock exchange; or
- Private placement with units not proposed to be listed on any recognised stock exchange.

99. What constitutes Holding company for the purpose of Investment Trust?

Holding Company or Hold Co means a Company or LLP or any other structure approved by the Authority:

- i. in which Investment Trusts holds or proposes to hold controlling interest and at least 51% of the equity share capital or interest and which in turn has made investments in other SPV(s), which ultimately hold the infrastructure assets or property(ies);
- ii. which is not engaged in any activity other than holding of the underlying SPV(s), real estate/ properties or infrastructure projects and any other activities pertaining to and incidental to such holdings.

100. Who is 'Sponsor' of an Investment Trust?

Sponsor of an Investment Trust is any company or LLP or body corporate which sets up the Investment Trust in IFSC and is designated as a Sponsor of such Investment Trust at the time of application.

101. What are the eligibility conditions for a Sponsor of an Investment Trust?

The eligibility conditions for a Sponsor are as follows:

Each Sponsor should hold or propose to hold $\geq 5\%$ of the number of units of the Investment Trust on post-initial offer basis;

- In case of an InvIT, each Sponsor should have a net worth of $\geq$ USD 15 million in case it is a body corporate or company or net tangible assets of value $\geq$ USD 15 million in case of a LLP. However, in case of a REIT, each sponsor should have a net worth of $\geq$ USD 3 million and the sponsor(s), on a collective basis, should have a net worth of not less than USD 15 million; and
- The Sponsor or its associate should have a track record of experience in development of real estate or infrastructure or fund management in the infrastructure/ real estate sector as may be relevant, of at least 5 years and where the sponsor is a developer at least two projects of the sponsor have been completed.

102. Can an Authorised FME act as the Investment Manager of an Investment Trust in case of public issues?

No. Only a Registered FME (Retail) can be appointed as Investment Manager in case of public issues.

103. What is the minimum offer and allotment to public in respect of an Investment Trust listed on a stock exchange?

Post Issue Capital	Minimum No. / value of units to be offered
Less than USD 240 million	At least 25% of the total outstanding units of the Investment Trust
USD 240 million or more and less than USD 600 million	At least USD 60 million
Equal to or more than USD 600 million	At least 10% of the total outstanding units of the Investment Trust

Further, any units offered to sponsor or the investment manager or the project manager or their related parties or their associates will not be counted towards units offered to the public.

104. Can the Investment Trust invest in foreign jurisdictions?

An Investment Trust can invest in IFSC or India or foreign jurisdiction. Any investment in foreign assets should be in compliance with all the applicable laws and requirements in that foreign country.

105. Can an Investment Trust engage in lending activities?

An Investment Trust shall not undertake lending to any person except to the Holding Company/ special purpose vehicle(s) in which the Investment Trust has invested. However, investment in debt securities is not considered as lending for this purpose.

106. What are the listing requirements for units of Investment Trust?

The units of Investment Trust (except for private placement of Investment Trust whose units are neither listed nor proposed to be listed on a stock exchange) shall be listed on a stock exchange

- in case of initial public offer, within 12 working days from the date of closure of the initial public offer
- in case of private placement, within 30 working days from the date of allotment

This requirement is not applicable if the initial offer does not satisfy the minimum subscription amount prescribed in the Regulations.

107. What is the minimum holding period for Sponsor in an Investment Trust?

The sponsor(s) and sponsor group(s) together shall hold not less than twenty percent of the total units of the Investment Trust, on a post-issue basis for a period not less than 3 years from the date of the listing of such units. Any holding by sponsor in the Investment Trust, exceeding twenty percent on a post issue basis, shall be held for a period of not less than one year from the date of listing of such units.

108. Can a person holding the units of the Investment Trust prior to initial offer sell such units immediately after listing of the units?

No. Any person (other than the sponsor(s)) holding units of the Investment Trust prior to initial offer are required to hold the units for a period of at least not less than six months from the date of listing of the units.

109. Under what circumstances can the stock exchange delist units of an Investment Trust?

The stock exchange may delist Investment Trust or schemes or ETF if it is satisfied that:

- the Investment Trust is suspended for trading for more than six months or parties to Investment Trust or FME are not taking adequate action to obtain restoration of listing and trading;
- the Investment Trust or parties to Investment Trust or FME is no longer eligible for listing or trading; or
- the Investment Trust has been compulsorily delisted from another exchange; or

- if the exchange is satisfied that there are special circumstances that require delisting of the Investment Trust; or
- it is directed to do so by the Authority or any other relevant authority or any court order of applicable jurisdiction

110. Can the FME file for voluntary delisting of units of an Investment Trust?

Yes. The stock exchange in IFSC may delist an Investment Trust, based on request received from the Investment Trust or FME, in the manner prescribed by the stock exchange or the Authority.



Part C: Family Investment Fund

111. What is a Family Investment Fund?

A Family Investment Fund means a self-managed fund pooling money only from a single family and which is set up in accordance with IFSCA (Fund Management) Regulations, 2022.

112. What constitutes a 'single family'?

Single family means a group of individuals who are the lineal descendants of a common ancestor and includes their spouses (including widows and widowers, whether remarried or not) and children (including stepchildren, adopted children, ex nuptial children).

113. In what legal form can a Family Investment Fund be constituted?

Family Investment Fund can be set up in IFSC as a Company, Contributory Trust or LLP or any other form as may be permitted by the Authority from time to time.

114. What is the minimum corpus requirement for a Family Investment Fund?

A Family Investment Fund in IFSC should have and maintain a minimum corpus of USD 10 million within a period of 3 years from the date of obtaining certificate of registration.

115. Can the Family Investment Fund be close-ended?

The Family Investment Fund could be open-ended or close-ended, depending upon the requirements of the family.

116. What are the permissible investments for a Family Investment Fund?

A Family Investment fund may invest in the following subject to other applicable provisions of Regulations:

- Securities issued by the unlisted entities;
- Securities listed or to be listed or traded on stock exchanges in IFSC, India or foreign jurisdictions;
- Money market instruments;
- Debt securities;
- Securitised debt instruments, which are either asset backed or mortgage-backed securities;
- Other investment schemes set up in the IFSC, India and foreign jurisdiction;

- Derivatives including commodity derivatives;
- Units of mutual funds and alternative investment funds in India and foreign jurisdiction;
- Investment in Limited Liability Partnerships;
- Physical assets such as real estate, bullion, art, etc.; or
- Such other securities or financial product /assets or instruments as specified by the Authority.

117. Can the Family Investment Fund engage in leveraging activities?

Yes, a Family Investment Fund can borrow funds or engage in leveraging activities as per their risk management policy.



Listing

118. Is listing of the open-ended schemes on recognised stock exchanges in IFSC mandatory?

No. Such listing is at the discretion of the FME.

119. Is listing of the close ended schemes on recognized stock exchanges in IFSC mandatory?

Listing of close-ended schemes (except in the case of close-ended Retail Schemes) is at the discretion of the FME. In case of a Retail Scheme being close ended, listing is mandatory on one of the recognised stock exchanges in IFSC.

120. Is there any requirement of seeking approval from recognised stock exchange(s) prior to listing?

The FME which intends to list units of its scheme or ETFs or Investment Trust on the recognised stock exchange(s), are required to obtain 'in-principle' approval from recognised stock exchange(s) in accordance with the requirements of the recognised stock exchange(s) from time to time.

121. Can an ETF or an Investment Trust issued in a foreign jurisdiction be allowed to list on recognised stock exchange(s) in IFSC? (Secondary Listing)

An ETF or Investment Trust (by whatever name it may be called outside IFSC) may be allowed to list and trade on a recognised stock exchange in IFSC, provided:

- The ETF or Investment Trust, as the case may be is listed in India (outside IFSC) or in a foreign jurisdiction; and
- The ETF or Investment Trust is in compliance with the law of its home jurisdiction.

The application for listing of such ETF or Investment Trust shall be filed with the recognised stock exchange(s) in the format and manner provided by the recognised stock exchange(s).

General Obligations and Responsibilities

123. What is the minimum tenure for preserving the books of accounts of the FME during the life of the scheme and after winding up?

Every FME is required to maintain and preserve at least the prescribed books of accounts, records and documents, in electronic retrieval form for a minimum of ten years and for a period of five years after winding up of the scheme.

124. What conditions are to be fulfilled by the FME for guaranteed returns?

No guaranteed return shall be provided in a scheme or under an agreement for PMS,

- unless such returns are fully guaranteed by the FME;
- unless a statement indicating the guarantee including details thereof is made in the offer document/ agreement;
- the manner in which the guarantee is to be met is stated in the offer document/ agreement.

125. What are the compliance requirements for change in control of the FME?

A FME is required to seek prior approval of the Authority in case of any direct or indirect change in control of the FME. However, for a FME operating in the form of branch in IFSC, which is required to seek such an approval from the sectoral regulator in its principle place of operations, it shall inform IFSCA of the same within fifteen days.

126. Can a scheme launched by FME be merged into another scheme of the FME?

Merger/ demerger/ restructuring of schemes is permissible subject to approval by the Authority or guidelines as may be issued by the Authority.

127. What is the time limit for adhering to a request from an investor for information about their holding?

A FME shall ensure that investors are provided information about their holding in the schemes of FME at the end of every month and within 10 working days in case of receipt of such request from an investor.

128. What are the restrictions on business activities of the FME?

The FME shall not undertake any business activities other than as specified under the Regulations without prior approval of the Authority. However, for a FME operating in the form of branch in IFSC, which is required to seek such an approval from the sectoral regulator in its principle place of operations, it shall inform IFSCA of the same within fifteen days.

Governance

129. Who are the ‘fiduciaries’ and at what stage of the lifecycle of a fund are they appointed?

The Board of Directors in case the fund is incorporated as a Company, the Designated Partners in case of LLP and Trustees (including the board in case of a Trustee company) in case of a Trust are collectively referred to as ‘fiduciaries’. Fiduciaries are appointed by the FME prior to filing of a scheme document with the Authority.

130. What are the requirements for a FME with respect to ensuring the business continuity?

A registered FME is required to maintain a Business Continuity Plan (BCP) identifying procedures relating to an emergency or significant business disruption. It shall update the BCP in the event of any material change to operations, structure, business, or location and shall conduct an annual review of the BCP.

131. What are the requirements for a FME with respect to risk management?

A FME is required to have a sound risk management system for comprehensively managing all risks. It shall have adequate internal procedures and controls, given the types of business in which it engages (including any activities which have been outsourced) with the aim of protecting the interests of clients/investors and their assets and ensuring proper management of risk.

132. What are the requirements for a FME with respect to cyber security or cyber resilience?

A registered FME is required to have a robust cyber security and cyber resilience framework in accordance with the requirements as may be specified by the Authority from time to time.

133. Is there a code of conduct prescribed for the FME?

Every FME, its fiduciaries, KMPs (including Principal officer, Fund Managers and Designated Compliance Officer) is required to abide by the Code of Conduct as specified in Third Schedule to the Regulations.

134. Is there any particular way in which the advertising or marketing of the schemes can be carried out by a FME?

The Regulations prescribe an Advertisement Code in the Fifth Schedule. A FME is required to comply with this code in advertising its schemes.

135. Can a FME appoint an Investment Committee? If so, what are the responsibilities of the said committee?

The FME may, at its discretion, constitute an Investment Committee to make investment decisions for the schemes. All responsibilities casted upon the FME and Fund Managers under the Regulations to the extent applicable shall also be complied with by the members of such Investment Committee.

136. What are the audit requirements for scheme accounts, if any?

Every scheme launched by FME is required to have the annual statement of accounts audited by an auditor who is not in any way associated with the FME. The auditor shall be appointed by the fiduciaries.

The auditor shall forward his report to the fiduciaries and such report shall form part of the Annual Report of the schemes.

137. What other activities can a FME pursue?

A FME is not permitted to undertake any business activities other than as specified under the Regulations without prior approval of the Authority. However, a FME operating in the form of branch in an IFSC shall inform the Authority within fifteen (15) days for its activities outside IFSC only if such an approval is required to be obtained from the sectoral regulator in its principal place of operations.

138. In which circumstances will Authority undertake inspection of FME and what could be the purpose of such inspection?

The Authority may on its own or upon receipt of information or complaint, appoint one or more persons as inspecting authority to undertake the inspection of the books, accounts, records, documents, infrastructure, procedures, systems of a FME or any other entity associated with the activities under the Regulations for any purpose or to investigate the affairs of schemes and activities as detailed under the Regulations

The purposes for such inspection may include -

- to ensure that the books of account, records and documents are being maintained in the manner as required under the Regulations;
- to ensure that the provisions of the IFSCA Act, the Regulations and circulars made thereunder, are complied with;
- to ascertain whether adequate internal control systems, procedures and safeguards have been established or are being followed by the FME or other entities to fulfil their obligations under the Regulations;

- to ascertain whether any circumstances exist which would render the FME or other entities unfit or ineligible;
- to inquire into the complaints received from the investors, clients, other market participants, or any other person on any matter having a bearing on the activities of the FME; and
- to inquire on its own into such matters as may be deemed fit in the interest of investors or the financial market in IFSC.



Fees

139. What is the Application / registration fee to be paid by the Fund management Entity and for various schemes under the IFSCA (Fund Management) Regulations, 2022?

Application and Registration fee to be paid by the Fund Management Entity is as under:

Category of FME	Application Fee	Registration Fee	Frequency
Authorised FME	USD 2,500	USD 5,000	One time
Registered FME (Non-Retail)		USD 7,500	
Registered FME (Retail)		USD 10,000	
Family Investment Fund		USD 15,000	

Additionally, every FME shall pay an Annual Fee of USD 2,000 in the first month of each financial year, i.e. April, starting from the financial year after the year in which the certificate of registration is granted by the Authority.

The fees to be paid by the FME for various activities are as under:

	Activity Type	Fee	Frequency
At the time of filing placement memorandum / offer document with the Authority	Venture Capital Scheme	USD 7,500	One time for each scheme at the time of filing with the Authority
	Restricted Schemes		
	i. Category – I AIF	USD 7,500	
	ii. Category –II AIF	USD 15,000	
	iii. Category –III AIF	USD 22,500	
	Retail schemes	USD 22,500	
	ETF	USD 22,500	
	Investment Trust	0.05% of offer Size	
	Angel Scheme	USD 3,000	
Fee for Angel Funds for intimation of investments		USD 500	For every filing
For undertaking Portfolio Management Services		USD 5,000	One time

Miscellaneous

140. Are there are regulatory relaxations provided under the Regulations for encouraging innovation of investment products?

Regulation 145 provides an enabling framework wherein the Authority may exempt any person or class of persons from the operations of all or any provisions of the Regulations for furthering innovation in aspects relating to testing of new products, strategies, processes, services, business models, etc. Further, for any experiment in a scheme towards a new strategy, no public money shall be solicited.

This exemption shall be valid for a specified period not exceeding 18 months and shall be granted subject to the applicant satisfying conditions prescribed by the Authority.

141. What would happen to AIFs registered with IFSCA before the effective date of IFSCA (Fund Management) Regulations, 2022?

All AIFs already registered with the authority before the effective date of IFSCA (Fund Management) Regulations, 2022 are considered as grandfathered and fresh registration for such funds / schemes is not required.



End of document

